Sea Harvest
GROUP

SEA HARVEST GROUP LIMITED UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

CORPORATE INFORMATION

Sea Harvest Group Limited

(Incorporated in the Republic of South Africa)
Registration number: 2008/001066/06
JSE code: SHG
ISIN: ZAE00240198
"Sea Harvest"or "the Company"or "the Group"

Registered address:	The Boulevard Office Park 1st Floor, Block C Searle Street Cape Town 7925 South Africa
Directors:	F Robertson* (Chairman) BM Rapiya** WA Hanekom*** MI Khan* T Moodley* KA Lagler*** CK Zama*** F Ratheb (Chief Executive Officer) JP de Freitas (Chief Financial Officer) Mo Brey (Chief Investment Officer) ** Non-executive director* *** Lead independent non-executive director* **** Independent non-executive director*
Company Secretary:	N Aston
Transfer Secretary:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Sponsor:	The Standard Bank of South Africa Limited
Auditors:	Deloitte & Touche

COMMENTARY

KEY PERFORMANCE INDICATORS

YEAR ENDED 31 DECEMBER 2018		Change	PERIOD ENDED 30 JUNE 2019	PERIOD ENDED 30 JUNE 2018
2 583 341	Revenue (R'000)	↑ 86%	**1 870 122**	1 004 288
58%	International Revenue Mix		**45%**	59%
908 244	Gross profit (R'000)	↑ 66%	**611 487**	367 646
35%	Gross profit margin (%)		**33%**	37%
388 619	Operating profit (R'000)	↑ 70%	**281 341**	165 027
15.0%	Operating profit margin		**15.0%**	16.4%
293 133	Profit for the period (R'000)	↑ 44%	**160 664**	111 222
249 202	Weighted Average Number of Shares (WANOS) ('000)		**277 023**	240 018
277 899	Headline Earnings (R'000)	↑ 52%	**169 356**	111 325
112.0	Basic headline earnings per share (cents)	↑ 32%	**61.1**	46.4
705.6	Net asset value per share (cents)	↑ 31%	**776.4**	592.9
15.73	ZAR: Euro average exchange rate[1]		**15.91**	14.95
9.81	ZAR: AUD average exchange rate[1]		**9.99**	9.56
1 375	Closing share price (cents)		**1 420**	1 350

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

HIGHLIGHTS FOR THE PERIOD

- The delivery of HEPS growth of 32% to R61.1 cents per share.
- The retention of a Level 1 B-BBEE contributor status, with an improved score of 104.44 (previously 100.37).
- The acquisition of 100% of the shares of Ladismith Cheese, effective 2 January 2019.
- The acquisition of the remaining 43.7% interest in of Sea Harvest Australia (formerly Mareterram) not already owned by the Sea Harvest Group, which was successfully concluded on 8 May 2019.
- Good progress in the integration of Viking Fishing with a systems alignment due to go live in the third quarter of 2019, improving reporting and enhancing inventory management.
- Good progress in resolving the challenges experienced in the Marel fish processing facility in Saldanha Bay.

COMMENTARY

(CONTINUED)

TRADING AND FINANCIAL PERFORMANCE

The Sea Harvest Group has delivered a pleasing set of results with **headline earnings** for the period ended 30 June 2019 increasing 52% to R169 million (2018: R111 million). **Headline earnings per share** increased 32% to 61.1 cents per share (2018: 46.4 cents per share) after accounting for a 15% increase in the Weighted Average Number of Shares ("WANOS") in issue during the period.

Group revenue for the period increased 86% to R1.87 billion (2018: R1.0 billion), benefiting from the acquisition of Viking Fishing and Viking Aquaculture on 2 July 2018 and Ladismith Cheese on 2 January 2019. Revenue for the period from the South African Fishing operations increased 53% to R1.21 billion (2018: R792 million). Viking Aquaculture contributed revenue of R40 million (2018: Nil) for the period. Cape Harvest Foods, which includes the newly acquired Ladismith Cheese, delivered revenue of R441 million (2018: R38 million) for the period. Revenue from Sea Harvest Australia (formerly Mareterram) of R182 million was 4% higher than the same period last year (2018: R174 million).

Gross profit for the period increased 66% to R611 million (2018: R368 million), with gross profit margin contracting to 32.7% (2018: 36.6%) as a result of the inclusion of Ladismith Cheese. The gross profit margin of the South African Fishing operations expanded marginally to 36.3% (2018: 36.1%).

Other **operating income**, which includes foreign exchange hedge gains, increased 37% to R37 million (2018: R27 million) for the period.

Operating expenses for the period increased 60% to R367 million (2018: R230 million), mainly due to the inclusion of Viking Fishing, Viking Aquaculture and Ladismith Cheese operating expenses post acquisition and non-recurring transaction costs relating to the Sea Harvest Australia (formerly Mareterram) acquisition. Operating expenses as a percentage of revenue, excluding transaction costs, decreased to 19.3%, from 21.7% for the same period last year.

The Group delivered **operating profit before net finance costs and taxation** of R281 million for the period, 69% higher than the same period last year (2018: R166 million), benefiting from the inclusion of Viking Fishing and Ladismith Cheese. The operating profit margin contracted to 15.0% (2018: 16.4%), impacted by the inclusion of Ladismith Cheese.

Net finance costs for the period increased to R51 million (2018: R7 million), due to increased debt levels to fund expansion.

Profit after tax increased 44% to R161 million (2018: R111 million), benefiting from the 69% increase in operating profit before net finance costs and taxation, offset by higher net finance costs and taxation.

Headline earnings increased 52% to R169 million (2018: R111 million) and **basic headline earnings per share (HEPS)** increased 32% to 61.1 cents per share (2018: 46.4 cents per share). HEPS was negatively impacted by the dilutive effect of the increase in the WANOS, which increased from 240 018 063 at 30 June 2018 to 277 023 122 at 30 June 2019. An additional 19 230 769 shares were issued on 2 July 2018 as part of the Viking purchase consideration and 21 428 571 shares were issued on 7 January 2019, in the form of a vendor consideration placement in connection with the Ladismith Cheese acquisition.

SEGMENTAL REVIEW

South African Fishing Operations: Revenue for the six months ended 30 June 2019, including intercompany sales, increased 49% to R1.27 billion (2018: R867 million), benefiting from the inclusion of Viking Fishing which was acquired on 2 July 2018 and a 10% increase in the Hake TAC. Gross profit increased 48% to R463 million (2018: R313 million), driven by the increased revenue, with a gross profit margin of 36.3% (2018: 36.1%). Operating profit from this segment increased 56% to R253 million (2018: R162 million) with the operating profit margin constant at 21%.

The acquisition of Viking Fishing has changed the South African Fishing operation sales channel mix. As a result of a lower export mix from Viking Fishing, the Sea Harvest Fishing combined export mix reduced to 53% (2018: 56%) of sales revenue. International demand for MSC certified, wild-caught Cape Hake remains firm, with Europe remaining Sea Harvest's most important export market. Strong growth has been experienced in the traditional hake markets of Southern Europe. Locally, Viking Fishing is also well represented in the foodservice channel and as a result, the foodservice revenue mix increased to 30% (2018: 26%) of sales revenue. Viking Fishing has introduced a wholesale channel to the Group, which Sea Harvest did not previously participate in, with this channel making up 6% of sales revenue for the period. Viking Fishing does not participate in the local retail channel and as a result, the local retail sales mix reduced to 11% (2018: 19%) of sales revenue. In the domestic market, both the foodservice and wholesale markets have remained stable during the first six months of 2019, while local retail sales volumes have come under pressure as a result of the challenging local economic environment.

South African Aquaculture Operations: The acquisition of 51% of the shares of Viking Aquaculture with effect from 2 July 2018 has further diversified the Group's revenue base, albeit that the business is at an early stage of development, but with strong growth prospects. The segment contributed revenue of R40 million to the Group for the six months ended 30 June 2019, with a gross profit margin of 39%.

Revenue in the period was negatively impacted by lower abalone sales as a result of (i) an extended red tide event which, although no animals were lost, hampered export sales; (ii) market issues in Hong Kong and China, impacted by geo-political issues within the region; and (iii) increased competition in the smaller size category from other abalone producing nations. Within the trout operations, a decision was taken to defer harvesting of smaller sized trout in the first half of the year, to allow the fish time to grow and to facilitate the harvesting of larger sizes in the second half of the year. Oyster and mussel sales have seen good growth in the period. As a result of these factors, Viking Aquaculture profit before taxation was at break-even over the period.

Cape Harvest Foods: Cape Harvest Foods is a new reporting segment encompassing Ladismith Cheese and Sea Harvest's factory fish shops, the latter having previously been reported as part of the South African Fishing operations segment. The acquisition of Ladismith Cheese was successfully concluded on 2 January 2019, adding a new non-quota-dependent revenue stream to the Group. Ladismith Cheese's primary business is the production, distribution, marketing and sale of cheese, butter and milk powders to the South African retail, food service and food ingredient markets. The Cape Harvest Foods segment contributed R441 million of revenue for the six months ended 30 June 2019, of which Ladismith Cheese contributed R401 million. The integration of Ladismith Cheese into the Group has been seamless, with the business performing well during the period, benefiting from volume growth across all categories. The Cape Harvest Foods segment contributed operating profit of R41 million for the period, with Ladismith Cheese contributing R39 million, with an operating profit margin of 10%.

International Operations: The acquisition of all of the fully paid ordinary shares of Sea Harvest Australia (formerly Mareterram) not already owned by Sea Harvest was successfully concluded on 8 May 2019. The acquisition allows Sea Harvest to fully integrate Sea Harvest Australia (formerly Mareterram), extract operational synergies and align operating structures, growth strategies and funding requirements with that of Sea Harvest.

Revenue for the six months ended 30 June 2019 increased 4% to R182 million (2018: R174 million), benefiting from improved prawn sales and a weaker Rand, partially offset by lower sales of traded product. The segment reported an operating loss for the period of R3.2 million, after absorbing R4.4 million of non-recurring transaction costs relating to the take-out, compared to an operating loss of R1.4 million for the same period last year. After normalising for the non-recurring transaction costs, the segment delivered an operating profit of R1.2 million for the period.

Following the take-out, the Group renamed Mareterram to "Sea Harvest Australia".

COMMENTARY
(CONTINUED)

CASH FLOW AND FINANCIAL POSITION

The Group generated net cash from operations of R385 million (2018: R125 million) during the period, benefiting from the addition of Viking Fishing and Ladismith Cheese.

The Group utilised R693 million in investing activities during the period (2018: R130 million). R558 million was invested in the acquisition of Ladismith Cheese, net of R14 million of cash acquired. A total of R107 million was invested in additions to property, plant and equipment (2018: R152 million), including R33 million on vessel refits; an additional R13 million on the Marel factory processing facility in Saldanha Bay; R14 million on cold storage facilities in Cape Town; and R8 million on the Viking Fishing integration, including new ERP and inventory management systems.

During the period the Group utilised R274 million in financing activities, raising R300 million in the form of a vendor consideration placement and repaying a net R218 million of borrowings. R169 million was paid for the acquisition of additional shares in Sea Harvest Australia (formerly Mareterram). The Group paid dividends of R117 million during the period.

The Group ended the period with R111 million of cash on hand. With interest-bearing borrowings of R1.21 billion, the Group net interest-bearing debt position for the period ended 30 June 2019 was R1.10 billion.

DRIVING TRANSFORMATION

Sea Harvest Group is a c. 83% black-owned business and is proud to have retained a Level 1 B-BBEE contributor status, with an improved score of 104.44 (previously 100.37). Driving transformation within Sea Harvest, and the fishing industry more broadly, is central to Sea Harvest's existence. The Group invests significant resources in skills development, employment equity, supplier and enterprise development initiatives, as well as projects focused on job creation, the youth and rural development. Sea Harvest has actively supported the establishment of two new black SMME entrants into the South African Fishing sector and is a co-founding member of the South African Fisheries Development Fund, a joint initiative with Brimstone, to establish a fund devoted to empowering businesses in the small-scale fishing and allied sectors.

DIVIDENDS

In accordance with the Group's dividend policy, no interim dividend is declared or proposed for the six months ended 30 June 2019.

DELIVERING THE STRATEGY

During the period Sea Harvest continued to make good progress in delivering its stated investment strategy of growing earnings through a combination of organic and acquisitive measures, including:

- On 2 January 2019, Sea Harvest concluded the acquisition of 100% of the issued share capital of Ladismith Cheese, further diversifying the Group's earnings.
- On 8 May 2019, Sea Harvest concluded the acquisition of the remaining 43.7% interest in Sea Harvest Australia (formerly Mareterram) not already owned by the Group, strengthening Sea Harvest's presence in Australia and providing a beachhead for growth in the region.
- Within Viking Fishing, further progress has been made in integrating the business into the Group, with the alignment of Viking Fishing's ERP and inventory management systems on track for implementation in the third quarter of 2019.
- Within the Saldanha Bay fresh fish processing facility, good progress has been made in addressing the teething issues experienced with the Marel fresh fish processing installation.
- Within Ladismith Cheese, the construction of a third powder plant has commenced, with the plant expected to be operational during the first half of 2020.
- Within Viking Aquaculture, work has commenced on the expansion of the Diamond Coast Aquaculture abalone facility in the Northern Cape. Furthermore, approval has been received for the completion of the wind turbines at the Buffeljags abalone farm, which is expected to reduce operating costs.
- Water usage leases for sea trout farming in Saldanha Bay have been awarded, supporting growth of the operation to commercial scale.

OUTLOOK

Within the South African Fishing segment, continued global demand for high value, wild-caught, MSC-certified seafood is expected to support growth and firm pricing in the export markets. The local foodservice and wholesale markets are stable. Local retail volumes are expected to come under continued pressure as a result of the challenging economic environment and price inflation in the category. The investment in the state-of-the-art Marel fresh fish processing facility in Saldanha Bay is expected to drive further production efficiencies in the second half of the year.

In May 2019, the Presidency announced that the Forestry and Fisheries branches of the Department of Agriculture, Forestry and Fisheries (DAFF) would be merging with the Department of Environmental Affairs and that Barbara Creecy, the former MEC for Finance in the Gauteng Legislature, would be appointed as Minister of the newly formed Department of Environment, Forestry and Fisheries (DEFF). On 2 August 2019 Minister Creecy gazetted the withdrawal of all previously announced timelines with respect to FRAP 2020, to allow for greater engagement with stakeholders and the proper planning and execution of the process. This move has been welcomed by Sea Harvest and the fishing industry more broadly in anticipation of a transparent, fair and rational long-term rights allocation process.

Within the South African aquaculture operation, the market issues within Hong Kong and China, which impacted abalone sales in the first half of the year, are expected to continue into the second half.

Within the Cape Harvest Foods segment, milk production in the second half of the year is expected to be stable with no significant over-supply expected.

Within the international segment, revenue and earnings from Sea Harvest Australia (formerly Mareterram) in the second half of the year are expected to be higher than in the first half of the year due to the seasonal nature of the business.

Any forward-looking statements included in this Outlook paragraph have not been reviewed or reported on by the auditors.

On behalf of the Board

F Robertson
Chairman

F Ratheb
Chief Executive Officer

Cape Town
2 September 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
2 583 341	Revenue	**1 870 122**	1 004 288
(1 675 097)	Cost of sales	**(1 258 635)**	(636 642)
908 244	**Gross profit**	**611 487**	367 646
72 240	Other operating income	**36 801**	26 903
(123 897)	Selling and distribution expenses	**(70 186)**	(58 137)
(13 248)	Marketing expenses	**(7 082)**	(6 369)
(454 720)	Other operating expenses	**(289 679)**	(165 016)
388 619	**Operating profit before fair value gains and associate income**	**281 341**	165 027
647	Share of (loss)/profit in associate	**(306)**	–
48 743	Fair value (losses)/gains	**(291)**	1 254
438 009	**Operating profit before net finance costs**	**280 744**	166 281
46 125	Investment income	**8 926**	13 057
(90 130)	Interest expense	**(59 995)**	(20 284)
394 004	**Profit before taxation**	**229 675**	159 054
(100 871)	Taxation	**(69 011)**	(47 832)
293 133	**Profit after taxation**	**160 664**	111 222
	Profit after taxation attributable to:		
281 209	Shareholders of Sea Harvest Group Limited	**169 306**	114 410
11 924	Non-controlling interests	**(8 642)**	(3 188)
293 133		**160 664**	111 222
	Earnings per share (cents)		
112.8	– Basic	**61.1**	47.7
108.6	– Diluted	**58.8**	45.9

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
293 133	**Profit after taxation**	**160 664**	111 222
	Other comprehensive income		
	Items that may be reclassified subsequently to profit or loss:		
(23 956)	Movement in cash flow hedging reserve	**113 462**	(14 405)
20 614	Reserves recycled to other operating income	**19 837**	(13 579)
(27 194)	Cost of hedging reserve	**(70 735)**	–
22 275	Exchange differences on foreign operations	**(13 163)**	24 037
	Items that may not be reclassified subsequently to profit or loss:		
2 149	Net measurement gain on defined benefit plan	**-**	-
(6 112)	**Other comprehensive income/(loss), net of tax**	**49 401**	(3 948)
287 021	**Total comprehensive income for the period**	**210 065**	107 274
	Total comprehensive income attributable to:		
271 525	Shareholders of Sea Harvest Group Limited	**220 005**	104 916
15 496	Non-controlling interests	**(9 940)**	2 358
287 021		**210 065**	107 274

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		Notes	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	ASSETS			
1 604 800	Property, plant, equipment and vehicles[1]		**1 819 404**	866 908
–	Right-of-use assets	2	**132 061**	–
107 646	Biological assets		**128 647**	–
616 163	Intangible assets		**600 856**	548 820
621 549	Goodwill[2]		**882 208**	88 626
5 316	Investment in associate		**5 009**	–
25 264	Investment at fair value through other comprehensive income	7	**25 264**	25 264
25 912	Financial assets	7	**24 677**	26 080
72 489	Loans to related parties	9	**82 220**	72 489
72 182	Loans to supplier partners		**70 869**	980
–	Long-term loan receivable		**2 500**	–
333	Deferred tax assets		**387**	244
3 151 654	**Non-current assets**		**3 774 102**	1 629 411
396 471	Inventories[3]		**616 475**	384 778
507 500	Trade and other receivables[4]		**599 846**	423 501
–	Contract receivable		**4 185**	–
–	Short-term loan receivable		**3 996**	–
994	Financial assets	7	**69 743**	2 991
9 986	Tax assets		**10 037**	46
781 679	Cash and bank balances		**120 269**	321 155
1 696 630	**Current assets**		**1 424 551**	1 132 471
4 848 284	**Total assets**		**5 198 653**	2 761 882

[1] *Property, plant, equipment and vehicles during the period includes assets acquired through a business combination of R189 million. Refer to note 3.1.*

[2] *Goodwill includes R263 million relating to a current period business combination, reduced by R2 million as a result of translation of the foreign operation. Refer to note 3.1.*

[3] *Inventories includes R186 million relating to current period business combination. Refer to note 3.1.*

[4] *Trade and other receivables includes R90 million relating to current period business combination. Refer to note 3.1.*

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		Notes	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	EQUITY AND LIABILITIES			
1 538 761	Stated capital[1]		**1 810 506**	1 291 993
(102 006)	Other reserves		**(79 982)**	(76 897)
377 910	Retained earnings		**420 548**	210 170
1 814 665	Attributable to shareholders of Sea Harvest Group Limited		**2 151 072**	1 425 266
254 662	Non-controlling interests[2]		**83 542**	170 718
2 069 327	**Capital and reserves**		**2 234 614**	1 595 984
1 517 683	Long-term borrowings		**1 310 287**	347 813
25 229	Employee related liabilities		**25 240**	26 372
27 626	Share-based payment liability		**24 654**	25 373
20 026	Deferred grant income		**33 846**	11 499
121 910	Contingent consideration	8	**128 578**	–
41 806	Financial liabilities	7	**20 094**	41 252
–	Lease liabilities		**141 269**	–
374 551	Deferred taxation		**449 812**	221 206
2 128 831	**Non-current liabilities**		**2 133 780**	673 515
174 955	Short-term borrowings		**210 219**	79 754
410 211	Trade and other payables[3]		**517 583**	364 331
–	Lease liabilities		**13 297**	–
–	Share-based payment liability		**14 196**	–
2 317	Deferred grant income		**3 510**	1 541
36 726	Financial liabilities	7	**23 462**	38 748
25 121	Short-term provisions		**38 433**	6 949
796	Taxation		**32**	1 060
–	Bank overdrafts		**9 527**	–
650 126	**Current liabilities**		**830 259**	492 383
4 848 284	**Total equity and liabilities**		**5 198 653**	2 761 882

1 *Movement in stated capital includes the issue of 21 428 571 shares to Brimstone Investment Corporation Limited as part of the vendor consideration placement for the Ladismith Cheese Company Proprietary Limited acquisition. The total value of the subscription was R300 million.*

2 *The reduction in non-controlling interests relates to the acquisition of a further 43.7% in Sea Harvest Australia (formerly Mareterram) for a cash consideration of R169 million.*

3 *Trade and other payables includes R101 million relating to current period business combination. Refer to note 3.1.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
1 565 979	**Balance at the beginning of the period**	**2 057 330**	1 565 979
	Attributable to:		
1 397 666	Shareholders of Sea Harvest Group Limited[1]	**1 804 248**	1 397 666
168 313	Non-controlling interests[1]	**253 082**	168 313
271 525	**Total comprehensive income for the period attributable to shareholders of Sea Harvest Group Limited**	**220 005**	104 916
281 209	Profit after taxation	**169 306**	114 410
(9 684)	Movements in other items of comprehensive income, net of tax	**50 699**	(9 494)
	Movements attributable to shareholders of Sea Harvest Group Limited		
279 531	Shares issued	**300 000**	–
(38 526)	Shares repurchased[2]	**(28 255)**	(2 882)
2 882	Shares awarded in terms of the forfeitable share plan	**-**	–
(32 413)	Recognition of forfeitable share plan reserve	**-**	–
(77 565)	Dividends paid	**(116 251)**	(78 506)
11 565	Share-based payments	**(25 697)**	4 072
–	Further acquisition of investment in subsidiary	**(2 978)**	–
86 349	Movement attributable to non-controlling interests	**(169 540)**	2 405
2 069 327	**Balance at the end of the period**	**2 234 614**	1 595 984

Note

[1] Opening retained earnings and non-controlling interests were adjusted for the impact of the adoption of IFRS 16: Leases by R10.4 million and R1.6 million respectively.

[2] 2 030 414 shares were repurchased for the purposes of Forfeitable Share Plan allocation in 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	Operating activities		
293 133	Profit after taxation	**160 664**	111 222
246 026	Adjustments for non-cash and other items	**261 979**	83 233
539 159	Operating cash flows before changes in working capital	**422 643**	194 455
(14 555)	Increase in inventories	**(36 554)**	(74 433)
(60 201)	Increase in trade and other receivables	**(18 840)**	(85 476)
86 502	Increase in trade and other payables	**17 802**	90 708
550 905	Cash generated from operations	**385 051**	125 254
46 125	Investment income received	**6 679**	13 057
–	Proceeds from government grants	**17 181**	–
(36 569)	Income taxes paid	**(52 818)**	(34 707)
(83 963)	Interest paid	**(59 904)**	(18 156)
476 498	Net cash generated from operating activities	**296 189**	85 448
	Investing activities		
(181 339)	Acquisition of investment in subsidiary	**(558 147)**	–
75 543	Proceeds on disposal of property, plant, equipment and vehicles	**190**	59 392
(319 275)	Acquisition of property, plant, equipment and vehicles	**(107 432)**	(152 370)
(38 925)	Acquisition of intangible assets	**(30)**	(36 564)
(37 149)	Additions to biological assets	**(34 639)**	–
–	Cash movement in other long term and short loans	**7 018**	–
(501 145)	Net cash utilised in investing activities	**(693 040)**	(129 542)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	Financing activities		
–	Shares issued	**300 000**	–
(38 526)	Shares repurchased	**(50 962)**	(2 882)
1 271 051	Proceeds from borrowings	**280 159**	66 813
(641 514)	Repayment of borrowings	**(498 583)**	(361)
(21 266)	Repayment of financial liabilities	**(21 401)**	(2 975)
(78 506)	Dividends paid	**(117 154)**	(78 506)
(68 000)	Amounts advanced to supplier partners	**(300)**	–
–	Repayment of loans advanced to supplier partners	**3 000**	–
–	Further investment in subsidiary	**(168 890)**	–
423 239	Net cash (utilised in)/generated from financing activities	**(274 131)**	(17 911)
398 592	Net (decrease)/increase in cash and cash equivalents	**(670 982)**	(62 005)
383 047	Cash and cash equivalents at the beginning of the period	**781 679**	383 047
40	Effects of exchange rates on the balance of cash held in foreign operation	**45**	113
781 679	Cash and cash equivalents at the end of the period	**110 742**	321 155

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

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

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

2. ACCOUNTING POLICIES AND CHANGES TO ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16: Leases on 1 January 2019.

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 Group's incremental borrowing rate as of 1 January 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9.13%.

2.1 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 Group's incremental borrowing rate at the date of initial application	138 666
(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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.1 ADJUSTMENTS RECOGNISED ON ADOPTION OF IFRS 16 (CONTINUED)

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.

	30 JUNE 2019 R'000	1 JANUARY 2019 R'000
The recognised right-of-use assets relates to the following types of assets:		
Buildings	132 061	118 375
Total right-of-use assets	132 061	118 375

The movement for 1 January 2019 to 30 June 2019 is due to new leases entered into during the period.

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

	R'000
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 R118.3 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 were derecognised.
- Deferred tax liabilities increased by R2.6 million because 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).

2.2 IMPACT ON SEGMENT DISCLOSURES AND EARNINGS PER SHARE

Earnings Before Interest Tax Depreciation Amortisation ("EBITDA") for the period ended 30 June 2019, segment assets and segment liabilities as at 30 June 2019 increased as a result of the change in the accounting policy. The following segments were affected by the change in policy:

	EBITDA	SEGMENT ASSETS	SEGMENT LIABILITIES
South African Fishing	8 154	111 765	128 587
Australian Operations	1 291	6 633	8 439
Aquaculture	1 023	7 220	10 278
Cape Harvest Foods	1 512	6 443	7 262
	11 980	132 061	154 566

Earnings per share decreased by 0.6 cents per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

2.3 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.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2.4 SUMMARY OF NEW ACCOUNTING POLICIES

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF NEW ACCOUNTING POLICIES (CONTINUED)

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 (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. 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, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases of some 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.

SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

3. BUSINESS COMBINATION AND CHANGE IN OWNERSHIP INTEREST

3.1 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 and food service 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 exhibit 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 initial accounting for the acquisition of Ladismith Cheese has only been provisionally determined at reporting date. At the date of finalisation of the interim consolidated financial statements, the necessary valuations of certain intangible assets (mainly Brands) had not been finalised and they have therefore been subsumed into goodwill.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. BUSINESS COMBINATION AND OTHER ACQUISITION (CONTINUED)

3.1 LADISMITH CHEESE (CONTINUED)

Assets acquired and liabilities assumed	**PROVISIONAL FAIR VALUE AT ACQUISITION DATE R'000**
Property, plant and equipment	188 794
Loan receivable	13 514
Inventory	185 965
Trade and other receivables	89 502
Tax receivable	2 396
Cash and bank balances	14 407
Long-term interest-bearing borrowings	(15 218)
Short-term interest-bearing borrowings	(32 451)
Trade and other payables	(101 071)
Deferred tax liabilities	(35 983)
Total identifiable assets and liabilities	309 855
Total consideration transferred	
Cash	572 554
Net cash flow on acquisition of subsidiary	
Consideration paid in cash	572 554
Less: Cash and cash equivalent balances acquired	(14 407)
	558 147
Goodwill on acquisition	
Consideration	572 554
Less: Fair value of identifiable assets acquired and liabilities assumed	(309 855)
	262 699

Property, plant and equipment 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 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 other intangibles for which the valuation is still to be finalised.

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 the Ladismith Cheese since the date of acquisition:	
Revenue	400 543
Profit after taxation	26 653

Acquisition related costs

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

3.2 CHANGE IN OWNERSHIP INTEREST IN SEA HARVEST AUSTRALIA (FORMERLY MARETERRAM)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED* YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED* SIX MONTHS ENDED 30 JUNE 2018 R'000
4. REVENUE			
	Group revenue for the period can be analysed as follows:		
2 583 341	Revenue recognised at a point in time	**1 856 805**	1 004 288
–	Revenue recognised over time[1]	**13 317**	–
2 583 341		**1 870 122**	1 004 288
	Revenue from sale of goods comprise of:		
2 032 170	Wild-caught fish[2]	**1 200 092**	802 645
268 162	Shellfish[3]	**115 721**	57 377
108 343	Vegetables and meals	**49 875**	58 512
174 666	Traded	**103 892**	85 754
–	Dairy	**387 225**	–
2 583 341		**1 856 805**	1 004 288
	Revenue is further split by geographic region as follows:		
1 079 820	South Africa	**1 034 570**	407 896
471 997	Australia	**202 197**	174 101
909 331	Europe	**558 179**	380 799
122 193	Other Markets	**75 176**	41 492
2 583 341		**1 870 122**	1 004 288

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

1 *As a result of the Ladismith Cheese Company Proprietary Limited acquisition, the Group now has a new revenue stream arising from the performance of services which relates to co-manufacturing and packaging contracts, the amount receivable under contract as at 30 June 2019 was R4 million.*

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.

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000

5. HEADLINE EARNINGS PER SHARE

5.1 DETERMINATION OF HEADLINE EARNINGS

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
281 209	Profit for the period attributable to shareholders of Sea Harvest Group Limited	**169 306**	114 410
(4 596)	Loss/(profit) on disposal of property, plant, equipment and vehicles	**71**	(4 284)
1 286	Total tax effects of adjustments	**(21)**	1 199
277 899	**Headline earnings for the period**	**169 356**	111 325

5.2 CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

AUDITED YEAR ENDED 31 DECEMBER 2018		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018
249 202 106	Weighted average number of shares on which basic earnings and basic headline earnings per share is based	**277 023 122**	240 018 063
258 988 718	Weighted average number of shares on which diluted earnings and diluted headline earnings per share is based	**287 868 328**	249 279 116
	Reconciliation of weighted average number of shares between basic and diluted earnings per share and basic headline earnings and diluted headline earnings per share:		
249 202 106	Basic	**277 023 122**	240 018 063
9 786 612	Dilutive instruments	**10 845 206**	9 261 053
258 988 718	**Diluted**	**287 868 328**	249 279 116
	Headline earnings per share (cents)		
111.5	– Basic	**61.1**	46.4
107.3	– Diluted	**58.8**	44.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESTATED* UNAUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000

6. SEGMENTAL RESULTS

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 Food.

RESTATED* UNAUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	Segment revenue		
2 005 357	South African Fishing[1]	**1 207 287**	791 707
442 837	Australian Operations	**181 742**	174 101
54 532	Aquaculture[2]	**40 044**	–
80 615	Cape Harvest Foods	**441 049**	38 480
2 583 341	**Total revenue**	**1 870 122**	1 004 288
	Segment profit/(loss) from operations		
362 240	South African Fishing	**252 786**	162 315
16 318	Australian Operations	**(3 241)**	(1 436)
2 893	Aquaculture	**(9 434)**	–
7 168	Cape Harvest Foods	**41 230**	4 148
388 619	**Operating profit before fair value gains and associate income**	**281 341**	165 027
48 743	Fair value (losses)/gains	**(291)**	1 254
647	Share of profits in associate	**(306)**	–
46 125	Investment income	**8 926**	13 057
(90 130)	Interest expense	**(59 995)**	(20 284)
394 004	**Profit before taxation**	**229 675**	159 054

RESTATED* UNAUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	Total assets		
3 313 093	South African Fishing	**2 856 902**	1 811 477
873 809	Australian Operations	**895 026**	928 639
636 422	Aquaculture	**670 040**	–
24 960	Cape Harvest Foods	**776 685**	21 766
4 848 284		**5 198 653**	2 761 882
	Total liabilities		
1 944 894	South African Fishing	**1 918 395**	731 578
376 482	Australian Operations	**396 005**	421 371
443 625	Aquaculture	**473 658**	–
13 956	Cape Harvest Foods	**175 981**	12 949
2 778 957		**2 964 039**	1 165 898

[1] *Revenue excludes inter-segmental revenue of R66.9 million (2018: R75.7 million) which is eliminated on consolidation.*

[2] *Revenue excludes inter-segmental revenue of R4.1 million (2018: Rnil) which is eliminated on consolidation.*

* *As a result of the business combination, Cape Harvest Proprietary Limited which was previously reported under the South African Fishing segment is now been reported in a newly formed segment called Cape Harvest Foods.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	7. OTHER FINANCIAL ASSETS AND LIABILITIES		
26 906	**Financial derivative assets**	**94 420**	29 071
25 912	Non-current portion of financial assets[1]	**24 677**	26 080
994	Current portion of financial assets[2]	**69 743**	2 991
	Other financial asset		
25 264	Investment at fair value through other comprehensive income[3]	**25 264**	25 264
14 460	**Financial derivative liabilities**	**2 257**	16 706
14 460	Current portion of financial liabilities[2]	**2 257**	16 706
	Other financial liability		
64 072	Fishing licence liability[4]	**41 299**	63 294
41 806	Non-current portion of financial liability	**20 094**	41 252
22 265	Current portion of financial liability	**21 205**	22 042

1 CALL OPTION DERIVATIVE

Included in non-current financial assets is a call option to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited. The fair value was independently determined by an expert using the Black-Scholes option pricing model. The call option financial asset has been classified as a non-current asset at 30 June 2019 due to the expected exercise date thereof exceeding 12 months from the reporting date. The call option disclosed in financial assets is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The movement in the call option derivative is as follows:

24 825	Opening balance	**25 912**	24 825
1 087	Fair value movement	**(1 235)**	1 255
25 912	**Closing balance**	**24 677**	26 080

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.

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	Vuna Fishing Company valuation		
1 980	+ 5%	**1 939**	2 015
(1 956)	- 5%	**(1 913)**	(1 991)
	Yield Curve (7.451%)		
1 324	+ 5%	**1 404**	1 261
(1 285)	- 5%	**(1 382)**	(1 180)
	Volatility (31.491%)		
1 060	+ 1%	**1 028**	1 172
(1 087)	- 1%	**(1 049)**	(1 207)

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

2 FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

Financial 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 volatility. Hedging contracts are regarded as level 2 financial instruments for fair value measurement purposes. Level 2 fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

The Group has irrevocably elected to classify this investment as fair value through other comprehensive income because this investment is held as a long-term strategic investment that is not expected to be sold in the short to medium term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

7. OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

ASSUMPTION SENSITIVITY ANALYSIS

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

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
	Desert Diamond vessel valuation		
1 263	+ 5%	**1 263**	1 263
(1 263)	- 5%	**(1 263)**	(1 263)

4 FISHING LICENCE LIABILITY

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

8. CONTINGENT CONSIDERATION

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

The movement in the contingent consideration is as follows:

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
–	Opening balance	**121 910**	–
157 510	Acquisition of subsidiary/business	**–**	–
(35 600)	Fair value movement	**6 668**	–
121 910	**Closing balance**	**128 578**	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

AUDITED YEAR ENDED 31 DECEMBER 2018 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000
9. RELATED PARTY TRANSACTIONS			
	This disclosure relates to material related party balances and transactions.		
9.1 RELATED PARTY LOANS			
	Loans to related parties – non-current		
27 420	Vuna Fishing Company Proprietary Limited (Joint venture of Brimstone Investment Corporation Limited)	**27 420**	27 420
45 069	Vuna Fishing Group Proprietary Limited (Subsidiary of Brimstone Investment Corporation Limited)	**45 069**	45 069
–	SeaVuna Fishing Company Proprietary Limited[1]	**9 731**	–
72 489	**Total**	**82 220**	72 489
	Loans to related parties – current		
4 000	Specialised Aquatic Feeds Proprietary Limited (Associate of Viking Aquaculture Proprietary Limited)	**4 000**	–
4 000	**Total**	**4 000**	–
9.2 RELATED PARTY TRANSACTIONS			
	Sales to related parties		
81 520	SeaVuna Fishing Company Proprietary Limited[1]	**29 686**	18 913
	Purchases from related parties		
193 157	SeaVuna Fishing Company Proprietary Limited[1]	**113 477**	103 159

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

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

AUDITED YEAR ENDED 31 DECEMBER 2018		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018

10. STATED CAPITAL (NUMBER)

AUDITED YEAR ENDED 31 DECEMBER 2018		UNAUDITED SIX MONTHS ENDED 30 JUNE 2019	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018
	In issue (number)		
272 865 243	Ordinary shares	**294 293 814**	251 362 907
(15 685 629)	Held as treasury shares	**(17 069 159)**	(10 959 595)
257 179 614		**277 224 655**	240 403 312

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

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Opening balance	**272 865 243**	**15 685 629**	**257 179 614**
Shares issued	**21 428 571**	**-**	**21 428 571**
Shares repurchased	**-**	**2 030 414**	**(2 030 414)**
Shares vested	**-**	**(646 884)**	**646 884**
Closing balance	**294 293 814**	**17 069 159**	**277 224 655**

11. EVENTS AFTER THE REPORTING PERIOD

There has not arisen in the interval between the reporting date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company to affect substantially the operations of the Group, the results of its operations or the state of affairs of the Group.

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