



2019

OUR HARVEST FROM SEA TO SHORE

REVIEWED PRELIMINARY CONDENSED
CONSOLIDATED FINANCIAL RESULTS

For the year ended 31 December 2019





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* (Chairman)
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

COMMENTARY

KEY PERFORMANCE INDICATORS	CHANGE	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Revenue (R'000)	▲ 54%	3 966 452	2 583 341
International revenue mix (%)		44	58
Gross profit (R'000)	▲ 40%	1 270 815	908 244
Gross profit margin (%)		32	35
Operating profit (R'000)	▲ 54%	599 580	388 619
Operating profit margin (%)		15	15
Profit for the period (R'000)	▲ 35%	395 513	293 133
Weighted average number of shares (WANOS) ('000)		276 366	249 202
Headline earnings (R'000)	▲ 48%	410 417	277 899
Basic headline earnings per share (HEPS) (cents)		148.5	111.5
Ordinary dividend per share (cents)	▲ 13%	45	40
Special dividend per share (cents)		5	–
Net asset value per share (cents)		879.2	705.6
ZAR: Euro average exchange rate ¹		16.09	15.73
ZAR: AUD average exchange rate ¹		10.04	9.81
Closing share price (cents)		1 455	1 375

¹ Average spot exchange rate at which sales were recorded.

Highlights for the year

- The delivery of HEPS growth of 33% to 149 cents per share, driven by the strong performance of the South African fishing operation, and a pleasing result from Ladismith Cheese.
- The retention of a Level 1 B-BBEE contributor status, with an improved score of 104.44 (previously 100.37).
- Extension of Fishing Rights Allocation Process (FRAP) to 1 January 2022.
- The acquisition of 100% of the shares of Ladismith Cheese, effective 2 January 2019.
- The acquisition of the remaining 43.7% of the shares of Sea Harvest Australia not already owned by the Sea Harvest Group, effective 8 May 2019.
- Improved performance from the Marel fresh fish processing facility in Saldanha Bay during the second half of 2019.
- Improved margins in the SA fishing operation, benefitting from synergies relating to the Viking Fishing acquisition.
- The seamless integration of Ladismith Cheese, with good performance in the first year post acquisition.
- Difficult trading conditions in the Aquaculture abalone business due to the political environment in Hong Kong.

COMMENTARY CONTINUED

Trading and financial performance

The Sea Harvest Group has delivered a pleasing set of results with **headline earnings** for the year ended 31 December 2019 increasing 48% to R410 million (2018: R278 million).

Group revenue for the year increased 54% to R3.97 billion (2018: R2.58 billion), benefiting from the full-year effect of the acquisition of Viking Fishing and Viking Aquaculture on 2 July 2018 and the acquisition of Ladismith Cheese on 2 January 2019. Revenue from the South African fishing operations increased 23% to R2.47 billion (2018: R2.01 billion). Cape Harvest Foods, which includes the newly acquired Ladismith Cheese, delivered revenue of R990 million (2018: R81 million) for the year. Viking Aquaculture contributed revenue of R69 million (2018: R55 million) and Sea Harvest Australia contributed R438 million for the year (2018: R443 million).

Gross profit for the year increased 40% to R1.27 billion (2018: R908 million) with the gross profit margin contracting to 32% (2018: 35%) as a result of the inclusion of Ladismith Cheese. The gross profit margin of the South African fishing operation expanded to 36% (2018: 35%).

Other **operating income**, which includes foreign exchange hedge gains, increased 2% to R74 million (2018: R72 million).

Operating expenses for the period increased 26% to R745 million (2018: R592 million), mainly due to the full-year effect of the Viking Fishing and Viking Aquaculture acquisitions and the acquisition of Ladismith Cheese, offset by the non-recurrence of once-off transaction costs and the impact of the adoption of the IFRS 16: Leases standard. Operating expenses as a percentage of revenue decreased to 18.8% from 22.9% in 2018.

The Group delivered **operating profit** of R600 million for the year, 54% higher than last year (2018: R389 million), benefiting from the inclusion of Viking Fishing and Ladismith Cheese. The operating profit margin was held broadly constant at 15.1% (2018: 15.0%).

Fair value gains of R34 million for the year (2018: R49 million), including a R44 million gain (2018: 43 million) relating to the revaluation of the contingent consideration liability relating to the Viking Aquaculture acquisition due to the non-achievement of the 2019 earn-out.

Net finance costs for the period increased to R101 million (2018: R44 million) due to increased debt levels to fund growth, as well as the impact of the adoption of the IFRS 16: Leases standard.

Profit after tax increased 35% to R396 million (2018: R293 million), benefiting from the 54% increase in operating profit, offset by the higher net finance costs described above.

Basic headline earnings per share (HEPS) increased 33% to 149 cents per ordinary share (2018: 112 cents) and **basic earnings per share (EPS)** increased 32% to 149 cents per ordinary share (2018: 113 cents). HEPS and EPS were negatively impacted by the dilutive effect of the increase in the WANOS in issue, which increased from 249 202 106 at 31 December 2018 to 276 365 749 at 31 December 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: Overall the South African fishing operation delivered a pleasing set of results. Revenue for the year ended 31 December 2019 increased 23% to R2.47 billion (2018: R2.01 billion), benefiting from a 10% increase in hake Total Allowable Catch (TAC) and the annualised effect of the Viking Fishing acquisition on 2 July 2018, leading to growth across all channels. Gross profit increased 28% to R953 million (2018: R745 million) driven by the increased revenue, and the gross profit margin expanded to 36% (2018: 35%), benefiting from synergies relating to the Viking Fishing acquisition and improved efficiencies in the Saldanha Bay fresh fish processing factory in the second half of the year. Operating profit increased 45% to R527 million (2018: R362 million), with the operating profit margin expanding to 20% from 17% in 2018.

Internationally, 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. Export revenue has increased by 26%, and the combined export mix has improved marginally to 53% (2018: 52%) of sales revenue, with a higher proportion of Viking Fishing product now directed to export markets.

Locally, revenue through the foodservice channel has increased 32%, with the foodservice mix increasing to 31% (2018: 29%) of sales revenue. Revenue from the wholesale channel has increased 80%, with this channel now making up 6% (2018: 4%) of sales revenue for the year. Revenue from the local retail channel declined 14%, impacted by a continued challenging local economic environment. The local retail channel mix reduced to 10% (2018: 15%) of sales revenue for the year, mainly due to the dilutive impact of Viking Fishing.

Aquaculture: 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. Revenue for the year increased 26% to R69 million compared to R55 million for the six months ended 31 December 2018.

Performance for the year was negatively impacted by lower abalone sales as a result of (i) an extended red tide event at the beginning of the year which, although no animals were lost, hampered export sales; (ii) extended market issues in Hong Kong and China, impacted by geopolitical issues within the region; and (iii) increased competition in the smaller size category from other abalone-producing nations. Positively, both abalone farms have reached their design capacity in terms of biomass. Performance from the greenfields trout operation in Saldanha Bay has been negatively impacted by higher than expected mortalities, while oyster and mussel sales have seen good growth year on year. As a result, the segment recorded an operating loss for the year of R30 million (2018: operating profit R3 million). Accordingly, the Viking Aquaculture business did not achieve the earn-out targets for the year, which has resulted in a R44 million fair value gain being recorded relating to the revaluation of the contingent consideration liability.

Cape Harvest Foods: Cape Harvest Foods is a new reporting segment encompassing Ladismith Cheese and Sea Harvest's factory shops, the latter having been reported previously as part of the South African fishing segment. The acquisition of Ladismith Cheese was successfully concluded on 2 January 2019. Ladismith Cheese's primary business is the production, distribution, marketing and sale of cheese, butter and milk powders to the South African retail, foodservice and food ingredient markets. The Cape Harvest Foods segment contributed R990 million of revenue for the year. 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 R96 million with an operating profit margin of 10% for the year.

Australian operations: The acquisition of all of the fully paid ordinary shares of Mareterram not already owned by Sea Harvest was successfully concluded on 8 May 2019. The acquisition allows Sea Harvest to fully integrate Mareterram, extract operational synergies and align Mareterram's operating structure, growth strategy and funding requirements with that of Sea Harvest. Following the buy-out of minorities, the Group renamed Mareterram as Sea Harvest Australia.

Following a multi-decade low prawn catch in 2018, prawn catches recovered somewhat in 2019, ending the year on 599 tonnes, 11% higher than the catch for the 2018 season of 540 tonnes, albeit with a smaller average size mix. Revenue decreased 1% to R438 million (2018: R443 million), with higher revenue from prawn sales being offset by lower revenue from traded product sales. The segment reported an operating profit for the year of R6.7 million (2018: R16.3 million), after absorbing R9.3 million of non-recurring transaction costs relating to the minority buy-out.

Cash flow and financial position

The Group generated cash from operations of R768 million (2018: R551 million) during the period, benefiting from the additional cash generated from the Viking Fishing and Ladismith Cheese operations.

The Group utilised R861 million in investing activities during the period (2018: R501 million) including:

- R558 million invested in the acquisition of Ladismith Cheese, net of R14 million of cash acquired;
- R264 million invested in additions to property, plant and equipment (2018: R319 million), including R167 million in the South African fishing operations; R52 million in Cape Harvest Foods; R17 million in Aquaculture operations; and R29 million in Sea Harvest Australia;
- R69 million was invested in the development of biological assets.

During the year the Group utilised R252 million in financing activities. R300 million was raised in the form of a vendor consideration placement to partly fund the acquisition of Ladismith Cheese and R193 million of net borrowings was repaid during the year. R169 million was paid for the acquisition of additional shares in Sea Harvest Australia. The Group paid dividends of R117 million during the year.

The Group opened the year with R782 million of cash on hand, utilised R553m of cash during the year, and ended the year with R229 million of cash on hand. With interest bearing borrowings of R1.2 billion, the Group net interest-bearing debt position for the year ended 31 December 2019 was R994 million.

COMMENTARY CONTINUED

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, and accordingly, the Group invests significant resources in skills development, employment equity, supplier and enterprise development initiatives, as well as projects focused on job creation, and early childhood, 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. During the year Sea Harvest spent R307 million procuring goods and services from 532 small and medium enterprises. In addition, the Group spent R37 million on various skills development initiatives and the Sea Harvest Foundation spent R4 million on community-based projects, including the provision of bursaries, healthcare initiatives, early childhood development, donations and the support of youth sports development.

Delivering the strategy

During the year Sea Harvest continued to make good progress in delivering on its strategy of growing earnings through a combination of organic and acquisitive growth:

- 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% of shares of Mareterram not already owned by the Group, strengthening Sea Harvest's presence in Australia and providing a beach-head for growth in the region.
- Within Viking Fishing, good progress has been made in integrating the business, with synergies achieved driving margin enhancement in the South African Fishing operation, and a new ERP and warehousing system implemented in the third quarter of 2019, improving reporting and enhancing inventory management.
- Within the Saldanha Bay fresh fish processing facility, the teething issues experienced with the Marel fresh fish processing installation have been addressed, improving the performance of the factory in the second half of the year.
- Within Viking Aquaculture, work has commenced on the expansion of the Diamond Cost Aquaculture abalone facility in the Northern Cape.

Outlook

Within the South African fishing segment, global demand for high value, wild caught, MSC-certified seafood is expected to continue, supporting firm pricing in the export markets. The local foodservice and wholesale markets remain stable. The local retail channel is expected to come under continued pressure as a result of the challenging domestic economic environment. The investment in the state-of-the-art Marel fresh fish processing facility in Saldanha Bay is expected to drive production efficiencies, with the facility having reached its design capacity in the second half of 2019.

The newly formed Department of Environment, Forestry and Fisheries (DEFF) is in the process of drafting the general and sector-specific policies that will govern the upcoming rights allocation process and these are expected to be published for industry comment in the first half of 2020.

Within the South African aquaculture operation, market issues within Hong Kong, which negatively impacted sales volumes during 2019, had begun to ease towards the end of 2019, with the sales rate of abalone into the region beginning to improve, although pricing continued to be under pressure. The recent Coronavirus outbreak has had a further negative impact on abalone sales into China and the region since its outbreak in January 2020, and it is expected that this will continue to have a negative impact on sales volumes and price through the first half of 2020.

Within the Cape Harvest Foods segment, the global consumer shift towards natural fats is expected to continue.

Within the Australian operation, the 2019 prawn volume from the Shark Bay Prawn Fishery experienced some recovery compared to the 2018 season, albeit with a smaller average size mix. Sea Harvest Australia is working with key stakeholders to ensure the fishery is managed to optimise the maximum economic yield, resulting in abundant volumes of prawn in larger sizes. The effects of the Coronavirus for Australian prawns is not yet clear.

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

On behalf of the Board

FJ Robertson

Chairperson

Cape Town

2 March 2020

F Ratheb

Chief Executive Officer

Cash dividend declaration

Notice is hereby given of dividend number 3. A gross and final ordinary cash dividend amounting to 45 cents per share and a gross and final special cash dividend amounting to 5 cents per share in respect of the year ended 31 December 2019, was recommended on Monday, 2 March 2020, out of current earnings. Where applicable, the deduction of dividends withholding taxation at a rate of 20% will result in a net ordinary dividend amounting to 36 cents per share and a net special dividend amounting to 4 cents per share. The company will obtain the necessary South African Reserve Bank approval with respect to the special dividend.

The number of ordinary shares in issue at the date of this declaration is 294 293 814.

The Company's taxation reference number is 9223/794/16/6.

Relevant dates in respect of the ordinary dividend and special dividend are as follows:

Last day to trade <i>cum</i> dividend	Monday, 6 April 2020
Commence trading <i>ex</i> dividend	Tuesday, 7 April 2020
Record date	Thursday, 9 April 2020
Dividend payable	Tuesday, 14 April 2020

Share certificates may not be rematerialised between Tuesday, 7 April 2020 and Thursday, 9 April 2020, both dates inclusive.

By order of the Board

JP de Freitas

Acting Company Secretary
2 March 2020



INDEPENDENT AUDITOR'S REVIEW ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Sea Harvest Group Limited

We have reviewed the condensed consolidated financial statements of Sea Harvest Group Limited, contained in the accompanying preliminary report, which comprise the condensed consolidated statement of financial position as at 31 December 2019 and the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require condensed consolidated financial statements contained in a preliminary report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34, Interim Financial Reporting.

Auditor's responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Sea Harvest Group Limited for the year ended 31 December 2019 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Registered Auditor

Per: Michael van Wyk

Partner

2 March 2020

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

	NOTES	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
Revenue	4	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 before fair value gains and associate income		599 580	388 619
Share of (loss)/profit in associate		(112)	647
Gain on bargain purchase	3	891	–
Fair value gains		34 339	48 743
Operating profit before net finance cost and taxation		634 698	438 009
Investment income		21 413	46 125
Interest expense		(121 919)	(90 130)
Profit before taxation		534 192	394 004
Taxation		(138 679)	(100 871)
Profit after taxation		395 513	293 133
<i>Profit after taxation attributable to:</i>			
Shareholders of Sea Harvest Group Limited		412 478	281 209
Non-controlling interests		(16 965)	11 924
		395 513	293 133
Earnings per share (cents)			
- Basic		149.3	112.8
- Diluted		143.3	108.6

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
Profit after taxation	395 513	293 133
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Movement on cash flow hedging reserve	137 641	(23 956)
Cost of hedging reserve	(59 199)	(27 194)
Reserves recycled to other operating income	19 608	20 614
Exchange differences on foreign operations	(14 045)	22 275
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Net measurement gain on defined benefit plan	3 645	2 149
Other comprehensive income/(loss), net of tax	87 650	(6 112)
Total comprehensive income for the year	483 163	287 021
<i>Total comprehensive income attributable to:</i>		
Shareholders of Sea Harvest Group Limited	498 319	271 525
Non-controlling interests	(15 156)	15 496
	483 163	287 021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	NOTES	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
ASSETS			
Property, plant, equipment and vehicles ¹		1 881 734	1 604 800
Right-of-use assets	2	136 695	–
Biological assets		61 448	107 646
Intangible assets ²		639 795	616 163
Goodwill ³		849 615	621 549
Investment in associate		5 204	5 316
Investment at fair value through other comprehensive income	7	25 264	25 264
Financial assets	7	23 218	25 912
Loans to related parties	9	81 799	72 489
Loans to supplier partners		78 464	72 182
Long-term loan receivable		3 606	–
Deferred tax assets		611	333
Non-current assets		3 787 453	3 151 654
Inventories ⁴		582 162	396 471
Biological assets		77 891	–
Trade and other receivables ⁴		696 020	507 500
Short-term loan receivable		1 609	–
Financial assets	7	124 947	994
Tax assets		8 289	9 986
Cash and bank balances		237 882	781 679
Current assets		1 728 800	1 696 630
Total assets		5 516 253	4 848 284

¹ Movement in property, plant, equipment and vehicles during the year includes:

- acquisition through business combination of R189 million. Refer to **note 3.1**;
- vessel refits of R89 million; and
- capital work in progress relating to the powder plant in Ladismith Cheese of R29 million.

² Intangible assets includes R46 million relating to a current year business combination. Refer to **note 3.1**.

³ Goodwill includes R231 million relating to a current year business combination, reduced by R3 million as a result of translation of the foreign operation. Refer to **note 3.1**.

⁴ Inventories and trade and other receivables increased as a result of a current year business combination. Refer to **note 3.1**.

	NOTES	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
EQUITY AND LIABILITIES			
Stated capital ¹		1 810 506	1 538 762
Other reserves		(36 953)	(102 008)
Retained earnings		663 721	377 911
Attributable to shareholders of Sea Harvest Group Limited		2 437 274	1 814 665
Non-controlling interests ²		76 500	254 662
Capital and reserves		2 513 774	2 069 327
Long-term borrowings		1 268 291	1 517 683
Employee-related liabilities		22 510	25 229
Share-based payment liability		27 509	27 626
Deferred grant income		32 236	20 026
Contingent consideration	8	90 862	121 910
Financial liabilities	7	20 522	41 806
Lease liabilities		146 230	–
Deferred taxation		478 545	374 551
Non-current liabilities		2 086 705	2 128 831
Short-term borrowings		285 685	174 955
Trade and other payables ³		546 052	410 211
Lease liabilities		13 670	–
Share-based payment liability		15 909	–
Deferred grant income		3 317	2 317
Financial liabilities	7	21 248	36 726
Short-term provisions		21 088	25 121
Taxation		216	796
Bank overdrafts		8 589	–
Current liabilities		915 774	650 126
Total equity and liabilities		5 516 253	4 848 284

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 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 for a cash consideration of R169 million.

³ Trade and other payables increased as a result of a current year business combination. Refer to note 3.1.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
Balance at the beginning of the year	2 069 327	1 565 979
Attributable to:		
Shareholders of Sea Harvest Group Limited	1 814 665	1 397 666
Non-controlling interests	254 662	168 313
IFRS 16 adjustment	(11 997)	–
Attributable to:		
Shareholders of Sea Harvest Group Limited	(10 417)	–
Non-controlling interests	(1 580)	–
Restated balance at the beginning of the year	2 057 330	1 565 979
Attributable to:		
Shareholders of Sea Harvest Group Limited ¹	1 804 248	1 397 666
Non-controlling interests ¹	253 082	168 313
Total comprehensive income for the year attributable to shareholders of Sea Harvest Group Limited	498 319	271 525
Profit after taxation	412 478	281 209
Movements in other items of comprehensive income, net of tax	85 841	(9 684)
Movements attributable to shareholders of Sea Harvest Group Limited		
Shares issued	300 000	279 531
Shares repurchased ²	(28 255)	(38 526)
Shares awarded in terms of the forfeitable share plan	–	2 882
Recognition of forfeitable share plan reserve	–	(32 413)
Dividends paid	(116 251)	(77 565)
Share-based payments	(17 810)	11 565
Further acquisition of investment in subsidiary	(2 978)	–
Movement attributable to non-controlling interests	(176 581)	86 349
Balance at the end of the year	2 513 774	2 069 327

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. Refer to **note 2**.

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 year ended 31 December 2019

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
Operating activities		
Profit after taxation	395 513	293 133
Adjustments for non-cash and other items	443 706	246 026
Operating cash flows before changes in working capital	839 219	539 159
Increase in inventories	(6 544)	(14 555)
Increase in trade and other receivables	(112 049)	(60 201)
Increase in trade and other payables	47 555	86 502
Cash generated from operations	768 181	550 905
Investment income received	14 617	46 125
Proceeds from government grant	17 181	–
Income taxes paid	(119 509)	(36 569)
Interest paid	(120 055)	(83 963)
Net cash generated from operating activities	560 415	476 498
Investing activities		
Acquisition of investment in subsidiary/business	(558 139)	(181 339)
Proceeds on disposal of property, plant, equipment and vehicles	22 098	75 543
Acquisition of property, plant, equipment and vehicles	(264 629)	(319 275)
Acquisition of intangible assets	(30)	(38 925)
Additions to biological assets	(69 007)	(37 149)
Cash movement in other long-term and short loans	8 299	–
Net cash utilised in investing activities	(861 408)	(501 145)
Financing activities		
Shares issued	300 000	–
Shares repurchased	(50 962)	(38 526)
Proceeds from borrowings	347 497	1 271 051
Repayment of borrowings	(540 294)	(641 514)
Repayment of financial liabilities	(21 401)	(21 266)
Dividends paid	(117 154)	(78 506)
Amounts advanced to supplier partners	(6 032)	(68 000)
Proceeds on loans advanced to supplier partners	5 686	–
Further investment in subsidiary	(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 rates on the balance of cash held in foreign operation	157	40
Cash and cash equivalents at the end of the the year	229 293	781 679

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

These condensed consolidated financial statements for the year ended 31 December 2019 have been reviewed by Deloitte & Touche, who expressed an unmodified review conclusion.

The directors take full responsibility for the preparation of this report. The condensed consolidated annual financial statements were prepared under the supervision of the Chief Financial Officer, JP de Freitas CA(SA).

2. ACCOUNTING POLICIES AND CHANGES TO ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of these condensed consolidated financial statements are in terms of IFRS 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%.

	R'000
2.1 ADJUSTMENTS RECOGNISED ON ADOPTION OF IFRS 16	
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	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.	

2. ACCOUNTING POLICIES AND CHANGES TO ACCOUNTING POLICIES (continued)

The recognised right-of-use assets relate to the following types of assets:

	31 DECEMBER 2019 R'000	1 JANUARY 2019 R'000
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
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Total assets	118 375
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Liabilities

Lease liabilities	137 083
Deferred tax liabilities	2 575
Other payables	(9 286)

Total liabilities	130 372
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Total adjustment on equity:

Retained earnings	(10 417)
Non-controlling interests	(1 580)

Total equity	(11 997)
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- 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 year ended 31 December 2019, segment assets and segment liabilities as at 31 December 2019 increased as a result of the change in the accounting policy. The following segments were affected by the change in policy:

	EBITDA R'000	SEGMENT ASSETS R'000	SEGMENT LIABILITIES R'000
South African Fishing	17 146	106 584	125 405
Australia operations	2 671	4 682	5 219
Aquaculture	2 297	15 308	18 343
Cape Harvest Foods	3 616	10 121	10 933
	25 730	136 695	159 900

Earnings per share decreased by 1.7 cents per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2019

2. ACCOUNTING POLICIES AND CHANGES TO ACCOUNTING POLICIES (continued)

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.

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 to 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 OTHER ACQUISITION

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, foodservice 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	MEASURE PERIOD ADJUSTMENTS R'000	RESTATE CLOSING BALANCE R'000
Assets acquired and liabilities assumed			
Property, plant and equipment	188 794	–	188 794
Intangible assets	–	45 813	45 813
Loan 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 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED
for the year ended 31 December 2019

3. BUSINESS COMBINATION AND OTHER ACQUISITION (continued)

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.

3.2 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 Limited for a cash consideration of R169 million. Following the acquisition, the Group holds a 100% effective interest in Sea Harvest Australia.

3.3 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)

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	RESTATED* YEAR ENDED 31 DECEMBER 2018 R'000
4. 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:		
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 split 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 is reported to the CEO, who is the chief operating decision-maker.

¹ As a result of the Ladismith Cheese Company 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 bycatch.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED
for the year ended 31 December 2019

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
5. HEADLINE EARNINGS PER SHARE		
5.1 DETERMINATION OF HEADLINE EARNINGS		
Profit after taxation attributable to shareholders of Sea Harvest Group Limited	412 478	281 209
Profit on disposal of property, plant, equipment and vehicles	(4 675)	(4 596)
Gain on bargain purchase	(891)	–
Total tax effects of adjustments	3 505	1 286
Headline earnings for the year	410 417	277 899
5.2 CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
Weighted average number of shares on which earnings and headline earning per share is based	276 365 749	249 202 106
Weighted average number of shares on which diluted earnings and diluted headline earnings per share is based	287 774 594	258 988 718
Reconciliation of weighted average number of shares between basic and diluted earnings per share and headline earnings and dilute headline earnings per share:		
Basic	276 365 749	249 202 106
Dilutive instruments	11 408 845	9 786 612
Diluted	287 774 594	258 988 718
Headline earnings per share (cents)		
– Basic	148.5	111.5
– Diluted	142.6	107.3

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 Foods segments.

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	RESTATED* YEAR ENDED 31 DECEMBER 2018 R'000
Segment revenue		
South African Fishing ¹	2 470 044	2 005 357
Australia operations	437 752	442 837
Aquaculture ²	68 920	54 532
Cape Harvest Foods	989 736	80 615
Total revenue	3 966 452	2 583 341
Segment profit/(loss) from operations		
South African Fishing	526 589	362 240
Australia operations	6 652	16 318
Aquaculture	(29 818)	2 893
Cape Harvest Foods	96 157	7 168
Operating profit before associate and joint venture income	599 580	388 619
Fair value (losses)/gains	34 339	48 743
Gain on bargain purchase	891	–
Share of (loss)/profit in associate	(112)	647
Investment income	21 413	46 125
Interest expense	(121 919)	(90 130)
Profit before taxation	534 192	394 004
Total assets		
South African Fishing	3 093 199	3 313 093
Australia operations	886 253	873 809
Aquaculture	696 867	636 422
Cape Harvest Foods	839 934	24 960
	5 516 253	4 848 284
Total liabilities		
South African Fishing	1 961 289	1 944 894
Australia operations	389 157	376 482
Aquaculture	450 260	443 625
Cape Harvest Foods	201 773	13 956
	3 002 479	2 778 957

¹ Revenue excludes inter-segmental revenue of R176 million (2018: R98 million) which is eliminated on consolidation.

² Revenue excludes inter-segmental revenue of R8 million (2018: R2 million) which is eliminated on consolidation.

*As a result of the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED
for the year ended 31 December 2019

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
7. OTHER FINANCIAL ASSETS AND LIABILITIES		
Financial derivative assets	148 165	26 906
Non-current portion of financial assets ¹	23 218	25 912
Current portion of financial assets ²	124 947	994
Other financial asset		
Investment at fair value through other comprehensive income ³	25 264	25 264
Financial derivative liabilities	160	14 460
Current portion of financial liabilities ²	160	14 460
Other financial liability		
Fishing licence liability ⁴	41 610	64 072
Non-current portion of financial liability	20 522	41 806
Current portion of financial liability	21 088	22 266

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 31 December 2019 due to the expected exercising 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:

Opening balance	25 912	24 825
Fair value movement	(2 694)	1 087
Closing balance	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.

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
7. OTHER FINANCIAL ASSETS AND LIABILITIES (continued)		
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.

2 FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

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

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.

Desert Diamond vessel valuation		
+5%	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. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED
for the year ended 31 December 2019

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 Aquaculture 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:

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
Opening balance	121 910	–
Acquisition of subsidiary/business	–	157 510
Fair value movement ¹	(31 048)	(35 600)
Closing balance²	90 862	121 910

¹ The fair value adjustment includes a gain of R44 million as a result of Viking Aquaculture not achieving the 2019 minimum target.

² The balance relates to Viking Fishing meeting the 2018 and 2019 earn-out targets.

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		
	Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	27 420	27 420
	Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	45 068	45 069
	SeaVuna Fishing Company Proprietary Limited ¹	9 311	–
	Total	81 799	72 489
	Loans to related parties – current		
	Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited)	4 000	4 000
	Total	4 000	4 000
9.2	RELATED PARTY TRANSACTIONS		
	Sales to related parties		
	SeaVuna Fishing Company Proprietary Limited ¹	43 933	43 421
	Recoveries and other income from related parties		
	SeaVuna Fishing Company Proprietary Limited ¹	17 878	46 561
	Purchases from related parties		
	SeaVuna Fishing Company Proprietary Limited ¹	214 182	193 157

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 are marketed by Sea Harvest Corporation Proprietary Limited.

10. STATED CAPITAL (NUMBER)

	REVIEWED YEAR ENDED 31 DECEMBER 2019	AUDITED YEAR ENDED 31 DECEMBER 2018
In issue (number)		
Ordinary shares	294 293 814	272 865 243
Held as treasury shares	(17 069 159)	(15 685 629)
	277 224 655	257 179 614

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. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has no contingent liabilities at the end of the year (2018: nil).

	REVIEWED YEAR ENDED 31 DECEMBER 2019 R'000	AUDITED YEAR ENDED 31 DECEMBER 2018 R'000
Capital commitments		
Budgeted capital expenditure is as follows:		
– contracted	13 580	19 632
– not contracted	275 035	115 142

12. EVENTS AFTER THE REPORTING PERIOD

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 (SeaVuna), 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.

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.

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