

2019

Sea Harvest

OUR HARVEST FROM SEA TO SHORE

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation, integrity and objectivity of the consolidated and separate annual financial statements.

To fulfill this responsibility, the Group and Company maintain controls to provide reasonable assurance that assets are safeguarded and that records accurately reflect the transactions of the Group and Company.

The Group and Company annual financial statements are prepared in terms of International Financial Reporting Standards and have been reported on by our auditors in conformity with International Standards of Auditing and the Companies Act. The Group and Company annual financial statements for the year ended 31 December 2019 which appear on **pages 9 to 110,** were approved by the Board of Directors' on 31 March 2020 and signed on its behalf by:



F Robertson
Chairperson



F Ratheb
Chief Executive Officer

Preparation of annual financial statements

The Group and Company annual financial statements of Sea Harvest Group Limited for the year ended 31 December 2019 were prepared under the supervision of the Chief Financial Officer, JP de Freitas CA(SA).

Report of the Company Secretary

In terms of section 88(2)(e) of the Companies Act, I certify that the Company has lodged with the Commissioner all such returns and notices as are required by the Companies Act, and that all such returns and notices are true, correct and up to date.



JP de Freitas
Acting Company Secretary
31 March 2020

1° OUR REPORTS





- Independent auditor's report
- Report of the Directors
- Report of the Audit and Risk Committee

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sea Harvest Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate annual financial statements of Sea Harvest Group Limited (the Group) set out on **pages 18 to 107,** which comprise the statements of financial position as at 31 December 2019, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The reported key audit matters apply to the consolidated annual financial statements and there are no key audit matters for the separate financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
COMPLIANCE WITH LONG-TERM FISHING PERMIT CONDITIONS (GROUP)	
The Group holds long-term fishing rights in South Africa and Australia, which entitles it to quota allocations annually, enabling it to fish commercially. The long-term fishing rights are subject to compliance with regulatory and financial obligations. Non-compliance with long-term fishing permit conditions could lead to reputational damage, penalties and to quota being withdrawn. This could negatively impact the Group's ability to continue as a going concern. Given the severe implications of potential non-compliance with long-term fishing permit conditions, this was an audit focus area and is therefore considered to be a key audit matter.	Our audit procedures included the following: ➢ Evaluating the design, implementation and operating effectiveness of the controls to address the risk of non-compliance; ➢ Reviewing compliance with regulatory and financial obligations of all long-term fishing permit conditions through, inter alia, assessment of the following: – Reviewing correspondence with the regulatory body where there have been developments in the industry imposing additional regulatory or financial compliance requirements; – Inspecting correspondence from the regulatory body supporting quota allocations; and – Comparing and evaluating the evidence of quota caught against quota allocations and assessing compliance with permit conditions. The design, implementation and operating effectiveness of controls were found to be effective and there was sufficient and appropriate evidence to support compliance with long-term fishing rights conditions.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sea Harvest Group Limited CONTINUED

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

VALUATION OF GOODWILL FOR THE AQUACULTURE CASH GENERATING UNIT (GROUP)

As disclosed in **note 11,** the Group's goodwill balance is R850 million. R70 million of this balance arose on the acquisition of 51% of the Viking Aquaculture Proprietary Limited Group in the previous financial year. The goodwill is allocated to the Aquaculture CGU.

In line with IAS 36: Impairment of Assets, the directors are required to assess annually whether goodwill that arose on acquisitions is potentially impaired.

The impairment assessment is subject to significant management judgement and estimation. As disclosed in **note 11,** there are a number of key estimates made in determining the inputs into the model which includes:

- Revenue growth rates which are dependent on achieving forecast sales volumes at certain prices and exchange rates; and
- Discount rates (weighted average cost of capital), applied to the projected future cash flows.

As a result of the lower than expected financial performance of the Aquaculture segment in the current financial year and the significant judgment required in estimating forecasted sales quantities of abalone due to prevailing market conditions, primarily in China, the goodwill impairment assessment of the Aquaculture cash generating unit was identified as a key audit matter.

Our testing of the impairment assessment of goodwill for the Aquaculture cash generating unit focused on the key areas of estimates made by the directors.

Our audit procedures included:

- Assessing the design and tested the implementation of the key controls over the goodwill impairment process;
- Obtaining the respective discounted cash flow models which assessed the carrying value of goodwill;
- Critically evaluating whether the future projected cash flows used by the Directors to calculate the value-in-use of the cash generating unit complies with the requirements of IAS 36: Impairment of Assets (IAS 36);
- Assessing the reasonability of the future projected cash flows, including the assumptions relating to revenue growth rates and forecasted margins with specific emphasis on forecasted abalone quantities;
- Engaging our internal specialists to independently assess the reasonability of the discount rates and growth rates used in the directors' impairment calculations;
- Performing sensitivity analyses on key estimates including areas of judgement and estimate including revenue growth rates, forecasted margins and discount rates to evaluate the extent of the impact on the value-in-use;
- Recalculating the value-in-use of the cash generating unit; and
- Assessing the adequacy of the Group's disclosures in respect of goodwill in the notes to the consolidated financial statements.

Based on the procedures performed, the valuation methodology used is considered appropriate, the forecast cash flows are considered to be materially reasonable and the valuation headroom confirms that the carrying values of the goodwill are not impaired.

We reviewed the disclosure in **note 11** to the financial statements with respect to the judgements applied by the directors in assessing goodwill for impairment and we consider these to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sea Harvest Group Limited Group annual financial statements for the year ended 31 December 2019", which includes the Report of the directors, Report of the Audit and Risk Committee, Report of the Company Secretary as required by the Companies Act of South Africa and the Analysis of ordinary shareholders, which we obtained prior to the date of this report, and the information included in the document titled "Sea Harvest Group Limited Integrated Report for the year ended 31 December 2019", which is expected to be made available to us after that date. The other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate annual financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards 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 consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sea Harvest Group Limited CONTINUED

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Sea Harvest Group Limited for 11 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Michael van Wyk
Partner
31 March 2020

Unit 11, Ground Floor, La Gratitude, 97 Dorp Street, Stellenbosch, 7600

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.**

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**.

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%**

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.**

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.**

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**. 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.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the Committee) is pleased to present its report to the shareholders of Sea Harvest Group Limited for the year ended 31 December 2019. This report is prepared in line with the Committee's responsibilities as defined in the Companies Act, No 71 of 2008 (the Act), the King IV Report on Corporate Governance™ (King IV™) for South Africa and the JSE Listings Requirements.

Roles and responsibilities

The Committee is governed by formal terms of reference which has been approved by the Board and which is reviewed annually. A copy of the Committee's terms of reference can be found on the Group's website: **www.seaharvest.co.za.**

The terms of reference includes the Committee's statutory duties as described in the Act, King IV™ and the additional responsibilities assigned to it by the Board. In addition to its statutory duties prescribed in the Act, the Committee is required to provide independent oversight of the system of internal controls and risk management, and the effectiveness of the internal financial controls, to assist the Board in monitoring the integrity of the Group's interim and annual financial statements and other performance-related external reports. The Committee further oversees the effectiveness and independence of the Group's external and internal assurance providers and services that contribute to the integrity of the Group's financial and integrated reporting.

The Committee is satisfied that it has discharged all of its responsibilities as mandated by its terms of reference. This report sets out the manner in which the Committee has fulfilled these responsibilities during the year under review.

Composition of the committee

The Committee comprises four independent Non-executive Directors. The members of the Committee have remained unchanged for the 2019 financial year.

The Nomination Committee and the Board are satisfied that the members of the Committee have the requisite knowledge and experience as set out in section 94(5) of the Act and Regulation 42 of the Companies Regulations, 2011.

The Committee Chairperson, Ms KA Lagler, and members Mr BM Rapiya, Mr WA Hanekom and Ms CK Zama will hold office until the upcoming Annual General Meeting on 28 May 2020, where their re-election to the Committee will be a matter for shareholder consideration.

The Group Chairperson, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Investment Officer (CIO), Mr MI Khan (Non-executive Director), senior executives, internal auditors and external auditors attend the meeting of the Committee by invitation.

Meetings and work plan

The agenda of the meetings are derived from the adopted work plan of the Committee, which ensures that the Committee discharges its responsibilities in a structured manner.

The external and internal auditors attend Committee meetings and have unrestricted access to the Committee and its Chairperson and have the opportunity to address the Committee and its Chairperson without management being present to ensure their independence. The Committee reviewed detailed reports from the external auditors and internal auditors, the outcomes of which were reported to the Board by the Chairperson of the Committee.

Three Audit and Risk Committee meetings were held during the year under review and the members attendance records are set out below.

INDEPENDENT NON-EXECUTIVES



Committee Chairperson

KA LAGLER

CA(SA)

Meetings attended: 3/3



BM RAPIYA

BAdmin

Meetings attended: 2/3



WA HANEKOM

CA(SA)

Meetings attended: 3/3



CK ZAMA

CA(SA)

Meetings attended: 3/3

Key functions of the Committee

The Committee performed the following duties during the year ended 31 December 2019:

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval
- Satisfied itself with the adequacy of the Group's internal controls, including internal financial controls
- Reviewed the solvency and liquidity, working capital, and going concern position
- Reviewed and recommended the annual dividend proposal to the Board for approval
- Reviewed the expertise and experience of the Group's Chief Financial Officer and finance function
- Considered and nominated for approval at the Annual General Meeting (AGM) the external auditors and the designated auditor for the financial year under review
- Considered the independence and effectiveness of the external auditors
- Determined the fees paid to the external auditors and the auditor's terms of engagement
- Determined the nature and extent of non-audit services and the pre-approval of such services as the Committee deemed appropriate in accordance with the approved Non-Audit Services Policy
- Reviewed and approved the internal audit terms of reference and annual audit plan
- Considered the effectiveness and independence of the Head of Internal Audit and the internal audit function
- Received and considered the JSE Proactive Monitoring of Financial Statements reports
- Confirmed that there were no concerns or complaints raised in relation to financial reporting matters and internal controls
- Provided oversight of information technology governance and risk management
- Assessed the Group's combined assurance model and risk management framework
- Assessed the Group's application of the King IV™ Principles as set out in the King IV™ Application Register

Finance function

The preparation of financial reports, including the annual financial statements, were completed under the supervision of Mr JP de Freitas (CA)SA, the Group's Chief Financial Officer. As required by paragraph 3.84(g) of the JSE Listings Requirements, as well as the recommended practices of the King IV™ Code, the Committee reviewed and satisfied itself that the expertise and experience of Mr de Freitas is appropriate to meet his responsibilities in that position. The Committee further reviewed and was satisfied that the expertise and resources within the finance function were appropriate.

Risk management and combined assurance

The Committee reviewed the strategic risks that could materially impact the ability of the Group to deliver its objectives and the related mitigation plans and considers these appropriate.

The Committee continues to have oversight of the Group's approach to combined assurance in response to the risks facing the Group, and which incorporates the "three lines of defence" strategy. Assurance is obtained from several assurance providers in a co-ordinated manner to avoid duplication of effort. The internal audit plan is compiled in consultation with management, using a risk-based methodology. In addition, internal and external auditors work in a collaborative manner. For the 2019 financial year, the Committee considered the risk assessments and mitigation plans presented by management, evaluated and approved the plans of the internal audit function, and the external auditors, and the outcomes of the audit work performed.

The Committee meets with the internal and external auditors without management's presence and the Chairperson of the Committee has regular meetings with the Head of Internal Audit. The Committee is satisfied that the independent assurance providers' work undertaken, together with the internal controls designed by management, are adequate.

The Committee is satisfied that the combined assurance framework implemented by the Group is appropriate and provides sufficient assurance over the Group's risk universe.

REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

Information technology (IT) governance

The Committee has oversight responsibility for IT governance and IT risk management. IT governance and IT risk management are managed through various charters, plans, policies, procedures and practices. An IT Steering Committee meets quarterly to monitor IT governance and risk-related matters, and the adherence to various policies and procedures and provides written feedback to the Committee at each meeting. The Committee is satisfied that the reports of the IT Steering Committee adequately addresses IT governance and risk management requirements, including the appropriateness of the IT strategy and policies, systems and network architecture, applications, disaster recovery and cyber security management.

External auditors

The Committee has satisfied itself, through the evaluation of submissions made, that the external auditors of the Group are independent as defined by the Act and therefore are able to express an independent opinion on the Group's annual financial statements. The Committee, in consultation with management, has agreed to the audit fee for the 2019 financial year and has evaluated the extent of non-audit work in accordance with the established policy in this regard. This policy establishes that non-audit work performed by the external auditor beyond an agreed rand quantum is approved by the Committee Chairperson and communicated to other members of the Committee. In terms of the Group's non-audit services policy, the Committee has pre-approved certain allowable non-audit services up to predetermined limits. This policy requires that all proposed services are assessed prior to commencement of the work, by the Audit Committee Chair (as representative of the Committee) to ensure that the proposed service falls within the definition of the pre-approved non-audit services. The fees paid to the external auditors for non-audit services in 2019 related to taxation work and agreed upon procedures in respect of royalty certificates issued to the Marine Stewardship Council and taxation training for members of the Finance department.

At each meeting of the Committee, the external auditor is provided the opportunity to engage with the Committee without management's presence and no matters of concern were raised.

The Committee has evaluated information relevant to the external auditor in terms of paragraph 22.15(h) of the JSE Listings Requirements. Deloitte & Touche (Deloitte) is the Group's external auditor, was appointed in 2008 and has been the auditors for Sea Harvest Group Limited for 11 years. The Committee will give the matter of audit firm rotation in-depth consideration in due course to comply with the 2023 deadline.

Mr M van Wyk is currently the designated audit partner and was appointed as such in 2018. He has confirmed to the Committee that Deloitte has complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants codes.

The Committee, after appropriate consideration, has nominated for approval at the upcoming AGM on 28 May 2020, Deloitte & Touche as the external auditor, and Mr M van Wyk as the designated partner.

Key audit matters relating to the 2019 audit

The report of the independent auditors for the year ended 31 December 2019 contained the following key audit matters:

- Compliance with long-term fishing permit conditions in South Africa and Australia; and
- Viking Aquaculture goodwill impairment assessment

The committee has addressed the key audit matters as follows:

- The committee has assessed the processes and controls management have designed and implemented to ensure compliance with long term fishing permits and is satisfied these controls are working as assessed by management, internal auditors and the external auditors; and
- The committee has also considered the level of impairment testing performed by management and agreed with the conclusions reached by both management and the external auditor that no impairment of goodwill is required.

Internal auditors

The Group's in-house internal audit function operates in terms of a charter, which the Committee reviewed and approved during the reporting period. The Committee has considered the independence and effectiveness of the in-house internal audit function and considered these to be appropriate. The Committee also regularly evaluated the progress made in relation to the internal audit coverage plan for 2019, and is satisfied that significant matters reported to it and management by the internal audit function were appropriately remediated.

The Head of Internal Audit has the opportunity to meet with the Committee at each meeting without management being present. On a regular basis the Chairperson of the Committee also meets with the Head of Internal Audit and provides feedback to the Committee as appropriate. The Committee is satisfied, through the declarations made by the internal auditors, that the assurances provided to the Committee are aligned to the Code of Ethics of the Institute of Internal Auditors.

Accounting practices and internal financial controls

The Group has designed internal financial controls and systems to provide reasonable assurances as to the integrity and reliability of the interim and annual financial information, and to safeguard and maintain the assets of the Group.

The Committee has reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the Group's internal financial controls. Based on the results of this review, information provided by management, and in conjunction with the independent assurance providers, the Committee believes the internal financial controls are suitable and effective and provide a sound basis for the preparation of reliable financial information.

Annual financial statements

The Committee reviewed the annual financial statements for the year ended 31 December 2019 and is satisfied that it complies with International Financial Reporting Standards (IFRS). Accordingly, the Committee recommended the consolidated and separate annual financial statements to the Board for approval, which the Board subsequently approved.

Going concern, solvency and liquidity

The Committee reviewed the going concern status of the Group and recommended to the Board that the Group will continue to be considered on a going concern basis for the foreseeable future and that the Group is considered solvent and able to distribute its proposed dividend to shareholders.

JSE reporting requirements

The Committee evaluated the submissions made to it by the Company Secretary and management and is satisfied that the Group has met the JSE Listings Requirements and the requirements of the King IV™ Codes. The King IV™ application code can be found on the Group's website: **www.seaharvest.co.za.**

JSE proactive monitoring reports

The Committee has received and considered the findings in the following reports on the JSE's proactive monitoring of financial statements for compliance with IFRS:

- Reporting back on proactive monitoring of financial statements in 2019;
- Final findings of thematic review for compliance with IFRS 9 and IFRS 15 in 2019;
- Activities of the financial reporting investigations panel in 2019;
- The following extracts from the combined findings report (2011 to 2018):
  a. Transparency when reporting errors (pages 20 to 21);
  b. Statement of cash flows (pages 21 to 31);
  c. Income taxes (pages 32 to 34); and
  d. Impairments (pages 43 to 45).

The Committee has ensured that where applicable, the contents of these reports have been appropriately actioned in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2019.

Conclusion

I wish to extend my thanks to my fellow Committee members for the work undertaken during this reporting period. On behalf of the Committee, I wish also to thank the invitee non-executive and executive directors, management and assurance providers for their contributions to the Committee this year.



Kari Ann Lagler

CA(SA)

31 March 2020

2° OUR CONSOLIDATED STATEMENTS





- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Segment report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	NOTES	2019 R'000	2018 R'000
Revenue	1	**3 966 452**	2 583 341
Cost of sales		**(2 695 637)**	(1 675 097)
Gross profit		**1 270 815**	908 244
Other operating income		**73 544**	72 240
Selling and distribution expenses		**(158 484)**	(123 897)
Marketing expenses		**(13 214)**	(13 248)
Other operating expenses		**(573 081)**	(454 720)
Operating profit	2	**599 580**	388 619
Share of (loss)/profit of associate		**(112)**	647
Gain on bargain purchase		**891**	–
Fair value gains		**34 339**	48 743
Operating profit before investment income, finance costs and taxation		**634 698**	438 009
Investment income	3	**21 413**	46 125
Finance costs	4	**(121 919)**	(90 130)
Profit before taxation		**534 192**	394 004
Taxation	5	**(138 679)**	(100 871)
Profit after taxation		**395 513**	293 133
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		**3 645**	2 149
Remeasurement gain on defined benefit plan		**3 645**	2 149
Items that may be reclassified subsequently to profit or loss:		**84 005**	(8 261)
Exchange differences on foreign operations		**(14 045)**	22 275
Movement in cash flow hedging reserve		**191 207**	(24 585)
Movement in cost of hedging reserve		**(82 221)**	(37 769)
Reserves recycled to other operating income		**27 234**	20 614
Deferred taxation effect		**(38 170)**	11 204
Other comprehensive income/(loss), net of taxation		**87 650**	(6 112)
Total comprehensive income for the year		**483 163**	287 021
Profit/(loss) after taxation attributable to:			
Shareholders of Sea Harvest Group Limited		**412 478**	281 209
Non-controlling interests		**(16 965)**	11 924
		395 513	293 133
Total comprehensive income/(loss) for the year attributable to:			
Shareholders of Sea Harvest Group Limited		**498 319**	271 525
Non-controlling interests		**(15 156)**	15 496
		483 163	287 021
Earnings per share (cents)			
– Basic	6	**149.3**	112.8
– Diluted	6	**143.3**	108.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	NOTES	2019 R'000	2018 R'000
ASSETS			
Property, plant, equipment and vehicles	7	**1 881 734**	1 604 800
Right-of-use assets	8	**136 695**	–
Biological assets	9	**61 448**	107 646
Intangible assets	10	**639 795**	616 163
Goodwill	11	**849 615**	621 549
Investment in associate	13	**5 204**	5 316
Investment at fair value through other comprehensive income	14	**25 264**	25 264
Loans to supplier partners	15.1	**78 464**	72 182
Loan receivable	15.2	**3 606**	–
Financial assets	25	**23 218**	25 912
Loans to related parties	35	**81 799**	72 489
Deferred tax assets	16	**611**	333
Non-current assets		**3 787 453**	3 151 654
Trade and other receivables	18	**697 629**	507 500
Biological assets	9	**77 891**	–
Inventories	17	**582 162**	396 471
Financial assets	25	**124 947**	994
Tax assets		**8 289**	9 986
Cash and bank balances	19	**237 882**	781 679
Current assets		**1 728 800**	1 696 630
Total assets		**5 516 253**	4 848 284
EQUITY AND LIABILITIES			
Stated capital	20	**1 810 506**	1 538 762
Other reserves	20	**(36 953)**	(102 008)
Retained earnings		**663 721**	377 911
Equity attributable to the owners of the Company		**2 437 274**	1 814 665
Non-controlling interests		**76 500**	254 662
Total equity		**2 513 774**	2 069 327
Long-term borrowings	21	**1 268 291**	1 517 683
Employee-related liabilities	22	**22 510**	25 229
Share-based payment liabilities	30	**27 509**	27 626
Deferred grant income	23	**32 236**	20 026
Contingent consideration	24	**90 862**	121 910
Financial liabilities	25	**20 522**	41 806
Lease liabilities	26	**146 230**	–
Deferred taxation	16	**478 545**	374 551
Non-current liabilities		**2 086 705**	2 128 831
Short-term borrowings	21	**285 685**	174 955
Trade and other payables	27	**546 052**	410 211
Deferred grant income	23	**3 317**	2 317
Financial liabilities	25	**21 248**	36 726
Lease liabilities	26	**13 670**	–
Share-based payment liabilities	30	**15 909**	–
Short-term provisions	28	**21 088**	25 121
Taxation		**216**	796
Bank overdrafts	19	**8 589**	–
Total current liabilities		**915 774**	650 126
Total equity and liabilities		**5 516 253**	4 848 284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
	STATED CAPITAL R'000	INVESTMENT REVALUATION RESERVE R'000	CASH FLOW HEDGING RESERVE R'000	COST OF HEDGING RESERVE R'000
Balance as at 1 January 2018	1 294 875	17 309	1 703	–
Issue of shares	250 000	–	–	–
Recognition of forfeitable share plan reserve	–	–	–	–
Shares repurchased for purpose of forfeitable share plan	(38 526)	–	–	–
Non-controlling interest at acquisition of a subsidiary	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	(2 542)	(27 194)
Recognition of share-based payments	–	–	–	–
Transfer to share-based payment liability subsequent to modification date	–	–	–	–
Shares vested in terms of forfeitable share plan	–	–	–	–
Dividends declared and paid	–	–	–	–
Shares awarded in terms of forfeitable share plan	32 413	–	–	–
Balance as at 1 January 2019	**1 538 762**	**17 309**	**(839)**	**(27 194)**
IFRS 16: Leases transition adjustment	**–**	**–**	**–**	**–**
Adjusted opening balance	**1 538 762**	**17 309**	**(839)**	**(27 194)**
Issue of shares	**300 000**	**–**	**–**	**–**
Shares repurchased for purpose of forfeitable share plan	**(28 256)**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income for the year	**–**	**–**	**125 176**	**(30 596)**
Recognition of share-based payments	**–**	**–**	**–**	**–**
Transfer to share-based payment liability subsequent to modification date	**–**	**–**	**–**	**–**
Shares vested in terms of forfeitable share plan	**–**	**–**	**–**	**–**
Dividends declared and paid	**–**	**–**	**–**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**
Balance as at 31 December 2019	**1 810 506**	**17 309**	**124 337**	**(57 790)**

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
SHARE-BASED PAYMENTS RESERVE R'000	FOREIGN CURRENCY TRANSLATION RESERVE R'000	FORFEITABLE SHARE PLAN RESERVE (TREASURY SHARES) R'000	ACTUARIAL GAINS/ LOSSES RESERVE R'000	CHANGE OF OWNERSHIP R'000	RETAINED EARNINGS R'000	TOTAL R'000	NON-CONTROLLING INTERESTS R'000	TOTAL EQUITY R'000
341	(37 055)	(55 000)	1 625	(399)	174 267	1 397 666	168 313	1 565 979
–	–	–	–	–	–	250 000	–	250 000
–	–	(32 413)	–	–	–	(32 413)	–	(32 413)
–	–	–	–	–	–	(38 526)	–	(38 526)
–	–	–	–	–	–	–	71 348	71 348
–	–	–	–	–	281 209	281 209	11 924	293 133
–	17 903	–	2 149	–	–	(9 684)	3 572	(6 112)
23 183	–	–	–	–	–	23 183	–	23 183
(11 618)	–	–	–	–	–	(11 618)	446	(11 172)
(8 086)	–	8 086	–	–	–	–	–	–
–	–	–	–	–	(77 565)	(77 565)	(941)	(78 506)
–	–	–	–	–	–	32 413	–	32 413
3 820	**(19 152)**	**(79 327)**	**3 774**	**(399)**	**377 911**	**1 814 665**	**254 662**	**2 069 327**
–	**–**	**–**	**–**	**–**	**(10 417)**	**(10 417)**	**(1 580)**	**(11 997)**
3 820	**(19 152)**	**(79 327)**	**3 774**	**(399)**	**367 494**	**1 804 248**	**253 082**	**2 057 330**
–	**–**	**–**	**–**	**–**	**–**	**300 000**	**–**	**300 000**
–	**–**	**–**	**–**	**–**	**–**	**(28 256)**	**–**	**(28 256)**
–	**–**	**–**	**–**	**–**	**412 478**	**412 478**	**(16 965)**	**395 513**
–	**(12 384)**	**–**	**3 645**	**–**	**–**	**85 841**	**1 809**	**87 650**
27 388	**–**	**–**	**–**	**–**	**–**	**27 388**	**2 115**	**29 503**
(41 922)	**–**	**–**	**–**	**–**	**–**	**(41 922)**	**–**	**(41 922)**
(8 086)	**–**	**8 086**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**(116 251)**	**(116 251)**	**(903)**	**(117 154)**
(3 274)	**–**	**–**	**–**	**(2 978)**	**–**	**(6 252)**	**(162 638)**	**(168 890)**
(22 074)	**(31 536)**	**(71 241)**	**7 419**	**(3 377)**	**663 721**	**2 437 274**	**76 500**	**2 513 774**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	NOTES	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	A	**839 219**	539 159
Working capital changes	B	**(71 038)**	11 746
Cash generated by operating activities		**768 181**	550 905
Interest received		**10 617**	42 425
Dividends received		**4 000**	3 700
Proceeds from government grant		**17 181**	–
Interest paid		**(120 055)**	(83 963)
Income tax paid		**(119 509)**	(36 569)
Net cash generated from operating activities		**560 415**	476 498
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant, equipment and vehicles		**(264 629)**	(319 275)
Proceeds from the disposal of property, plant, equipment and vehicles		**22 098**	75 543
Acquisition of intangible assets		**(30)**	(38 925)
Acquisition of a subsidiary/business	31	**(558 139)**	(181 339)
Additions to biological assets		**(69 007)**	(37 149)
Cash movement in loan receivables		**8 299**	–
Net cash utilised in investing activities		**(861 408)**	(501 145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**300 000**	–
Shares repurchased		**(50 962)**	(38 526)
Proceeds from borrowings		**347 497**	1 271 051
Repayment of borrowings and lease liabilities		**(540 294)**	(641 514)
Amounts advanced to supplier partners		**(6 032)**	(68 000)
Repayment by supplier partners		**5 686**	–
Repayment of financial liabilities		**(21 401)**	(21 266)
Dividends paid		**(117 154)**	(78 506)
Further investment in subsidiary	31	**(168 890)**	–
Net cash (utilised in)/generated from financing activities		**(251 550)**	423 239
Net (decrease)/increase in cash and cash equivalents		**(552 543)**	398 592
Cash and cash equivalents at the beginning of the year		**781 679**	383 047
Effects of exchange rate changes on the balance of cash held in foreign currencies		**157**	40
Cash and cash equivalents at the end of the year	19	**229 293**	781 679

		2019 R'000	2018 R'000
A.	**Cash generated by operations**		
	Profit after taxation	**395 513**	293 133
	Adjustments for:		
	Finance costs	**121 919**	90 130
	Taxation charge	**138 679**	100 871
	Investment income	**(21 413)**	(46 125)
	Profit on disposal of property, plant, equipment and vehicles	**(5 223)**	(4 636)
	Loss on disposal of property, plant, equipment and vehicles	**548**	40
	Gain on bargain purchase	**(891)**	–
	Unrealised foreign exchange (gains)/losses	**(2 538)**	14 112
	Depreciation and amortisation on non-current assets	**183 484**	116 750
	Share of loss/(profit) of associate	**112**	(647)
	Government grant income	**(3 971)**	(1 528)
	Non-cash movements in relation to share-based payments	**26 080**	20 849
	Fair value loss/(gain) on option	**2 694**	(1 086)
	Fair value adjustment on contingent consideration	**(31 048)**	(35 600)
	Fair value adjustment on biological assets	**(5 984)**	(8 057)
	Fair value adjustment on loan receivable	**–**	(4 000)
	Non-cash movement on biological assets	**43 298**	22 928
	Movement in provisions and other non-cash movements	**(2 040)**	(17 975)
		839 219	539 159
B.	**Working capital changes**	**(71 038)**	11 746
	Increase in trade and other receivables	**(112 049)**	(60 201)
	Increase in trade and other payables	**47 555**	86 502
	Increase in inventory	**(6 544)**	(14 555)
	Cash generated by operating activities	**768 181**	550 905

SEGMENT REPORT

for the year ended 31 December 2019

As a result of the business combination, a new reportable segment, Cape Harvest Foods, was formed. The Groups' reportable segments under IFRS 8: Operating Segments, are the South African Fishing, Australian operation, Aquaculture and Cape Harvest Foods.

Basis of segment presentation

The segment information has been prepared in accordance with IFRS 8: Operating Segments which defines requirements for the disclosure of financial information of an entity's operating segments. The standard requires segmentation based on the Group's internal organisation and internal accounting presentation of revenue and operating income.

Identification of reportable segments

The Group discloses its reportable segments according to the entity components that the chief operating decision maker monitors regularly in making decisions about operating matters. The Group has four reportable segments being the South African Fishing, Australian operations, Aquaculture and Cape Harvest Foods.

Segment information is prepared in conformity with the basis that is reported to the CEO, who is the chief operating decision maker, in assessing segment performance and allocating resources to segments. These values have been reconciled to the consolidated annual financial statements. The basis reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated annual financial statements.

The South African Fishing operations predominantly fish Cape hake, pilchards and horse mackerel; Aquaculture farms and sells abalone, mussels, oysters and trout; the Australian operations predominantly fish shark bay prawns, scallops, crabs and spanish mackerel with value-added dairy products and fish shops in Cape Harvest Foods. The resultant products are marketed nationally and internationally.

The following tables are an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2019:

2019	SOUTH AFRICAN FISHING R'000	AUSTRALIAN OPERATIONS R'000	AQUACULTURE R'000	CAPE HARVEST FOODS* R'000	TOTAL R'000
Revenue	**2 470 044**	**437 752**	**68 920**	**989 736**	**3 966 452**
Depreciation and amortisation	**(130 741)**	**(14 508)**	**(16 995)**	**(21 240)**	**(183 484)**
Foreign currency and commodity price gains	**45 143**	**2**	**(176)**	**(377)**	**44 592**
Employee-related expenses	**(715 017)**	**(35 648)**	**(39 430)**	**(98 427)**	**(888 522)**
Share-based payment expenses	**(24 232)**	**(4 838)**	**–**	**(184)**	**(29 254)**
Other expenses	**(1 118 608)**	**(376 108)**	**(42 137)**	**(773 351)**	**(2 310 204)**
Operating profit	**526 589**	**6 652**	**(29 818)**	**96 157**	**599 580**
Gain on bargain purchase	**–**	**–**	**891**	**–**	**891**
Investment income	**20 196**	**17**	**128**	**1 072**	**21 413**
Finance costs	**(103 178)**	**(11 601)**	**(4 099)**	**(3 041)**	**(121 919)**
Fair value (loss)/gain	**(10 955)**	**–**	**45 294**	**–**	**34 339**
Share of profits of associate	**–**	**–**	**(112)**	**–**	**(112)**
Profit before taxation	**432 652**	**(4 932)**	**12 284**	**94 188**	**534 192**
Taxation	**(119 105)**	**(343)**	**6 481**	**(25 712)**	**(138 679)**
Profit after taxation	**313 547**	**(5 275)**	**18 765**	**68 476**	**395 513**
Segment assets	**3 093 199**	**886 253**	**696 867**	**839 934**	**5 516 253**
Segment liabilities	**1 961 289**	**389 157**	**450 260**	**201 773**	**3 002 479**
Non-current assets	**1 968 276**	**718 291**	**585 333**	**515 553**	**3 787 453**
Additions to non-current assets[1]	**166 689**	**31 796**	**27 844**	**51 821**	**278 150**
The above amounts of assets and liabilities include the following:					
Investment in associate	**–**	**–**	**5 204**	**–**	**5 204**

** Cape Harvest Foods includes Ladismith Cheese which has been consolidated from 2 January 2019.*

*[1] Additions exclude non-current assets acquired through business combination as detailed in **note 31**.*

Revenue excludes the following intersegmental revenues which are eliminated on consolidation: R134.2 million (2018: R98.2 million) between South African Fishing and Australian operation, R41.5 million (2018: R31.9 million) between South African Fishing and Cape Harvest Foods and R8.5 million (2018: R2.2 million) between Aquaculture and South African Fishing.

Cape Harvest Foods assets include assets of R1.1 billion acquired through business combination. Refer to **note 31**.

2018	SOUTH AFRICAN FISHING R'000	AUSTRALIAN OPERATIONS R'000	AQUACULTURE R'000	CAPE HARVEST FOODS R'000	TOTAL R'000
Revenue	2 005 357	442 837	54 532	80 615	2 583 341
Depreciation and amortisation	(94 979)	(13 292)	(7 339)	(1 140)	(116 750)
Foreign currency and commodity price gains	39 371	147	606	–	40 124
Employee-related expenses	(589 598)	(38 383)	(18 725)	(7 150)	(653 856)
Share-based payment expenses	(19 827)	(1 023)	–	–	(20 850)
Other expenses	(978 084)	(373 968)	(26 181)	(65 157)	(1 443 390)
Operating profit	362 240	16 318	2 893	7 168	388 619
Investment income	45 876	4	129	116	46 125
Finance costs	(78 260)	(11 861)	(8)	(1)	(90 130)
Fair value (loss)/gain	(2 744)	–	51 487	–	48 743
Share of profits of associate	–	–	647	–	647
Profit before taxation	327 112	4 461	55 148	7 283	394 004
Taxation	(99 951)	(1 618)	2 766	(2 068)	(100 871)
Profit after taxation	227 161	2 843	57 914	5 215	293 133
Segment assets	3 313 093	873 809	636 422	24 960	4 848 284
Segment liabilities	1 944 894	376 482	443 625	13 956	2 778 957
Non-current assets	1 817 223	715 194	613 561	5 676	3 151 654
Additions to non-current assets	266 262	81 755	44 393	2 939	395 349

As a result of a current year business combination, Cape Harvest Foods Proprietary Limited, which was previously reported under the South African Fishing segment, is now being reported in a newly formed segment called Cape Harvest Foods. The comparative information has been restated.

Information regarding major customers

No customer (2018: nil) individually contribute 10% or more of the Group's revenue arising from the South African Fishing, Australian operations, Aquaculture and Cape Harvest Foods.

3° OUR POLICIES





➢ Group accounting policies

GROUP ACCOUNTING POLICIES

Statement of compliance

The consolidated (or "Group") and separate (or "Company") annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with the JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the South African Companies Act, 71 of 2008. The financial statements were approved for issue by the Board of Directors on **31 March 2020**.

Basis of preparation

The Group and Company annual financial statements are prepared in accordance with the going concern and historical cost basis except for the revaluation of certain assets and liabilities detailed in **note 9, note 14, note 25 and note 32**.

The principal accounting policies set out below, have been applied on a basis consistent with the previous year except for the adoption of IFRS 16: Leases.

The presentation currency of the Group and Company annual financial statements is South African Rand and all amounts are rounded to the nearest thousand, except when stated otherwise.

The preparation of the Group and Company annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates

The following are the critical judgements or estimates that the directors have made in the process of applying the Group's and Company's accounting policies and that have the most significant effect on the amounts recognised in the consolidated and separate financial statements:

- **Fair value adjustment on biological assets**
  In measuring the fair value of abalone, fish, oysters and mussels, various management estimates and judgements are required. The fair value is determined based on market prices of abalone, fish, oysters and mussels of a similar age, breed and generic merit. In order to measure and value biological assets, management uses a growth-formula and drip- and purge-loss factors to determine the weight of the animals at the reporting date. These formulas are based on empirical evidence and confirmed industry norms.
  Refer to note 9 for further detail.

- **Financial instruments**
  Management uses their judgment in selecting an appropriate valuation technique for financial instruments which are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.
  Refer to notes 14 and 25 for further detail.

- **Post-retirement medical aid benefits**
  The assumptions and estimates made in the valuation of the defined benefit plans are set out in **note 22.**

- **Share-based payments**
  The value attached to share-based payments is estimated using valuation models requiring inputs that are based on estimates derived from available data.
  Refer to note 30 for more detail.

- **Business combinations**
  Management have made judgements and estimates in determining the fair value of the assets and liabilities purchased in a business combination, in particular intangible assets, property, plant, equipment and vehicles. Industry specialists were consulted where necessary.
  Refer to note 31 for further detail.

- **Significant judgement in determining the lease term of contracts with renewal option.**
  A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The group applies judgement in assessing whether it is reasonably likely that options will be exercised taking into account all relevant facts and circumstances that create an economic incentive. Factors considered include how far in the future an option occurs, payment amounts in the optional periods, plans that the group has in place for future use of the asset and past history of renewing/terminating leases.

- **Significant judgements and estimates relating to intangible assets and Goodwill**

Intangible assets as a result of contractual or legal rights

Significant judgement is applied by management when determining the classification of long-term fishing rights and permits as finite or indefinite useful life intangible assets and in determining the amortisation period for finite useful life intangible assets.

Perpetual fishing licences

Fishing licences which are held in perpetuity by the Group subject to compliance with regulatory and financial obligations, which are probable of being complied with, are classified as indefinite useful life intangible assets.

Long-term fishing rights

Fishing rights allocated by the South African Department of Environment, Forestry and Fisheries for a period of time in terms of its Fishing Rights Allocation Process ("FRAP") are classified as finite useful life intangible assets.

Indefinite useful life intangible assets constitute 79% of total intangible assets (2018: 77% of total intangible assets).

Amortisation of long-term fishing rights

The Group amortises long-term fishing rights over a longer period than the original term of the right, after considering the following factors:

- whether the Group intends and is able to renew the fishing rights;
- whether there are substantial costs associated with renewal; and
- whether there will be any material modifications to existing terms of the right.

The expectation of renewal of the long-term fishing rights is based on the Group's:

- transformation credentials;
- history of compliance with permit conditions and fishing responsibly;
- significant capital investment in order to conduct deep sea fishing operations;
- socioeconomic impact on the communities in which it operates;
- assessment of the impact of new entrants on the FRAP;

and therefore requires a significant degree of judgement to be applied by management.

Brand names

In the current year, the Group recognised an intangible asset relating to the Ladismith Brand acquired in the acquisition of Ladismith Cheese. The intangible asset was classified as an indefinite useful life asset based on the factors described in **note 10**.

Impairment of intangible assets including goodwill

Indefinite useful life intangible assets and goodwill are assessed for impairment annually. The value in use calculation requires management to estimate future cashflows and a suitable discount rate in order to calculate present value. Refer to **notes 10 and 11** for further detail.

Due to the nature of the Group's intangible assets, management do not apply residual values to them.

The Group discloses only those accounting policies which relate to material transactions, other events or conditions and:

- was changed during the reporting period because the Group was required to or chose to change its policy and this change resulted in a material change to the amounts included in the annual financial statements;
- was chosen from one or more alternatives in an IFRS Standard;
- was developed in accordance with paragraphs 10 to 12 of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors in the absence of an IFRS Standard that specifically applies;
- relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy and discloses those judgements or assumptions; or
- applies the requirements of an IFRS Standard in a way that reflects the Group's specific circumstances.

The principal accounting policies are:

Business combinations

The acquisition of businesses is accounted for using the acquisition method. Consideration transferred in a business combination is measured at fair value at the date of acquisition as being the sum of assets transferred, liabilities incurred or assumed and the equity interests issued by the Group in exchange for control of the acquiree.

Goodwill is measured as the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

All acquisition-related costs are charged to the statement of comprehensive income as expenses except for qualifying costs relating to the issuance of debt or equity instruments which are either capitalised to the carrying value of the debt instrument or charged directly to equity.

Contingent consideration that are not linked to continued employment for key management personnel or founders of the acquiree are included as part of the consideration transferred as part of the business combination at fair value at acquisition date and subsequently accounted for at fair value at every reporting date.

GROUP ACCOUNTING POLICIES

Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially recognised at cost and is subsequently measured at cost less accumulated impairment.

If the initial accounting for business combinations has been determined provisionally, then adjustments to the fair values of assets and liabilities resulting from the emergence of new information within the measurement period relating to the acquisition date are made against goodwill. In addition, goodwill is adjusted for changes in the fair value of contingent considerations that qualify as measurement period adjustments. Refer to **note 31** for further detail.

IMPAIRMENT

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. Refer to **note 11** for further detail.

VALUE-IN-USE

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering a period of up to five years and are extrapolated over the useful life of the asset to reflect the long-term plans of the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific asset and/or entity and country in which it operates or the product is sold.

Management determines the expected performance of the assets based on the following:

- an assessment of existing products against past performance and market conditions;
- an assessment of existing products against existing market conditions; and
- the pipeline of products under development, applying past experiences of launch success and existing market conditions.

The growth rate used to extrapolate cash flow projections beyond the period covered by the budgets and forecasts takes into account the long-term average rates of the industry in which the cash generating unit is operating. Estimations are based on a number of key assumptions such as volume, price and product mix which will create a basis for future growth and gross margin. These assumptions are set in relation to historic figures and external reports on market growth. If necessary, these cash flows are then adjusted to take into account any changes in assumptions or operating conditions that have been identified subsequent to the preparation of the budgets and forecasts.

The weighted average cost of capital is derived from a pricing model based on credit risk and the cost of debt. The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter.

An impairment loss recognised for goodwill is not reversed in subsequent periods. Refer to **note 11** for further detail.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

Unrealised profits or losses from transactions between Group entities and an associate or joint venture are eliminated to the extent of the Group's interest therein. Unrealised losses on transactions with joint ventures are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Loans extended to an associate or joint venture is regarded as part of the entity's net investment in the associate or joint venture for purposes of recognising losses and for impairment purposes. The loan however still represents a financial instrument that should be measured in accordance with IFRS 9: Financial Instruments and which should be disclosed in accordance with IFRS 7 Financial Instruments: Disclosure.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, which is normally on delivery. Delivery in case of export sales is determined by reference to the sales contract and application of Incoterms. The normal credit terms are 30 to 90 days after delivery.

The Group considers whether there are other promises in the sales order that are separate performance obligations to which a portion of the transaction price needs to be allocated such as warranties and customer loyalty points.

Dividend income is recognised when the right to receive payment has been established.

Government grants

Government grants are initially recognised as deferred income when there is reasonable assurance that they will be received and that there is reasonable assurance that the Group will comply with the conditions attaching to them.

Government grants that compensate the Group for expenses incurred are recognised as income over the period necessary to match them with the related costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Refer to **note 23** for further detail.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below R100 000). Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Employee benefits

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based benefits

In terms of the Group's share plans, executive directors and senior managers are awarded forfeitable shares in the Group. Refer to **note 30** for a detailed description of the plans.

The equity-settled share-based payment reserve is measured at the fair value of share instruments granted to Group employees at grant date with a corresponding charge to profit or loss over the period during which the employee becomes unconditionally entitled to the instruments.

The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted.

Reclassification from equity-settled to cash-settled

The Group has two controlled trusts which have been established as vehicles through which certain executives, senior managers and employees have made an investment in or acquired an economic exposure to shares in the Group.

The Group measured the liability initially using the reclassification date fair value of the equity award based on the elapsed portion of the vesting period. This amount is recognised as a liability with the corresponding entry in equity.

Subsequent to the modification of the share schemes, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted.

GROUP ACCOUNTING POLICIES CONTINUED

Cash-settled transactions

The fair value of the amount payable to employees in respect of these shares, which are now settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employee becomes unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

Defined contribution plans

The Groups' contribution to defined contribution plans is recognised as an expense when employees have rendered service entitling them to the contributions.

Defined benefit plans

The Group provides post-retirement medical aid benefits to certain of its retirees. This practice has been discontinued and this benefit is no longer offered to current or new employees. The Group's obligation is calculated by estimating the amount of future benefits that qualifying employees have earned in return for their service in current and prior periods. The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being carried out by independent actuaries at the end of each annual reporting period.

Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) and net interest costs are recognised in profit or loss in the period of a plan amendment.

Actuarial gains or losses and the return on plan assets (excluding interest) from defined benefit plans are recognised immediately in other comprehensive income and will not be reclassified to profit or loss.

Property, plant, equipment and vehicles

INITIAL RECOGNITION

Property, plant, equipment and vehicles are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management.

FREEHOLD LAND AND BUILDINGS

Immovable property owned by the Group is classified as owner-occupied property and carried at cost less accumulated depreciation and impairment. Land is shown at cost less accumulated impairment and is not depreciated.

LEASEHOLD LAND AND BUILDINGS

Improvements to leasehold property are capitalised and depreciated over the remaining period of the lease.

PLANT, MACHINERY, EQUIPMENT, MOTOR VEHICLES AND FISHING TRAWLERS AND REFITS

Plant, machinery, equipment, motor vehicles and fishing trawlers and refits are carried at cost less any accumulated depreciation and impairment losses. When plant, machinery and equipment comprise major components with different useful lives, these components are depreciated as separate items. In the case of fishing trawler refits, these costs are depreciated over the period between each vessel refit.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

DEPRECIATION

Depreciation begins when the asset is ready for its intended use and is recognised so as to write off the cost of the asset less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The anticipated useful lives for classes of property, plant and equipment are as follows:

	USEFUL LIFE
Freehold buildings	**5 – 50 years**
Leasehold improvements	**Term of lease**
Fishing trawlers	**5 – 45 years**
Refits	**2 – 2.5 years**
Plant, machinery and equipment	**2 – 40 years**
Motor vehicles	**2 – 14 years**
Office equipment	**2 – 26 years**

DERECOGNITION

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

IMPAIRMENT

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss and that the carrying amount might not be recoverable.

Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment, in terms of IAS 36: Impairment of assets.

Intangible assets (other than goodwill)

Intangible assets consist of fishing licenses, fishing rights, retail agency rights, trade names, brands, maritime aquaculture and seaweed rights.

INITIAL RECOGNITION AND MEASUREMENT

Intangible assets that are acquired separately are initially measured at cost. The cost of intangible assets acquired as part of a business combination and recognised separately from goodwill is recognised at fair value at the date of acquisition.

SUBSEQUENT MEASUREMENT

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The anticipated useful lives used in the determination of the amortisation charge are as follows:

	USEFUL LIFE
Fishing rights	**Two allocation cycles**
Fishing licences	**Indefinite**
Trade names	**5 years**
Maritime, aquaculture and seaweed rights	**8 – 14 years**
Retail agency right	**Indefinite**
Brands	**Indefinite**

DERECOGNITION

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT

Intangible assets are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may have suffered an impairment loss and that the carrying amount might not be recoverable.

Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit of loss.

GROUP ACCOUNTING POLICIES CONTINUED

Biological assets

Biological assets consist of abalone, mussels, oysters and fish in the water cultivated at aquaculture farms and are measured at their fair value less estimated point-of-sale costs. Fair value is determined based on the market prices of biological assets of similar age, breed and genetic merit. Point-of-sale costs includes all costs that would be incurred in order to get the biological assets to the customer. Gains or losses arising from measurement on initial recognition or from a subsequent change in fair value less estimated point-of-sale costs is included in profit or loss in the period in which it arises.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Where necessary, the carrying amounts of inventory is adjusted for obsolete, slow-moving and defective inventories.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable.

The lease payments also include payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The following categories of financial assets are recognised in the statement of financial position: 'loans', 'investment at fair value through other comprehensive income' financial assets, 'cash and cash equivalents', 'derivative financial assets' and 'trade and other receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

LOANS

Loans are carried at amortised cost, less provisions made for irrecoverable amounts.

INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group elected to classify irrevocably its unlisted equity investments under this category.

Investment at fair value through other comprehensive income financial assets are measured at fair value, and any fair value changes in the carrying amount of financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Gains or losses on these financial assets are never recycled to profit or loss.

Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand and short-term deposits held with banks that are available for use by the Group and are initially measured at fair value. Due to their short-term nature, amortised cost approximates fair value.

DERIVATIVE FINANCIAL ASSETS

Derivative financial assets are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at originated cost less allowance for credit notes. The carrying amount of trade and other receivables is reduced by an impairment allowance using lifetime expected credit loss based on reasonable and supportable information that is available at reporting date about past events, current conditions and forecast of future economic conditions, taking into account an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and the time value of money.

Changes in the carrying amount of the allowance account are written off against the allowance account and the recovery of amounts subsequent to being written off are recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

Lifetime expected credit losses are recognised for all financial assets at every reporting period for which there have been significant increases in credit risk since initial recognition, whether assessed on an individual or collective basis.

For certain categories of financial assets, such as loans and trade and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually, where there is objective evidence of impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

INTEREST INCOME

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Equity instruments and financial liabilities

CLASSIFICATION AS DEBT OR EQUITY

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

A repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

GROUP ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES

Financial liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities consist of long term loans, trade and other payables, fishing licence liability and other derivative financial liabilities. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, except for derivative financial liabilities.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

LONG-TERM LOANS

Subsequent to initial recognition, long term loans are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost using the effective interest rate method.

FISHING LICENCE LIABILITY

The fishing licence liability is stated at amortised cost using the effective interest rate method.

DERIVATIVE FINANCIAL LIABILITIES

Derivative financial liabilities are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when the Group's obligation is discharged, cancelled or they expire.

Hedge accounting

Hedges of foreign exchange risk on highly probable forecast transactions are accounted for as cash flow hedges. It is the Group policy to enter into forward exchange contracts for 50% of all net foreign currency trade or capital items.

At inception of the hedge relationship, the Group documents the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in a separate component of equity under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other operating income and losses' line item.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity under the heading cost of hedging reserve.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in 'other operating income and losses' line item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when the hedging relationship no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Segment reporting

The Group identifies operating segments based on internal reports and information that are regularly reviewed by the Group's chief operating decision maker (CODM). An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are used by the CODM to make decisions about resources allocated to the segment and to assess its performance.

Application of new and revised accounting standards and interpretations

In the current year, the Group has applied new and amended IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements, except for the adoption of IFRS 16: Leases.

IFRS 16: Leases

IFRS 16 supersedes IAS 17: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC-15: Operating Leases-Incentives and SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS: 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings, with no restatement of comparatives. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9.13%.

GROUP ACCOUNTING POLICIES CONTINUED

Adjustments recognised on adoption of IFRS 16

	R'000
Operating lease commitments as at 31 December 2018	227 712
Operating lease commitments disclosed as at 31 December 2018 discounted using the incremental borrowing rate at the date of initial application	137 059
Added through business combination	1 607
Less: short-term leases recognised on a straight-line basis as expenses and leases of low-value assets	(1 583)
Lease liability recognised as at 1 January 2019	137 083
Of which are:	
Non-current liabilities	124 079
Current lease liabilities	13 004

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	31 DECEMBER 2019 R'000	1 JANUARY 2019 R'000
The recognised right-of-use assets relate to the following types of assets:		
Buildings	136 695	118 375
Total right-of-use assets	136 695	118 375

The movement for 1 January 2019 to 31 December 2019 is due to new leases entered into during the period.

The effect of the adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Assets	
Right-of-use assets – Buildings	118 375
Total assets	118 375
Liabilities	
Lease liabilities	137 083
Deferred tax liabilities	2 575
Other payables	(9 286)
Total liabilities	130 372
Total adjustment on equity:	
Retained earnings	(10 417)
Non-controlling interests	(1 580)
Total equity	(11 997)

– Right-of-use assets of R118.4 million were recognised and presented separately in the statement of financial position.
– Lease liabilities of R137 million were recognised.
– Other payables (lease accrual) of R9.3 million related to previous operating leases that were derecognised.
– Deferred tax liabilities increased by R2.6 million as a result of the deferred tax impact of the derecognition of the lease accrual.
– The net effect of these adjustments had been adjusted to retained earnings (R10.4 million) and non-controlling interests (R1.6 million).

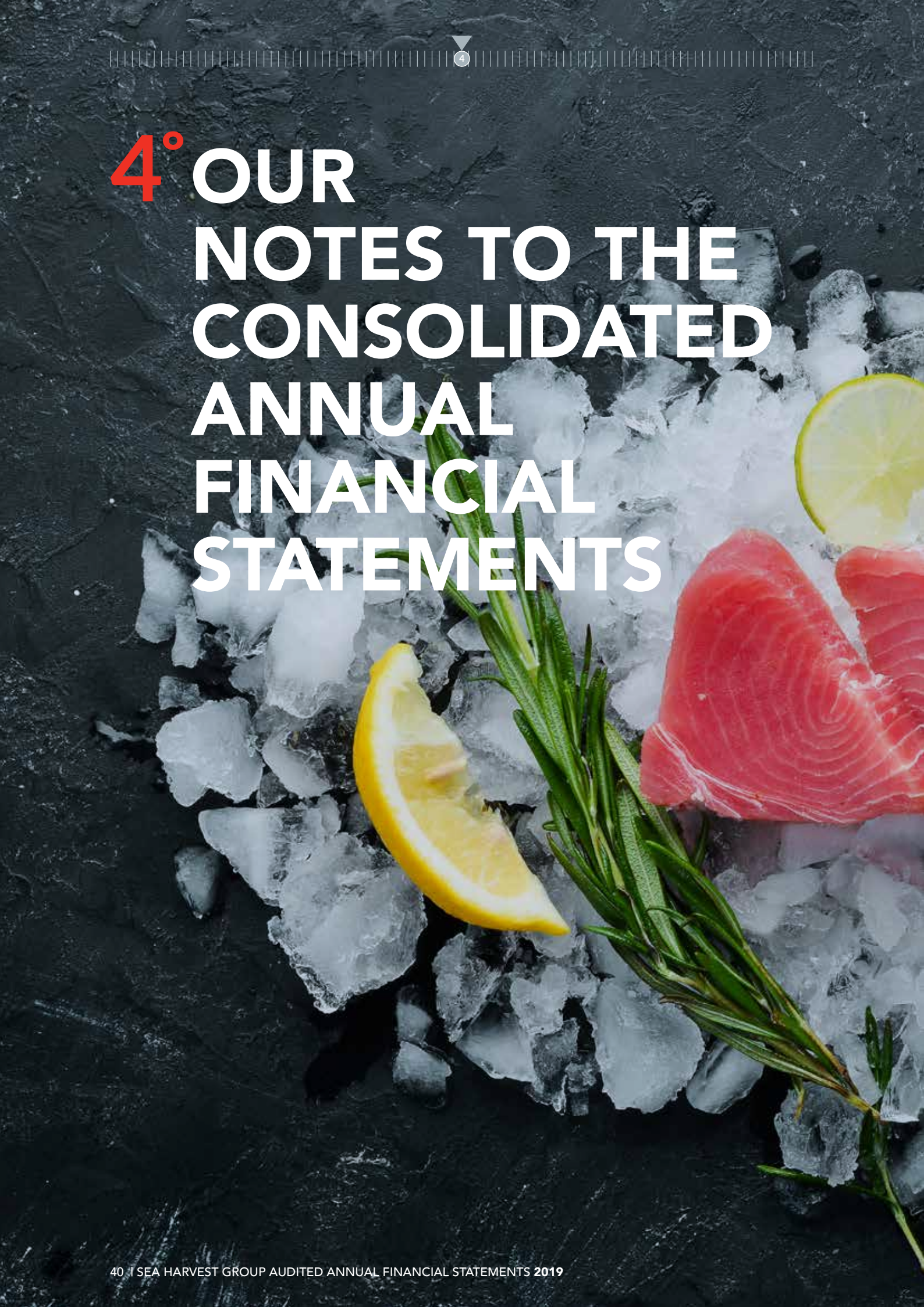
PRACTICAL EXPEDIENTS AND EXEMPTIONS APPLIED

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
– Used a single discount rate to discount a portfolio of leases with reasonably similar characteristics;
– Relied on its assessment of whether leases are onerous immediately before the date of initial application;
– Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application;
– Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
– Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods.





4° OUR NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

	GROUP	
	2019 R'000	2018* R'000
1. REVENUE		
Group revenue for the year can be analysed as follows:		
Revenue recognised at a point in time	**3 938 116**	2 583 341
Revenue recognised over time[1]	**28 336**	–
	3 966 452	2 583 341
Revenue from sale of goods comprise of:		
Wild-caught fish[2]	**2 510 694**	2 032 170
Shellfish[3]	**267 297**	268 162
Vegetables and meals	**94 499**	108 343
Traded	**190 171**	174 666
Dairy	**903 791**	–
	3 966 452	2 583 341
Revenue is further spilt by geographic location as follows:		
South Africa	**2 209 799**	1 079 820
Australia	**447 178**	471 997
Europe	**1 113 675**	909 331
Other markets	**195 800**	122 193
	3 966 452	2 583 341

** Revenue by product and geographic location split has been changed from how it was reported previously in conformity with the basis that it is reported to the CEO, who is the chief operating decision maker.*

[1] *As a result of the Ladismith Cheese acquisition, the Group now has a new revenue stream arising from the performance of services which relates to co-manufacturing and packaging contracts.*

[2] *Cape Hake, Horse Mackerel and related by-catch.*

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

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.

		GROUP	
		2019 R'000	2018 R'000
2.	**OPERATING PROFIT**		
	Operating profit is arrived at after taking into account the following:		
	Income		
	Foreign currency and commodity price gains	**44 592**	40 124
	Government grant income	**3 971**	2 314
	Profit on the disposal of property, plant, equipment and vehicles	**5 223**	4 636
	Operating expenses		
	Amortisation of intangibles	**8 612**	6 237
	Auditors remuneration		
	External statutory audit	**4 729**	4 300
	Other	**858**	773
	Depreciation of property, plant, equipment and vehicles	**158 219**	110 513
	Depreciation of right-of-use assets	**16 653**	–
	Movement in expected credit losses	**5 868**	666
	Inventory adjustments		
	Net increase/(decrease) in the provision for obsolescence	**1 950**	(2 057)
	Write downs to net realisable value	**6 236**	205
	Loss on the disposal of property, plant, equipment and vehicles	**548**	40
	Operating lease rental expense		
	Land and buildings	**3 972**	9 348
	Property, plant, equipment and vehicles	**6 077**	14 214
	Employee-related expenses		
	Salaries, wages and other short-term benefits	**888 522**	653 856
	Share-based payments expense	**29 254**	20 850
	Post-employment benefits	**42 316**	23 892
	Total employee-related expenses	**960 092**	698 598
3.	**INVESTMENT INCOME**		
	Interest received on bank deposits and from external parties	**17 347**	42 425
	Dividends received from investment at fair value through other comprehensive income	**4 000**	3 700
	Other	**66**	–
		21 413	46 125
4.	**FINANCE COSTS**		
	Interest on borrowings	**100 321**	84 006
	Interest on lease liability	**13 742**	–
	Other[1]	**7 856**	6 124
		121 919	90 130

[1] *Other finance costs mainly relate to interest paid to SARS and post-retirement medical aid.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2019

		GROUP	
		2019 R'000	2018 R'000
5.	**TAXATION**		
	Current tax: South Africa		
	In respect of the current year	**126 356**	15 007
	In respect of prior years	**(3 579)**	1 766
		122 777	16 773
	Deferred tax: South Africa		
	In respect of the current year	**16 736**	82 480
	In respect of prior years	**(1 172)**	–
		15 564	82 480
	Current tax: Australia[1]		
	In respect of the current year	**–**	1
		–	1
	Deferred tax: Australia		
	In respect of the current year	**669**	1 791
	In respect of prior years	**(331)**	(174)
		338	1 617
	Taxation charge	**138 679**	100 871
	Deferred tax recognised through other comprehensive income		
	Fair value remeasurement of cash flow hedges and cost of hedging	**(38 170)**	11 204
		(38 170)	11 204
	Tax rate reconciliation		
	Profit before taxation	**534 192**	394 004
	Income tax expense calculated at 28% (2018: 28%)	**149 574**	110 321
	Prior year adjustment	**(13)**	–
	(Under)/over provided previous year	**(5 082)**	1 591
	Non-taxable income[2]	**(16 432)**	(20 583)
	Non-deductible expenses[3]	**9 589**	10 672
	Deferred tax asset previously not recognised	**–**	(1 599)
	Deferred tax asset not recognised	**2 711**	93
	Prior year assessed losses	**–**	466
	Capital gains tax	**(1 638)**	(194)
	Tax effect of tax rates of subsidiary operating in other jurisdiction	**(30)**	104
	Taxation charge	**138 679**	100 871

[1] *The Australian tax rate is 30% (2018: 30%).*

[2] *Non-taxable income mainly relates to the fair value adjustment on the contingent consideration of R44.3 million. Refer to* ***note 24****.*

[3] *Non-deductible expenses mainly relates to legal, consulting and other professional fees.*

		NUMBER OF SHARES	
		2019	2018
6.	**EARNINGS PER SHARE**		
6.1	CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	**276 365 749**	249 202 106
	Dilutive instruments[1]	**11 408 845**	9 786 612
	Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**287 774 594**	258 988 718

[1] Dilutive instruments relates to the share trusts of 4 924 764 (2018: 6 989 239) and forfeitable share plan of 6 484 081 (2018: 2 797 373).

		GROSS OF TAX 2019 R'000	NET OF TAX AND NON-CONTROLLING INTEREST 2019 R'000	GROSS OF TAX 2018 R'000	NET OF TAX AND NON-CONTROLLING INTEREST 2018 R'000
6.2	DETERMINATION OF HEADLINE EARNINGS				
	Profit attributable to shareholders of Sea Harvest Group Limited	**534 192**	**412 478**	394 004	281 209
	Adjusted for:				
	Gain on disposal of property, plant, equipment and vehicles	**(4 675)**	**(1 170)**	(4 596)	(3 310)
	Gain on bargain purchase	**(891)**	**(891)**	–	–
	Headline earnings for the year	**528 626**	**410 417**	389 408	277 899

	2019	2018
Headline earnings per share (cents)		
– Basic	**148.5**	111.5
– Diluted	**142.6**	107.3
Basic earnings per share (cents)	**149.3**	112.8
Diluted earnings per share (cents)	**143.3**	108.6

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2019

7. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

	FREEHOLD LAND AND BUILDINGS R'000	LEASEHOLD LAND AND BUILDINGS R'000	FISHING TRAWLERS AND REFITS R'000	PLANT, MACHINERY AND EQUIPMENT R'000	MOTOR VEHICLES R'000	OFFICE EQUIPMENT R'000	TOTAL R'000
2019							
Balance as at 1 January 2019	**72 276**	**16 388**	**830 959**	**645 368**	**8 245**	**31 564**	**1 604 800**
Cost	**76 271**	**42 418**	**1 056 098**	**756 340**	**12 163**	**60 139**	**2 003 429**
Accumulated depreciation and impairment	**(3 995)**	**(26 030)**	**(225 139)**	**(110 972)**	**(3 918)**	**(28 575)**	**(398 629)**
Transfers in	**9 437**	**–**	**–**	**7 342**	**–**	**722**	**17 501**
Transfers out	**–**	**–**	**–**	**(9 912)**	**–**	**(7 589)**	**(17 501)**
Additions	**169**	**11 030**	**97 245**	**124 481**	**6 027**	**28 927**	**267 879**
Acquisitions through business combinations	**75 195**	**–**	**–**	**101 991**	**12 403**	**97**	**189 686**
Disposals/Derecognition	**–**	**(13)**	**(15 978)**	**(647)**	**(1 362)**	**(84)**	**(18 084)**
Cost	**–**	**(493)**	**(49 670)**	**(5 340)**	**(1 848)**	**(972)**	**(58 323)**
Accumulated depreciation and impairment	**–**	**480**	**33 692**	**4 693**	**486**	**888**	**40 239**
Depreciation for the year	**(4 603)**	**(3 414)**	**(90 011)**	**(48 506)**	**(3 933)**	**(7 752)**	**(158 219)**
Effect of foreign currency exchange differences	**(574)**	**–**	**(3 265)**	**(223)**	**(3)**	**(263)**	**(4 328)**
Balance as at 31 December 2019	**151 900**	**23 991**	**818 950**	**819 894**	**21 377**	**45 622**	**1 881 734**
Cost	**160 373**	**52 955**	**1 099 800**	**974 607**	**28 724**	**80 466**	**2 396 925**
Accumulated depreciation and impairment	**(8 473)**	**(28 964)**	**(280 850)**	**(154 713)**	**(7 347)**	**(34 844)**	**(515 191)**

Transfers relate to capital work in progress which is capitalised to the relevant classes of property, plant, equipment and vehicles when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

2018							
Balance as at 1 January 2018	20 658	9 250	604 204	153 718	1 439	18 923	808 192
Cost	22 879	32 274	837 009	250 531	4 111	40 028	1 186 832
Accumulated depreciation and impairment	(2 221)	(23 024)	(232 805)	(96 813)	(2 672)	(21 105)	(378 640)
Transfers in	–	–	20 842	7 235	–	7 796	35 873
Transfers out	–	–	–	(35 873)	–	–	(35 873)
Additions	58	8 183	157 847	144 209	199	8 779	319 275
Acquisitions through business combinations	52 340	2 116	186 095	400 679	8 128	3 106	652 464
Disposals/Derecognition	(61)	–	(70 109)	(561)	(214)	(3)	(70 948)
Cost	(61)	(155)	(150 478)	(11 236)	(316)	(264)	(162 510)
Accumulated depreciation and impairment	–	155	80 369	10 675	102	261	91 562
Depreciation for the year	(1 640)	(3 161)	(72 125)	(24 763)	(1 322)	(7 502)	(110 513)
Effect of foreign currency exchange differences	921	–	4 205	724	15	465	6 330
Balance as at 31 December 2018	72 276	16 388	830 959	645 368	8 245	31 564	1 604 800
Cost	76 271	42 418	1 056 098	756 340	12 163	60 139	2 003 429
Accumulated depreciation and impairment	(3 995)	(26 030)	(225 139)	(110 972)	(3 918)	(28 575)	(398 629)

In 2015, property, plant and equipment with a carrying amount of approximately R62 million was acquired with the assistance of a DTI government grant. The government grant is treated as deferred income and released to the statement of comprehensive income over the useful lives of the assets. Please refer to ***note 23****.*

In 2019, an additional grant of R17 million was received and used towards the purchase of property, plant and equipment with a carrying value of approximately R94 million. The scheme offers a maximum of 20% cost sharing to a maximum value of R20 million towards the cost of the qualifying assets. The government grant is treated as deferred income and released to the statement of comprehensive income over the useful lives of the assets. Please refer to ***note 23****.*

The moveable assets of the Group, including property, plant and equipment with a carrying amount of approximately R1.9 billion (2018: R1.6 billion) have been pledged to secure long-term borrowings of the Group (see ***note 21****).*

The cost of fully depreciated property, plant and equipment still in use amounts to R145.3 million (2018: R175 million).

	R'000
8. RIGHT-OF-USE ASSETS	
The Group has entered into agreements to lease land and manufacturing/office buildings, with lease terms between three and ten years. The Group has the option, under some leases, to lease the assets for additional terms of three to five years. The likelihood of exercising these options is assessed on a lease-by-lease basis.	
Balance at effective date – 1 January 2019	**118 375**
New leases[1]	**36 653**
Acquired through business combination	**445**
Terminated leases	**(1 906)**
Cost	**(2 269)**
Accumulated depreciation on terminated leases	**363**
Depreciation	**(16 653)**
Effect of foreign currency exchange differences	**(219)**
Balance as at 31 December 2019	**136 695**
Cost	**152 705**
Accumulated depreciation and impairment losses	**(16 010)**
Amounts recognised in profit or loss:	
Depreciation expense on right-of-use assets	**16 653**
Expenses relating to leases of low-value assets	**5 403**
Gain on modification of lease	**438**
Interest expense on lease liabilities	**13 742**
Expenses relating to short-term leases	**4 646**
Total cash flows recognised:	
Rental expenses[2]	**35 779**

[1] *New leases relates to the additional fish shops opened within the Cape Harvest Foods segment and cold stores within the South African Fishing Segment.*

[2] *Total rental expenses consists of R10 049 relating to low-value and short-term leases (classified as operating activities), R12 640 relating to interest on lease liabilities (classified as operating activities) and R13 090 relating to the capital portion of lease liabilities (classified as financing activities).*

At 31 December, the Group is committed to R4.2 million relating to short-term leases.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2019

9. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone, mussels, oysters and fish. Biological assets are measured at the best estimate of fair value less anticipated marketing and other related selling costs.

9.1 RECONCILIATION OF BIOLOGICAL ASSETS

	ABALONE R'000	MUSSELS AND OYSTERS R'000	FISH R'000	TOTAL R'000
2019				
Balance as at 1 January 2019	**80 048**	**18 855**	**8 743**	**107 646**
Increase due to additions and cost capitalised	**41 235**	**13 250**	**14 522**	**69 007**
Decrease due to harvest and mortalities	**(17 417)**	**(8 824)**	**(17 057)**	**(43 298)**
Fair value adjustment	**3 892**	**900**	**1 192**	**5 984**
Balance as at 31 December 2019	**107 758**	**24 181**	**7 400**	**139 339**
Transferred to current	**65 772**	**10 362**	**1 757**	**77 891**
Total non-current	**41 986**	**13 819**	**5 643**	**61 448**
2018				
Increase due to acquisitions through business combinations	63 789	14 674	6 905	85 368
Increase due to additions and costs capitalised	20 794	6 969	9 386	37 149
Decrease due to harvests and mortalities	(9 789)	(4 674)	(8 465)	(22 928)
Fair value adjustment	5 254	1 886	917	8 057
Balance as at 31 December 2018	80 048	18 855	8 743	107 646

	ABALONE (TONNES)	MUSSELS (TONNES)	OYSTERS (UNITS)	FISH (TONNES)
2019				
Quantities on hand at 31 December 2019	**458**	**1 000**	**13 465**	**80**
Quantities harvested and mortalities during the period	**86**	**266**	**1 903**	**78**
2018				
Quantities on hand at 31 December 2018	300	937	8 043	113
Quantities harvested during the period	79	186	1 914	56

Included in inventory of finished goods is an amount of R3.0 million (2018: R2.7 million) relating to canned biological assets. The operating cycle is more than one year and therefore only abalone above and including 40 – 50g, oysters above and including 50 – 60g size categories, fish larger than 1.5kg and mussels at harvestable size are classified as current assets.

The fair value adjustment on biological assets of R6.0 million (2018: R8.1 million) consists of R13.6 million (2018: R5.5 million) relating to physical change in size and -R7.6 million (2018: R2.6 million) relating to change in market price.

The Group has budgeted to spend R51.2 million (2018: R3.6 million) in further development and acquisition of biological assets during the next reporting period. There are no biological assets pledged as security for debt.

9.1.1 Fair value hierarchy

The fair value measurements for abalone biological assets have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

9.1.2 Level 3 fair values

The following valuation techniques and significant unobservable inputs are used in measuring fair value of biological assets:

Biological assets are measured at their fair value less costs to sell. The fair value of fish, mussels, oysters, spats and abalone are determined based on market prices of these biological assets of a similar age, breed, and genetic merit. In the absence of an active market, fish, mussels, oysters, spats and abalone are stated at cost less accumulated impairment. Subsequent expenditure incurred in the development of the fish, mussels, oysters, spats and abalone from a certain size up to the point of maturity, is capitalised in the cost. The fair value of broodstock is determined based on market prices of broodstock of similar age, breed, and genetic merit.

9.2 RISK MANAGEMENT STRATEGY RELATED TO AQUACULTURAL ACTIVITIES

9.2.1 Exchange rate risks

The Group is subject to changes in the exchange rate as abalone sales prices are denominated in US dollar and biological assets are measured at fair value which is also based on the US dollar market price. The Group's currency risk management is described in **note 33**.

9.2.2 Mechanical risks

Reliance on plant and equipment to sustain a living environment for the abalone exposes the Group to certain risks. This risk is managed by allowing for redundancy of key equipment and generators, and, shortage of electricity supply. Critical assets are monitored with sophisticated alarm systems. Livestock mortality and asset insurance is in place.

9.2.3 Disease risks

Short-term insurance cover, as part of an overall management strategy, is utilised to protect against the replacement cost of re-stocking the farms in the event of mortalities caused by natural perils, forced de-stocking, disease or mechanical failure.

9.3 ASSUMPTION SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to a change in exchange rates used in the valuation of abalone. The sensitivity analysis demonstrate the increase/(decrease) on the biological assets which could result from a change in this assumption.

	EXCHANGE RATE	FAIR VALUE ADJUSTMENT R'000
- 10% (Weakening of the rand against the USD)	**$1/R15.42937**	**11 193**
+10% (Strengthening of the rand against the USD)	**$1/R12.62403**	**(3 409)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2019

10. INTANGIBLE ASSETS

	INDEFINITE USEFUL LIFE INTANGIBLE ASSETS			FINITE USEFUL LIFE INTANGIBLE ASSETS			
	FISHING LICENCES R'000	BRAND R'000	RETAIL AGENCY RIGHT R'000	FISHING LICENCES AND PERMITS R'000	MARITIME AQUACULTURE AND SEAWEED RIGHTS R'000	TRADE NAMES AND BRANDS R'000	TOTAL R'000
2019							
Balance at the beginning of the year	**471 878**	**–**	**3 034**	**135 327**	**2 878**	**3 046**	**616 163**
Cost	**471 878**	**–**	**3 034**	**267 301**	**2 991**	**3 310**	**748 514**
Accumulated amortisation and impairment	**–**	**–**	**–**	**(131 974)**	**(113)**	**(264)**	**(132 351)**
Additions from separate acquisitions	**–**	**–**	**–**	**–**	**–**	**30**	**30**
Acquisitions through business combinations	**–**	**45 813**	**–**	**–**	**–**	**–**	**45 813**
Amortisation for the year	**–**	**–**	**–**	**(7 857)**	**(226)**	**(529)**	**(8 612)**
Effect of foreign currency exchange differences	**(13 456)**	**–**	**(87)**	**(37)**	**–**	**(19)**	**(13 599)**
Balance at the end of the year	**458 422**	**45 813**	**2 947**	**127 433**	**2 652**	**2 528**	**639 795**
Cost	**458 422**	**45 813**	**2 947**	**267 252**	**2 991**	**3 321**	**780 746**
Accumulated amortisation and impairment	**–**	**–**	**–**	**(139 819)**	**(339)**	**(793)**	**(140 951)**
2018							
Balance at the beginning of the year	413 127	–	2 896	73 782	–	–	489 805
Cost	413 127	–	2 896	199 885	–	–	615 908
Accumulated amortisation and impairment	–		–	(126 103)	–	–	(126 103)
Additions from separate acquisitions	38 083	–	–	192	–	650	38 925
Acquisitions through business combinations	–	–	–	67 149	2 991	2 644	72 784
Amortisation for the year	–	–	–	(5 860)	(113)	(264)	(6 237)
Effect of foreign currency exchange differences	20 668	–	138	64	–	16	20 886
Balance at the end of the year	471 878		3 034	135 327	2 878	3 046	616 163
Cost	471 878	–	3 034	267 301	2 991	3 310	748 514
Accumulated amortisation and impairment	–	–	–	(131 974)	(113)	(264)	(132 351)

The most significant intangible asset is the fishing licences with an indefinite useful life. Fishing licenses and permits with finite useful lives have a remaining useful life of 16.8 years.

The fishing licences that were acquired as part of the Sea Harvest Australia business acquisition in 2016 have an indefinite life. The licences represent 10 of 18 licences issued by the Western Australian Department of Fisheries for the Shark Bay Prawn Managed Fishery (SBPMF) and are held in perpetuity by the Group subject to compliance with regulatory and financial obligations. The Group also has two spanish mackerel licences. There have been no breaches of financial or regulatory obligations.

In addition, the Group acquired retail agency rights which have an indefinite life and are assessed annually for impairment. Refer to **note 11** for impairment assessment of the Australian operation.

Intangible assets acquired through business combination relates to the Ladismith Cheese brand. Refer to **note 31** for further details on the acquisition and **note 11** for impairment assessment of the Ladismith Cheese operation. The Ladismith brand's useful life has been 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.

Factors considered include historical product sales, volumes and margins, the stability of the industry, limited risk of obsolescence and future cash flows considering Group strategy.

	2019 R'000	2018 R'000
11. GOODWILL		
Balance at the beginning of the year	**621 549**	84 220
Cost	**621 549**	84 220
Accumulated impairment losses	**–**	–
Additional amounts recognised from business combinations that occurred during the year	**230 581**	533 307
Effect of foreign currency exchange differences on Australian operations	**(2 515)**	4 022
Balance at the end of the year	**849 615**	621 549
Cost	**849 615**	621 549
Accumulated impairment losses	**–**	–
Allocation of goodwill to cash-generating units for the purpose of impairment reviews and testing		
Goodwill is allocated to the consolidated entity's cash-generating units (CGUs) identified according to geographical segments.		
Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:		
Australian operations	**85 727**	88 242
Aquaculture operations	**69 983**	69 983
South African fishing operations	**463 324**	463 324
Cape Harvest Foods*	**230 581**	–
	849 615	621 549

** Refer to **note 31**.*

Australian operations

The recoverable amount of this cash-generating unit is determined based on a value-in-use calculation which requires the use of certain assumptions. The calculation uses cash flow projections based on financial budgets approved by the Board, covering a five-year period. The below key estimates are used in the value-in-use calculation:

Pre-tax discount rate	**9.90%**	10.20%
Revenue growth per annum	**3.40%**	3.40%
Inflation	**2.00%**	2.00%
Terminal growth	**2.50%**	2.50%

The 2.5% terminal growth rate is the mid-point of the long-term Reserve Bank of Australia inflation target of 2% to 3%.

The valuations resulted in a surplus over the carrying values of the CGU and thus the directors believe that a reasonably possible change in the assumptions would not result in an impairment of the carrying value of goodwill.

Aquaculture operations

The recoverable amount of this CGU is determined based on a value-in-use calculation which requires the use of certain assumptions. The calculation uses cash flow projections based on financial budgets approved by the Board, covering a five-year period. The below key estimates are used in the value-in-use calculation:

Pre-tax discount rate	**15.60%**	16.10%
Revenue growth per annum (five-year average)[1]	**38.00%**	25.00%
Inflation	**5.00%**	5.10%
Terminal growth	**2.00%**	5.30%

[1] The revenue growth per annum is dependent on the CGU achieving its sales volumes at certain prices and exchange rates.

As a result of the lower than expected financial performance of the Aquaculture segment in the current year and tough prevailing market conditions in China, significant judgement is required in estimating future sale quantities of abalone.

The valuation resulted in a surplus over the carrying values of the CGU and thus the directors believe that a reasonably possible change in the assumptions would not result in an impairment of the carrying value of goodwill.

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South African fishing operations

The recoverable amount of the CGU was determined on the basis of fair value less costs to sell. The fair value less costs to sell calculation used an average of actual 2019 earnings and 2020 projected earnings. A price earnings multiple of 9.48 (2018: 10.73) was used in the valuation, which is an average of listed companies operating in the same industry adjusted by a 15% risk factor for size and the unlisted nature of the CGU. The valuation resulted in a surplus over the carrying value of the CGU and thus the directors believe that a reasonably possible change in the multiple would not result in an impairment of the carrying value of goodwill.

The fair value measurements for the recoverable amount have been categorised as Level 2 fair value based on the inputs to the valuation techniques used. 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).

Cape Harvest Foods

The recoverable amount of this CGU is determined based on a value-in-use calculation which requires the use of certain assumptions. The calculation uses cash flow projections based on financial budgets approved by the Board, covering a five-year period. The below key estimates are used in the value-in-use calculation:

	2019
Pre-tax discount rate	**15.60%**
Revenue growth per annum (five-year average)	**5.50%**
Inflation	**5.00%**
Terminal growth	**5.60%**

A terminal growth rate of 5.60% is based on the long-term forecast of the consumer price inflation.

The valuation resulted in a surplus over the carrying value of the CGU and thus the directors believe that a reasonably possible change in the assumptions would not result in an impairment of the carrying value of goodwill.

The carrying values of intangible assets with an indefinite useful life have been included in the carrying amounts and fair values of the CGUs.

12. INVESTMENTS IN SUBSIDIARIES

Non-wholly owned subsidiaries that have material non-controlling interest

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests are set out below. The summarised financial information below represents amounts before intra-group eliminations.

	SEA HARVEST AUSTRALIA		VIKING AQUACULTURE PROPRIETARY LIMITED	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Current assets	–	165 714	**35 276**	27 930
Non-current assets	–	470 079	**319 469**	259 393
Current liabilities	–	(113 903)	**(30 978)**	(17 804)
Non-current liabilities	–	(229 270)	**(375 238)**	(306 942)
Net assets/(liabilities) of the subsidiary	–	292 620	**(51 471)**	(37 423)
Attributable to owners of the company	–	164 686	**(26 250)**	(18 131)
Attributable to non-controlling interests	–	127 934	**(25 221)**	(19 292)
Revenue	–	442 837	**77 366**	56 700
(Loss)/Profit for the year	–	3 223	**(15 527)**	25 126
Attributable to owners of the company	–	1 814	**(6 780)**	12 173
Attributable to non-controlling interests	–	1 409	**(8 747)**	12 953
Total (loss)/profit for the year	–	3 223	**(15 527)**	25 126
Other comprehensive loss for the year attributable to owners of the company	–	(192)	–	–
Other comprehensive loss for the year attributable to non-controlling interests	–	(149)	–	–
Other comprehensive loss for the year	–	(341)	–	–
Total comprehensive (loss)/income for the year attributable to owners of the company	–	1 622	**(6 780)**	12 173
Total comprehensive (loss)/income for the year attributable to non-controlling interests	–	1 260	**(8 747)**	12 953
Total comprehensive (loss)/income for the year	–	2 882	**(15 527)**	25 126

Non-controlling interests in Sea Harvest Australia were acquired in the current year. No dividends were paid to non-controlling interests during the current or prior reporting period. Refer to **pages 106 and 107** for details of all investments in subsidiaries.

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13. INVESTMENT IN ASSOCIATE

The investment in associate relates to Viking Aquaculture Proprietary Limited's 30% investment in Specialized Aquatic Feeds Proprietary Limited. Specialized Aquatic Feeds Proprietary Limited provides feed for the biological assets within the Aquaculture operations.

The following table illustrates the summarised financial information of the Group's investment in Specialised Aquatic Feeds Proprietary Limited:

	2019 R'000	2018 R'000
Current assets	**16 810**	14 523
Non-current assets	**16 623**	17 450
Current liabilities	**(11 587)**	(8 743)
Non-current liabilities	**(9 436)**	(10 447)
Net assets of the associate	**12 410**	12 783
Revenue	**59 919**	37 820
Expenses	**(60 436)**	(34 824)
Operating (loss)/profit before tax	**(517)**	2 996
Income tax expense	**145**	(839)
(Loss)/profit for the year	**(372)**	2 157
Group's share of (loss)/profit for the year	**(112)**	647

Reconciliation of the above summarised financial information to the carrying amount of the investment in associate recognised in the consolidated financial statements:

Net assets of the associate	**12 410**	12 783
Proportion of the Group's ownership interest in the joint venture	**30%**	30%
Share of associate's net assets	**3 723**	3 835
Pre-acquisition impairment reversal not recognised	**(5 950)**	(5 950)
Loans to associate	**4 000**	4 000
Goodwill recognised at acquisition of the associate	**3 431**	3 431
Carrying amount of the Group's interest in the associate	**5 204**	5 316

	2019 R'000	2018 R'000
14. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Desert Diamond Fishing Proprietary Limited	**25 264**	25 264
	25 264	25 264

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 investment at fair value through other comprehensive income annually by using an asset valuation method performed by an independent valuator.

Assumption sensitivity analysis

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

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

15. LOANS TO SUPPLIER PARTNERS AND OTHER LOAN RECEIVABLE

15.1 LOANS TO SUPPLIER PARTNERS

Balance at the beginning of the year	**72 182**	1 959
Advances to supplier partners	**6 032**	68 000
Interest charged	**6 795**	3 323
Loans repaid	**(5 686)**	(241)
Current portion transferred to trade receivables	**(859)**	(859)
Balance at the end of the year	**78 464**	72 182

The 2018 balance relates to loans advanced to Nalitha Investments Proprietary Limited and South African Fishing Empowerment Corporation Proprietary Limited as part of the Viking Fishing acquisition. These loans bear interest at JIBAR plus 2.65%.

Amounts advanced in 2019 relate to I & J Visserye CC, Rising Star Fishing and Ziyabuya Fishing Eastern Cape loans. These loans are interest free.

15.2 LOAN RECEIVABLE

Acquisition through business combination	**13 514**	–
Advances during the year[1]	**1 031**	–
Loans repaid	**(9 330)**	–
Current portion transferred to trade receivables	**(1 609)**	–
Balance at the end of the year	**3 606**	–

[1] *This loan relates to the South African Fisheries Development Fund, carries no interest and has no fixed repayment terms.*

The loan receivable, acquired through business combination, relates to amounts owed by the Ladismith Cheese Employees Initiative Trust to Ladismith Cheese and will be repaid on 1 January 2022. The amount receivable is interest free.

The Group applies the general approach in calculating expected credit losses ("ECLs") for loans and advances. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (Lifetime ECL). No impairment provisions is required in respect of these loans.

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	2019 R'000	2018 R'000
16. DEFERRED TAXATION		
Deferred tax assets	**(611)**	(333)
Deferred tax liabilities	**478 545**	374 551
Net deferred tax liability	**477 934**	374 218
Net deferred tax liability at the beginning of the year	**374 218**	205 034
IFRS 16: Leases transition adjustment	**2 575**	–
Adjusted opening balance	**376 793**	205 034
Recognised in profit or loss	**15 902**	84 097
Recognised in other comprehensive income	**38 170**	(11 204)
Recognition on acquisition of subsidiary	**49 678**	92 656
Effect of foreign currency exchange differences	**(2 609)**	3 635
Net deferred tax liability at the end of the year	**477 934**	374 218
The major components of the deferred tax balances are as follows:		
Excess tax allowance over depreciation charges for property, plant, equipment and vehicles	**378 971**	341 011
Excess of tax allowances over amortisation of intangible assets	**166 138**	125 158
Investment at fair value through other comprehensive income	**957**	957
Derivative financial instruments	**5 196**	5 636
Difference between tax and accounting treatment of:		
– Biological assets	**7 777**	6 557
– Inventory	**(8 406)**	(3 300)
– Prepayments	**1 100**	384
– Government grants	**(2 407)**	2 132
– Cash flow hedges and cost of hedging	**30 545**	(7 625)
– Voluntary Fisheries Adjustment Scheme	**(10 660)**	(22 540)
– Leases	**(5 285)**	(2 602)
Provisions	**(25 309)**	(24 204)
Other	**(1 555)**	(2 455)
Effect of tax losses[1]	**(59 128)**	(44 891)
	477 934	374 218

[1] *The tax losses mainly relates to the Australian and Aquaculture operations, to the extent that they are considered recoverable in the foreseeable future. The recognition of the deferred tax asset is based on the achievement of future taxable income which is highly probable based on recent forecasts and budgets.*

	2019 R'000	2018 R'000
17. INVENTORIES		
Raw materials	**48 073**	25 599
Work in progress	**34 759**	44 763
Finished goods	**425 248**	254 333
Consumable stores	**83 195**	78 939
	591 275	403 634
Obsolescence provision	**(9 113)**	(7 163)
Total inventories at the lower of cost and net realisable value	**582 162**	396 471

The cost of inventories recognised as an expense during the year was R2.7 billion (2018: R1.7 billion). This is recognised in cost of sales.

The cost of inventories recognised as an expense includes R6.2 million in respect of a write down of inventory to net realisable value (2018: R0.2 million).

The moveable assets of the Group including inventory with a carrying amount of approximately R582.2 million (2018: R396.5 million) have been pledged to secure long-term borrowings of the Group (see **note 21**).

18. TRADE AND OTHER RECEIVABLES		
Trade receivables, gross	**594 452**	410 005
Less: allowance for impairment of receivables	**(6 534)**	(666)
Net trade receivables	**587 918**	409 339
Short-term loans to supplier partners	**2 468**	859
Other receivables	**20 187**	18 105
Prepayments	**38 259**	35 043
VAT receivable	**48 797**	44 154
	697 629	507 500

Trade receivables and other receivables are non-interest bearing and are generally on terms of 30 to 90 days. Other receivables consist of non-trade debtors and other sundry receivables.

As at 31 December, the following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9: Financial Instruments.

Balance at the beginning of the year	**(666)**	–
Increase in allowance recognised in profit or loss	**(6 133)**	(661)
Allowances reversed through profit or loss	**158**	–
Effect of foreign currency exchange differences	**107**	(5)
Balance at the end of the year	**(6 534)**	(666)

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18. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the total allowance for impairment of trade receivables comprised both portfolio allowances and specific allowances. The majority of the allowance related to a portfolio allowance, which cannot be identified with specific receivables.

	31 DECEMBER 2019			31 DECEMBER 2018		
	CARRYING VALUE R'000	IMPAIRMENT R'000	EXPECTED LOSS RATE %	CARRYING VALUE R'000	IMPAIRMENT R'000	EXPECTED LOSS RATE %
Current	**280 810**	**–**	**0%**	252 622	–	0%
30 – 60 days	**188 147**	**(1 081)**	**1%**	129 446	–	0%
60 – 90 days	**99 569**	**(820)**	**1%**	19 909	–	0%
90 – 120 days	**13 345**	**(625)**	**5%**	3 105	(202)	7%
>120 days	**12 581**	**(4 008)**	**32%**	4 923	(464)	9%
	594 452	**(6 534)**		410 005	(666)	

The Group applied the simplified approach in calculating ECLs. Trade receivables are assessed collectively in groups that share similar credit risk characteristics within operating segments and days past due. The Group has established a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The granting of credit is controlled by application and credit-vetting procedures, which are reviewed and updated on an ongoing basis. Credit risk is reduced by other measures depending on the nature of the customer and market. Credit exposure relating to the South African Fishing segment is largely covered by credit guarantee insurance. Credit Guarantee Insurance Corporation (CGIC) will settle a percentage of the lower of the credit limit approved by CGIC or the amount outstanding at the bad debt date subject to certain criteria, including strict adherence to CGIC procedures in the event of a customer paying after payment due date.

At 31 December 2019, 67% (2018: 83%) of the Group's trade receivables are covered by the credit guarantee insurance. The decrease in the credit default cover has resulted in an increase in ECL to R6.5 million (2018: 0.67 million).

The Group considers a financial asset in default when contractual payments are 90 days and more past due. However, in certain cases, the Group also considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The increase in the allowance for impairment in the current year is mainly due to a current year business combination. Refer to **note 31**.

Trade receivables past due and impaired at the end of the year is R6.5 million (2018: R0.67 million).

Refer to **note 33** on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

The moveable assets of the Group, including trade and other receivables, with a carrying amount of approximately R697.6 million (2018: R507.5 million) have been pledged to secure long-term borrowings of the Group (refer to **note 21**).

	2019 R'000	2018 R'000
19. CASH AND BANK BALANCES		
Cash at banks and on hand	**237 882**	781 415
Restricted cash balances (deposit funds held in escrow)	**–**	264
Bank overdrafts	**(8 589)**	–
	229 293	781 679

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The assets of Sea Harvest Australia included in cash and cash equivalents with a carrying amount of approximately R0.3 million (2018: R1.1 million) have been pledged to secure long-term borrowings of Sea Harvest Australia (see **note 21**).

		2019 R'000	2018 R'000
20.	**SHARE CAPITAL AND RESERVES**		
20.1	STATED CAPITAL		
	Authorised		
	10 000 000 000 (2018: 10 000 000 000) ordinary shares of no par value	**–**	–
	Issued and fully paid		
	294 293 814 (2018: 272 865 243) ordinary shares of no par value	**1 879 536**	1 579 536
	Held as treasury shares		
	17 069 159 (2018: 15 685 629) ordinary shares of no par value	**(69 030)**	(40 774)
	Total stated capital	**1 810 506**	1 538 762
20.1.1	**Ordinary shares**		
	As at 31 December, the movement in share capital is as follows:		
	Balance at the beginning of the year	**1 579 536**	1 297 123
	Issue of share capital, net of issue costs	**300 000**	250 000
	Issue of shares under the Group's employee share option plan	**–**	32 413
	Balance at the end of the year	**1 879 536**	1 579 536

	NUMBER OF SHARES	
Balance at the beginning of the year	**272 865 243**	251 362 907
Issue of share capital	**21 428 571**	19 230 769
Issue of shares under the Group's forfeitable share plan	**–**	2 271 567
Balance at the end of the year	**294 293 814**	272 865 243

20.1.2	**Held as treasury shares**	
	As at 31 December, the movement in share capital is as follows:	
	Balance at the beginning of the year	**(40 774)**	(2 248)
	Share repurchase, net of tax[1]	**(28 256)**	(38 526)
	Balance at the end of the year	**(69 030)**	(40 774)

	NUMBER OF SHARES	
Balance at the beginning of the year	**15 685 629**	11 389 304
Issue of shares under the Group's forfeitable share plan	**–**	2 271 567
Shares repurchased[1]	**2 030 414**	2 671 642
Shares vested in terms of the employee share scheme	**(646 884)**	(646 884)
Balance at the end of the year	**17 069 159**	15 685 629

[1] *The average price for the shares bought back was R13.92 per share.*

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		NOTES	2019 R'000	2018 R'000
20.	**SHARE CAPITAL AND RESERVES (continued)**			
20.2	RESERVES (NET OF INCOME TAX)			
	Investment revaluation reserve	A	**17 309**	17 309
	Cash flow hedging reserve	B	**124 337**	(839)
	Cost of hedging reserve	C	**(57 790)**	(27 194)
	Share-based payments reserve	D	**(22 074)**	3 820
	Foreign currency translation reserve	E	**(31 536)**	(19 152)
	Forfeitable share plan reserve	F	**(71 241)**	(79 327)
	Actuarial gains/losses reserve	G	**7 419**	3 774
	Change in ownership	H	**(3 377)**	(399)
			(36 953)	(102 008)

A. The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of the investment at fair value through other comprehensive income financial asset that has been recognised in other comprehensive income.

B. The cash flow hedging reserve arises from the change in fair value of foreign exchange forward contracts held by the Group and designated as effective cash flow hedging instruments at year end. The effective portion of changes in the fair value of foreign exchange forward contacts is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

C. The cost of hedging resent is the forward elements of the forward exchange contracts that arise as a result of Sea Harvest choosing to designate only the spot rate as per IFRS 9.

D. The share-based payments reserve arises on the recognition of share options granted by the Group to certain employees under its employee share incentive schemes. Further information about the share-based payments are set out in **note 30**.

E. Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. South African Rand) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

F. Ordinary shares have been awarded to key Sea Harvest employees in terms of a long-term forfeitable share plan incentive scheme and the reserve represents the market value of the shares issued.

G. The actuarial gains/losses reserve represents the actuarial gains/losses on the Group's defined benefit plans.

H. The change in ownership reserve arose on the acquisition of additional shares in a subsidiary.

		2019 R'000	2018 R'000
	As at 31 December, the movement in the reserves (net of income tax), is as follows:		
A.	INVESTMENT REVALUATION RESERVE		
	Balance at the beginning of the year	**17 309**	17 309
	Balance at the end of the year	**17 309**	17 309
B.	CASH FLOW HEDGING RESERVE		
	Balance at the beginning of the year	**(839)**	1 703
	Net fair value gain/(loss) on cash flow hedge	**186 328**	(23 785)
	Transferred to other operating income	**(10 536)**	20 614
	Less: tax effects of the transactions above	**(50 616)**	629
	Balance at the end of the year	**124 337**	(839)
C.	COST OF HEDGING RESERVE		
	Balance at the beginning of the year	**(27 194)**	–
	Current year movement	**(80 812)**	(37 770)
	Transferred to other operating income	**37 770**	–
	Less: tax effects on transactions above	**12 446**	10 576
	Balance at the end of the year	**(57 790)**	(27 194)
	For FEC's designated as cash flow hedges, the gains or losses transferred from equity to profit or loss are included in foreign currency and commodity price gains and losses.		
D.	SHARE-BASED PAYMENTS RESERVE		
	Balance at the beginning of the year	**3 820**	341
	Arising on share-based payments	**27 388**	23 183
	Decrease as result of acquisition of additional shares in subsidiary	**(3 274)**	–
	Transfer to share-based payment liability subsequent to modification date	**(41 922)**	(11 618)
	Transfer from forfeitable share plan (shares vested)	**(8 086)**	(8 086)
	Balance at the end of the year	**(22 074)**	3 820
E.	FOREIGN CURRENCY TRANSLATION RESERVE		
	Balance at the beginning of the year	**(19 152)**	(37 055)
	Net foreign currency loss on the translation of foreign operations	**(12 384)**	17 903
	Balance at the end of the year	**(31 536)**	(19 152)
F.	FORFEITABLE SHARE PLAN RESERVE		
	Balance at the beginning of the year	**(79 327)**	(55 000)
	Issue of shares	**–**	(32 413)
	Shares vested and reclassified to share-based payment reserve	**8 086**	8 086
	Balance at the end of the year	**(71 241)**	(79 327)
G.	ACTUARIAL GAINS/LOSSES RESERVE		
	Balance at the beginning of the year	**3 774**	1 625
	Net actuarial gain on post-retirement medical aid obligation	**3 645**	2 149
	Balance at the end of the year	**7 419**	3 774
H.	CHANGE IN OWNERSHIP		
	Balance at the beginning of the year	**(399)**	(399)
	Arising on acquisition of additional shares in subsidiary	**(2 978)**	–
	Balance at the end of the year	**(3 377)**	(399)

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20. SHARE CAPITAL AND RESERVES (continued)

20.3 EMPLOYEE SHARE INCENTIVE SCHEMES

The Group has two trusts which have been established as vehicles through which certain executives, senior management and employees have made an investment in or acquired an economic exposure to an investment in shares in the Company. The shares held by these trusts carry rights to dividends and voting rights.

Further details of the employee share incentive schemes are provided in **note 30**.

	2019 R'000	2018 R'000
21. LONG-TERM AND SHORT-TERM BORROWINGS		
Secured – at amortised cost		
Term loans with Standard Bank of South Africa Limited:		
– Senior debt (variable interest rate)[1]	**722 500**	850 000
– Revolving credit facility (variable interest rate)[2]	**250 500**	333 000
Term loans with National Australia Bank:		
– Senior debt (variable interest rate)[3]	**130 673**	134 508
– Corporate market loan (variable interest rate)[4]	**49 125**	19 822
Instalment sale agreements with Standard Bank Limited[9]	**13 129**	–
Instalment sale agreements with Wesbank, a division of FirstRand Bank Limited[9]	**222**	–
Corporate receivables finance loan with National Australia Bank (variable interest rate)[5]	**33 689**	47 188
Corporate market loan with National Australia Bank (variable interest rate)[6]	**19 650**	–
Instalment sale agreements with Wesbank, a division of FirstRand Bank Limited	**–**	112
Instalment sale agreements with National Australia Bank[7]	**4 154**	605
Instalment sale agreements with Absa Bank Limited	**–**	36
Unsecured – at amortised cost		
Loan from Viking Fishing Group Administration Proprietary Limited (Non-controlling shareholders of Viking Aquaculture Proprietary Limited)[8]	**330 334**	307 367
	1 553 976	1 692 638
Current portion of long-term interest-bearing liabilities	**(285 685)**	(174 955)
Non-current portion of long-term interest-bearing liabilities	**1 268 291**	1 517 683
Opening balance	**1 692 638**	347 123
Acquired through business combination	**47 669**	707 320
Loans raised	**347 497**	1 271 051
Interest charged	**100 321**	84 006
Interest paid	**(99 560)**	(83 963)
Capital repaid	**(527 203)**	(641 514)
Effect of foreign currency exchange differences	**(7 386)**	8 615
Transferred to short-term loans	**(285 685)**	(174 955)
Closing balance	**1 268 291**	1 517 683

[1] *R127.25 million of the loan amount was paid on 30 June 2019, R161.5 million is payable on 30 June 2020 and the remainder of the balance is payable in full on 25 August 2022. The loan is subject to a variable interest rate of three month JIBAR plus 2.13%. The loan is secured by marine bonds and a general notarial bond over all of Sea Harvest Corporation Proprietary Limited's assets.*

[2] *R300 million of the loan was paid and an additional draw down of R217.5 million was made in the current year. The loan is repayable in full on 25 August 2022 and is subject to a variable interest rate of three month JIBAR plus 2.13%. The loan is secured by marine bonds and a general notarial bond over all of Sea Harvest Corporation Proprietary Limited assets.*

[3] *The loan is effective from 11 December 2015 and is subject to a variable interest rate of 100% floating at BBSY plus customer margin of 2.38%, and is payable in equal instalments over a period of 11 years commencing 1 January 2020.*

The loan is secured by a security interest and charge in the form of a General Security Agreement on the Personal Property Securities Register (PPSR) over all of Sea Harvest Australia's assets.

[4] *Term Finance Facility for working capital funding reviewed annually on 28 February. Maximum borrowing limit of R49.1 million (AUD 5 million). Subject to a variable interest rate of 100% floating at BBSY plus funding margin 0% plus drawn margin of 3.08%.*

[5] *The loan commenced on 11 December 2015 and is reviewed annually on or about 31 January. Up to R68.8 million (AUD 7.0 million) available funding based on 85% of trade debtors value. Interest payments are made quarterly in arrears and the loan is subject to a variable interest rate of 100% floating at Lender Indicator rate plus customer margin of 1.39% plus purchase charge rate of 1.00% on facility limit.*

[6] *This facility was originally introduced as a bridging finance facility repayable on 31 March 2020 and the Company is currently in negotiations with the National Australia Bank to extend these facilities for a further 12 months. Maximum borrowing limit of R19.7 million (AUD2.0 million). Subject to a variable interest rate of 100% floating at BBSY plus funding margin 0% plus drawn margin of 2.38%. Facility fee nil, undrawn fee 1%.*

[7] *At the end of the reporting period, Sea Harvest Australia has two outstanding instalment sale agreements, entered into for the purpose of funding equipment acquisitions. The loans are repayable in full between 30 June 2021 and 30 November 2021. Interest on the loans is charged monthly, in arrears, at a fixed rate between 4.8% and 4.93% p.a. The assets subject to the instalment sale agreements serve as security for the outstanding loan amount.*

[8] *R110.5 million bears interest from 1 January 2020 at prime plus 2%, compounded monthly and payable monthly in arrears. R195 million bears interest from 1 January 2021 at prime plus 2%, compounded monthly and payable monthly in arrears. There are no fixed repayment terms. Repayment of the capital portion of the loan will be determined by directors when provided for in the budget as specified in the shareholders agreement.*

[9] *This relates to Ladismith Cheese's instalment sale contracts with terms between 48 to 60 months over their fleet with variable interest rates from prime less 1.5% to prime and a fixed interest rate of 11%.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2019

	2019 R'000	2018 R'000
22. EMPLOYEE-RELATED LIABILITIES		
Post-employment medical aid liability	**22 395**	25 121
Leave pay liability	**115**	108
	22 510	25 229

DEFINED CONTRIBUTION PLANS

The Group provides for retirement benefit plans for all qualifying employees through independent funds. These funds (listed below) are governed by the Pension Funds Act of 1956 of the Republic of South Africa.

The number of employees that belong to each fund are:		
Sea Harvest Old Mutual Superfund Provident Fund	**1 957**	1 687
Sea Harvest Old Mutual Superfund Management Provident Fund	**23**	23
Sea Harvest Old Mutual Superfund Pension Fund	**115**	116
Sanlam Umbrella Provident Fund	**633**	38
Sanlam Umbrella Pension Fund	**161**	161
NMG Umbrella Pension Fund	**272**	272
Australian BT Super Fund	**58**	58

The only obligation of the Group with respect to the retirement benefit plans' funds is to make the specified contributions each month.

The total expense recognised in profit or loss of R42.3 million (2018: R23.9 million) represents contributions payable to these funds by the Group at rates specified in the rules of the funds.

DEFINED BENEFIT PLANS

The Company sponsors a portion of medical aid subscriptions for all qualifying employees. The defined benefit plans are administered by a separate fund that is legally separated from the entity. The board of the Medical Assistance Fund is required by law and by its Articles of Association to act in the interest of the fund and of all relevant stakeholders.

The Group operates a post-employment medical benefit scheme that covers certain of its retirees. This benefit is no longer offered by the Group to current employees or new employees.

The liabilities are valued annually using the Projected Unit Credit Method and have been funded by contributions to an independent administered insurance plan. The latest full actuarial valuation was performed at 31 December 2019.

The principal assumptions used for the purposes of the actuarial valuations were as follows.

Discount rate	**10%**	10.5%
Health care cost inflation	**7.10% to 7.60%**	8.40% to 8.90%
Retirement age	**63 or 65**	63 or 65

Amounts recognised in comprehensive income in respect of these defined benefit plan are as follows.

Current service cost	**209**	213
Interest costs	**2 537**	2 627
Actuarial gain recognised	**(3 645)**	(2 149)
	(899)	691

The net unexpected actuarial gain of R3.6 million (2018: R2.1 million) arose as a result of a combination of the following factors:

	2019 R'000	2018 R'000
Change in modelling methodology	**831**	951
Change in real discount rate	**1 679**	–
Higher than expected healthcare cost inflation including changes in members' benefit options	**74**	153
Unexpected changes in membership	**1 061**	1 045
	3 645	2 149

Movements in the present value of the defined benefit obligation in the current year were as follows.

Balance at the beginning of the year	**25 121**	26 191
Current service cost	**209**	213
Interest cost	**2 537**	2 627
Actuarial gain arising during the year	**(3 645)**	(2 149)
Benefits paid	**(1 827)**	(1 761)
Balance at the end of the year	**22 395**	25 121

The expected contribution to the plan for the next annual reporting period is R1.9 million.

ACTUARIAL ASSUMPTION SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to a change in the actuarial assumptions used in the valuation. This sensitivity analysis demonstrates the increase/(decrease) in the defined benefit obligation which could result from a change in these risks.

Discount rate		
+ 1%	**(1 807)**	(2 233)
- 1%	**2 120**	2 651
Healthcare cost inflation		
+ 5% for five years	**5 025**	4 049
+ 10% for five years	**11 161**	8 634
Retirement age		
One year younger	**60**	105
One year older	**(19)**	(69)

LEAVE PAY LIABILITIES

Balance at the beginning of the year	**35 174**	22 151
Acquisition of a subsidiary	**4 183**	7 391
Arising during the year	**26 938**	24 962
Utilised during the year	**(27 995)**	(19 591)
Effect of foreign currency exchange differences	**(210)**	261
Balance at the end of the year	**38 090**	35 174
Current portion of leave pay liabilities (trade and other payables)	**(37 975)**	(35 066)
Non-current portion of leave pay liabilities	**115**	108

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2019

	2019 R'000	2018 R'000
23. DEFERRED GRANT INCOME		
Balance at the beginning of the year[1]	**22 343**	13 615
Acquired through business combination	**–**	10 256
Received in the current year[2]	**17 181**	–
Released to the statement of comprehensive income	**(3 971)**	(1 528)
Balance at the end of the year	**35 553**	22 343
Current portion of deferred government grant	**(3 317)**	(2 317)
Non-current portion of deferred government grant	**32 236**	20 026

[1] *Government grants were received in 2015 for the purchase of items of property, plant and equipment.*

[2] *Government grants were received in 2019 to finance items of property, plant and equipment. Refer to* ***note 7*** *for further details.*

All conditions or contingencies attached to these grants were fulfilled and the grant is treated as deferred income and released to the statement of comprehensive income over the useful lives of the grant assets.

	2019 R'000	2018 R'000
24. CONTINGENT CONSIDERATION		
Viking Fishing Holdings Proprietary Limited	**82 600**	78 770
Viking Aquaculture Proprietary Limited	**39 310**	78 740
Balance at the beginning of the year	**121 910**	157 510
Effect of discounting	**13 338**	7 660
Fair value adjustment	**(44 386)**	(43 260)
	90 862	121 910

The contingent consideration arrangement requires the Group to pay the former owners of Viking Fishing and Viking Aquaculture for achieving certain earn-out targets for the 2018 and 2019 financial years, up to a maximum undiscounted amount of R110 million and R88.8 million respectively.

The fair value of the contingent consideration arrangement was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate equal to the prime lending rate 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 2019, there was a decrease of R44.4 million (2018: R43.3 million) recognised in fair value gains in profit or loss for the contingent consideration arrangement as a result of Viking Aquaculture not achieving the 2019 minimum target.

The balance relates to Viking Fishing meeting the 2018 and 2019 earn-out targets and is payable on 1 January 2022.

The contingent consideration is regarded as Level 3 financial instrument for fair value purposes.

	2019 R'000	2018 R'000
25. FINANCIAL ASSETS AND LIABILITIES		
Financial derivative assets	**124 947**	994
Asset held at fair value through profit or loss	**23 218**	25 912
	148 165	26 906
Current portion of other financial assets	**(124 947)**	(994)
Non-current portion of financial assets	**23 218**	25 912
Financial derivative liabilities	**160**	15 019
Fishing licence liability	**41 610**	63 513
	41 770	78 532
Current portion of other financial liabilities	**(21 248)**	(36 726)
Non-current portion of financial liabilities	**20 522**	41 806

FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

Financial derivative assets and liabilities arise from hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency and commodity prices volatility. (Refer to **note 33** for details on the Group's hedging process).

ASSET HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Included in non-current financial assets is a call option, entered into on 1 January 2017, 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 year end due to the expected exercise date thereof exceeding 12 months from the reporting date. The call option is regarded as Level 3 financial instrument for fair value purposes.

A fair value loss on share option of R2.7 million (2018: gain of R1.1 million) has been recognised in profit or loss.

The movement in the call option derivative is as follows:

Balance at the beginning of the year	**25 912**	24 825
Fair value movement	**(2 694)**	1 087
Balance at the end of the year	**23 218**	25 912

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 asset held at fair value through profit or loss which could result from a change in these assumptions.

Vuna Fishing Company valuation		
+ 5%	**2 063**	1 980
- 5%	**(2 029)**	(1 956)
Yield Curve 7.910% (2018: 8.059%)		
+ 5%	**1 351**	1 324
- 5%	**(1 240)**	(1 285)
Volatility 27.363% (2018: 34.378%)		
+ 1%	**1 227**	1 060
- 1%	**(1 249)**	(1 087)

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

FISHING LICENCE LIABILITY

The fishing licence liability relates to the Shark Bay Prawn Managed Fishery Voluntary Fisheries Adjustment Scheme (VFAS), which was established on 12 November 2010 pursuant to the Fisheries Adjustment Schemes Act 1987 (WA). The VFAS operates from 12 November 2010 until 1 July 2021, and for the period 2015 to 2021 an annual fee of R1.9 million is payable by the holder of a licence that authorises fishing in the Shark Bay region. Sea Harvest Australia owns ten 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
CONTINUED for the year ended 31 December 2019

	2019 R'000	2018 R'000
26. LEASE LIABILITIES		
Total lease liabilities as at 31 December 2019	**159 900**	–
Analysed as follows:		
Non-current	**146 230**	–
Current	**13 670**	–
Maturity analysis		
Year 1	**27 548**	–
Year 2	**25 990**	–
Year 3	**25 999**	–
Year 4	**22 408**	–
Year 5	**22 818**	–
Onwards	**133 123**	–
Total	**257 886**	–
Less: Unearned interest	**(97 986)**	
	159 900	

The Group does not face a significant liquidity risk with regard to its lease liabilities.

	2019 R'000	2018 R'000
27. TRADE AND OTHER PAYABLES		
Trade payables	**431 188**	317 800
Employee related payables	**35 180**	22 466
Contract provision[1]	**17 062**	–
Other payables[2]	**24 647**	34 879
Leave pay accrual	**37 975**	35 066
Total	**546 052**	410 211

[1] *As a result of the Ladismith Cheese acquisition, the Group now has a new revenue stream arising from performance of services which relates to co-manufacturing and packaging contracts, the amount payable under contract as at 31 December 2019 was R17 million.*

[2] *Included in other payables is VAT payable, audit fee and tenant allowance accrual.*

Trade and other payables are non-interest bearing and are generally on terms of 30 to 90 days. Refer to **note 33** on the liquidity risk of trade payables, which explains the Group's process for managing its liquidity risk.

	2019 R'000	2018 R'000
28. SHORT-TERM PROVISIONS		
BONUS		
Balance at the beginning of the year	**25 000**	30 850
Acquired through business combinations	**1 590**	–
Arising during the year	**20 424**	25 000
Utilised during the year	**(25 926)**	(30 850)
Balance at the end of the year	**21 088**	25 000
PRODUCT CLAIMS		
Balance at the beginning of the year	**121**	130
Arising during the year	**–**	121
Utilised during the year	**(121)**	(130)
Balance at the end of the year	**–**	121
Total provisions	**21 088**	25 121

BONUS

A provision is recognised for an expected bonus pay-out in the first quarter. The provision is calculated by management based on earnings targets for the year, and employee performance during the year.

PRODUCT CLAIMS

A provision is recognised for expected customer claims on defective products sold during the year. The provision is calculated based on the retail value of the defective inventory and the likelihood that a payment would need to be made to the affected customers.

29. EVENTS SUBSEQUENT TO REPORTING DATE AND GOING CONCERN

EVENTS SUBSEQUENT TO REPORTING DATE

- On 2 January 2020, the Group has, through its wholly owned subsidiary Sea Harvest Corporation Proprietary Limited (Sea Harvest), 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.

GOING CONCERN

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2019

	2019 R'000	2018 R'000

30. SHARE-BASED PAYMENT LIABILITIES

The Group has two controlled trusts which have been established as vehicles through which certain executives, senior management and employees have made an investment in or acquired an economic exposure to an investment in shares in the Company and a forfeitable share plan which was adopted to attract, retain, incentivise and reward the right calibre of employees.

EQUITY-SETTLED COMPENSATION PLANS		
The Sea Harvest Management Investment Trust No. 2	**(42 441)**	(15 700)
Sea Harvest Employee Share Trust	**(23 150)**	(8 531)
Sea Harvest Australia	**(3 002)**	(2 636)
Forfeitable share plan	**46 519**	30 687
Share-based payments reserve	**(22 074)**	3 820
CASH-SETTLED COMPENSATION PLANS		
The Sea Harvest Management Investment Trust No. 2	**15 909**	16 836
Sea Harvest Employee Share Trust	**27 509**	10 790
Share-based payments liabilities	**43 418**	27 626

Staff share costs of R29.3 million (2018: R20.8 million) are accounted for as employee expenses and are included in the calculation of distributable reserves.

THE SEA HARVEST MANAGEMENT INVESTMENT TRUST NO. 2

The Sea Harvest Management Investment Trust No. 2 was established as an investment vehicle for senior executives of Sea Harvest Corporation Proprietary Limited to acquire shares in the Company.

Before the modification in 2017, the options were to vest in tranches of 40%, 30%, 20% and 10% starting in 2019 and expire eight years after grant date.

In 2017, the scheme was modified and 75% of the options were settled. 15% of the remaining options vested in March 2019 and the remaining 10% will vest in March 2020.

As a result of the settlement of a significant portion of the scheme in cash, it was considered to be a cash-settled scheme with the fair value of the liability measured at each reporting date.

The original terms at grant date were as follows:

DATE OF GRANT	NUMBER	EXPIRY DATE	EXERCISE PRICE (ZAR)	FAIR VALUE AT GRANT DATE R'000
31 March 2014	8 257 897	31 March 2020	4.91	8 788

	2019	2018
Movement in number of share options during the year:		
Balance at the beginning of the year	**3 440 790**	3 440 790
Shares vested	**(2 064 475)**	–
Balance at the end of the year	**1 376 315**	3 440 790

The key assumptions used in the measurement of the fair values at year end were as follows:

Dividend yield (%)	**–**	1.87
Historical volatility (%)	**32.22**	42.13
Risk–free interest rate (average %)	**6.74**	7.00
Expected life of options (average years)	**6.00**	6.00
Grant date share price (ZAR)	**3.57**	3.57
Model used	**Finite difference**	Finite difference

SEA HARVEST EMPLOYEE SHARE TRUST

The Sea Harvest Employee Share Trust, was established as an investment vehicle for employees of Sea Harvest Corporation Proprietary Limited to acquire an economic exposure to an investment in shares in the Company.

Before the modification in 2017, the options were to vest fully in 2022 and expire eight years after grant date.

In 2017, the scheme was modified and 50% of the options were settled. The remaining 50% of the options will vest in 2022.

As a result of the settlement of a significant portion of the scheme in cash, it was considered to be a cash-settled scheme with the fair value of the liability measured at each reporting date.

The original terms at grant date were as follows:

DATE OF GRANT	NUMBER	EXPIRY DATE	EXERCISE PRICE (ZAR)	FAIR VALUE AT GRANT DATE R'000
31 March 2014	4 258 138	31 March 2022	5.73	5 155

	2019	2018
Movement in number of share options during the year:		
Balance at the beginning of the year	**3 548 449**	3 548 449
Balance at the end of the year	**3 548 449**	3 548 449

The key assumptions used in the measurement of the fair values at year end were as follows:

Dividend yield (%)	**2.53**	2.16
Historical volatility (%)	**32.22**	42.13
Risk–free interest rate (%)	**6.55**	7.42
Expected life of options (years)	**8.00**	8.00
Grant date share price (ZAR)	**3.57**	3.57
Model used	**Finite difference**	Finite difference

FORFEITABLE SHARE PLAN

Sea Harvest Group Limited has a forfeitable share plan to attract, retain, incentivise and reward the right calibre of employees. The following awards are issued:

1. Performance shares

Annual awards of performance shares to key executives and strategic management, as a percentage of guaranteed pay and the vesting of which will be subject to:

(i) the employment condition of three years post award date; and

(ii) sufficiently stretching performance conditions measured over a three-year period which include a combination of total shareholder return ("TSR") in relation to a comparator Group, headline earnings per share (HEPS) growth, return on capital employment ("ROI") and transformation.

2. Bonus shares

Annual awards of bonus shares to key executives and strategic management in the form of a matched short-term incentive (STI), the vesting of which will be subject to an employment condition of three years from award date.

3. Retention shares

Once-off awards of retention shares in order to retain key executives and selected members of strategic management instrumental in delivering the Group's business strategy.

The shares will vest in equal annual tranches over either five years (CEO and key executives) or three years (other) from award date.

Ad hoc awards of retention shares to key employees to address retention risks or sign-on requirements and the vesting of which will be subject to varying employment conditions.

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CONTINUED for the year ended 31 December 2019

30. SHARE-BASED PAYMENT PLANS (continued)

	PERFORMANCE SHARES	BONUS SHARES	RETENTION SHARES	TOTAL
2019				
Number of shares outstanding at the beginning of the year	**2 983 377**	**1 439 649**	**1 818 897**	**6 241 923**
Granted during the year	**1 750 417**	**786 329**	**–**	**2 536 746**
Vested during the year	**–**	**–**	**(646 884)**	**(646 884)**
Forfeited during the year	**(36 557)**	**(14 690)**	**–**	**(51 247)**
Number of shares outstanding at the end of the year	**4 697 237**	**2 211 288**	**1 172 013**	**8 080 538**
2018				
Number of shares outstanding at the beginning of the year	1 313 246	621 038	2 465 781	4 400 065
Granted during the year	1 670 131	818 611	–	2 488 742
Vested during the year	–	–	(646 884)	(646 884)
Number of shares outstanding at the end of the year	2 983 377	1 439 649	1 818 897	6 421 923

Shares that have not been exercised in accordance with the rules of the plan are forfeited upon termination of employment, other than on death, retrenchment or retirement.

The fair value of the equity-settled shares plan is estimated at the award date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The key assumptions used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

FORFEITABLE SHARES ISSUED 23 MARCH 2017	TOTAL
Fair value at grant date (R'000)	46 284
Dividend yield (%)	2.50
Expected volatility (%)	33.00
Risk-free interest rate (%)	7.01
Share price at grant date (R)	12.50
Attrition rate per annum (%)	5
Expected life of share offers	3-5 years
Model used	Monte Carlo
FORFEITABLE SHARES ISSUED 3 SEPTEMBER 2018	
Fair value at grant date (R'000)	32 413
Dividend yield (%)	2.70
Expected volatility (%)	42.92
Risk-free interest rate (%)	6.80
Share price at grant date (R)	14.55
Expected life of share offers	3 years
Model used	Monte Carlo

FORFEITABLE SHARES ISSUED 23 MARCH 2019	TOTAL
Fair value at grant date (R'000)	20 896
Dividend yield (%)	2.9
Expected volatility (%)	51.8
Risk-free interest rate (%)	7.19
Share price at grant date (R)	14.05
Expected life of share offers	3-5 years
Model used	Monte Carlo

Expected volatility was calculated using historical market information from the peer group companies, using one- to five-year historical annualised share price volatilities on a daily, weekly and monthly basis:

4. Unallocated shares

As at 31 December 2019, the Group has 4 063 857 (2018: 2 454 467) of its own shares bought back for the purpose of the 2020 forfeitable share plan allocation. The movement is as follows:

Numbers of shares at the beginning of the year	2 454 467
Shares repurchased	4 094 889
Forfeitable shares plan allocation during the year	(2 536 746)
Forfeitable shares plan shares forfeited	51 247
Numbers of shares at the end of the year	4 063 857

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CONTINUED for the year ended 31 December 2019

31. BUSINESS COMBINATION AND OTHER ACQUISITION

31.1 LADISMITH CHEESE

With effect from 2 January 2019, Sea Harvest has, through its wholly-owned subsidiary Cape Harvest Food Group Proprietary Limited, acquired 100% of the issued share capital of Ladismith Cheese Company Proprietary Limited (Ladismith Cheese).

Ladismith Cheese was established in 1999 and is a value-adding dairy processing company based in Ladismith in the Western Cape. Ladismith Cheese's primary business is the production, distribution, marketing and sale of cheese, butter and milk powders to the South African retail, wholesale, food service and food ingredients markets.

The acquisition is 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 exhibits strong fundamentals and growth, and where the Group is able to leverage its core competencies and strengths.

The Group has a 100% interest in Ladismith Cheese through this acquisition, with its results from 2 January 2019 being fully consolidated by the Group.

The accounting for the acquisition of Ladismith Cheese has been finalised.

	PROVISIONAL FAIR VALUE AT ACQUISITION DATE PREVIOUSLY REPORTED R'000	MEASUREMENT PERIOD ADJUSTMENTS R'000	RESTATED CLOSING BALANCE R'000
Assets acquired and liabilities assumed			
Property, plant, equipment and vehicles	188 794	–	188 794
Intangible assets	–	45 813	45 813
Loans receivable	13 514	–	13 514
Inventory	185 965	–	185 965
Trade and other receivables	89 502	–	89 502
Tax receivable	2 396	–	2 396
Cash and bank balances	14 407	–	14 407
Long-term interest-bearing borrowings	(15 218)	–	(15 218)
Short-term interest-bearing borrowings	(32 451)	–	(32 451)
Trade and other payables	(101 071)	–	(101 071)
Deferred tax liabilities	(35 983)	(13 695)	(49 678)
Total identifiable assets and liabilities	309 855	32 118	341 973
Total consideration transferred			
Cash	572 554	–	572 554
Net cash flow on acquisition of subsidiary			
Consideration paid in cash	572 554	–	572 554
Less: Cash and cash equivalent balances acquired	(14 407)	–	(14 407)
	558 147	–	558 147
Goodwill on acquisition			
Consideration	572 554	–	572 554
Less: Fair value of identifiable assets acquired and liabilities assumed	(309 855)	(32 118)	(341 973)
	262 699	(32 118)	230 581

Property, plant, equipment and vehicles with a carrying amount of R151 million was revalued to its fair value of R189 million at acquisition date. The fair value adjustment of R38 million relates to land and buildings. The valuations for land and buildings were performed by an independent valuation expert.

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 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 is R89 million and includes trade receivables with a fair value of R88 million, which approximates the gross contractual amount.

Goodwill is attributable to a control premium as well as the benefit of expected synergies and revenue growth. In addition, subsumed into goodwill are the assembled workforce with specialised knowledge and non-contractual customer relationships which do not qualify for separate recognition.

Goodwill is not expected to be deductible for tax purposes.

IMPACT OF THE ACQUISITION ON THE RESULTS OF THE GROUP	R'000
Amounts included in the Group's results relating to Ladismith Cheese since the date of acquisition:	
Revenue	904 677
Profit for the year	66 524

Acquisition-related costs

Acquisition costs of R0.3 million were recognised in profit or loss for the year.

31.2 CHANGE IN OWNERSHIP INTEREST IN SEA HARVEST AUSTRALIA

In May 2019, the Group acquired the share capital held by non-controlling shareholders of its subsidiary Sea Harvest Australia for a cash consideration of R169 million. Following the acquisition, the Group holds a 100% effective interest in Sea Harvest Australia.

31.3 BLUECAP GENERAL TRADING

In July 2019, the Group acquired 100% of the shares in Bluecap General Trading Proprietary Limited (Bluecap), a company operating in marine aquaculture in South Africa and holds water leases which benefits Viking Aquaculture. The transaction was accounted for as a business combination with an effective date of July 2019. The exiting owners wanted to dispose of a non-core asset to an industry player. Viking Aquaculture needed to secure a non-transferrable lease and therefore purchased the company for R1. At the time of the purchase, the fair value of assets and liabilities exceeded the purchase price. The accounting for Bluecap acquisition has been finalised and the purchase price allocation is as follows:

	FAIR VALUE AT ACQUISITION DATE R'000
Assets acquired and liabilities assumed	
Property, plant and equipment	891
Right-of-use asset	445
Cash and bank balances	8
Trade and other payables	(8)
Lease liability	(445)
Total identifiable assets and liabilities	891
Total consideration transferred	
Cash	–
Net cash flow on acquisition of subsidiary	
Consideration paid in cash	–
Less: Cash and cash equivalent balances acquired	(8)
	(8)
Gain on bargain purchase	
Consideration	–
Less: Fair value of identifiable assets acquired and liabilities assumed	(891)
	(891)

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32. FAIR VALUE MEASUREMENT

The following table analyses 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 liability that are not based on observable market data (unobservable inputs).

Fair value measurement hierarchy for assets and liabilities as at 31 December 2019:

	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 2019**	**139 339**	**–**	**–**	**139 339**
Investment at fair value through other comprehensive income	**31 December 2019**	**25 264**	**–**	**–**	**25 264**
Financial assets	**31 December 2019**	**148 165**	**–**	**124 947**	**23 218**
Liabilities measured at fair value					
Financial derivatives liabilities	**31 December 2019**	**160**	**–**	**160**	**–**
Contingent consideration liability	**31 December 2019**	**90 862**	**–**	**–**	**90 862**

Fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

Assets measured at fair value					
Biological assets	31 December 2018	107 646	–	–	107 646
Investment at fair value through other comprehensive income	31 December 2018	25 264	–	–	25 264
Financial assets	31 December 2018	26 906	–	994	25 912
Liabilities measured at fair value					
Financial derivatives liabilities	31 December 2018	15 019	–	15 019	–
Contingent consideration liability	31 December 2018	121 910	–	–	121 910

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

Specific valuation techniques used for the Level 3 instruments are:

- Investment at fair value through other comprehensive income: Asset valuation method performed by an independent valuator.
- Financial assets: Asset valuation method performed by an independent valuator, taking into account forward exchange spot and forward rates at reporting date and discount factors.
- Contingent consideration: Liability valuation performed by an independent valuator. Refer to **note 24**.
- Biological assets: Refer to **note 9** for the valuation technique used.

The sensitivity of the valuation assumptions for the Level 3 financial instruments are set out in **notes 9, 14, 24 and 25.**

33. FINANCIAL RISK MANAGEMENT

Through the Group's activities it is exposed to capital risk, market risk (currency and interest rate risk), liquidity risk and credit risk.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board and the Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Capital risk management

Capital risk is managed to ensure that entities in the Group will be able to continue as a going concern, the return to stakeholders are optimised and that expansion can be funded as and when necessary.

The capital structure of the Group consists of net debt (borrowings as detailed in **note 21** offset by cash and bank balances as detailed in **note 19**) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in **note 20**). The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

Liquidity and interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group does this by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	2019 R'000	2018 R'000
Unutilised banking facilities		
Total banking and loan facilities	**1 932 288**	1 730 905
Facilities utilised	**(1 223 642)**	(1 385 271)
	708 646	345 634
Unrestricted cash and cash equivalents	**229 293**	781 415
Unutilised banking facilities and cash and cash equivalents	**937 939**	1 127 049

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for derivative and non-derivative financial liabilities and assets.

The liabilities are drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the liabilities can be repaid and includes both interest and principal cash flows. The asset tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except when it is anticipated that the cash flow will occur in a different period.

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33. FINANCIAL RISK MANAGEMENT (continued)

	INTEREST RATE %	WITHIN 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	TOTAL
2019					
Financial assets					
Investment at fair value through other comprehensive income	**0**	**–**	**–**	**25 264**	**25 264**
Loans to related parties	**0**	**–**	**–**	**81 799**	**81 799**
Loans to supplier partners	**JIBAR plus 2.65**	**1 989**	**81 141**	**18 277**	**101 407**
Loans to supplier partners and loan receivable	**0**	**2 468**	**–**	**5 732**	**8 200**
Financial assets	**0**	**124 947**	**–**	**23 218**	**148 165**
Trade and other receivables	**0**	**608 105**	**–**	**–**	**608 105**
Cash and bank balances	**Bank deposit rates**	**237 882**	**–**	**–**	**237 882**
		975 391	**81 141**	**154 290**	**1 210 822**
Financial liabilities					
Term loan borrowings – variable rates	**Refer note 21**	**301 606**	**1 159 982**	**–**	**1 461 588**
Corporate receivables finance loan – variable rates	**Refer note 21**	**53 339**	**–**	**–**	**53 339**
Instalment sale agreement borrowings – fixed rates	**Refer note 21**	**11 591**	**5 914**	**–**	**17 505**
Fishing licence liability	**2.35**	**21 584**	**21 487**	**–**	**43 071**
Financial derivative liabilities	**0.00**	**160**	**–**	**–**	**160**
Trade and other payables	**0.00**	**546 052**	**–**	**–**	**546 052**
Bank overdrafts	**Bank overdraft rates**	**8 589**			**8 589**
Lease liabilities	**Various incremental borrowing rates**	**27 548**	**97 215**	**133 123**	**257 886**
		970 469	**1 284 598**	**133 123**	**2 388 190**
2018					
Financial assets					
Investment at fair value through other comprehensive income	0	–	–	25 264	25 264
Loans to related parties	0	–	–	72 489	72 489
Loans to supplier partners	JIBAR plus 2.65	2 220	59 442	32 348	94 010
Loans to supplier partners	0	859	859	–	1 718
Financial assets	0	994	–	25 912	26 906
Trade and other receivables	0	427 443	–	–	427 443
Cash and bank balances	Bank deposit rates	781 679	–	–	781 679
		1 213 195	60 301	156 013	1 429 509
Financial liabilities					
Term loan borrowings – variable rates	**Refer note 21**	236 531	1 536 695	–	1 773 226
Corporate receivables finance loan – variable rates	**Refer note 21**	47 188	–	–	47 188
Instalment sale agreement borrowings – fixed rates	**Refer note 21**	178	678	–	856
Fishing licence liability	2.35	23 771	43 280	–	67 051
Financial derivative liabilities	0.00	14 460	–	–	14 460
Trade and other payables	0.00	410 211	–	–	410 211
		732 339	1 580 653	–	2 312 992

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a 50 basis point change in these risks.

	2019 R'000	2018 R'000
Increase in profits	**(6 051)**	6 926
Decrease in profits	**6 051**	(6 926)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The maximum exposure to credit risk, excluding the value of any collateral or other security at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In South Africa credit exposure in relation to local fast-moving consumer and retail goods is largely covered by credit guarantee insurance. The insurance will settle a percentage of the amount outstanding at the bad debt date subject to certain criteria, including the adherence to procedures if the customer will pay subsequently, set out by the insurance company.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Because of this, the Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for.

Foreign currency risk management

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Exchange rate exposures are managed within approved policy parameters utilising foreign currency forward exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2019 R'000	2018 R'000
Assets		
USD denominated	**11 912**	14 361
GBP denominated	**11 254**	2 543
EURO denominated	**214 618**	217 295
AUD denominated	**3 994**	–
DKK denominated	**–**	17
Liabilities		
USD denominated	**–**	350
EURO denominated	**378**	900
DKK denominated	**–**	522

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase or 10% decrease in the rand against the respective foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

This analysis has been conducted for the exposure on receivables and payables outstanding at reporting date. A positive number indicates an increase in profit where the rand strengthens by 10% against the relevant foreign currency, if the Group is in a net receivable position. For a 10% weakening of the rand against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

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33. FINANCIAL RISK MANAGEMENT (continued)

	2019 R'000	2018 R'000
USD denominated		
Profit or loss	**(2 131)**	(1 452)
GBP denominated		
Profit or loss	**1 125**	240
EURO denominated		
Profit or loss	**(33 844)**	(22 507)
DKK denominated		
Profit or loss	**–**	73
AUD denominated		
Profit or loss	**399**	–

Commodity price risk management

Commodity price risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in commodity prices. The Group's exposure to the risk of changes in commodity prices relates primarily to the Group's operating activities which require the ongoing purchase of diesel fuel. Due to the volatility, the Group enters into derivatives such as swaps and options for the forecasted diesel fuel purchase requirements for the 2020 fishing season.

Commodity price exposures are managed within approved policy parameters utilising a mix of cash settled commodity forward exchange contracts, swaps and options for diesel fuel.

Hedging and derivatives

Cash flow hedges

Due to the volatility in foreign currency rates and commodity prices, the Group enters into derivatives such as options, swaps and forward exchange contracts, for the purpose of minimising the Group's exposure to fluctuations in cash flows over the hedging period that results from the volatility.

The derivatives are designated as effective cash flow hedging instruments at year end. The effective portion of changes in the fair value of the derivatives is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity under cost of hedging reserve. The hedges relate to highly probable forecast transactions and critical terms of both the hedged items and the hedging instruments are the same. The Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to the movements in the underlying exchange rates.

The main sources of ineffectiveness in these hedge relationships is the effect of counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in the foreign exchange rates. No other sources of ineffectiveness emerged from these relationships.

i. Foreign currency risk

The Group enters into forward exchange contracts to buy and sell specified amounts of various foreign currencies in the future at a predetermined exchange rate.

Within the South African operations, the contracts are entered into to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions.

The contracts are matched by anticipated future cash flows in foreign currencies, primarily from sales. It is the Group's policy to enter into forward exchange contracts for all net foreign currency trade or capital items. No forward exchange contract is entered into where a relatively short settlement period is involved and risk is considered to be minimal.

ii. Commodity price risk

The Group entered into commodity forward exchange contracts to reduce the volatility attributable to price fluctuations of diesel fuel. Hedging the price volatility of forecast diesel fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The following tables detail the amounts that the Group is contracted to sell under forward exchange contracts in respect of future receivables:

FOREIGN CURRENCY	R'000	AVERAGE CONTRACT EXCHANGE RATE %	CONTRACTUAL EXPIRY DATE
2019			
USD	**2 166**	**14.79**	**31 January 2020**
USD	**7 044**	**16.57**	**31 January 2020**
USD	**96 834**	**15.24**	**31 January 2020 – 31 December 2020**
EURO	**1 195 416**	**17.87**	**8 January 2020 – 31 December 2020**
EURO	**242 915**	**18.07**	**31 January 2020 – 31 December 2020**
EURO	**1 115**	**16.51**	**15 January 2020 – 31 March 2020**
AUD	**73 894**	**10.33**	**3 January 2020 – 31 December 2020**
GBP	**1 359**	**18.87**	**9 January 2020**
GBP	**42**	**19.41**	**17 January 2020**
2018			
USD	89 304	15.94	18 January 2019 – 31 January 2020
EURO	29 143	17.14	31 January 2019 – 28 February 2019
EURO	783 235	16.80	3 January 2019 – 28 February 2020
AUD	91 057	10.53	4 January 2019 – 28 February 2020

The following tables detail the amounts that the Group is contracted to buy under forward exchange contracts in respect of future payables:

FOREIGN CURRENCY	R'000	AVERAGE CONTRACT EXCHANGE RATE %	CONTRACTUAL EXPIRY DATE
2019			
GBP	**3 769**	**18.87**	**2 January 2020 – 13 March 2020**
2018			
USD	7 115	14.55	8 January 2019 – 29 March 2019
EURO	550	16.15	15 January 2019 – 15 February 2019
EURO	3 075	16.22	3 January 2019 – 18 March 2019

Hedge accounting applied in respect of foreign currency and price risk cash flow hedges:

	2019 R'000	2018 R'000
Foreign currency forward exchange contracts	**124 787**	(14 460)

The foreign exchange currency contracts have been acquired to hedge the underlying currency risk arising from firm commitments received from customers for the purchase of goods as well as forecast sales.

The majority of cash flows are expected to occur and affect profit or loss within the next 12 months.

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34. COMMITMENTS AND CONTINGENCIES

As a result of the Group's strategic and operating decisions, the Group has the following capital, lease and other commitments at the end of the reporting period.

Operating Lease Commitments

Group as lessee

The Group has entered into operating leases on land and manufacturing/office buildings, with lease terms between three and ten years. The Group has the option, under some of its leases, to lease the assets for additional terms of three to five years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2019 R'000	2018 R'000
Within one year	–	22 388
After one year but not more than five years	–	78 861
More than five years	–	126 463
	–	227 712

Capital commitments

Budgeted capital expenditure is as follows:

	2019 R'000	2018 R'000
Commitments for the acquisition of property, plant, equipment and vehicles	**13 580**	19 632
Authorised by the directors but not contracted	**275 035**	115 142
	288 615	134 774

Contingent liabilities

The Group has no contingent liabilities at the end of the reporting period.

35. RELATED PARTY TRANSACTIONS

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows:

A. TRADING TRANSACTIONS

	SALES TO RELATED PARTIES[1] R'000	PURCHASES FROM RELATED PARTIES R'000	RECOVERIES AND OTHER INCOME[2] R'000	AMOUNTS OWED BY RELATED PARTIES[3] R'000	AMOUNTS OWED TO RELATED PARTIES[3] R'000
2019					
SeaVuna Fishing Company Proprietary Limited (wholly owned subsidiary of Vuna Fishing Company Proprietary Limited*)	**43 933**	**214 182**	**17 878**	**21 891**	**37 154**
2018					
SeaVuna Fishing Company Proprietary Limited (wholly owned subsidiary of Vuna Fishing Company Proprietary Limited*)	43 421	193 157	46 561	22 623	44 169

** Vuna Fishing Company Proprietary Limited is a joint venture of the Brimstone Investment Corporation Limited group.*

[1] 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 is marketed by Sea Harvest Corporation Proprietary Limited.

[2] Included in this amount is quota fee charged and vessels sold to SeaVuna. Recoveries relates to expenses incurred by Sea Harvest Corporation Proprietary Limited on behalf of SeaVuna and on-charged to SeaVuna. This has no impact on the Group earnings.

*[3] The amounts are classified as trade receivables and trade payables, respectively (see **notes 18 and 27**).*

All sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's-length transactions.

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 December 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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35. RELATED PARTY TRANSACTIONS (continued)

B. LOANS TO AND FROM RELATED PARTIES

	AMOUNTS OWED BY RELATED PARTIES R'000
2019	
Non-current	
Vuna Fishing Company Proprietary Limited (joint venture of the Brimstone Investment Corporation Limited group)	**27 420**
Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	**45 069**
SeaVuna Fishing Company Proprietary Limited (wholly owned subsidiary of Vuna Fishing Company Proprietary Limited)	**9 310**
	81 799
Current	
Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited). Refer to **note 13**	**4 000**
	4 000
2018	
Non-current	
Vuna Fishing Company Proprietary Limited (joint venture of the Brimstone Investment Corporation Limited group)	27 420
Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	45 069
	72 489
Current	
Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited). Refer to **note 13**	4 000
	4 000

Loans to fellow subsidiaries, joint ventures and associates are non-interest bearing and have no fixed terms of repayment.

C. COMPENSATION FOR KEY MANAGEMENT PERSONNEL

	2019 R'000	2018 R'000
Short-term benefits	**42 594**	36 122
Post-employment benefits	**3 082**	2 676
	45 676	38 798

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Also refer to **note 36** for remuneration paid to directors.

D. OTHER RELATED PARTY TRANSACTIONS

In addition to the above, the following related party transactions took place during the year:

a. Sea Harvest Corporation Proprietary Limited performed certain administrative services for the Vuna Fishing Company Proprietary Limited, for which a management fee was charged and paid.

	2019 R'000	2018 R'000
Management fees received	**1 452**	1 452

b. Brimstone Investment Corporation Limited performed certain administrative services for Sea Harvest Corporation Proprietary Limited, for which a management fee was charged and paid.

	2019 R'000	2018 R'000
Management fees paid to Brimstone Investment Corporation Limited	**1 596**	1 454

c. The Group has a 10-year option as from 1 January 2017 to buy 85% of the shares in Vuna Fishing Group Proprietary Limited from Brimco Proprietary Limited at fair value.

d. The Group has an option to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited. Refer to note 25.

E. HOLDING COMPANY

The intermediate holding company of Sea Harvest Group Limited is Brimco Proprietary Limited through its wholly-owned subsidiary, Newshelf 1411 Proprietary Limited and Newshelf 1169 Proprietary Limited. The ultimate holding company is Brimstone Investment Corporation Limited, which is based in South Africa and listed on the JSE.

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36. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	
	SALARY AND FEES R'000	SHORT-TERM INCENTIVE R'000	FORFEITABLE SHARE PLAN VESTED R'000	OTHER R'000	PENSION/ PROVIDENT R'000	TOTAL R'000
2019						
Executive directors						
M Brey	**2 352**	**5 104**	**1 209**	**49**	**455**	**9 169**
JP de Freitas	**2 206**	**2 464**	**918**	**81**	**427**	**6 096**
F Ratheb	**4 210**	**4 805**	**2 136**	**114**	**815**	**12 080**
	8 768	**12 373**	**4 263**	**244**	**1 697**	**27 345**

The number and value of forfeitable shares outstanding at year end is as follows:

	FORFEITABLE SHARES	VALUE OF FORFEITABLE SHARES
M Brey	**1 007 282**	**12 222**
JP de Freitas	**729 171**	**8 432**
F Ratheb	**1 844 949**	**22 355**

The remuneration of the above-mentioned directors and prescribed officers is paid by Sea Harvest Corporation Proprietary Limited for services rendered to the Group.

There are no service contracts with directors of the Group with a notice period of greater than three months.

	BOARD FEES R'000	COMMITTEE FEES R'000	TOTAL R'000
Non-executive directors			
WA Hanekom	**221**	**297**	**518**
MI Khan[1]	**221**	**55**	**276**
BM Rapiya	**276**	**187**	**463**
F Robertson[2]	**586**	**110**	**696**
KA Lagler	**221**	**144**	**365**
CK Zama	**221**	**132**	**353**
T Moodley[3]	**221**	**–**	**221**
	1 967	**925**	**2 892**

[1] *Fees above were paid to Brimstone Investment Corporation Limited. In addition, MI Khan received R5.7 million (2018: R4 million) as remuneration from Brimstone Investment Corporation Limited in his capacity as an Executive Director.*

[2] *F Robertson received R10.3 million (2018: R7.3 million) as remuneration from Brimstone Investment Corporation Limited in his capacity as an Executive Director.*

[3] *Fees above were paid to Brimstone Investment Corporation Limited. In addition, T Moodley received R3.0 million (2018: R1.5 million) as remuneration from Brimstone Investment Corporation Limited in her capacity as an Executive Director.*

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	
	SALARY AND FEES R'000	SHORT-TERM INCENTIVE R'000	FORFEITABLE SHARE PLAN VESTED R'000	OTHER R'000	PENSION/ PROVIDENT R'000	TOTAL R'000
2018						
Executive directors						
M Brey	2 231	2 738	1 075	2 549	432	9 025
JP de Freitas	2 061	2 469	816	71	399	5 816
F Ratheb	3 707	4 936	1 900	99	718	11 360
	7 999	10 143	3 791	2 719	1 549	26 201

The number and value of forfeitable shares outstanding at year end is as follows:

	FORFEITABLE SHARES	VALUE OF FORFEITABLE SHARES
M Brey	833 250	10 245 389
JP de Freitas	559 652	6 615 438
F Ratheb	1 504 450	18 485 166

The remuneration of the above-mentioned directors and prescribed officers is paid by Sea Harvest Corporation Proprietary Limited for services rendered to the Group.

There are no service contracts with directors of the Group with a notice period of greater than three months.

	BOARD FEES R'000	COMMITTEE FEES R'000	TOTAL R'000
Non-executive directors			
WA Hanekom	207	277	484
MI Khan	207	52	259
BM Rapiya	259	164	423
F Robertson	518	104	622
LJ Penzhorn	100	43	143
KA Lagler	107	70	177
CK Zama	107	64	171
T Moodley	107	–	107
	1 612	774	2 386

5° OUR COMPANY STATEMENTS





- Company statement of comprehensive income
- Company statement of financial position
- Company statement of changes in equity
- Company statement of cash flows

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	NOTES	2019 R'000	2018 R'000
Revenue	1	**123 617**	81 963
Gross profit		**123 617**	81 963
Other operating (loss)/income	2	**(2 694)**	1 087
Operating expenses	2	**(7 756)**	(6 299)
Operating profit before investment income, finance costs and taxation		**113 167**	76 751
Investment income	3	**526**	3 176
Finance costs	4	**–**	(78)
Profit before taxation		**113 693**	79 849
Taxation	5	**455**	(1 916)
Profit after taxation		**114 148**	77 933
Other comprehensive income, net of taxation		**–**	–
Total comprehensive income for the year		**114 148**	77 933

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	NOTES	2019 R'000	2018 R'000
ASSETS			
Loans to related parties	14	**1 460 749**	1 185 696
Other financial asset	8	**23 218**	25 912
Non-current assets		**1 483 967**	1 211 608
Cash and bank balances		**551**	3 084
Current assets		**551**	3 084
Total assets		**1 484 518**	1 214 692
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	6	**1 813 420**	1 541 011
Accumulated loss		**(335 621)**	(333 518)
Total equity		**1 477 799**	1 207 493
Loans from related parties	14	**178**	156
Deferred tax liabilities	10	**5 201**	5 804
Non-current liabilities		**5 379**	5 960
Trade and other payables	7	**1 340**	443
Tax liabilities		**–**	796
Current liabilities		**1 340**	1 239
Total equity and liabilities		**1 484 518**	1 214 692

COMPANY STATEMENT OF CHANGES IN EQUITY

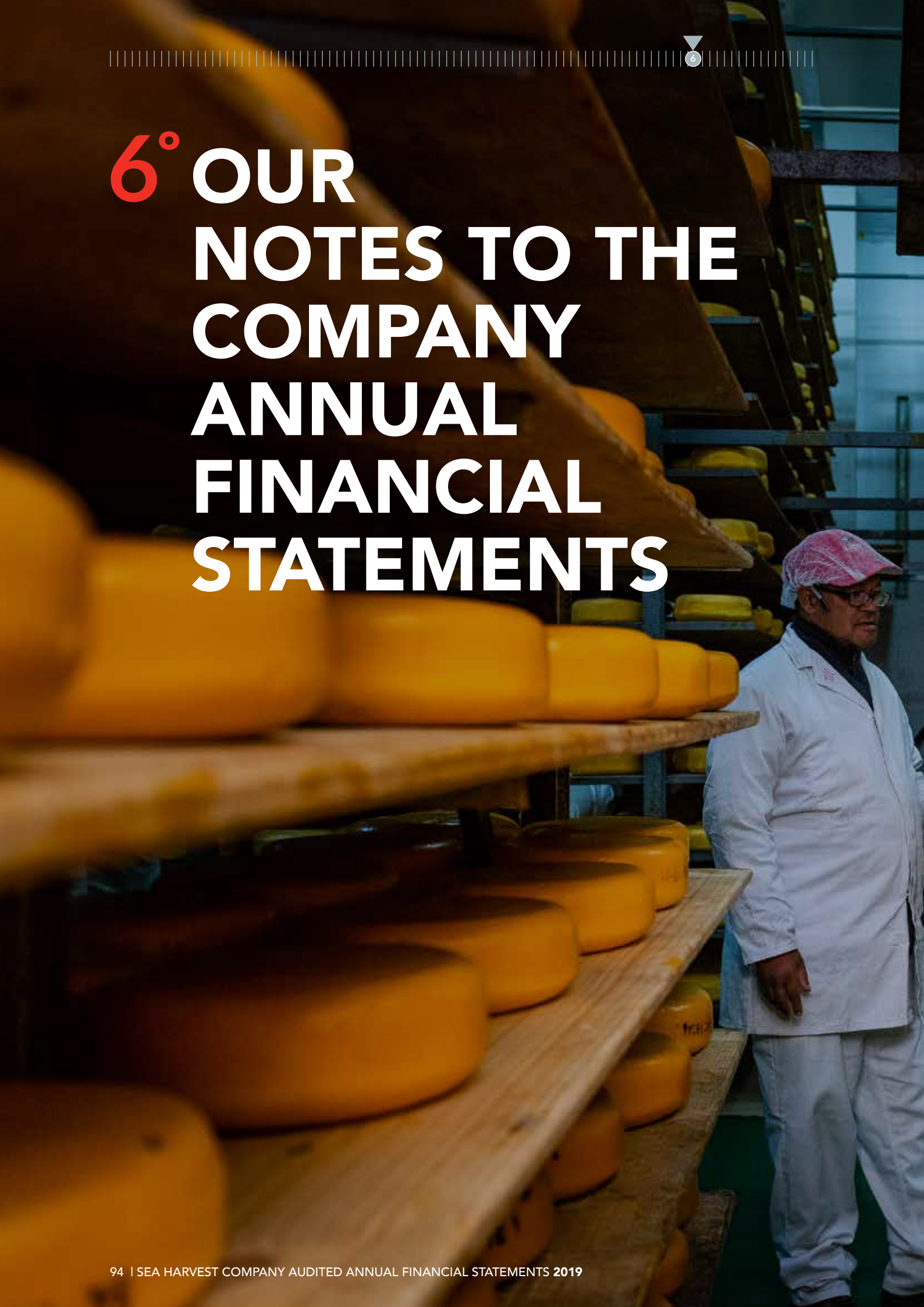
for the year ended 31 December 2019

	STATED CAPITAL R'000	ACCUMULATED LOSS R'000	TOTAL R'000
Balance as at 1 January 2018	1 297 124	(334 088)	963 036
Issue of shares, net of listing costs	282 413	–	282 413
Shares repurchased	(38 526)	–	(38 526)
Profit for the year	–	77 933	77 933
Dividends paid	–	(77 363)	(77 363)
Balance as at 1 January 2019	**1 541 011**	**(333 518)**	**1 207 493**
Issue of shares, net of issue costs	**300 000**	**–**	**300 000**
Shares repurchased	**(27 591)**	**–**	**(27 591)**
Profit for the year	**–**	**114 148**	**114 148**
Dividends paid	**–**	**(116 251)**	**(116 251)**
Balance as at 31 December 2019	**1 813 420**	**(335 621)**	**1 477 799**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	NOTES	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**115 861**	75 664
Working capital changes	B	**897**	(440)
Cash generated from operating activities		**116 758**	75 224
Investment income received		**526**	3 176
Finance costs		**–**	(78)
Income tax paid		**(944)**	(3 546)
Net cash generated from operating activities		**116 340**	74 776
CASH FLOWS FROM INVESTING ACTIVITIES			
Amounts advanced to related parties		**(732 089)**	(144 644)
Amounts repaid by related parties		**457 036**	–
Net cash utilised in investing activities		**(275 053)**	(144 644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of related-party loans		**–**	(14)
Proceeds from related-party loans		**22**	–
Dividends paid		**(116 251)**	(77 363)
Shares issued		**300 000**	–
Shares repurchased		**(27 591)**	(38 526)
Net cash generated from/(utilised in) financing activities		**156 180**	(115 903)
Net decrease in cash and cash equivalents		**(2 533)**	(185 771)
Cash and cash equivalents at the beginning of the year		**3 084**	188 855
Cash and cash equivalents at the end of the year		**551**	3 084
A. Cash generated from operations			
Profit for the year		**114 148**	77 933
Adjustments for:			
Finance costs		**–**	78
Taxation charge		**(455)**	1 916
Investment income		**(526)**	(3 176)
Fair value gain on financial assets		**–**	(1 087)
Fair value loss on financial assets		**2 694**	–
		115 861	75 664
B. Working capital changes		**897**	(440)
Decrease in other receivables		**–**	7
Increase/(decrease) in trade and other payables		**897**	(447)
Cash generated from operating activities		**116 758**	75 224



6° OUR NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS



NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

		2019 R'000	2018 R'000
1.	**REVENUE**		
	Revenue consists of:		
	Administration fee from subsidiaries	**6 617**	4 598
	Dividends received from subsidiaries	**117 000**	77 365
		123 617	81 963
2.	**OPERATING PROFIT BEFORE INVESTMENT INCOME, FINANCE COSTS AND TAXATION**		
	Operating profit before investment income, finance cost and taxation is arrived at after taking into account the following:		
	Income		
	Fair value (loss)/gain on option	**(2 694)**	1 087
	Expenses		
	Auditors' remuneration		
	– external statutory audit	**1 517**	860
	Directors' fees (refer to **note 36** of the Group financial statements for more detail)	**2 892**	2 386
3.	**INVESTMENT INCOME**		
	Interest received on bank deposits and from external parties	**526**	3 176
		526	3 176
4.	**FINANCE COSTS**		
	Other	**–**	78
		–	78
5.	**TAXATION**		
	Current tax		
	In respect of the current year	**135**	889
	In respect of the prior year	**13**	783
		148	1 672
	Deferred tax		
	In respect of the current year	**(603)**	244
	Total income tax recognised in the current year	**(455)**	1 916
	Tax rate reconciliation:		
	Profit before taxation	**113 693**	79 849
	Income tax expense calculated at 28% (2018: 28%)	**31 834**	22 358
	Prior year under provision	**13**	783
	Non-deductible expenses	**307**	498
	Non-taxable income	**(32 760)**	(21 662)
	Capital gains tax	**151**	(61)
		(455)	1 916

Non-taxable income mainly relates to dividend income received from a subsidiary.

		2019 R'000	2018 R'000
6.	**SHARE CAPITAL AND RESERVES**		
6.1	STATED CAPITAL		
	Authorised		
	10 000 000 000 (2018: 10 000 000 000) ordinary shares of no par value	–	–
	Issued and fully paid		
	294 293 814 (2018: 272 865 243) ordinary shares of no par value	**1 879 536**	1 579 536
	Held as treasury shares		
	4 702 056 (2018: 2 671 642) ordinary shares of no par value	**(66 116)**	(38 526)
	Total stated capital	**1 813 420**	1 541 010
6.1.1	**Ordinary shares**		
	As at 31 December, the movement in share capital is as follows:		
	Balance at the beginning of the year	**1 579 536**	1 297 124
	Issue of share capital	**300 000**	282 413
	Balance at the end of the year	**1 879 536**	1 579 536

	NUMBER OF SHARES	
	2019	2018
Balance at the beginning of the year	**272 865 243**	251 362 907
Issue of share capital	**21 428 571**	19 230 769
Issue of shares under the Group's employee share option plan	**–**	2 271 567
Balance at the end of the year	**294 293 814**	272 865 243

		2019 R'000	2018 R'000
6.1.2	**Held as treasury shares**		
	As at 31 December, the movement in share capital is as follows:		
	Balance at the beginning of the year	**(38 526)**	–
	Shares repurchased for purposes of group's forfeitable share plan	**(27 590)**	(38 526)
	Balance at the end of the year	**(66 116)**	(38 526)

	NUMBER OF SHARES	
	2019 R'000	2018 R'000
Balance at the beginning of the year	**2 671 642**	–
Shares repurchased for purposes of group's forfeitable share plan	**2 030 414**	2 671 642
Balance at the end of the year	**4 702 056**	2 671 642

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

	2019 R'000	2018 R'000
7. TRADE AND OTHER PAYABLES		
Other payables	**1 340**	443
	1 340	443

Trade and other payables are non-interest bearing and are generally on terms of 30 to 90 days.

8. OTHER FINANCIAL ASSET		
Asset held at fair value through profit or loss	**23 218**	25 912

Asset held at fair value through profit or loss

Included in non-current financial assets is a call option, entered into on 1 January 2017, 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 10-year call option financial asset which can be exercised at any time has been classified as a non-current asset at year-end due to the expected exercise date thereof exceeding 12 months from the reporting date. The call option is regarded as a Level 3 financial instrument for fair value measurement purposes.

Fair value loss on share option of R2.7 million (2018: gain of R1.1 million) is recognised in profit or loss.

The movement in the call option derivative is as follows:

The balance at the beginning of the year	**25 912**	24 825
Fair value movement	**(2 694)**	1 087
Balance at the end of the year	**23 218**	25 912

Assumption sensitivity analysis

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

Vuna Fishing Company valuation		
+ 5%	**2 063**	1 980
- 5%	**(2 029)**	(1 956)
Yield curve 7.325% (2018: 8.059%)		
+ 5%	**1 351**	1 324
- 5%	**(1 240)**	(1 285)
Volatility 27.363% (2018: 34.378%)		
+ 1%	**1 227**	1 060
- 1%	**(1 249)**	(1 087)

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

9. FAIR VALUE MEASUREMENT

The following table analyses 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 input 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 2019:

	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					
Other financial asset	**31 December 2019**	**23 218**	**–**	**–**	**23 218**

Fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

	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					
Other financial asset	31 December 2018	25 912	–	–	25 912

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

Specific valuation techniques used for the Level 3 instruments are:
Other financial assets: Asset valuation method performed by an independent valuator.

The sensitivity of the valuation assumptions for the Level 3 financial instruments are set out in **note 8**.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

10. DEFERRED TAXATION

	2019 R'000	2018 R'000
Deferred tax liabilities	**5 201**	5 804
	5 201	5 804

The movement in deferred tax liabilities can be analysed as follows:

	OPENING BALANCE R'000	RECOGNISED IN PROFIT OR LOSS R'000	CLOSING BALANCE R'000
2019			
Deferred tax liabilities in relation to:			
Derivative instruments	**5 804**	**(603)**	**5 201**
	5 804	**(603)**	**5 201**
2018			
Deferred tax liabilities in relation to:			
Derivative instruments	5 561	243	5 804
	5 561	243	5 804

11. EVENTS SUBSEQUENT TO REPORTING DATE

The Board of Directors have declared 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.

Refer to **note 29** for management assessment of the impact of COVID-19 on the annual financial statements.

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 Company, the results of those operations or the state of affairs of the Company.

12. COMMITMENT AND CONTINGENCIES

The Company has no commitments or contingent liabilities at the end of the reporting period.

13. FINANCIAL RISK MANAGEMENT

The Company's financial risk management strategy is consistent with that of the Group set out in **note 33** of the Group financial statements.

Liquidity and interest rate risk management

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities within agreed repayment periods.

	INTEREST RATE %	WITHIN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
2019					
Financial assets					
Asset held at fair value through profit or loss	**0**	**–**	**–**	**23 218**	**23 218**
Loans to related parties	**0**	**–**	**1 460 749**	**–**	**1 460 749**
Cash and bank balances	**Bank deposit rate**	**551**	**–**	**–**	**551**
		551	**1 460 749**	**23 218**	**1 484 518**
Financial liabilities					
Trade and other payables	**0**	**1 340**	**–**	**–**	**1 340**
Loans from related parties	**0**	**–**	**178**	**–**	**178**
		1 340	**178**	**–**	**1 518**
2018					
Financial assets					
Asset held at fair value through profit or loss	0	–	–	25 912	25 912
Loans to related parties	0	–	1 185 696	–	1 185 696
Cash and bank balances	Bank deposit rate	3 084	–	–	3 084
		3 084	1 185 696	25 912	1 214 692
Financial liabilities					
Trade and other payables	0	443	–	–	443
Loans from related parties	0	–	156	–	156
		443	156	–	599

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

14. RELATED-PARTY TRANSACTIONS

A. LOANS TO AND FROM RELATED PARTIES

	DIVIDENDS RECEIVED R'000	ADMINISTRATION FEES RECEIVED R'000	AMOUNTS OWED BY RELATED PARTIES R'000	AMOUNTS OWED TO RELATED PARTIES R'000
2019				
Sea Harvest Corporation Proprietary Limited (subsidiary)	**117 000**	**4 793**	**302 752**	**–**
Cape Harvest Foods Proprietary Limited (subsidiary)	**–**	**166**	**102**	**–**
Cape Harvest Food Group Proprietary Limited (subsidiary)	**–**	**–**	**557 253**	**–**
Ladismith Cheese Proprietary Limited	**–**	**1 658**	**1 907**	**–**
Sea Harvest International Proprietary Limited (subsidiary)	**–**	**–**	**461 584**	**–**
Vuna Fishing Group Proprietary Limited (fellow subsidiary)	**–**	**–**	**45 069**	**–**
Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	**–**	**–**	**27 420**	**–**
Sea Harvest Aquaculture Proprietary Limited (subsidiary)	**–**	**–**	**64 662**	**–**
Sea Harvest Employee Share Trust (controlled trust)	**–**	**–**	**–**	**178**
	117 000	**6 617**	**1 460 749**	**178**
2018				
Sea Harvest Corporation Proprietary Limited (subsidiary)	77 365	4 368	758 038	–
Cape Harvest Foods Proprietary Limited (subsidiary)	–	230	–	–
Sea Harvest International Proprietary Limited (subsidiary)	–	–	290 564	–
Vuna Fishing Group Proprietary Limited (fellow subsidiary)	–	–	45 069	–
Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	–	–	27 420	–
Sea Harvest Aquaculture Proprietary Limited (subsidiary)	–	–	64 605	–
Sea Harvest Employee Share Trust (controlled trust)	–	–	–	156
	77 365	4 598	1 185 696	156

Loans to/from subsidiaries and other related parties are interest free. These loans are unsecured and are repayable only if and to the extent such payment is permissible under the Third Party Funding Agreements and the directors resolve that they shall be repaid.

B. KEY MANAGEMENT PERSONNEL

Details of remuneration of key management personnel is set out in **note 36** of the Group financial statements.





7° OUR INTERESTS, SHAREHOLDERS AND CORPORATE INFORMATION



- Interests in principal subsidiaries, associates and joint ventures
- Analysis of ordinary shareholders
- Corporate information

INTERESTS IN PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

at 31 December 2019

NAME OF COMPANY	NOTES	NATURE OF BUSINESS	ISSUED CAPITAL 2019 R	EFFECTIVE HOLDING 2019 %
South Africa				
Sea Harvest Corporation Proprietary Limited		Fishing and fish processing	**100**	**100**
Cape Harvest Foods Proprietary Limited		FMCG agency and retail business	**100**	**100**
Ladismith Cheese Company Proprietary Limited[2]	2	FMCG agency and retail business	**33 045**	**100**
Sea Harvest International Proprietary Limited		Holding company for international operations	**100**	**100**
Sea Harvest Employee Share Trust	1	Share Trust	**n/a**	
The Sea Harvest Management Investment Trust No.2	1	Share Trust	**n/a**	
The Sea Harvest Foundation NPC	1	Non-profit organisation	**n/a**	
Cape Harvest Food Group Proprietary Limited		Holding company for Cape Harvest Foods	**100**	**100**
Sea Harvest Aquaculture Proprietary Limited		Holding company for aquaculture business	**100**	**100**
Viking Aquaculture Proprietary Limited[1]		Abalone, mussels, oysters and trout farming	**100**	**51**
Australia				
Cape Haddie Limited - Australia		Dormant	**100**	**100**
Sea Harvest Proprietary Limited (Sea Harvest Australia)		Fishing and fish processing	**246 964 101**	**100**

[1] These are the material subsidiaries held by Viking Aquaculture Proprietary Limited:

Molapong Aquaculture Proprietary Limited	*82%*
Tuna Marine Proprietary Limited	*69%*
Buffeljags Abalone Farm Proprietary Limited	*100%*
Luderitz Mariculture Proprietary Limited	*95%*
West Coast Oyster Growers Proprietary Limited	*100%*
West Coast Aquaculture Proprietary Limited	*50%*
Diamond Coast Aquaculture Proprietary Limited	*90%*
Bluecap General Trading Proprietary Limited	*100%*

[2] Ladismith Cheese Company Proprietary Limited holds 100% of the shares issued by Ladismith Powder Company Proprietary Limited.

The Company's interest in the aggregate profits and losses after taxation of consolidated subsidiaries was as follows:

	2019 R'000	2018 R'000
Profits	**398 366**	292 566

Notes:

1 – Consolidated special purpose entities
2 – Subsidiary acquired 2 January 2019

			INTERESTS OF HOLDING COMPANY	
	ISSUED CAPITAL 2018 R	EFFECTIVE HOLDING 2018 %	INDEBTEDNESS 2019 R'000	INDEBTEDNESS 2018 R'000
	100	100	**302 752**	758 038
	100	100	**102**	–
	0	0	**1 907**	–
	100	100	**461 584**	290 564
	n/a		**(178)**	(156)
	n/a		**–**	–
	n/a		**–**	–
	100	100	**557 253**	
	100	100	**64 662**	64 605
	100	51	**–**	–
	100	100	**–**	–
	246 964 101	56.28	**–**	–
			1 388 082	1 113 051

ANALYSIS OF ORDINARY SHAREHOLDERS

at 31 December 2019

SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
1 – 1 000 shares	618	57.70	140 709	0.05
1 001 – 10 000 shares	205	19.14	869 196	0.30
10 001 – 100 000 shares	126	11.77	5 086 967	1.73
100 001 – 1 000 000 shares	92	8.59	33 092 655	11.24
Over 1 000 000 shares	30	2.80	255 104 287	86.68
Total	**1 071**	**100.00**	**294 293 814**	**100.00**
Distribution of shareholders				
Assurance Companies	2	0.19	152 600	0.05
Close Corporations	9	0.84	75 424	0.03
Collective Investment Schemes	53	4.95	27 521 152	9.35
Custodians	3	0.28	496 120	0.17
Foundations and Charitable Funds	3	0.28	1 902 862	0.65
Hedge Funds	14	1.31	9 442 046	3.21
Insurance Companies	2	0.19	5 640	0.00
Investment Partnerships	6	0.56	205 200	0.07
Managed Funds	2	0.19	1 501 316	0.50
Medical Aid Funds	1	0.09	769	0.00
Organs of State	1	0.09	26 325 000	8.95
Private Companies	46	4.30	178 812 185	60.75
Public Companies	1	0.09	63 255	0.02
Retail Shareholders	836	78.06	13 707 478	4.66
Retirement Benefit Funds	36	3.36	13 357 679	4.54
Scrip Lending	1	0.09	266 961	0.09
Share Schemes	1	0.09	3 548 449	1.21
Sovereign Funds	2	0.19	8 789 761	2.99
Stockbrokers and Nominees	4	0.37	257 956	0.09
Treasury	1	0.09	4 063 860	1.38
Trusts	47	4.39	3 798 101	1.29
Total	**1 071**	**100.00**	**294 293 814**	**100.00**

SHAREHOLDER TYPE				
Non-public shareholders	12	1.12	151 439 452	51.46
Directors and associates	9	0.85	5 786 810	1.96
Beneficial holders >10%	1	0.09	138 040 333	46.91
Share schemes	1	0.09	3 548 449	1.21
Treasury	1	0.09	4 063 860	1.38
Public shareholders	1 059	98.88	142 854 362	48.54
Total	**1 071**	**100.00**	**294 293 814**	**100.00**

	NUMBER OF SHARES	% OF ISSUED CAPITAL
Fund managers with a holding greater than 3% of the issued shares		
Public Investment Corporation	26 325 000	8.95
36One Asset Management	18 450 164	6.27
Visio Capital Management	13 530 997	4.60
Kagiso Asset Management	12 377 960	4.20
Total	**70 684 121**	**24.02**
Beneficial shareholders with a holding greater than 3% of the issued shares		
Newshelf 1411 (Pty) Ltd[1]	138 040 333	46.91
Government Employees Pension Fund	26 325 000	8.95
Newshelf 1169 (Pty) Ltd[1]	21 428 571	7.28
Odin Investments (Pty) Ltd	12 307 692	4.18
36One	11 940 797	4.05
Total	**210 042 393**	**71.37**
Total number of shareholdings		1 071
Total number of shares in issue		**294 293 814**
Share price performance		
Opening price 2 January 2019 (Rand)		13.75
Closing price 30 December 2019 (Rand)		14.55
Closing high for period (Rand)		14.98
Closing low for period (Rand)		12.50
Number of shares in issue		294 293 814
Volume traded during period		22 344 122
Ratio of volume traded to shares issued (%)		7.59
Rand value traded during the period (Rand)		307 144 526
Price/earnings ratio as at 31 December 2019		11.53
Earnings yield as at 31 December 2019		8.67
Dividend yield as at 31 December 2019		2.20
Market capitalisation at 31 December 2019 (Rand)		4 281 974 994

[1] *Both companies are subsidiaries of Brimstone Investment Corporation Limited with a combined shareholding of 54.19%.*

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)
M Brey (Chief Investment Officer)

**Non-executive Director*
*** Lead independent Non-executive Director*

Company Secretary:
N Aston (Resigned 31 October 2019)
JP de Freitas (Acting 1 November 2019)

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



