REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report which forms part of the annual financial statements for Sea Harvest Group Limited and its subsidiaries ("the Group") for the year ended 31 December 2018.

NATURE OF BUSINESS AND OPERATIONS

Sea Harvest is a leading black-controlled and internationally recognised vertically integrated fishing and branded Fast-Moving Consumer Goods ("FMCG") business established in 1964. The Group's principal business is deep-sea trawling, the processing of its catch into a range of value-added frozen and chilled seafood and the marketing of its produce nationally and internationally.

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

The acquisition of Viking Fishing Group as part of a B-BBEE consortium, and 51% of the shares of Viking Aquaculture, became effective on 2 July 2018 and was a transformational transaction for the Group, delivering diversification into other species and high value aquaculture.

FINANCIAL RESULTS AND GENERAL REVIEW

The results for the year under review are reflected in the Statement of Comprehensive Income on pages 16 to 17, for the Group and page 87 for the Company.

The profit attributable to ordinary shareholders for the year is R281.2 million (2017: R259.3 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	**251 362 907**	**11 389 304**	**239 973 603**
Shares vested in terms of the Group's forfeitable share plan	**-**	**(646 884)**	**646 884**
Shares repurchased	**-**	**2 671 642**	**(2 671 642)**
Shares issued	**19 230 769**	**-**	**19 230 769**
Allotment of shares (Group's forfeitable share plan)	**2 271 567**	**2 271 567**	**-**
Closing balance	**272 865 243**	**15 685 629**	**257 179 614**

As part of the total purchase consideration for the acquisition of the Viking Fishing business on 2 July 2018, a total of 19 230 769 ordinary shares were issued to Viking Fishing shareholders at R13 per share amounting to R250 million.

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

SPECIAL RESOLUTIONS

During the 2018 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 directors' remuneration, the effect of which was to approve the annual remuneration of non-executive directors for the period from 1 July 2018 to 30 June 2019.
- 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 corporation 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 issue 21 428 571 ordinary shares of no par value at a price of R14.00 per share, resulting in an aggregate subscription consideration of R300 million received from Brimstone Investment Corporation Limited on 8 January 2019.

CHANGES TO THE BOARD

LJ Penzorn retired from the Board effective 2 July 2018. KA Lagler, T Moodley and CK Zama were appointed to the Board effective 2 July 2018.

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.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's interest in and share of aggregate profits and losses of its subsidiaries, associate and joint venture are given in separate schedules on pages 102 and 103.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year amounted to R319.3 million (2017: R369.9 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 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 2018, and the statements of comprehensive income, statements of changes in equity and cash flows for the year ended, and the notes to the annual financial statements 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 and the JSE Listings Requirements.

INTERNAL CONTROL

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

GOING CONCERN

The directors believe that the Group and Company have adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on the going concern basis.

LITIGATION

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

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 follow:

2018	NUMBER OF SHARES			PERCENTAGE OF ISSUED ORDINARY SHARE CAPITAL
	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL	
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	**4 584 989**	**959 399**	**5 544 388**	**2.02%**
2017*				
M Brey	750 314	-	750 314	0.30%
JP De Freitas	815 609	-	815 609	0.32%
WA Hanekom	-	730 009	730 009	0.29%
MI Khan	8 000	-	8 000	0.00%
T Moodley	-	8 000	8 000	0.00%
LJ Penzhorn	16 800	-	16 800	0.01%
BM Rapiya	40 000	-	40 000	0.02%
F Ratheb	1 881 169	-	1 881 169	0.75%
F Robertson	5 600	218 300	223 900	0.09%
TOTAL	**3 517 492**	**956 309**	**4 473 801**	**1.78%**

** Prior year indirect beneficial interest adjusted to exclude unvested shares held by The Sea Harvest Management Trust No. 2 and to reclassify shares held under the forfeitable shares scheme from indirect to direct beneficial interest.*

The following shares have been issued to directors in terms of the forfeitable share plan since 31 December 2018 and the date of approval of the financial statement:

M Brey	263 440
JP De Freitas	237 391
F Ratheb	498 456

Details of directors' individual interests in shares held in terms of the forfeitable share plan are set out in note 35.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 2 January 2019, Sea Harvest Group Limited has, through its wholly-owned subsidiary Cape Harvest Food Group Proprietary Limited, acquired the entire issued share capital of Ladismith Cheese Company Proprietary Limited for a consideration of R573 million, settled in cash. Part of the consideration was funded by way of a 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. This increases Brimstone Investment Corporation Limited's investment in Sea Harvest from 50.59%[1] at 31 December 2018 to 54.19%[1] at 7 January 2019. The Group is in the process of determining the fair values of the assets and liabilities of Ladismith Cheese for IFRS 3: Business Combinations purposes.

On 5 February 2019, the Group announced that, through its wholly-owned subsidiary Sea Harvest International Proprietary Limited, it had entered into a binding bid implementation agreement with its 56.3% held Australian subsidiary, Mareterram Limited, whose shares are listed on the Australian Securities Exchange, regarding the potential acquisition of all of the fully paid ordinary shares in the issued share capital of Mareterram not currently owned by Sea Harvest by way of an off-market takeover offer.

The Board of Directors has recommended a gross full and final cash dividend of 40 cents (2017: 31 cents) per share on 11 March 2019 in respect of the year ended 31 December 2018.

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.

[1] *Including treasury shares in the calculation of the shareholding interest*