



2020 STAYING THE COURSE FROM SEA TO SHORE

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020





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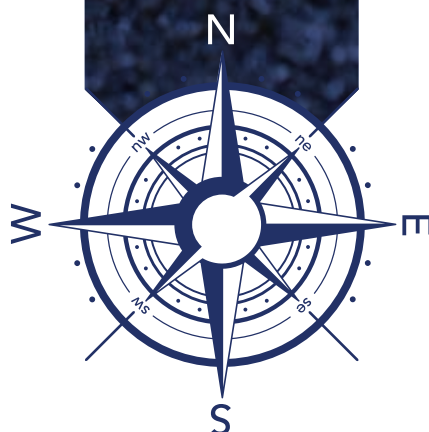
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APPROVAL OF ANNUAL FINANCIAL STATEMENTS



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

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

The Group and Company annual financial statements are prepared in terms of International Financial Reporting Standards and have been reported on by our auditors in conformity with International Standards of Auditing and the Companies Act. The Group and Company annual financial statements for the year ended 31 December 2020, which appear on [pages 9 to 106](#), were approved by the Board of Directors on 31 March 2021 and signed on its behalf by:

F Robertson
Chairperson

F Ratheb
Chief Executive Officer

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The Group and Company annual financial statements of Sea Harvest Group Limited for the year ended 31 December 2020 were prepared under the supervision of the Chief Financial Officer, M Brey CA(SA).

DECLARATION BY GROUP CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) for the year ended 31 December 2020

The Group CEO and the CFO hereby confirm that:

- the consolidated and separate annual financial statements, set out on [pages 9 to 106](#), fairly present in all material respects the financial position, financial performance and cash flows of Sea Harvest Group Limited in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Sea Harvest Group Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Report on Corporate Governance™ for South Africa, 2016 (King IV). Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

F Ratheb
Chief Executive Officer

M Brey
Chief Financial Officer

REPORT OF THE COMPANY SECRETARY

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

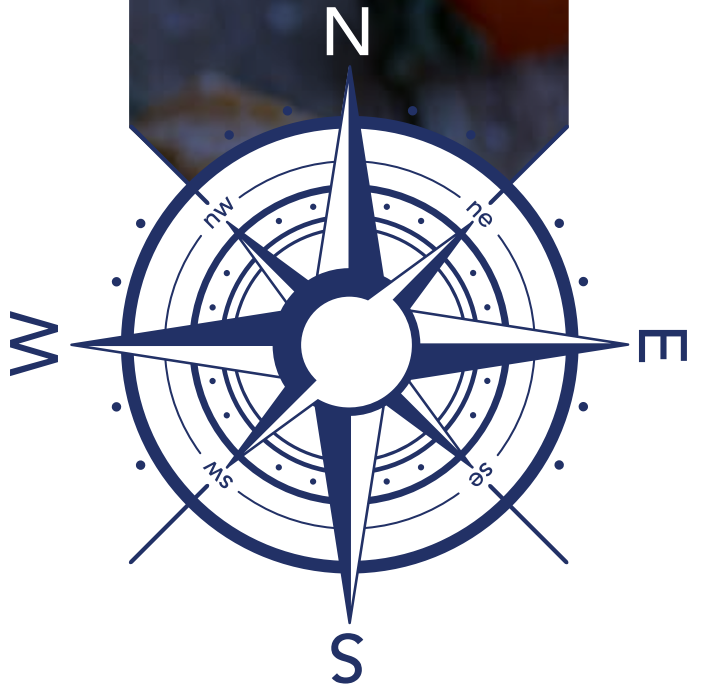
N Seshoka
Company Secretary

A close-up photograph of a bowl of orange-colored soup, likely a tomato-based soup, garnished with several dumplings and fresh basil leaves. The bowl is white with a red rim and sits on a red and white checkered tablecloth. The background is softly blurred, showing more of the tablecloth and some green herbs.

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OUR REPORTS

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





INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sea Harvest Group Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Sea Harvest Group Limited and its subsidiaries (the Group) set out on **pages 18 to 103**, which comprise the consolidated and separate statements of financial position as at 31 December 2020, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Compliance with long-term fishing permit conditions (Group)	
<p>The Group holds long-term fishing rights in South Africa and Australia, which entitles it to quota allocations, enabling it to fish commercially.</p> <p>The long-term fishing rights are subject to compliance with regulatory and financial obligations. Non-compliance with long-term fishing permit conditions could lead to reputational damage, penalties, and to quota being withdrawn. This could negatively impact the Group's ability to continue as a going concern.</p> <p>Given the severe implications of potential non-compliance with long-term fishing permit conditions, this was an audit focus area and is therefore considered to be a key audit matter (KAM).</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ➤ Evaluating the design, implementation and operating effectiveness of the controls to address the risk of non-compliance; ➤ Reviewing compliance with regulatory and financial obligations of all long-term fishing permit conditions through, <i>inter alia</i>, assessment of the following: <ul style="list-style-type: none"> – Reviewing correspondence with the regulatory body where there have been developments in the industry imposing additional regulatory or financial compliance requirements; – Inspecting correspondence from the regulatory body supporting quota allocations; and – Comparing and evaluating the evidence of quota caught against quota allocations and assessing compliance with permit conditions. <p>The design, implementation and operating effectiveness of controls were found to be effective and there was sufficient and appropriate evidence to support compliance with long-term fishing rights conditions.</p>



INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sea Harvest Group Limited CONTINUED

KEY AUDIT MATTER

Valuation of goodwill for the Aquaculture operation's cash-generating unit (CGU) (Group)

As disclosed in **note 11**, the Group's goodwill balance is R862 million. R70 million of this balance arose on the acquisition of 51% of the Viking Aquaculture Proprietary Limited Group in 2018. The goodwill is allocated to the Aquaculture operation's CGU.

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

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

- Revenue growth rates which are dependent on forecasted sales quantities and prices; and
- Growth rates and discount rates (weighted average cost of capital) applied to the projected future cash flows.

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

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Our testing of the impairment assessment of goodwill for the Aquaculture operation's CGU focused on the key areas of estimates made by the Directors.

Our audit procedures included:

- Assessing the design and testing the implementation of the key controls over the goodwill impairment process;
- Obtaining the respective discounted cash flow models which assessed the carrying value of goodwill;
- Evaluating whether the future-projected cash flows used by the Directors to calculate the value-in-use of the CGU complies with the requirements of IAS 36;
- Assessing the reasonability of the future-projected cash flows, including the assumptions relating to revenue growth rates, with specific emphasis on forecasted abalone quantities;
- Engaging our internal specialists to independently assess the reasonability of the discount rates and growth rates used in the Directors' impairment calculations;
- Performing sensitivity analysis on key estimates, including areas of judgment and estimates including revenue growth rates and discount rates to evaluate the extent of the impact on the value-in-use;
- Assessing the completeness and accuracy of the carrying value of the CGU;
- Recalculating the value-in-use of the CGU; and
- Assessing the adequacy of the Group's disclosures in respect of goodwill in the notes to the consolidated financial statements.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Sea Harvest Group Limited Group audited annual financial statements for the year ended 31 December 2020", which includes the Report of the Directors, Report of the Audit and Risk Committee, Report of the Company Secretary as required by the Companies Act of South Africa, and the Declaration by Group Chief Executive Officer (CEO) and Chief financial officer (CFO) as well as the analysis of ordinary shareholders, which we obtained prior to the date of this report, and the information included in the document titled "Sea Harvest Group Limited Integrated Report for the year ended 31 December 2020", which is expected to be made available to us after that date. The other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated and separate financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sea Harvest Group Limited CONTINUED

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Sea Harvest Group Limited for 12 years.

Deloitte & Touche

Deloitte & Touche

Registered auditor

Per: Michael van Wyk

Partner

31 March 2021

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



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report which forms part of the annual financial statements of Sea Harvest Group Limited and its subsidiaries (the Group) for the year ended 31 December 2020.

NATURE OF BUSINESS AND OPERATIONS

Sea Harvest is a leading black-controlled and internationally recognised, vertically integrated fishing and branded FMCG business, established in 1964. The Group's principal business is deep-sea trawling, the processing of its catch into a range of value-added frozen and chilled seafood, and the marketing of its produce nationally and internationally. Its range of products in South Africa includes hake, horse mackerel, prawn, anchovy, pilchard and tuna. In addition, the Group has the following operations:

- Sea Harvest Australia, a vertically integrated agribusiness which processes and packs king and tiger prawns, scallops, crabs and Spanish mackerel for the Australian domestic and international markets, and operates a nationwide retail and food service sales and distribution business;
- The ownership of 51% of the shares of Viking Aquaculture delivered diversification for the Group into high-value aquaculture, including abalone, oysters, mussels and trout; and
- The acquisition of Ladismith Cheese, a value-added dairy operation, in the prior year, was a further step in the execution of the Group's stated investment strategy of growing through acquisitions in complementary sectors of the South African food and agricultural industry which exhibit strong fundamentals and growth, and where the Group is able to leverage its core competencies and strengths.

COMPANIES ACT, NO 71 OF 2008 (AS AMENDED)

The Board confirms that the Group has complied with the provisions of the Companies Act, No 71 of 2008 (as amended), specifically relating to its incorporation and has operated in conformity with its memorandum of incorporation during the year under review.

FINANCIAL RESULTS AND GENERAL REVIEW

The results for the year under review are reflected in the statement of comprehensive income on [page 18](#).

The profit attributable to ordinary shareholders for the year is R430.7 million (2019: R412.5 million).

SHARE CAPITAL

The following share movements occurred during the year under review:

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Balance at the beginning of the year	294 293 814	17 069 159	277 224 655
Shares vested in terms of the Group's forfeitable share plan	–	(2 544 005)	2 544 005
Shares repurchased	–	75 735	(75 735)
Closing balance	294 293 814	14 600 889	279 692 925

Details of the authorised and issued share capital of the Company are set out in [note 20](#).

SPECIAL RESOLUTIONS

During the 2020 financial year, the shareholders of the Company passed the following special resolutions:

- The approval of the general authority to repurchase the Company's shares, the effect of which was to authorise the Company and/or its subsidiaries to re-purchase its own securities.
- The approval of the Non-executive Directors' remuneration, the effect of which was to approve the annual remuneration of Non-executive Directors for the period 1 July 2020 to 30 June 2021.
- The general approval to provide financial assistance to related or inter-related companies, the effect of which was to authorise the Company to provide direct and indirect financial assistance to related or inter-related companies or corporations in terms of section 45 of the Companies Act.
- The general approval of provision of financial assistance for the acquisition of shares, the effect of which was to grant the Board of Directors of the Company the general authority to provide such direct or indirect financial assistance.
- The approval to buy back 1 376 315 shares from The Management Investment Trust No 2.

Changes in the Board

JP de Freitas resigned as Chief Financial Officer and Company Secretary on 1 May 2020 and was replaced by M Brey.

M Brey resigned as Company Secretary on 24 August 2020 and was replaced by N Seshoka.

Directors

The names of the Directors in office at the date of this report appear on the inside back cover of the annual financial statements, along with the name, business and postal address of the Company Secretary.

Directors' interest in shares

The aggregate direct and indirect beneficial interest of the Directors in the issued share capital of the Company at 31 December 2020 was as follows:

	NUMBER OF SHARES			PERCENTAGE OF ISSUED ORDINARY SHARE CAPITAL
	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL	
2020				
M Brey	1 334 554	–	1 334 554	0.45%
JP de Freitas	1 300 012	–	1 300 012	0.44%
WA Hanekom	–	730 009	730 009	0.25%
MI Khan	8 000	–	8 000	0.00%
T Moodley	–	8 000	8 000	0.00%
BM Rapiya	40 000	–	40 000	0.01%
F Ratheb	1 959 917	–	1 959 917	0.67%
F Robertson	5 600	233 826	239 426	0.08%
Total	4 648 083	971 835	5 619 918	1.90%
2019				
M Brey	1 299 098	–	1 299 098	0.44%
JP de Freitas	1 301 915	–	1 301 915	0.44%
WA Hanekom	–	730 009	730 009	0.25%
MI Khan	8 000	–	8 000	0.00%
T Moodley	–	8 000	8 000	0.00%
BM Rapiya	40 000	–	40 000	0.01%
F Ratheb	2 160 863	–	2 160 863	0.73%
F Robertson	5 600	233 326	238 926	0.08%
Total	4 815 476	971 335	5 786 811	1.95%

No shares held by directors are pledged as security for loans.

The following shares have been issued to Directors in terms of the forfeitable share plan since 31 December 2020 and the date of approval of the financial statements:

M Brey	288 364
F Ratheb	547 585

Details of Directors' individual interests in options held in terms of the forfeitable share plan are set out in [note 36](#).

Subsidiaries

Details of the Company's interest in and share of aggregate profits and losses of its subsidiaries are given in separate schedules on [pages 102 and 103](#).

Property, plant, equipment and vehicles

Capital expenditure during the year amounted to R286.3 million (2019: R264.6 million). Further details are disclosed in [note 7](#). During the year, there was no major change in the nature of the assets or in the policy relating to their use.

Directors' responsibility for the annual financial statements

The Directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements of Sea Harvest Group Limited, comprising the statements of financial position as at 31 December 2020, the statements of comprehensive income, statements of changes in equity and cash flows for the year ended, and the notes thereto which includes a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

Internal control

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

Going concern

Management has assessed the going concern assumption, taking into account the impact of COVID-19, which took into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered material factors impacting the ability of the Group to generate or preserve cash. Such factors included limitations of COVID-19 on production and the resulting sales, fixed costs and capital expenditure plans that would

require funding, as well as available facilities. The result of these analyses was that the Group will have sufficient cash resources to sustain operations. An analysis of the potential impact of COVID-19 on funding covenants was also considered and management is of the view that funding covenants will not be breached. No funding covenants were breached in the 2020 financial year. Therefore the Directors have no reason to believe that the Group will not be a going concern in the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Litigation

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

Events subsequent to the reporting date

The Board of Directors recommended a gross and final cash ordinary dividend on 1 March 2021 amounting to 45 cents per share (2019: 50 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 2020.

During the budget speech held on the 22nd of February 2021, the Minister of Finance announced a decrease in the corporate tax rate from 28% to 27% with effect from 1 April 2022. If the legislation had been effective as at year end, this would have resulted in an estimated decrease of the deferred tax liability at 31 December 2020 of R14.7 million.

Other than the items outlined above, 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 substantially affect the operations of the Group, the results of its operations, or the state of affairs of the Group.

OUR AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2020

The Audit and Risk Committee (the Committee) is pleased to present its report to the shareholders of Sea Harvest Group Limited for the year ended 31 December 2020. This report is prepared in line with the Committee’s responsibilities as defined in the Companies Act of South Africa, No 71 of 2008 (the Act), the King IV™ Report on Corporate Governance™ (King IV™) for South Africa and the JSE Listings Requirements.

INDEPENDENT NON-EXECUTIVES

 Committee Chairperson



KA LAGLER

CA(SA)

Meetings attended: 



WA HANEKOM

CA(SA)

Meetings attended: 



BM RAPIYA

BA Economics

Meetings attended: 



CK ZAMA

CA(SA)

Meetings attended: 

ROLES AND RESPONSIBILITIES

The Committee is governed by a formal Terms of Reference which has been approved by the Board and which is reviewed annually, last reviewed in November 2020. A copy of the Committee’s Terms of Reference can be found on the Group’s website: www.seaharvestgroup.co.za.

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

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

COMPOSITION OF THE COMMITTEE

The Committee comprises four independent Non-executive Directors. The members of the Committee have remained unchanged for the 2020 financial year.

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

The Committee Chairperson, Ms KA Lagler, and members Mr BM Rapiya, Mr WA Hanekom and Ms KC Zama will hold office until the upcoming Annual General Meeting on 26 May 2021, where their re-election to the Committee will be a matter for shareholder consideration.

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

MEETINGS AND WORK PLAN

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

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

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

KEY FUNCTIONS OF THE COMMITTEE

The Committee performed the following duties during the year ended 31 December 2020:

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval;
- Satisfied itself as to the adequacy of the Group's internal controls, including internal controls over financial reporting;
- Reviewed the solvency and liquidity, working capital, and going concern position;
- Reviewed and recommended the annual dividend proposal to the Board for approval;
- Reviewed the expertise and experience of the Group's CFO and finance function;
- Considered and nominated for approval at the AGM the external auditors and the designated auditor for the financial year under review;
- Reviewed reports from the established Finance and Risk Committees;
- Undertook a process of selection of new auditors in terms of mandatory audit firm rotation;
- Reviewed the fraud and defalcation reports;
- Reviewed insurance renewal policies and updates;
- Conducted a self-assessment evaluation in accordance with the Terms of Reference;
- Reviewed the Insider Trading Policy;
- Reviewed impairment assessment calculations and considerations;
- Considered the independence and effectiveness of the external auditors;
- Determined the fees paid to the external auditors and the auditor's terms of engagement;
- Determined the nature and extent of non-audit services and the pre-approval of such services as the Committee deemed appropriate in accordance with the approved Non-Audit Services policy;
- Reviewed and approved the internal audit terms of reference and annual audit plan;
- Considered the effectiveness and independence of the head of internal audit and the internal audit function;
- Received and considered the JSE Proactive Monitoring of Financial Statements report in relation to the 2019 annual financial statement and 2020 interim financial statements, and satisfied itself with the responses provided;
- Confirmed that there were no concerns or complaints raised in relation to financial reporting matters and internal controls;
- Provided oversight of IT governance and IT risk management;
- Assessed the Group's combined assurance model and risk management framework;
- Assessed the Group's application of the King IV™ principles as set out in the King IV™ Application Register and Corporate Governance Report; and
- Received reports detailing the tax status of each company within the Group and compliance with tax laws and regulations.

FINANCE FUNCTION

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

RISK MANAGEMENT AND COMBINED ASSURANCE

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

The Committee continues to have oversight of the Group's approach to combined assurance in response to the risks facing the Group and which incorporates the "lines of defence" strategy. Assurance is obtained from several assurance providers in a co-ordinated manner to avoid duplication of effort. The internal audit plan is compiled in consultation with management, using a risk-based methodology. In addition, internal and external auditors work in a collaborative manner. For the 2020 financial year, the Committee considered the risk assessments and mitigation plans presented by management, evaluated and approved the plans of the internal audit function and the external auditors, and the outcomes of the audit work performed.

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

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

INFORMATION TECHNOLOGY (IT) GOVERNANCE

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

OUR AUDIT AND RISK COMMITTEE REPORT

CONTINUED for the year ended 31 December 2020

EXTERNAL AUDITORS

The Committee has satisfied itself, through the evaluation of submissions made, that the external auditors of the Group and its subsidiaries are independent as defined by the Act and therefore are able to express an independent opinion on the Group's annual financial statements. The Committee, in consultation with management, has agreed to the audit fee for the 2020 financial year and has evaluated the extent of non-audit work in accordance with the established policy in this regard. This policy establishes that non-audit work performed by the external auditor beyond an agreed rand quantum is approved by the Committee Chairperson and communicated to other members of the Committee. The fees paid to the external auditors for non-audit services in 2020 related to taxation work and agreed-upon procedures in respect of royalty certificates issued to the Marine Stewardship Council, agreed-upon procedures and advice for specific business transactions, and taxation training for members of the finance department.

At each meeting of the Committee, the external auditor is provided the opportunity to engage with the Committee without management's presence.

The Committee has evaluated information relevant to the external auditor in terms of paragraph 22.15(h) of the JSE Listings Requirements. Deloitte & Touche (Deloitte) are the Group's external auditors and were appointed in 2008 and have been the auditors for Sea Harvest Group for 12 years. The Committee participated, in an oversight capacity, in the process to appoint the new auditors for the year ended 31 December 2021.

Mr M van Wyk was the designated audit partner for the financial year ended 31 December 2020 and was appointed as such in 2018. Mr M van Wyk has confirmed to the Committee that Deloitte has complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants standards.

Mandatory audit firm rotation

The Committee satisfied itself as to the appointment of Ernst & Young as the Group's external auditors for the year ending 31 December 2021, subject to shareholder approval at the upcoming AGM.

Key audit matters relating to the 2020 audit

The report of the independent auditors for the year ended 31 December 2020 contained the following key audit matters:

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

The Committee has addressed the key audit matters as follows:

- The Committee has assessed the processes and controls that management has designed and

implemented to ensure compliance with long-term fishing permits and is satisfied that these controls are working as assessed by management, internal auditors and the external auditors; and

- The Committee has also considered the level of impairment testing performed by management and agreed with the conclusions reached by both management and the external auditor that no impairment of goodwill is required.

INTERNAL AUDITORS

The Group's in-house internal audit function operates in terms of a charter which the Committee reviewed and approved during the reporting period. The Committee has considered the independence and effectiveness of the in-house internal audit function and considered these appropriate. The Committee has also regularly evaluated the progress made in relation to the internal audit coverage plan for 2020, and is satisfied that significant matters reported to it and management by the internal audit function are appropriately remediated.

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

ACCOUNTING PRACTICES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The 3.84k attestation completed by the CEO and CFO was evaluated by the Committee in conjunction with the feedback received from management and the internal auditors on the adequate functioning of the designed financial reporting controls.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the period ending 31 December 2020

and is satisfied that it complies with International Financial Reporting Standards. Accordingly, the Committee recommended the annual financial statements to the Board for approval, which the Board subsequently approved.

GOING CONCERN, SOLVENCY AND LIQUIDITY

The Committee reviewed the going concern status of the Group, taking into account the impact of COVID-19 which took into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered material factors impacting the ability of the Group to generate or preserve cash. Such factors included limitations of COVID-19 on production and the resulting sales, fixed costs and capital expenditure plans that would require funding, as well as available facilities. The result of these analyses was that the Group will have sufficient cash resources to sustain operations. An analysis of the potential impact of COVID-19 on funding covenants was also considered and the Committee is of the view that funding covenants will not be breached. The Committee recommended to the Board that the going concern basis of accounting is considered appropriate, and that the Group is considered solvent and able to distribute its proposed dividend to shareholders.

JSE REPORTING REQUIREMENTS

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

JSE proactive monitoring reports

The Committee has received and considered the findings in the JSE's reports for compliance with IFRS:

- Report back on proactive monitoring of financial statements in 2020;
- The following sections from the Combined Findings Report:
 - Going concern (pages 12, 59 and 60);
 - Statement of cash flows (pages 19 to 25);
 - Income taxes (pages 26 to 28);
 - Related party disclosures (page 31);
 - Impairment of assets (pages 36 to 38); and
 - Fair value measurement (pages 55 to 57);
- The following JSE COVID-19 letters:
 - Financial reporting (issued April 2020);
 - Reflecting the impact of COVID-19 in financial results (issued May 2020);
 - Effective communication with investors (issued September 2020); and
- The IASB COVID-19 documents:
 - Going concern – a focus on disclosure; and
 - Applying IFRS standards in 2020 – impact of COVID-19.

The Committee has ensured that, where applicable, the contents of these reports have been appropriately actioned in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2020.

JSE reporting requirements 3.84(k)

The Committee has considered the approach adopted by management to ensure that the CEO and CFO responsibility statement sign-off on the annual financial statements and internal financial reporting controls in terms of the JSE Listings Requirement 3.84(k) is appropriately supported. In satisfying itself in this regard, the Committee has evaluated:

- The risk assessment and scoping framework, including the determination of materiality applied to ensure that significant areas of risk, complexity and judgement are included for the evaluation of internal financial reporting controls;
- The process followed for the evaluation of the design of existing internal financial reporting controls and the need for amending and/or supplementing those controls;
- The ongoing implementation of the aforementioned controls and whether they have operated effectively during the reporting period under review; and
- The findings of assurance providers, including management declarations and internal audit findings, following their assessment of the operating effectiveness of internal financial reporting controls.

The Committee will continue to monitor progress in the implementation of amended and supplementary controls over financial reporting, and formal remediation plans have been developed to address control deficiencies identified, where noted, in operating effectiveness and design.

The Committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors, as well as management.

The Committee believes that the Group's internal financial reporting controls can be relied upon as a reasonable basis for the preparation of the annual financial statements.

CONCLUSION

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



Kari Ann Lagler

CA(SA)
31 March 2021

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OUR CONSOLIDATED STATEMENTS

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	NOTES	2020 R'000	2019 R'000
Revenue	1	4 375 339	3 966 452
Cost of sales		(2 894 578)	(2 695 637)
Gross profit		1 480 761	1 270 815
Other operating (expense)/income		(8 041)	73 544
Selling and distribution expenses		(207 895)	(158 484)
Marketing expenses		(14 476)	(13 214)
Other operating expenses ¹		(621 089)	(573 081)
Operating profit before fair value (losses)/ gains and associate income	2	629 260	599 580
Share of profit/(loss) in associate		790	(112)
Gain on bargain purchase		–	891
Fair value (losses)/gains		(4 608)	34 339
Operating profit before net finance costs and taxation		625 442	634 698
Investment income	3	28 994	21 413
Finance costs	4	(101 079)	(121 919)
Profit before taxation		553 357	534 192
Taxation	5	(155 509)	(138 679)
Profit after taxation		397 848	395 513
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		619	3 645
Remeasurement gain on defined benefit plan		619	3 645
Items that may be reclassified subsequently to profit or loss:		10 159	84 005
Exchange differences on foreign operations		69 126	(14 045)
Movement in cash flow hedging reserve		(152 402)	191 207
Movement in cost of hedging reserve		26 944	(82 221)
Reserves recycled to other operating income		43 332	27 234
Deferred taxation effect		23 159	(38 170)
Other comprehensive income, net of taxation		10 778	87 650
Total comprehensive income for the year		408 626	483 163
Profit after taxation attributable to:			
Shareholders of Sea Harvest Group Limited		430 751	412 478
Non-controlling interests		(32 903)	(16 965)
		397 848	395 513
Total comprehensive income (loss) for the year attributable to:			
Shareholders of Sea Harvest Group Limited		444 035	498 319
Non-controlling interests		(35 409)	(15 156)
		408 626	483 163
Earnings per share (cents)			
– Basic	6	154.3	149.3
– Diluted	6	148.8	143.3

¹ Included in other operating expenses is a credit movement in expected credit losses recognised on trade receivables of R3.1 million (2019: debit of R5.9 million).



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	NOTES	2020 R'000	2019 R'000
ASSETS			
Property, plant, equipment and vehicles	7	1 993 274	1 881 734
Right-of-use assets	8	131 904	136 695
Biological assets	9	67 321	61 448
Intangible assets	10	733 174	639 795
Goodwill	11	862 492	849 615
Investments in associate	13	5 994	5 204
Investment at fair value through other comprehensive income	14	25 264	25 264
Loans to supplier partners	15.1	85 484	78 464
Financial assets	25	25 138	23 218
Loans to related parties	35	129 444	81 799
Loan receivable	15.2	3 836	3 606
Deferred tax assets	16	489	611
Non-current assets		4 063 814	3 787 453
Trade and other receivables	18	695 783	697 629
Biological assets	9	93 087	77 891
Inventories	17	631 023	582 162
Financial assets	25	27 334	124 947
Taxation		7 729	8 289
Cash and bank balances	19	275 245	237 882
Current assets		1 730 201	1 728 800
Total assets		5 794 015	5 516 253
EQUITY AND LIABILITIES			
Stated capital	20	1 809 038	1 810 506
Other reserves	20	(3 143)	(36 953)
Retained earnings		948 311	663 721
Equity attributable to the owners of the Company		2 754 206	2 437 274
Non-controlling interests		40 138	76 500
Total equity		2 794 344	2 513 774
Long-term borrowings	21	1 308 982	1 268 291
Employee-related liabilities	22	22 557	22 510
Share-based payment liabilities	31	31 510	27 509
Deferred grant income	23	30 814	32 236
Contingent consideration	24	99 974	90 862
Financial liabilities	25	–	20 522
Lease liabilities	26	144 261	146 230
Deferred taxation	16	508 807	478 545
Non-current liabilities		2 146 905	2 086 705
Short-term borrowings	21	117 758	285 685
Trade and other payables	27	648 340	546 052
Deferred grant income	23	4 059	3 317
Financial liabilities	25	24 889	21 248
Lease liabilities	26	15 706	13 670
Share-based payment liabilities	31	–	15 909
Short-term provisions	28	36 432	21 088
Taxation		778	216
Bank overdrafts	19	4 804	8 589
Total current liabilities		852 766	915 774
Total equity and liabilities		5 794 015	5 516 253

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
	STATED CAPITAL R'000	INVESTMENT REVALUATION RESERVE R'000	CASH FLOW HEDGING RESERVE R'000	COST OF HEDGING RESERVE R'000
Balance as at 1 January 2019	1 538 762	17 309	(839)	(27 194)
IFRS 16: Leases transition adjustment	-	-	-	-
Adjusted opening balance	1 538 762	17 309	(839)	(27 194)
Issue of shares	300 000	-	-	-
Shares repurchased for purpose of forfeitable share plan	(28 256)	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	125 176	(30 596)
Recognition of share-based payments	-	-	-	-
Transfer to share-based payment liability subsequent to modification date	-	-	-	-
Shares vested in terms of forfeitable share plan	-	-	-	-
Dividends declared and paid	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-
Balance as at 1 January 2020	1 810 506	17 309	124 337	(57 790)
Shares repurchased for purpose of forfeitable share plan	(1 468)	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	(49 068)	(7 393)
Recognition of share-based payments	-	-	-	-
Transfer to share-based payment liability subsequent to modification date	-	-	-	-
Shares vested in terms of forfeitable share plan	-	-	-	-
Dividends declared and paid	-	-	-	-
Balance as at 31 December 2020	1 809 038	17 309	75 269	(65 183)

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

SHARE-BASED PAYMENTS RESERVE R'000	FOREIGN CURRENCY TRANSLATION RESERVE R'000	FORFEITABLE SHARE PLAN RESERVE (TREASURY SHARES) R'000	ACTUARIAL GAINS/ LOSSES RESERVE R'000	CHANGE OF OWNERSHIP R'000	RETAINED EARNINGS R'000	TOTAL R'000	NON- CONTROLLING INTERESTS R'000	TOTAL EQUITY R'000
3 820	(19 152)	(79 327)	3 774	(399)	377 911	1 814 665	254 662	2 069 327
-	-	-	-	-	(10 417)	(10 417)	(1 580)	(11 997)
3 820	(19 152)	(79 327)	3 774	(399)	367 494	1 804 248	253 082	2 057 330
-	-	-	-	-	-	300 000	-	300 000
-	-	-	-	-	-	(28 256)	-	(28 256)
-	-	-	-	-	412 478	412 478	(16 965)	395 513
-	(12 384)	-	3 645	-	-	85 841	1 809	87 650
27 388	-	-	-	-	-	27 388	2 115	29 503
(41 922)	-	-	-	-	-	(41 922)	-	(41 922)
(8 086)	-	8 086	-	-	-	-	-	-
-	-	-	-	-	(116 251)	(116 251)	(903)	(117 154)
(3 274)	-	-	-	(2 978)	-	(6 252)	(162 638)	(168 890)
(22 074)	(31 536)	(71 241)	7 419	(3 377)	663 721	2 437 274	76 500	2 513 774
-	-	-	-	-	-	(1 468)	-	(1 468)
-	-	-	-	-	430 751	430 751	(32 903)	397 848
-	69 126	-	619	-	-	13 284	(2 506)	10 778
23 447	-	-	-	-	-	23 447	-	23 447
(2 921)	-	-	-	-	-	(2 921)	-	(2 921)
(31 800)	-	31 800	-	-	-	-	-	-
-	-	-	-	-	(146 161)	(146 161)	(953)	(147 114)
(33 348)	37 590	(39 441)	8 038	(3 377)	948 311	2 754 206	40 138	2 794 344

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	NOTES	2020 R'000	2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	A	923 569	839 219
Working capital changes	B	71 038	(71 038)
Cash generated by operating activities		994 607	768 181
Interest received		13 163	10 617
Dividends received		8 000	4 000
Interest paid		(96 645)	(120 055)
Income tax paid		(111 737)	(119 509)
Proceeds from government grants		3 328	17 181
Net cash generated from operating activities		810 716	560 415
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant, equipment and vehicles		(286 313)	(264 629)
Insurance proceeds		25 747	–
Proceeds from the disposal of property, plant, equipment and vehicles		7 574	22 098
Acquisition of intangible assets		(32 210)	(30)
Acquisition of a subsidiary/business		–	(558 139)
Additions to biological assets		(65 605)	(69 007)
Loans advanced to supplier partners		(8 425)	–
Proceeds on loans advanced to supplier partners		1 130	–
Loans advanced to related parties		(56 270)	–
Proceeds on loans advanced to related parties		10 891	–
Cash movement in other long term and short loans		343	8 299
Net cash utilised in investing activities		(403 138)	(861 408)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments of the Company		–	300 000
Shares repurchased		(15 322)	(50 962)
Proceeds from borrowings		588 026	347 497
Repayment of borrowings and lease liabilities		(769 836)	(540 294)
Repayment of other financial liabilities		(22 752)	(21 401)
Loans advanced to supplier partners		–	(6 032)
Proceeds on loans advanced to supplier partners		–	5 686
Dividends paid		(147 115)	(117 154)
Further investment in subsidiary		–	(168 890)
Net cash generated from financing activities		(366 999)	(251 550)
Net increase in cash and cash equivalents		40 579	(552 543)
Cash and cash equivalents at the beginning of the year		229 293	781 679
Effects of exchange rate changes on the balance of cash held in foreign currencies		569	157
Cash and cash equivalents at the end of the year	19	270 441	229 293

	2020 R'000	2019 R'000
A. Cash generated by operations		
Profit after taxation	397 848	395 513
<i>Adjustments for:</i>		
Interest expense	101 079	121 919
Taxation charge	155 509	138 679
Investment income	(28 994)	(21 413)
Profit on disposal of property, plant, equipment and vehicles	(750)	(5 223)
Loss on disposal of property, plant, equipment and vehicles	8 327	548
Gain on lease modification	(266)	–
Gain on bargain purchase	–	(891)
Unrealised foreign exchange gains	11 920	(2 538)
Depreciation and amortisation on non-current assets	219 293	183 484
Share of (profit)/ loss of associate	(790)	112
Government grant income	(4 008)	(3 971)
Non-cash movements in relation to share-based payments	22 472	26 080
Fair value gain on option	(1 919)	2 694
Fair value adjustment on contingent consideration	9 112	(31 048)
Fair value adjustment on biological assets	(2 585)	(5 984)
Non-cash movement on biological assets	47 120	43 298
Movement in provisions	15 344	(5 502)
Insurance proceeds	(25 747)	–
Other non-cash movements	604	3 462
	923 569	839 219
B. Movements in working capital	71 038	(71 038)
Decrease/(increase) in trade and other receivables	15 010	(112 049)
Increase in trade and other payables	97 132	47 555
Increase in inventory	(41 104)	(6 544)
Cash generated by operating activities	994 607	768 181



SEGMENT REPORT

for the year ended 31 December 2020

The Groups' reportable segments under IFRS 8: Operating Segments, are South African Fishing, Australia, Aquaculture and Cape Harvest Foods.

BASIS OF SEGMENT PRESENTATION

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

IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

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

The following tables are an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2020:

	SOUTH AFRICAN FISHING R'000	AUSTRALIA R'000	AQUACULTURE R'000	CAPE HARVEST FOODS R'000	TOTAL R'000
2020					
Revenue	2 758 205	542 477	53 334	1 021 323	4 375 339
Depreciation and amortisation	(156 149)	(20 720)	(17 136)	(25 289)	(219 294)
Foreign currency and commodity price gains	(61 119)	2 963	(9 136)	(254)	(67 546)
Employee-related expenses	(825 015)	(37 635)	(39 634)	(95 820)	(998 104)
Share-based payment expenses	(23 932)	–	–	(595)	(24 527)
Other expenses	(1 121 814)	(449 560)	(59 939)	(805 295)	(2 436 608)
Operating profit	570 176	37 525	(72 511)	94 070	629 260
Investment income	27 499	36	50	1 409	28 994
Finance costs	(83 564)	(11 769)	(3 679)	(2 067)	(101 079)
Fair value (loss)/gain	(7 193)	–	2 585	–	(4 608)
Share of profits of associate	–	–	790	–	790
Profit before taxation	506 918	25 792	(72 765)	93 412	553 357
Taxation	(141 132)	(5 930)	17 237	(25 684)	(155 509)
Profit after taxation	365 786	19 862	(55 528)	67 728	397 848
Segment assets	3 048 569	1 084 782	708 189	952 475	5 794 015
Segment liabilities	1 878 634	398 741	455 666	266 630	2 999 671
Non-current assets	2 033 149	896 678	588 275	545 712	4 063 814
Additions to non-current assets	176 613	83 902	22 073	57 234	339 822
<i>The above amounts of assets and liabilities include the following:</i>					
Investment in associate	–	–	5 994	–	5 994

Revenue excludes the following intersegmental revenues between South Africa Fishing and Australia, which are eliminated on consolidation: R172.0 million (2019: R134.2 million), R46.4 million (2019: R41.5 million) between South African Fishing and Cape Harvest Foods, and R2.5 million (2019: R8.5 million) between Aquaculture and South African Fishing.

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

Information regarding major customers

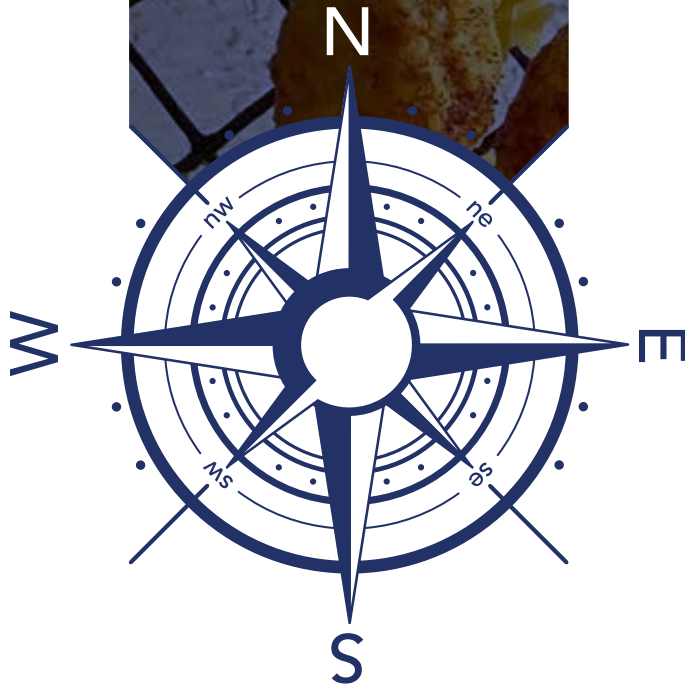
No customers (2019: nil) individually contribute 10% or more of the Group's revenue arising from the South African Fishing, Australia, Aquaculture and Cape Harvest Foods segments.



3

OUR POLICIES

➤ Group accounting policies



GROUP ACCOUNTING POLICIES

PRESENTATION OF FINANCIAL STATEMENTS

Basis of preparation

Statement of compliance

The consolidated (or Group) and separate (or Company) financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with the JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, No 71 of 2008. The financial statements were approved for issue by the Board of Directors on 31 March 2021.

Basis of measurement and preparation

The Group and Company financial statements are prepared in accordance with the going concern and historical cost basis, except for the revaluation of certain assets and liabilities detailed in [notes 9, 14](#) and [31](#).

The principal accounting policies set out below and in the individual notes have been applied on a basis consistent with the previous year.

Functional and presentation currency

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

Disclosure of accounting policies

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

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



Foreign currency translation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group and Company financial statements in conformity with IFRS requires management to make judgements (other than those including estimations) that have a significant impact on the amounts recognised, and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These judgements and estimates are described in the notes and identified under the heading "Significant judgements and estimates". The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

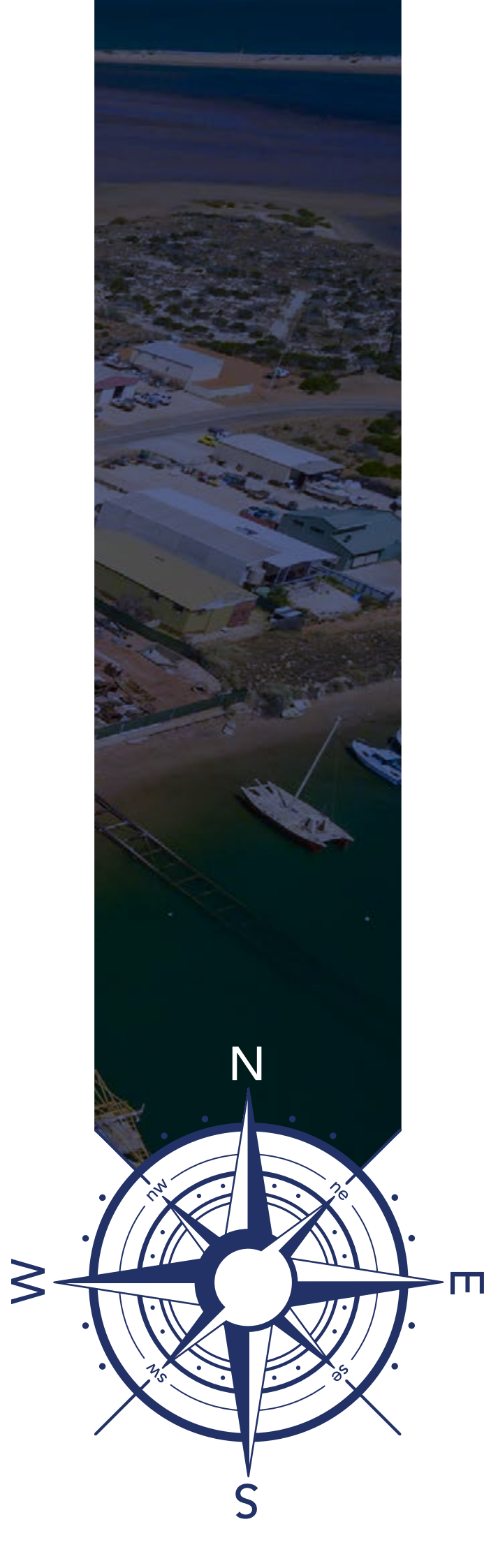
New standards, interpretations and amendments adopted

There are no new standards, interpretations and/or amendments that became applicable for the current reporting period that had an impact on the Group's accounting policies.

An aerial photograph of a coastal area. In the foreground, several white fishing boats are docked in a harbor. Behind them, there are industrial buildings and a parking lot with several cars. A river or lagoon flows through the middle ground, surrounded by green vegetation. The background shows a large body of water under a clear sky.

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**OUR
NOTES TO THE
CONSOLIDATED
ANNUAL
FINANCIAL
STATEMENTS**



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. REVENUE**ACCOUNTING POLICY****Recognition and measurement**

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excluding value added tax. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Revenue recognised over time is generated from the Cape Harvest Foods segment and it arises from the performance of services relating to co-manufacturing and packaging contracts. The amount of revenue recognised is based on the conversion cost and is recognised upon collection of the stock by the customer, which is the best estimate of the point at which the service is rendered. A liability is raised by the Group upon receipt of milk from the customer to be converted into specific product formats. Refer to **note 27** for the liability recognised as at 31 December 2020.

The Group does not adjust consideration for the effect of financing, as the period between the transfer of goods and services and receiving payment from customers is less than one year.

	GROUP	
	2020 R'000	2019 R'000
Group revenue for the year can be analysed as follows:		
Revenue recognised at a point in time	4 360 967	3 938 116
Revenue recognised over time	14 372	28 336
	4 375 339	3 966 452
Revenue comprises of:		
Wild-caught fish ¹	2 848 476	2 510 694
Shellfish ²	308 089	267 297
Vegetables and meals	93 852	94 499
Traded	188 774	190 171
Dairy	936 148	903 791
	4 375 339	3 966 452
Revenue is further spilt by geographic location as follows:		
South Africa	2 348 134	2 209 799
Australia	543 009	447 178
Europe	1 299 838	1 113 675
Other markets	184 358	195 800
	4 375 339	3 966 452

¹ Cape hake, horse mackerel, Spanish mackerel and related by-catch.

² Prawns, scallops, crabs, abalone and related by-catch.

Revenue from wild-caught fish is disclosed in the South African Fishing, Australia and Cape Harvest Foods 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 value-added dairy revenue disclosed in the Cape Harvest Foods segment. Traded revenue is disclosed in the South African Fishing and Cape Harvest Foods segments.

The geographic location split of revenue is based on where the customer is located. Within each segment, products are marketed nationally and internationally.

	GROUP	
	2020 R'000	2019 R'000
2. OPERATING PROFIT BEFORE FAIR VALUE (LOSSES)/GAINS AND ASSOCIATE INCOME		
Operating profit is arrived at after taking into account the following:		
Income		
Foreign currency and commodity price (losses)/gains	(67 546)	44 592
Government grant income	4 008	3 971
Profit on the disposal of property, plant, equipment and vehicles	750	5 223
Insurance proceeds	25 747	–
Operating expenses		
Amortisation of intangibles	8 631	8 612
Auditors remuneration		
– External statutory audit	4 941	4 729
– Other	883	858
Depreciation of property, plant, equipment and vehicles	191 532	158 219
Depreciation of right-of-use assets	19 130	16 653
COVID-19 expenses	39 203	–
Movement in expected credit losses	(3 137)	5 868
Inventory adjustments		
– Net increase in the provision for obsolescence	1 439	1 950
– Write-downs to net realisable value	2 441	6 236
Loss on the disposal of property, plant, equipment and vehicles	8 327	548
Rental expense on low-value and short-term leases		
– Land and buildings	4 822	3 972
– Property, plant, equipment and vehicles	5 954	6 077
Employee-related expenses		
Salaries, wages and other short-term benefits	998 104	888 522
Share-based payments expense	24 527	29 254
Post-employment benefits	43 720	42 316
Total employee-related expenses	1 066 351	960 092
3. INVESTMENT INCOME		
Interest received on bank deposits and from external parties	20 994	17 347
Dividends received from investment at fair value through other comprehensive income	8 000	4 000
Other	–	66
	28 994	21 413
4. FINANCE COSTS		
Interest on borrowings	82 433	100 321
Interest on lease liability	15 213	13 742
Other ¹	3 433	7 856
	101 079	121 919

¹ Other finance costs mainly relate to interest paid to post-retirement medical aid.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

	GROUP	
	2020 R'000	2019 R'000
5. TAXATION		
Current tax: South Africa		
In respect of the current year	115 091	126 356
In respect of prior years	(2 231)	(3 579)
	112 860	122 777
Deferred tax: South Africa		
In respect of the current year	36 721	16 736
In respect of prior years	(1)	(1 172)
	36 720	15 564
Current tax: Australia¹		
In respect of the current year	967	–
	967	–
Deferred tax: Australia		
In respect of the current year	5 012	669
In respect of prior years	(50)	(331)
	4 962	338
Taxation charge	155 509	138 679
Deferred tax recognised through other comprehensive income		
Fair value remeasurement of cash flow hedges	23 159	(38 170)
	23 159	(38 170)
Tax rate reconciliation		
Profit before tax	553 357	534 192
Income tax expense calculated at 28% (2019: 28%)	154 940	149 574
Prior year adjustment	848	(13)
Underprovided previous year	(2 281)	(5 082)
Non-taxable income ²	(14 446)	(16 432)
Non-deductible expenses ³	12 569	9 589
Deferred tax asset not recognised	4 071	2 711
Capital gains tax	(433)	(1 638)
Tax effect of share of results of associates and joint ventures	(221)	–
Tax effect of tax rates of subsidiary operating in other jurisdictions	462	(30)
Taxation charge	155 509	138 679

¹ The Australian tax rate is 30% (2019: 30%).

² Non-taxable income relates to dividend income, reversal of prior year provisions and reversal of rental income for IFRS 16.

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

		NUMBER OF SHARES	
		2020	2019
6. EARNINGS PER SHARE			
6.1	CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	279 177 043	276 365 749
	Dilutive treasury shares	10 321 837	11 408 845
	Weighted average number of ordinary shares used in the calculation of diluted earnings per share	289 498 880	287 774 594

		NET OF TAX AND NON-CONTROLLING INTEREST		NET OF TAX AND NON-CONTROLLING INTEREST	
		GROSS OF TAX 2020 R'000	INTEREST 2020 R'000	GROSS OF TAX 2019 R'000	INTEREST 2019 R'000
6.2	DETERMINATION OF HEADLINE EARNINGS				
	Profit attributable to shareholders of Sea Harvest Group Limited	553 357	430 751	534 192	412 478
	<i>Adjusted for:</i>				
	Loss/(gain) on disposal of property, plant, equipment and vehicles	7 574	7 574	(4 675)	(1 170)
	Gain on bargain purchase	–	–	(891)	(891)
	Insurance proceeds	(25 747)	(17 416)	–	–
	Headline earnings for the year	535 184	420 909	528 626	410 417

		2020	2019
Headline earnings per share (cents)			
	– Basic	150.8	148.5
	– Diluted	145.4	142.6
	Basic earnings per share (cents)	154.3	149.3
	Diluted earnings per share (cents)	148.8	143.3

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

7. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

ACCOUNTING POLICY

Recognition and measurement

Property, plant, equipment and vehicles are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost

Historical cost includes expenditure that is directly attributable to the acquisition of the item.

The cost of fishing trawler refits (major overhauls) includes expenditure on materials, direct labour and an allocated proportion of project overheads. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of profit or loss in the period in which they are incurred.

Gains or losses on disposals of property, plant, equipment and vehicles are determined by comparing proceeds with the carrying amount and are included in operating profit in the statement of profit or loss.

Depreciation

Property, plant, equipment and vehicles are depreciated to their estimated residual values on a straight-line basis over their expected useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Impairment

The Group reviews the carrying amount of its property, plant, equipment and vehicles annually, and if events occur which call into question the carrying amount of the assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). Where the carrying amount exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

Significant judgements and estimates

Depreciation and residual values

The Group depreciates its assets over their estimated useful lives. The estimation of the useful lives of assets is based on historical performance, as well as expectations about future use, and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, operating conditions and maintenance programmes. These depreciation rates represent management's current best estimate of the useful lives of these assets.

Significant judgement is applied by management when determining the residual values for property, plant, equipment and vehicles. When determining the residual value, the following factors are taken into account:

- External residual value information (if available)
- Internal technical assessments for specialised plant and machinery

The Group has reviewed the residual values and useful lives of its assets. No material adjustments resulted from the review in the current year.

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

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

	FREEHOLD LAND AND BUILDINGS R'000	LEASEHOLD LAND AND BUILDINGS R'000	FISHING TRAWLERS AND REFITS R'000	PLANT, MACHINERY AND EQUIPMENT R'000	MOTOR VEHICLES R'000	OFFICE EQUIPMENT R'000	TOTAL R'000
2020							
Balance as at 1 January 2020	151 900	23 991	818 950	819 894	21 377	45 622	1 881 734
Cost	160 373	52 955	1 099 800	974 607	28 724	80 466	2 396 925
Accumulated depreciation and impairment	(8 473)	(28 964)	(280 850)	(154 713)	(7 347)	(34 844)	(515 191)
Transfers in	(1)	(55)	22 731	37 718	618	31	61 042
Transfers out	(193)	-	-	(60 751)	-	(98)	(61 042)
Additions	251	8 419	161 282	107 932	4 243	13 019	295 146
Disposals/derecognition	(125)	(174)	(12 736)	(1 532)	(383)	(201)	(15 151)
Cost	(125)	(2 599)	(62 973)	(14 775)	(1 133)	(6 912)	(88 517)
Accumulated depreciation and impairment	-	2 425	50 237	13 243	750	6 711	73 366
Depreciation for the year	(4 692)	(4 160)	(104 256)	(59 633)	(5 475)	(13 315)	(191 531)
Effect of foreign currency exchange differences	2 858	-	19 726	(870)	17	1 345	23 076
Balance as at 31 December 2020	149 998	28 021	905 697	842 758	20 397	46 403	1 993 274
Cost	163 842	58 774	1 244 000	1 044 216	32 482	88 331	2 631 645
Accumulated depreciation and impairment	(13 844)	(30 753)	(338 303)	(201 458)	(12 085)	(41 928)	(638 371)
2019							
Balance as at 1 January 2019	72 276	16 388	830 959	645 368	8 245	31 564	1 604 800
Cost	76 271	42 418	1 056 098	756 340	12 163	60 139	2 003 429
Accumulated depreciation and impairment	(3 995)	(26 030)	(225 139)	(110 972)	(3 918)	(28 575)	(398 629)
Transfers in	9 437	-	-	7 342	-	722	17 501
Transfers out	-	-	-	(9 912)	-	(7 589)	(17 501)
Additions	169	11 030	97 245	124 481	6 027	28 927	267 879
Acquisitions through business combinations	75 195	-	-	101 991	12 403	97	189 686
Disposals/derecognition	-	(13)	(15 978)	(647)	(1 362)	(84)	(18 084)
Cost	-	(493)	(49 670)	(5 340)	(1 848)	(972)	(58 323)
Accumulated depreciation and impairment	-	480	33 692	4 693	486	888	40 239
Depreciation for the year	(4 603)	(3 414)	(90 011)	(48 506)	(3 933)	(7 752)	(158 219)
Effect of foreign currency exchange differences	(574)	-	(3 265)	(223)	(3)	(263)	(4 328)
Balance as at 31 December 2019	151 900	23 991	818 950	819 894	21 377	45 622	1 881 734
Cost	160 373	52 955	1 099 800	974 607	28 724	80 466	2 396 925
Accumulated depreciation and impairment	(8 473)	(28 964)	(280 850)	(154 713)	(7 347)	(34 844)	(515 191)

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

An additional grant of R3.3 million (2019: R17 million) was received and used towards the purchase of property, plant, equipment and vehicles with a carrying value of approximately R121.7 million (2019: R94 million). The government grant is treated as deferred income and released to the statement of comprehensive income over the useful lives of the assets. Please refer to [note 23](#).

The moveable assets of the Group, including property, plant, equipment and vehicles with a carrying amount of approximately R2 billion (2019: R1.9 billion) have been pledged to secure long-term borrowings of the Group (see [note 21](#)).

The cost of fully depreciated property, plant, equipment and vehicles still in use amounts to R189.9 million (2019: R145.3 million).

An amount of R18.5 million was received as compensation from third parties for items of property, plant equipment and vehicles that were scrapped due to damages.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

8. RIGHT-OF-USE ASSETS

ACCOUNTING POLICY

Right-of-use assets

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

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

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.

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. 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 certain properties, motor vehicles and equipment, 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. Judgement is required in determining whether the Group is reasonably certain to exercise its option to extend the lease or terminate the lease at initial inception. This is based on various factors including terms for renewal in relation to market rates, whether there has been significant leasehold improvements and the costs relating to termination.

The Group has entered into agreements to lease land and manufacturing/office buildings, with lease terms between three and 10 years. The Group has the option, under some leases, to lease the assets for additional terms of three to five years. The likelihood of exercising these options is assessed on a lease-by-lease basis.

	2020 R'000	2019 R'000
Balance at the beginning of the year	136 695	–
Cost	152 705	–
Accumulated depreciation and impairment losses	(16 010)	–
Balance at effective date – 1 January 2019	–	118 375
Additions to leases	14 789	36 653
Acquired through business combination	–	445
Terminated leases	(1 449)	(1 906)
Cost	(2 593)	(2 269)
Accumulated depreciation on leases discontinued	1 144	363
Depreciation	(19 130)	(16 653)
Effect of foreign currency exchange differences	999	(219)
Balance as at 31 December	131 904	136 695
Cost	173 945	152 705
Accumulated depreciation and impairment losses	(42 041)	(16 010)
Amounts recognised in profit and loss:		
Depreciation expense on right-of-use assets	19 130	16 653
Expenses relating to leases of low-value assets	5 954	5 403
Gain on modification of leased asset	266	438
Interest expense on lease liabilities	14 535	13 742
Expenses relating to short-term leases	4 822	4 646
Total cash flows recognised:		
Rental expenses ¹	39 381	35 779

¹ Total rental expenses consist of R10.8 million (2019: R10.0 million) relating to low-value and short-term leases (classified as operating activities), R12.9 million (2019: R12.6 million) relating to interest on lease liabilities (classified as operating activities) and R15.7 million (2019: R13.1 million) relating to the capital portion of lease liabilities (classified as financing activities).

At 31 December 2020, the Group is committed to R1.7 million (2019: R4.2 million) relating to short-term leases.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

9. BIOLOGICAL ASSETS**ACCOUNTING POLICY****Recognition and measurement**

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

Significant estimates

The fair value of abalone, mussels, oysters, fish and spats are determined based on market prices of these biological assets of a similar age, breed, and genetic merit. In the absence of an active market, due to early stages of biological assets transformation, the capitalised costs are deemed to be the best estimate of fair value. Subsequent expenditure incurred in the development of abalone, mussels, oysters, fish and spats from a certain size up to the point of maturity, is capitalised in the cost.

In order to measure and value biological assets, management uses growth-formula and drip-and-purge-loss factors to determine the weight of animals at the reporting date. These formulas are based on empirical evidence and confirmed industry norms.

9.1 RECONCILIATION OF BIOLOGICAL ASSETS

	ABALONE R'000	MUSSELS AND OYSTERS R'000	FISH R'000	TOTAL R'000
2020				
Balance as at 1 January 2020	107 758	24 181	7 400	139 339
Increase due to additions and cost capitalised	47 069	12 190	6 346	65 605
Decrease due to harvest and mortalities	(28 451)	(8 456)	(10 214)	(47 121)
Fair value adjustment	(3 100)	2 020	3 665	2 585
Balance as at 31 December 2020	123 276	29 935	7 197	160 408
Transferred to current	73 035	16 099	3 953	93 087
Total non-current	50 241	13 836	3 244	67 321
2019				
Balance as at 1 January 2019	80 048	18 855	8 743	107 646
Increase due to additions and cost capitalised	41 235	13 250	14 522	69 007
Decrease due to harvest and mortalities	(17 417)	(8 824)	(17 057)	(43 298)
Fair value adjustment	3 892	900	1 192	5 984
Balance as at 31 December 2019	107 758	24 181	7 400	139 339
Transferred to current	65 772	10 362	1 757	77 891
Total non-current	41 986	13 819	5 643	61 448

	ABALONE (TONNES)	MUSSELS (TONNES)	OYSTERS (UNITS IN '000)	FISH (TONNES)
2020				
Quantities on hand at 31 December 2020	572	743	12 726	118
Quantities harvested during the period	153	158	924	22
2019				
Quantities on hand at 31 December 2019	458	1 000	13 465	80
Quantities harvested during the period	86	266	1 903	78

Included in inventory finished foods is an amount of R12.7 million (2019: R3 million) relating to abalone harvested, canned, dried and frozen.

The operating cycle is more than one year and therefore only abalone above and including 40 – 50g, oysters above and including 50 – 60g size categories, fish larger than 1.5kg and mussels at harvestable size are classified as current assets.

The fair value adjustment on biological assets of R2.6 million (2019: R6.0 million) consists of R10.3 million (2019: R13.6 million) relating to physical change in size and -R7.7 million (2019: -R7.6 million) relating to change in market price.

The Group has budgeted to spend R74.1 million (2019: R51.2 million) in further development and acquisition of biological assets during the next reporting period. There are no biological assets pledged as security for debt.

9.1.1 Fair value hierarchy

The fair value measurements for abalone biological assets have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. Refer to [note 32](#) and the accounting policy.

9.2 RISK MANAGEMENT STRATEGY RELATED TO AQUACULTURAL ACTIVITIES

9.2.1 Exchange rate risks

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

9.2.2 Mechanical, environmental and disease risks

Reliance on plant and equipment to sustain a living environment for the abalone exposes the Group to certain risks. This risk is managed by allowing for redundancy of key equipment and the use of generators and wind turbines to mitigate shortage of electricity supply. Critical assets are monitored with sophisticated alarm systems.

Aquaculture farming is exposed to storms, red tides and water temperatures that could kill the animals and/or introduce stress-related illnesses. As far as possible the farms have been placed within the biological parameters of the species being grown to minimise extreme temperature profiles. Each of the farms belong to a Veterinary Health Programme to ensure good husbandry to minimise disease risk. The abalone farms have well proven recirculation systems to prevent the abalone being exposed to red tides and other contaminants.

Strict testing and closure protocols are in place where animals cannot be removed from red tide events to prevent accidental human consumption and illness. The farms are insured against storm losses but not disease.

9.2.3 Kelp rights

The aquaculture farms rely on wild harvested kelp either from their own concessions or third parties. These concessions are regulated by the Fishing Rights Allocation Process (FRAP) and allocation is dependent on maintaining a good B-BBEE score.

9.3 ASSUMPTION SENSITIVITY ANALYSIS

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

	EXCHANGE RATE	FAIR VALUE ADJUSTMENT R'000
2020		
- 10% (weakening of the ZAR against the USD)	\$1/R16.12	5 645
+10% (strengthening of the ZAR against the USD)	\$1/R13.19	(11 845)
2019		
- 10% (weakening of the ZAR against the USD)	\$1/R15.43	11 193
+10% (strengthening of the ZAR against the USD)	\$1/R12.62	(3 409)



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10. INTANGIBLE ASSETS

ACCOUNTING POLICY

Recognition and measurement

Intangible assets acquired separately are initially measured at cost. Intangible assets acquired separately include long-term fishing rights and permits, retail agency rights, trade names and brands, aquaculture-related intangibles and computer software. Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy either the separability criterion or contractual legal criterion in IFRS 3: Business Combinations. The cost of such intangible assets is their fair value at the acquisition date.

Accumulated amortisation

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over the assets' estimated useful lives, and recognised as expenses in the statement of profit or loss. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment

An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

An impairment assessment is performed on indefinite useful life intangible assets at the end of each reporting period, or more frequently if there are impairment indicators. Intangible assets with finite useful lives are reviewed at the end of each reporting period, but only assessed for impairment when there are impairment indicators. Impairment testing is performed by comparing the recoverable amount to the carrying amount of the intangible asset.

The recoverable amounts of the intangible assets are determined as the higher of value-in-use and fair value less costs to sell.

Value-in-use

Refer to the goodwill accounting policy on [note 11](#).

ACCOUNTING POLICY

Significant judgements and estimates

Intangible assets as a result of contractual or legal rights

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

Perpetual fishing licences

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

Indefinite useful life intangible assets constitute 83% of total intangible assets (2019: 79% of total intangible assets).

Long-term fishing rights

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

Amortisation of long-term fishing rights

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

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

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

- transformation credentials;
 - history of compliance with permit conditions and fishing responsibly;
 - significant capital investment in order to conduct deep sea fishing operations;
 - employment and job creation;
 - socio-economic impact on the communities in which it operates; and
 - assessment of the impact of new entrants on the FRAP,
- and therefore requires a significant degree of judgement to be applied by management.

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

Amortisation of useful lives

The anticipated useful lives used to amortise the Group's intangible assets for the 2020 year are as follows:

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

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CONTINUED for the year ended 31 December 2020

10. INTANGIBLE ASSETS (continued)

	INDEFINITE USEFUL LIFE INTANGIBLE ASSETS			FINITE USEFUL LIFE INTANGIBLE ASSETS			TOTAL R'000
	FISHING LICENCES R'000	BRAND R'000	RETAIL AGENCY RIGHT R'000	FISHING RIGHTS R'000	MARITIME AQUACULTURE AND SEAWEED RIGHTS R'000	TRADE NAMES R'000	
2020							
Balance at the beginning of the year	458 422	45 813	2 947	127 433	2 652	2 528	639 795
Cost	458 422	45 813	2 947	267 252	2 991	3 321	780 746
Accumulated amortisation and impairment	-	-	-	(139 819)	(339)	(793)	(140 951)
Additions from separate acquisitions	32 200	-	-	-	-	10	32 210
Transfers between classes of assets – cost	-	790	-	-	-	(790)	-
Amortisation for the year	-	-	-	(7 877)	(225)	(530)	(8 632)
Effect of foreign currency exchange differences	69 071	-	443	184	-	103	69 801
Balance at the end of the year	559 693	46 603	3 390	119 740	2 427	1 321	733 174
Cost	559 693	46 603	3 390	267 502	2 991	2 643	882 822
Accumulated amortisation and impairment	-	-	-	(147 762)	(564)	(1 322)	(149 648)
2019							
Balance at the beginning of the year	471 878	-	3 034	135 327	2 878	3 046	616 163
Cost	471 878	-	3 034	267 301	2 991	3 310	748 514
Accumulated amortisation and impairment	-	-	-	(131 974)	(113)	(264)	(132 351)
Acquisitions through business combinations	-	-	-	-	-	30	30
Additions from separate acquisitions	-	45 813	-	-	-	-	45 813
Amortisation for the year	-	-	-	(7 857)	(226)	(529)	(8 612)
Effect of foreign currency exchange differences	(13 456)	-	(87)	(37)	-	(19)	(13 599)
Balance at the end of the year	458 422	45 813	2 947	127 433	2 652	2 528	639 795
Cost	458 422	45 813	2 947	267 252	2 991	3 321	780 746
Accumulated amortisation and impairment	-	-	-	(139 819)	(339)	(793)	(140 951)

The most significant intangible assets are the fishing licences with indefinite useful lives. Fishing licences and permits with finite useful lives have a remaining useful life of 15.8 years.

The fishing licences that were acquired as part of the Sea Harvest Australia business acquisition in 2016 have an indefinite life. The licences represent 10 of 18 licences issued by the Western Australian Department of Fisheries for the Shark Bay Prawn Managed Fishery (SBPMF) and are held in perpetuity by the Group, subject to compliance with regulatory and financial obligations. A further six Spanish mackerel licences were acquired in 2020 for R32.2 million. The Group now has 19 Spanish mackerel licences. There have been no breaches of financial or regulatory obligations.

In addition, the Group acquired retail agency rights which have an indefinite life and are assessed annually for impairment. Refer to **note 11** for impairment assessment of the Australian operation. Fishing licences with a carrying value of R559.7 million (2019: R458.4 million) have been pledged to secure long-term borrowings with the National Australian Bank.

Brand relates to the Ladismith Cheese brand (refer to **note 11** for impairment assessment of the Ladismith Cheese operation). The Ladismith Cheese brand's useful life has been assessed as indefinite as management has, based on an analysis of relevant factors, concluded that there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group.

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

11. GOODWILL

ACCOUNTING POLICY

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries or businesses is presented separately in the statement of financial position and carried at cost less accumulated impairment losses.

Cost

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest, the acquisition date fair value of any previously held equity interest over the net identifiable assets acquired and liabilities assumed. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary or business acquired, the difference (gain on bargain purchase) is recognised in profit or loss.

The gain or loss recognised in profit or loss on the loss of control of a subsidiary is calculated after taking into account the carrying amount of any related goodwill.

Impairment

For the purposes of impairment testing, goodwill is allocated to the lowest level of CGU. Each of those CGUs represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Impairment assessments are performed annually, or more frequently if there are indicators that the carrying amount might be impaired. Impairment testing is performed by comparing the receivable amount of the CGU to the carrying amount. Impairment testing is only performed on CGUs that are considered to be significant in comparison to the total carrying amount of goodwill. In addition, the carrying values of intangible assets with an indefinite useful life have been included in the carrying amounts and fair values of the CGUs, and therefore form part of the overall impairment consideration.

Significant estimates

The value-in-use calculation requires management to estimate future cash flows, suitable discount rate, revenue growth rates and terminal growth rates in order to calculate present value. The South African Fishing CGU recoverable amount is the fair value less cost to sell which require earnings projections and price earnings multiple estimates.

Value-in-use

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

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

- An assessment of existing products against past performance and market conditions
- An assessment of existing products against existing market conditions
- The pipeline of products under development, applying past experiences of launch success, existing market conditions and new markets

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

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

Impairment losses recognised in respect of goodwill are not reversed in subsequent periods.

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CONTINUED for the year ended 31 December 2020

11. GOODWILL (continued)

	2020 R'000	2019 R'000
Balance at the beginning of the year	849 615	621 549
Cost	849 615	621 549
Accumulated impairment losses	–	–
Additional amounts recognised from business combinations that occurred during the year	–	230 581
Effect of foreign currency exchange differences	12 877	(2 515)
Balance at the end of the year	862 492	849 615
Cost	862 492	849 615
Accumulated impairment losses	–	–
Allocation of goodwill to CGUs for the purpose of impairment reviews and testing		
Goodwill is allocated to the consolidated entity's CGUs identified according to geographical segments.		
Before recognition of impairment losses, the carrying amount of goodwill was allocated to CGUs as follows:		
South African Fishing operations	463 324	463 324
Australian operations	98 604	85 727
Aquaculture operations	69 983	69 983
Cape Harvest Foods	230 581	230 581
	862 492	849 615

Management has taken into account the effects of the COVID-19 pandemic in assessing goodwill for impairment.

Australian operations

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

Pre-tax discount rate	10.38%	9.90%
Revenue growth per annum ¹	2.30%	3.40%
Inflation	2.00%	2.00%
Terminal growth rate ²	2.50%	2.50%

¹ Based on the revised incremental catch growth rate.

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

Sensitivity to change in assumptions

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

Aquaculture operations

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

	2020	2019
Pre-tax discount rate	15.03%	15.60%
Revenue growth per annum (five-year average) ¹	16.00%	38.00%
Inflation ²	3.00%	5.00%
Terminal growth rate ²	3.20%	2.00%

¹ The significant change in the revenue growth per annum is a result of the forecast stronger rand against the US dollar compared to the previous forecast and the lower abalone US dollar prices. The forecast for 2021 has been revised to take into account the effects of the COVID-19 pandemic, by appropriately adjusting the forecasted sales volumes to reflect lower demand.

² In line with the inflation rate in South Africa.

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

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

The Group performed a scenario analysis on the sensitivity of the valuation to sales volumes, prices and the discount rate. A reasonable decrease in sales volume and price still resulted in a surplus over the carrying value of the CGU. All other variables remaining equal, an increase in the pre-tax discount rate of 4.9% will result in the value-in-use amount being equal to the carrying amount.

South African Fishing operations

The recoverable amount of the CGU was determined on the basis of fair value less costs to sell. The fair value less costs to sell calculation used an average of actual 2020 earnings and 2021 projected earnings. A price earnings multiple of 8.84 (2019: 9.48) was used in the valuation, which is an average of listed companies operating in the same industry adjusted by a 25% (2019: 15%) risk factor for size and the unlisted nature of the CGU. The valuation resulted in a surplus over the carrying value of the CGU and thus the directors believe that a reasonably possible change in the multiple would not result in an impairment of the carrying value of goodwill.

The fair value measurements for the recoverable amount have been categorised as Level 3 fair value based on the inputs to the valuation techniques used.

Cape Harvest Foods

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

	2020	2019
Pre-tax discount rate	14.53%	15.60%
Revenue growth per annum (five-year average) ¹	7.00%	5.50%
Inflation ²	3.00%	5.00%
Terminal growth rate	5.60%	5.60%

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

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

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

¹ Revenue forecast increased as a result of an increase in milk supply from the farmers.

² In line with the inflation rate in South Africa.

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CONTINUED for the year ended 31 December 2020

12. INVESTMENTS IN SUBSIDIARIES**Non-wholly owned subsidiaries that have material non-controlling interest**

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

	VIKING AQUACULTURE PROPRIETARY LIMITED	
	2020 R'000	2019 R'000
Current assets	121 933	35 276
Non-current assets	250 933	319 469
Current liabilities	(22 650)	(30 978)
Non-current liabilities	(365 286)	(375 238)
Net assets of the subsidiary	(15 070)	(51 471)
Attributable to owners of the company	(7 686)	(26 250)
Attributable to non-controlling interests	(7 384)	(25 221)
Revenue	55 870	77 366
Total loss for the year	(52 757)	(15 527)
Attributable to owners of the company	(26 906)	(6 780)
Attributable to non-controlling interests	(25 851)	(8 747)
Total loss for the year	(52 757)	(15 527)
Other comprehensive loss for the year attributable to owners of the company	(1 964)	–
Other comprehensive loss for the year attributable to non-controlling interests	(1 887)	–
Other comprehensive loss for the year	(3 851)	–
Total comprehensive loss for the year attributable to owners of the company	(28 870)	(6 780)
Total comprehensive loss for the year attributable to non-controlling interests	(27 737)	(8 747)
Total comprehensive loss for the year	(56 607)	(15 527)

No dividends were paid to non-controlling interests during the current or prior reporting period. Refer to [pages 102 and 103](#) for details of all investments in subsidiaries.

13. INVESTMENT IN ASSOCIATE

ACCOUNTING POLICY
Recognition and measurement
<p>Associates are entities in which the Group has an interest, directly or indirectly, and over which it has significant influence but not control or joint control, through participation in the financial and operating policy decisions of the entity. Where the Group holds at least a 20% equity interest, it is presumed to have significant influence.</p> <p>The Group applies the equity method of accounting, under which the investments are initially recognised at cost consideration, including acquisition-related costs, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.</p> <p>When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investee, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee.</p> <p>The most recent available financial statements of the associate are used in applying the equity method. When the reporting period of the associate is different to that of the Group by not more than three months, the associate prepares, for the use of the Group, financial statements as of the same date as the financial statements of the Group, unless it is impracticable to do so. The associate has a year end of 30 June 2020; as the reporting period of the associate is different to that of the Group, the associate prepared financials for the Group for the 31 December 2020 reporting period.</p>

The investment in associate relates to Viking Aquaculture Proprietary Limited's 30% investment in Specialised Aquatic Feeds Proprietary Limited, a company incorporated in South Africa. Specialised Aquatic Feeds Proprietary Limited provides feed for the biological assets within the Aquaculture operations. No dividend was received from the associate in the current financial year.

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

	2020 R'000	2019 R'000
Current assets	24 822	16 810
Non-current assets	14 492	16 623
Current liabilities	(10 848)	(11 587)
Non-current liabilities	(13 423)	(9 436)
Net assets of the associate	15 043	12 410
Revenue	75 611	59 919
Expenses	(71 954)	(60 436)
Operating profit before tax	3 657	(517)
Income tax expense	(1 025)	145
Profit for the year	2 632	(372)
Group's share of profit/(loss) for the year	790	(112)

A reconciliation of the above summarised financial information to the carrying amount of the investment in associate recognised in the consolidated financial statements is set out below:

Net assets of the associate	15 043	12 410
Proportion of the Group's ownership interest in the associate	30%	30%
Share of associate's net assets	4 513	3 723
Pre-acquisition impairment reversal not recognised	(5 950)	(5 950)
Loans to associate	4 000	4 000
Goodwill recognised at acquisition of the associate	3 431	3 431
Carrying amount of the Group's interest in the associate	5 994	5 204

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14. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**ACCOUNTING POLICY**

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

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

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

	2020 R'000	2019 R'000
Desert Diamond Fishing Proprietary Limited	25 264	25 264
	25 264	25 264

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

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

The fair value measurement for the investment through other comprehensive income has been categorised as Level 3 based on the inputs to the valuation techniques used. Refer to [note 32](#).

Assumption sensitivity analysis

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

Desert Diamond vessel valuation

+ 5%	1 263	1 263
- 5%	(1 263)	(1 263)

	2020 R'000	2019 R'000
15. LOANS TO SUPPLIER PARTNERS AND OTHER LOAN RECEIVABLE		
15.1 LOANS TO SUPPLIER PARTNERS		
Balance at the beginning of the year	78 464	72 182
Advances to supplier partners	8 425	6 032
Interest charged	5 565	6 795
Loans repaid	(1 130)	(5 686)
Current portion transferred to trade receivables	(5 840)	(859)
Balance at the end of the year	85 484	78 464

The balance mainly relates to loans advanced to Nalitha Investments Proprietary Limited and South African Fishing Empowerment Corporation Proprietary Limited. These loans bear interest at JIBAR plus 2.65%.

15.2 LOAN RECEIVABLE		
Balance at the beginning of the year	3 606	–
Acquisition through business combination	–	13 514
Advances during the year	1 656	1 031
Loans repaid	(390)	(9 330)
Current portion transferred to trade receivables	(1 036)	(1 609)
Balance at the end of the year	3 836	3 606

The Group applies the general approach in calculating expected credit losses (ECLs) for loans and advances. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL). The Group considered the ECLs required on these loans and the impact is insignificant.

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16. DEFERRED TAXATION**ACCOUNTING POLICY****Recognition and measurement**

Deferred tax is provided using the liability method, providing for temporary differences arising between the tax base and the accounting carrying amount of an asset or liability reflected in the consolidated financial statements. Deferred tax is however not provided for temporary differences that arise from the initial recognition of an asset or liability where that transaction affects neither accounting profit nor tax profit (tax loss) – the only exception to this being when that asset or liability arises in terms of a business combination. Deferred tax is determined at tax rates that are enacted or substantively enacted at year end and are expected to apply when the temporary difference reverses.

Deferred tax is not provided on temporary differences arising on investments in subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are only offset to the extent that the balances are recoverable from the same tax authority and there is a legal right to offset them at settlement of those balances.

Temporary differences arising in connection with investments in associates are insignificant.

	2020 R'000	2019 R'000
Deferred tax assets	(489)	(611)
Deferred tax liabilities	508 807	478 545
Net deferred tax liability	508 318	477 934
Net deferred tax liability at the beginning of the year	477 934	374 218
IFRS 16: Leases adjustment	–	2 575
Restated opening balance	477 934	376 793
Recognised in profit or loss	41 682	15 902
Recognised in other comprehensive income	(23 159)	38 170
Recognition on acquisition of subsidiary	–	49 678
Effect of foreign currency exchange differences	11 861	(2 609)
Net deferred tax liability at the end of the year	508 318	477 934

The major components of the deferred tax balances are as follows:

Excess tax allowance over depreciation charges for property, plant, equipment and vehicles	432 601	378 971
Excess of tax allowances over amortisation of intangible assets	181 931	166 138
Investment at fair value through other comprehensive income	957	957
Derivative financial instruments	5 447	5 196
Difference between tax and accounting treatment of:		
– Biological assets	7 751	7 777
– Inventory	(9 497)	(8 406)
– Prepayments	1 476	1 100
– Government grants	(1 948)	(2 407)
– Cash flow hedges and cost of hedging	7 337	30 545
– Voluntary Fisheries Adjustment Scheme	(8 159)	(10 660)
– Leases	(27)	(5 285)
Provisions	(22 674)	(25 309)
Other	(1 310)	(1 555)
Effect of tax losses ¹	(85 567)	(59 128)
	508 318	477 934

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

17. INVENTORIES

ACCOUNTING POLICY	
Recognition and measurement	
<p>The Group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits, and the cost can be measured reliably. Cost is determined on a first-in-first-out basis. Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. Inventories are subsequently measured at the lower of cost and net realisable value. The carrying amounts of finished goods and work-in-progress include raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but exclude borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business less the costs of completion and applicable variable selling expenses.</p> <p>A provision for obsolete inventories is established when there is evidence that no future economic benefits will be obtained for such inventories. The carrying amount of the inventories is reduced and the amount of the loss is recognised in profit or loss within cost of sales.</p>	
Significant judgements	
Determination of net realisable value of inventories	
<p>Management is required to exercise considerable judgement in the determination of net realisable value, specifically relating to the forecasting of demand.</p> <p>Management is also required to exercise significant judgement in estimating the provision for obsolete inventory. Such judgement would take into account the following:</p> <ul style="list-style-type: none"> ➤ Change in taste ➤ Change in market ➤ Inventory nearing expiry dates 	

	2020 R'000	2019 R'000
Raw materials	34 061	48 073
Work in progress	4 922	34 759
Finished goods	473 207	425 248
Consumable stores	129 384	83 195
	641 574	591 275
Obsolescence provision	(10 551)	(9 113)
Total inventories at the lower of cost and net realisable value	631 023	582 162

The cost of inventories recognised as an expense during the year was R2.9 billion (2019: R2.7 billion). This is recognised in cost of sales.

The cost of inventories recognised as an expense includes R2.4 million in respect of a write-down of inventory to net realisable value (2019: R6.2 million).

The moveable assets of the Group, including inventory with a carrying amount of approximately R631 million (2019: R582.2 million), have been pledged to secure long-term borrowings of the Group (see [note 21](#)).

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18. TRADE AND OTHER RECEIVABLES**ACCOUNTING POLICY**

Receivables (except for trade receivables which are initially measured at transaction price) are initially recognised at fair value and subsequently measured at amortised cost less impairments, using the effective interest rate method. No fair value adjustment is made for the effect of time value of money where receivables have a short-term profile.

Other receivables comprise mainly prepayments and value-added tax, initially recognised at fair value and subsequently at amortised cost.

The Group applied the simplified approach in calculating ECLs. Trade receivables are assessed collectively in groups that share similar credit risk characteristics within operating segments and days past due. There has been no change in the estimation techniques during the current reporting period. The Group has established a provision matrix based on its historical credit loss data, adjusted for forward-looking factors specific to the debtors and economic environment by looking at the future prospects of the industries that the Group's debtors operate in, obtained from financial analysts and various forecast economic information relating to the debtors' core operations.

The Group considered the ECLs on receivables other than trade receivables under the general model, and the impact is insignificant.

This provision is recognised through the use of an allowance account for losses. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for losses.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group for a period of greater than 180 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is credited against other operating income in profit or loss.

	2020 R'000	2019 R'000
Trade receivables, gross	552 705	594 452
Less: allowance for impairment of receivables	(3 397)	(6 534)
Net trade receivables	549 308	587 918
Short-term loans to supplier partners and other loan receivables	6 876	2 468
Other receivables	22 590	20 187
Prepayments	39 837	38 259
VAT receivable	77 172	48 797
	695 783	697 629

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

As at 31 December 2020, the following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9: Financial Instruments.

Balance at the beginning of the year	(6 534)	(666)
Decrease/(increase) in allowance recognised in profit or loss	1 738	(6 133)
Allowances reversed through profit or loss	1 420	158
Effect of foreign currency exchange differences	(21)	107
Balance at the end of the year	(3 397)	(6 534)

As at 31 December 2020, the total allowance for impairment of trade receivables comprised both portfolio allowances and specific allowances. The majority of the allowance related to a portfolio allowance, which cannot be identified with specific receivables.

	31 DECEMBER 2020			31 DECEMBER 2019		
	CARRYING VALUE R'000	IMPAIRMENT R'000	EXPECTED LOSS RATE %	CARRYING VALUE R'000	IMPAIRMENT R'000	EXPECTED LOSS RATE %
Current ¹	468 708	–	0%	280 810	–	0%
30 – 60 days	69 885	(76)	0%	188 147	(1 081)	1%
60 – 90 days	7 359	(38)	1%	99 569	(820)	1%
90 – 120 days	1 090	(170)	16%	13 345	(625)	5%
121 – 150 days	1 681	(328)	20%	4 920	(932)	19%
151 – 180 days	150	(2)	1%	1 589	–	0%
181 – 210 days	113	(1)	1%	1 242	–	0%
211 – 240 days	25	(24)	96%	463	–	0%
Over 240 days	3 694	(2 758)	75%	4 367	(3 076)	70%
	552 705	(3 397)		594 452	(6 534)	

¹ The Group has considered the expected loss rate on debtors included in the current ageing bucket and the impact is insignificant.

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

At 31 December 2020, 81% (2019: 67%) of the Group's trade receivables are covered by the credit guarantee insurance. The decrease in trade receivables and the significant improvement in the ageing profile over 90 days have resulted in a decrease in ECL to R3.4 million (2019: R6.5 million). Management deems the allowance on the 19% of the trade receivables not covered by the credit guarantee insurance sufficient based on historical credit loss data with the customers and also taking into account forward-looking information about the customers from financial analysts and forecast economic information relating to their core operations.

In the 2019 financial year, the inclusion of the Ladismith Cheese trade receivables balance of R129.1 million and the fact that the book is not covered by credit guarantee insurance, resulted in an overall increase in credit default risk compared to the previous year. R5.9 million of the R6.1 million increase in the ECL allowance in the prior year arose from the inclusion of Ladismith Cheese, of which R3.4 million related to specific customer provisions and the remaining relating to general provisions.

The Group considers a financial asset in default when contractual payments are 90 days and more past due. However, in certain cases, the Group also considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. None of the trade receivables that have been written off is subject to enforcement activities.

The decrease in the allowance for impairment in the current year is mainly due to trade receivables that were past due and written off.

Trade receivables past due and impaired at the end of the year is R3.2 million (2019: R4.6 million).

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

The moveable assets of the Group, including trade and other receivables with a carrying amount of approximately R695.8 million (2019: R697.6 million), have been pledged to secure long-term borrowings of the Group (refer to [note 21](#)).

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19. CASH AND BANK BALANCES**ACCOUNTING POLICY**

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

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held with banks.

	2020 R'000	2019 R'000
Cash at banks and on hand	275 245	237 882
Bank overdrafts	(4 804)	(8 589)
	270 441	229 293

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

The assets of the Group included in cash and cash equivalents with a carrying amount of approximately R270.4 million (2019: R229.3 million) have been pledged to secure long-term borrowings of the Group (see [note 21](#)).

	NOTES	2020 R'000	2019 R'000
20. SHARE CAPITAL AND RESERVES			
20.1 STATED CAPITAL			
Authorised			
10 000 000 000 (2019: 10 000 000 000) ordinary shares of no par value		–	–
Issued and fully paid			
294 293 814 (2019: 294 293 814) ordinary shares of no par value		1 879 536	1 879 536
Held as treasury shares			
14 600 889 (2019: 17 069 159) ordinary shares of no par value		(70 498)	(69 030)
Total stated capital		1 809 038	1 810 506
20.1.1 Ordinary shares			
As at 31 December, the movement in share capital is as follows:			
Balance at the beginning of the year		1 879 536	1 579 536
Issue of share capital, net of listing costs		–	300 000
Balance at the end of the year		1 879 536	1 879 536
		NUMBER OF SHARES	
Balance at the beginning of the year		294 293 814	272 865 243
Issue of share capital		–	21 428 571
Balance at the end of the year		294 293 814	294 293 814
20.1.2 Held as treasury shares			
As at 31 December, the movement in share capital is as follows:			
Balance at the beginning of the year		(69 030)	(40 774)
Share repurchase, net of tax ¹		(1 468)	(28 256)
Balance at the end of the year		(70 498)	(69 030)

¹ The average price for the shares bought back in 2020 was R13.19 per share.

	NUMBER OF SHARES	
Balance at the beginning of the year	17 069 159	15 685 629
Shares repurchased ¹	75 735	2 030 414
Shares vested in terms of the employee share scheme	(2 544 005)	(646 884)
Balance at the end of the year	14 600 889	17 069 159

¹ The average price for the shares bought back in 2020 was R13.19 per share.

	NOTES	2020 R'000	2019 R'000
20.2 RESERVES (NET OF INCOME TAX)			
Investment revaluation reserve	A	17 309	17 309
Cash flow hedging reserve	B	75 269	124 337
Cost of hedging reserve	C	(65 183)	(57 790)
Share-based payments reserve	D	(33 348)	(22 074)
Foreign currency translation reserve	E	37 590	(31 536)
Forfeitable share plan reserve	F	(39 441)	(71 241)
Actuarial gains/losses reserve	G	8 038	7 419
Change in ownership	H	(3 377)	(3 377)
		(3 143)	(36 953)

- A.** The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of the investment at fair value through other comprehensive income financial asset that has been recognised in other comprehensive income.
- B.** The cash flow hedging reserve arises from the change in fair value of foreign exchange forward contracts held by the Group and designated as effective cash flow hedging instruments at year end. The effective portion of changes in the fair value of foreign exchange forward contracts is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.
- C.** The cost of hedging reserve is the forward elements of the forward exchange contracts that arise as a result of Sea Harvest choosing to designate only the spot rate as per IFRS 9.
- D.** The share-based payments reserve arises on the recognition of share options granted by the Group to certain employees under its employee share incentive schemes. Further information about the share-based payments is set out in [note 31](#).
- E.** Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. South African rand) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.
- F.** Ordinary shares have been awarded to key Sea Harvest employees in terms of a long-term forfeitable share plan incentive scheme and the reserve represents the market value of the shares issued.
- G.** The actuarial gains/losses reserve represents the actuarial gains/losses on the Group's defined benefit plans.
- H.** The change in ownership reserve arose on the acquisition of additional shares in a subsidiary.

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CONTINUED for the year ended 31 December 2020

	2020 R'000	2019 R'000
20. SHARE CAPITAL AND RESERVES (continued)		
20.2 RESERVES (NET OF INCOME TAX) (continued)		
As at 31 December, the movement in the reserves (net of income tax), is as follows:		
A. INVESTMENT REVALUATION RESERVE		
Balance at the beginning of the year	17 309	17 309
Balance at the end of the year	17 309	17 309
B. CASH FLOW HEDGING RESERVE		
Balance at the beginning of the year	124 337	(839)
Net fair value (loss)/gain on cash flow hedge	(148 488)	186 328
Transferred to other operating income	78 588	(10 536)
Less: tax effects of the transactions above	20 832	(50 616)
Balance at the end of the year	75 269	124 337
C. COST OF HEDGING RESERVE		
Balance at the beginning of the year	(57 790)	(27 194)
Current year movement	25 536	(80 812)
Transferred to other operating income	(35 256)	37 770
Less deferred taxation	2 327	12 446
Balance at the end of the year	(65 183)	(57 790)
For FECs designated as cash flow hedges, the gains and losses transferred from equity into profit or loss are included in foreign currency and commodity price gains and losses.		
D. SHARE-BASED PAYMENTS RESERVE		
Balance at the beginning of the year	(22 074)	3 820
Arising on share-based payments	23 447	27 388
Decrease as a result of acquisition of additional shares in subsidiary	-	(3 274)
Recognition of change in value of share option liability directly in equity	(2 921)	(41 922)
Transfer from forfeitable share plan (shares vested)	(31 800)	(8 086)
Balance at the end of the year	(33 348)	(22 074)
E. FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at the beginning of the year	(31 536)	(19 152)
Net foreign currency gain/(loss) on the translation of foreign operations	69 126	(12 384)
Balance at the end of the year	37 590	(31 536)
F. FORFEITABLE SHARE PLAN RESERVE		
Balance at the beginning of the year	(71 241)	(79 327)
Shares vested and reclassified to share-based payment reserve	31 800	8 086
Balance at the end of the year	(39 441)	(71 241)
G. ACTUARIAL GAINS/LOSSES RESERVE		
Balance at the beginning of the year	7 419	3 774
Net actuarial gain on post-retirement medical aid obligation	619	3 645
Balance at the end of the year	8 038	7 419
H. CHANGE IN OWNERSHIP		
Balance at the beginning of the year	(3 377)	(399)
Arising on acquisition of additional shares in subsidiary	-	(2 978)
Balance at the end of the year	(3 377)	(3 377)

20.3 EMPLOYEE SHARE INCENTIVE SCHEMES

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

Further details of the employee share incentive schemes are provided in [note 31](#).

21. LONG-TERM BORROWINGS

ACCOUNTING POLICY

Recognition and measurement

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method, and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

The Group presents separately current and non-current borrowings in the statement of financial position. A liability is classified as current unless the Group expects, and has the discretion to refinance or roll over the obligation for at least 12 months after the reporting period under an existing loan facility, in which case the Group classifies the obligation as non-current, even if it would otherwise be due within a shorter period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are expensed in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

21. LONG-TERM BORROWINGS (continued)

	2020 R'000	2019 R'000
Secured – at amortised cost		
Term loans with Standard Bank of South Africa Limited:		
– Senior debt (variable interest rate) ¹	561 000	722 500
– Revolving credit facility (variable interest rate) ²	250 000	250 500
Term loans with National Australia Bank:		
– Senior debt (variable interest rate) ³	138 729	130 673
– Corporate market loan (variable interest rate) ⁴	56 504	49 125
– Corporate receivables finance loan (variable interest rate) ⁵	20 014	33 689
– Corporate market loan (variable interest rate) ⁶	22 602	19 650
Instalment sale agreements with Standard Bank Limited ⁹	–	13 129
Instalment sale agreements with Wesbank, a division of FirstRand Bank Limited ⁹	5 649	222
Instalment sale agreements with National Australia Bank ⁷	4 258	4 154
COVID-19 Business Support Loan ¹⁰	2 700	–
Unsecured – at amortised cost		
Loans from non-controlling shareholders of Viking Aquaculture Proprietary Limited		
Loans from Viking Fishing Group Administration Proprietary Limited ⁸	248 486	262 634
Loans from Moonshine Investments Proprietary Limited ⁸	–	61 000
Loans from Odin Investments Proprietary Limited ⁸	55 009	–
Loans from Redburg Investments Proprietary Limited ⁸	61 789	6 700
	1 426 740	1 553 976
Current portion of long-term interest-bearing liabilities	(117 758)	(285 685)
Non-current portion of long-term interest-bearing liabilities	1 308 982	1 268 291
Opening balance	1 553 976	1 692 638
Acquired through business combination	–	47 669
Loans raised	588 026	347 497
Interest charged	82 433	100 321
Interest paid	(79 892)	(99 560)
Capital repaid	(754 133)	(527 203)
Effect of foreign currency exchange differences	36 330	(7 386)
Transferred to short-term loans	(117 758)	(285 685)
Closing balance	1 308 982	1 268 291

- ¹ R161.5 million was paid on 30 June 2020 and the remainder of the balance is payable in full on 31 December 2023. The loan is subject to a variable interest rate of three-month JIBAR plus 2.13%. The loan is secured by marine bonds and a general notarial bond over all of Sea Harvest Corporation Proprietary Limited's assets.
- ² R466 million of the loan was paid and an additional drawdown of R465.5 million was made in the current year. The loan is repayable in full on 31 December 2023 and is subject to a variable interest rate of three-month JIBAR plus a margin of between 2.13% – 2.45%. The loan is secured by marine bonds and a general notarial bond over all of Sea Harvest Corporation Proprietary Limited's assets.
- ³ The loan is effective from 11 December 2015 and is subject to a variable interest rate of 100% floating at BBSY plus customer margin of 2.38%, and is payable in equal instalments over a period of 11 years, commencing 1 January 2020. The loan is secured by a security interest and charge in the form of a General Security Agreement on the Personal Property Securities Register (PPSR) over all of Sea Harvest Australia's assets.
- ⁴ Term Finance Facility for working capital funding is reviewed annually on 28 February. Maximum borrowing limit of R56.5 million (AUD 5.0 million). Subject to a variable interest rate of 100% floating at BBSY plus funding margin of 0% plus drawn margin of 3.08%.
- ⁵ The loan commenced on 11 December 2015 is reviewed annually on 28 February. Up to R79.1 million (AUD 7.0 million) available funding based on 85% of the trade debtors value. Interest payments are made quarterly in arrears and the loan is subject to a variable interest rate of 100% floating at Lender Indicator rate plus customer margin of 1.39% plus purchase charge rate of 1.00% on facility limit.
- ⁶ Term Finance Facility for working capital funding is reviewed annually on 28 February. Maximum borrowing limit of R22.6 million (AUD2.0 million). Subject to a variable interest rate of 100% floating at BBSY plus funding margin of 0% plus drawn margin of 2.38%. Facility fee nil, undrawn fee 1%.
- ⁷ At the end of the reporting period, Sea Harvest Australia had two outstanding instalment sale agreements, entered into for the purpose of funding equipment acquisitions. The loans are repayable in full between 30 June 2021 and 30 November 2021. Interest on the loans is charged monthly in arrears, at a fixed rate of between 4.8% and 4.93% p.a. The assets subject to the instalment sale agreements serve as security for the outstanding loan amount.
- ⁸ R305.5 million bears interest from 1 January 2021 at prime plus 2%, compounded monthly and payable monthly in arrears. There are no fixed repayment terms. Repayment of the capital portion of the loans will be determined by the Directors when provided for in the budget and as specified in the shareholders' agreement. The balance of the loans are interest free and have no repayment terms and were provided to fund the growth and working capital of Viking Aquaculture. These loans have been disaggregated in the current year between the various non-controlling shareholders in order to provide more useful information. The prior period amounts have been adjusted in order to ensure comparability.
- ⁹ This relates to Ladismith Cheese's instalment sale agreements with terms of between 48 and 60 months over their fleet, with variable interest rates from prime less 1.5% to prime and a fixed interest rate of 11%.
- ¹⁰ The three-year term loan was received by Sea Harvest Australia on 12 May 2020 for working capital funding and expires on 12 May 2023. The loan is repayable in monthly interest and principal instalments. The variable interest rate is payable in arrears and comprises a business options prime indicator rate, currently 3.60%, plus a Customer Margin of 0.90%, service fee nil.

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	2020 R'000	2019 R'000
22. EMPLOYEE-RELATED LIABILITIES		
Post-employment medical aid liability	22 167	22 395
Leave pay liability	390	115
	22 557	22 510

DEFINED CONTRIBUTION PLANS

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

The number of employees that belong to each fund are:

Sea Harvest Old Mutual Superfund Provident Fund	1 564	1 680
Sea Harvest Old Mutual Superfund Management Provident Fund	20	23
Sea Harvest Old Mutual Superfund Pension Fund	114	115
Sanlam Umbrella Provident Fund	645	633
Sanlam Umbrella Pension Fund	162	161
NMG Umbrella Pension Fund	259	272
Old Mutual Corporate Business Fund	363	341
Australian BT Super Fund	46	58

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

The total expense recognised in statement of comprehensive income of R43.7 million (2019: R42.3 million) represents contributions payable to these funds by the Group at rates specified in the rules of the funds.

DEFINED BENEFIT PLANS

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

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

The liabilities are valued annually using the Projected Unit Credit Method and have been funded by contributions to an independent administered insurance plan. The latest full actuarial valuation was performed at 31 December 2020.

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

Discount rate	11%	10%
Healthcare cost inflation	7.10% to 7.60%	7.10% to 7.60%
Retirement age	63 or 65	63 or 65

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

Current service cost	157	209
Interest costs	2 138	2 537
Actuarial gain recognised	(619)	(3 645)
	1 676	(899)

The net unexpected actuarial gain of R0.6 million (2019: R3.6 million) arose as a result of a combination of the following factors:

	2020 R'000	2019 R'000
Change in modelling methodology	–	831
Change in real discount rate	1 865	1 679
Higher-than-expected healthcare cost inflation, including changes in members' benefit options	257	74
Unexpected changes in membership	(1 503)	1 061
	619	3 645

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

Opening defined benefit obligation	22 395	25 121
Current service cost	157	209
Interest cost	2 138	2 537
Actuarial gain arising during the year	(619)	(3 645)
Benefits paid	(1 904)	(1 827)
Closing defined benefit obligation	22 167	22 395

The expected contribution to the plan for the next annual reporting period is R1.8 million.

ACTUARIAL ASSUMPTION SENSITIVITY ANALYSIS

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

Discount rate		
+ 1%	(1 668)	(1 807)
- 1%	1 936	2 120
Healthcare cost inflation		
+ 5% for five years	3 435	5 025
+ 10% for five years	7 366	11 161
Retirement age		
One year younger	60	60
One year older	(100)	(19)

LEAVE PAY LIABILITIES

Balance at the beginning of the year	38 090	35 174
Acquisition of a subsidiary	–	4 183
Arising during the year	20 234	26 938
Utilised during the year	(13 347)	(27 995)
Effect of foreign currency exchange differences	852	(210)
Balance at the end of the year	45 829	38 090
Current portion of leave pay liabilities	(45 439)	(37 975)
Non-current portion of leave pay liabilities	390	115

Please refer to [note 33](#) on the liquidity risk of employee-related liabilities, which explains the Group's process for managing its liquidity risk.

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CONTINUED for the year ended 31 December 2020

23. DEFERRED GRANT INCOME**ACCOUNTING POLICY**

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

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

	2020 R'000	2019 R'000
Balance at the beginning of the year¹	35 553	22 343
Received in the current year	3 328	17 181
Released to the statement of comprehensive income	(4 008)	(3 971)
Balance at the end of the year	34 873	35 553
Current portion of deferred government grant	(4 059)	(3 317)
Non-current portion of deferred government grant	30 814	32 236

¹ Government grants received in the prior years and in 2020 were for the purchase of items of property, plant, equipment and vehicles.

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

24. CONTINGENT CONSIDERATION

	2020 R'000	2019 R'000
Viking Fishing Holdings Proprietary Limited	90 862	82 600
Viking Aquaculture Proprietary Limited	-	39 310
Balance at the beginning of the year	90 862	121 910
Effect of discounting	9 112	13 338
Fair value adjustment	-	(44 386)
Balance at the end of the year	99 974	90 862

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

The fair value of the contingent consideration arrangement was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate equal to the prime lending rate and the assumption that the earn-out targets will be met based on the best available forecast information at acquisition date. As at 31 December 2020, there was nil movement (2019: R44.4 million) recognised in fair value gains in profit or loss for the contingent consideration arrangement as a result of Viking Aquaculture not achieving the 2019 minimum target.

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

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

	2020 R'000	2019 R'000
25. FINANCIAL ASSETS AND LIABILITIES		
Financial derivative assets	27 334	124 947
Asset held at fair value through profit or loss	25 138	23 218
	52 472	148 165
Current portion of other financial assets	(27 334)	(124 947)
Non-current portion of financial assets	25 138	23 218
Financial derivative liabilities	227	160
Fishing licence liability	24 662	41 610
	24 889	41 770
Current portion of other financial liabilities	(24 889)	(21 248)
Non-current portion of financial liabilities	-	20 522

FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

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

ASSET HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Included in non-current financial assets is a call option, entered into on 1 January 2017, to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited.

The fair value was independently determined by an expert, using the Black-Scholes option pricing model. The call option financial asset has been classified as a non-current asset at year end due to the expected exercise date thereof exceeding 12 months from the reporting date. The call option is regarded as a Level 3 financial instrument for fair value purposes.

A fair value loss on share option of R1.9 million (2019: loss of R2.7 million) has been recognised in profit or loss.

The movement in the call option derivative is as follows:

Balance at the beginning of the year	23 218	25 912
Fair value movement	1 920	(2 694)
Balance at the end of the year	25 138	23 218

ASSUMPTION SENSITIVITY ANALYSIS

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

Vuna Fishing Company valuation		
+ 5%	2 212	2 063
- 5%	(2 161)	(2 029)
Yield curve 5.277% (2019: 7.325%)		
+ 5%	1 782	1 351
- 5%	(1 786)	(1 240)
Volatility 37.163% (2019: 27.363%)		
+ 1%	839	1 227
- 1%	(817)	(1 249)

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

FISHING LICENCE LIABILITY

The fishing licence liability relates to the Shark Bay Prawn Managed Fishery Voluntary Fisheries Adjustment Scheme (VFAS), which was established on 12 November 2010 pursuant to the Fisheries Adjustment Schemes Act 1987 (Western Australia). The VFAS operates from 12 November 2010 until 1 July 2021, and for the period 2015 to 2021 an annual fee of R2.23 million is payable by the holder of a licence that authorises fishing in the Shark Bay region. Sea Harvest Australia 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.

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	2020 R'000	2019 R'000
26. LEASE LIABILITIES		
Carrying value at 1 January	159 900	–
IFRS 16 adjustment	–	137 084
New leases	14 701	36 947
Acquired through business combinations	–	445
Leases terminated	(1 648)	(2 344)
Interest charged	14 535	13 742
Interest paid	(12 903)	(12 640)
Capital repaid	(15 702)	(13 091)
Effect on foreign currency translations	1 084	(243)
Carrying value	159 967	159 900
Less: transferred to short-term lease liability	(15 706)	(13 670)
Carrying value at 31 December	144 261	146 230
Maturity analysis		
Year 1	29 173	27 548
Year 2	28 383	25 990
Year 3	26 767	25 999
Year 4	27 105	22 408
Year 5	25 827	22 818
Onwards	109 869	133 123
Total	247 124	257 886
Less: Unearned interest	(87 157)	(97 986)
	159 967	159 900

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

	2020 R'000	2019 R'000
27. TRADE AND OTHER PAYABLES		
Trade payables	467 380	431 188
Employee-related payables	33 628	35 180
Contract liability ¹	69 679	17 062
Other payables ²	32 214	24 647
Leave pay accrual	45 439	37 975
Total	648 340	546 052

¹ The Group has a revenue stream arising from performance of services which relates to co-manufacturing and packaging contracts. The amount payable under contract as at 31 December 2020 was R70 million (2019: R17 million). The significant change in contract liability relates to increased stock holding as at 31 December 2020. Management expects the full amount of the contract liability to be reversed when stock gets collected by the customers, with the difference between liability and stock being the conversion cost to be recognised as revenue in the next reporting period. The conversion cost in relation to the 31 December 2019 liability was recognised as revenue in the current financial year.

² Included in other payables is VAT payable, audit fee, tenant allowance and licence fee accruals.

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

	2020 R'000	2019 R'000
28. PROVISIONS		
BONUS		
Balance at the beginning of the year	21 088	25 000
Acquired through business combinations	–	1 590
Arising during the year	40 911	20 424
Utilised during the year	(25 567)	(25 926)
Balance at the end of the year	36 432	21 088

BONUS

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

29. COVID-19 PANDEMIC ASSESSMENT AND GOING CONCERN

- The Group is fully committed to the preventative measures implemented by various governments since early 2020 to contain the spread of COVID-19 in the countries in which it operates, with the Group's primary priorities being to ensure the health and safety of employees, to preserve jobs and hence livelihoods, to ensure food security through the continuity of operations and to ensure the Group's ability to continue meeting stakeholders' expectations in terms of product demand.
- As an essential food manufacturer, the Group was exempt from lockdown and allowed to continue to operate. The Group benefited from increased demand for retail products as consumers stocked up for lockdown; however, this was offset by a slowdown in the Group's foodservice markets. The Aquaculture operation, with its main market being China, has however experienced a significant decline in abalone sales revenue. As a result of lower-than-expected financial performance of the aquaculture segment, management performed an assessment of goodwill impairment as at 31 December 2020. The recoverable amount of this CGU, determined based on a value-in-use calculation, resulted in a surplus over its carrying value. A sensitivity analysis was performed on the recoverable amount, and management believes that a reasonably possible change in the assumptions would not result in an impairment of the carrying amount of goodwill. Refer to [note 11](#) for assumptions used.

GOING CONCERN

- Management has assessed the going concern assumption, taking into account the impact of COVID-19 which took into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered all factors impacting the ability of the Group to generate or preserve cash. Such factors included limitations of COVID-19 on production, and the resulting sales, fixed costs and capital expenditure plans that would require funding as well as available facilities. The result of these analyses was that the Group would have sufficient cash resources to sustain operations. An analysis of the potential impact of COVID-19 on funding covenants was also considered and management is of the view that funding covenants will not be breached. No funding covenants were breached in the 2020 financial year. Therefore the Directors have no reason to believe that the Group will not be a going concern in the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

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30. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Board of Directors recommended a gross and final cash ordinary dividend on 1 March 2021, amounting to 45 cents per share (2019: 50 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 2020.

During the budget speech held on the 22nd of February 2021, the Minister of Finance announced a decrease in the corporate tax rate from 28% to 27% with effect from 1 April 2022. If the legislation had been effective as at year end, this would have resulted in an estimated decrease of the deferred tax liability at 31 December 2020 of R14.7 million.

Other than the items outlined above, 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 substantially affect the operations of the Group, the results of its operations or the state of affairs of the Group.

31. SHARE-BASED PAYMENT PLANS

ACCOUNTING POLICY

Equity-settled share-based benefits

In terms of the Group's share plans, executive directors and senior managers are awarded forfeitable shares in the Group. The equity-settled share-based payment reserve is measured at the fair value of share instruments granted to Group employees at grant date, with a corresponding charge to profit or loss over the period during which the employee becomes unconditionally entitled to the instruments.

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

Reclassification from equity-settled to cash-settled

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

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

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

Cash-settled transactions

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

	2020 R'000	2019 R'000
The Group has two controlled trusts which have been established as a vehicle through which certain executives, senior management and employees have made an investment in or acquired an economic exposure to an investment in shares in the Company and a forfeitable share plan which was adopted to attract, retain, incentivise and reward the right calibre of employees.		
EQUITY-SETTLED COMPENSATION PLANS		
The Sea Harvest Management Investment Trust No 2	(42 441)	(42 441)
Sea Harvest Employee Share Trust	(25 749)	(23 150)
Sea Harvest Australia	(3 002)	(3 002)
Forfeitable share plan	37 844	46 519
Share-based payments reserve	(33 348)	(22 074)
CASH-SETTLED COMPENSATION PLANS		
The Sea Harvest Management Investment Trust No 2	–	15 909
Sea Harvest Employee Share Trust	31 510	27 509
Share-based payment liabilities	31 510	43 418

Staff share costs of R24.5 million (2019: R29.3 million) are accounted for as employee expenses and are included in the calculation of distributable reserves.

THE SEA HARVEST MANAGEMENT INVESTMENT TRUST NO 2

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

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

In 2017, the scheme was modified and 75% of the shares were settled; 15% of the remaining shares vested in March 2019 and the remaining 10% fully vested in March 2020.

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

The original terms at grant date were as follows:

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

	2020	2019
Movement in shares during the year:		
Balance at the beginning of the year	1 376 315	3 440 790
Shares vested	(1 376 315)	(2 064 475)
Balance at the end of the year	-	1 376 315

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

Historical volatility (%)	-	32.22
Risk-free interest rate (average %)	-	6.74
Expected life of options (average years)	-	6.50
Grant date share price (ZAR)	-	3.57
Model used	-	Finite difference

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CONTINUED for the year ended 31 December 2020

31. SHARE-BASED PAYMENT PLANS (continued)

SEA HARVEST EMPLOYEE SHARE TRUST

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

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

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

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

The original terms at grant date were as follows:

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

	2020	2019
Movement in number of shares during the year:		
Balance at the beginning of the year	3 548 449	3 548 449
Balance at the end of the year	3 548 449	3 548 449

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

Dividend yield (%)	2.55	2.53
Historical volatility (%)	45.46	32.22
Risk-free interest rate (%)	3.38	6.55
Expected life of options (years)	8.00	8.00
Grant date share price (ZAR)	3.57	3.57
Model used	Finite difference	Finite difference

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

FORFEITABLE SHARE PLAN

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

1. Performance shares

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

- (i) the employment condition of three years post award date; and
- (ii) sufficiently stretching performance conditions measured over a three-year period, which includes a combination of total shareholder return (TSR) in relation to a comparator Group, return on capital employed (ROCE), headline earnings per share (HEPS) growth, and transformation.

2. Bonus shares

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

3. Retention shares

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

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

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

	PERFORMANCE SHARES	BONUS SHARES	RETENTION SHARES	TOTAL
2020				
Number of shares outstanding at the beginning of the year	4 697 237	2 211 288	1 172 013	8 080 538
Granted during the year	1 966 195	529 476	–	2 495 671
Vested during the year	(1 279 604)	(617 517)	(646 884)	(2 544 005)
Forfeited during the year	(21 909)	–	–	(21 909)
Number of shares outstanding at the end of the year	5 361 919	2 123 247	525 129	8 010 295
2019				
Number of shares outstanding at the beginning of the year	2 983 377	1 439 649	1 818 897	6 241 923
Granted during the year	1 750 417	786 329	–	2 536 746
Vested during the year	–	–	(646 884)	(646 884)
Forfeited during the year	(36 557)	(14 690)	–	(51 247)
Number of shares outstanding at the end of the year	4 697 237	2 211 288	1 172 013	8 080 538

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

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

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

FORFEITABLE SHARES ISSUED 23 MARCH 2017	TOTAL
Fair value at grant date (R'000)	46 284
Dividend yield (%)	2.50
Expected volatility (%)	33.00
Risk-free interest rate (%)	7.01
Share price at grant date (R)	12.50
Attrition rate per annum (%)	5
Expected life of share offers	3 – 5 years
Model used	Monte Carlo
FORFEITABLE SHARES ISSUED 3 SEPTEMBER 2018	TOTAL
Fair value at grant date (R'000)	32 413
Dividend yield (%)	2.70
Expected volatility (%)	42.92
Risk-free interest rate (%)	6.80
Share price at grant date (R)	14.55
Expected life of share offers	3 – 5 years
Model used	Monte Carlo
FORFEITABLE SHARES ISSUED 23 MARCH 2019	TOTAL
Fair value at grant date (R'000)	20 896
Dividend yield (%)	2.9
Expected volatility (%)	51.8
Risk-free interest rate (%)	7.19
Share price at grant date (R)	14.05
Expected life of share offers	3 – 5 years
Model used	Monte Carlo

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31. SHARE-BASED PAYMENT PLANS (continued)**3. Retention shares (continued)**

FORFEITABLE SHARES ISSUED 9 MARCH 2020	TOTAL
Fair value at grant date (R'000)	17 421
Dividend yield (%)	3.4
Expected volatility (%)	31.62
Risk-free interest rate (%)	6.24
Share price at grant date (R)	12.61
Expected life of share offers	3 years
Model used	Monte Carlo

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

4. Unallocated shares

As at 31 December 2020, the Group has 3 042 149 (2019: 4 063 857) of its own shares bought back for the purpose of the 2021 forfeitable share plan allocation. The movement is as follows:

	2020 R'000	2019 R'000
Number of shares at the beginning of the year	4 063 857	2 454 467
Shares repurchased	1 452 054	4 094 889
Forfeitable shares plan allocation during the year	(2 495 671)	(2 536 746)
Forfeitable shares plan shares forfeited	21 909	51 247
Numbers of shares at the end of the year	3 042 149	4 063 857

32. FAIR VALUE MEASUREMENT

The following table analyses the Group's assets and liabilities that are measured at fair value subsequent to initial recognition, grouped in Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement hierarchy for assets and liabilities as at 31 December 2020:

	DATE OF VALUATION	TOTAL	PRICES QUOTED IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets measured at fair value					
Biological assets	31 December 2020	160 408	-	-	160 408
Investment at fair value through other comprehensive income	31 December 2020	25 264	-	-	25 264
Financial assets	31 December 2020	52 472	-	27 334	25 138
Liabilities measured at fair value					
Financial derivatives liabilities	31 December 2020	227	-	227	-
Contingent consideration liability	31 December 2020	99 974	-	-	99 974

32. FAIR VALUE MEASUREMENT (continued)

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

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

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

Specific valuation techniques used for the Level 3 instruments are:

- Biological assets: Refer to **note 9** for the valuation technique used.
- Investment at fair value through other comprehensive income: Asset valuation method performed by an independent valuator.
- Financial assets: Asset valuation method performed by an independent valuator, taking into account forward exchange spot and forward rates at reporting date and discount factors.
- Contingent consideration: Liability valuation performed by an independent valuator. Refer to **note 24**.
- The sensitivity of the valuation assumptions for the Level 3 financial instruments are set out in **notes 9, 14, 24 and 25**.

33. FINANCIAL RISK MANAGEMENT

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

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

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

Capital risk management

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

Liquidity and interest rate risk management

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

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

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

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33. FINANCIAL RISK MANAGEMENT (continued)

	2020 R'000	2019 R'000
Unutilised banking facilities		
Total banking and loan facilities	1 620 531	1 932 288
Facilities utilised	(1 061 454)	(1 223 642)
Unutilised banking facilities	559 077	708 646
Unrestricted cash and cash equivalents	270 441	229 293
Unutilised banking facilities and cash and cash equivalents	829 518	937 939

Liquidity and interest rate risk tables

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

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

	INTEREST RATE %	WITHIN 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	TOTAL
2020					
Financial assets					
Investment at fair value through other comprehensive income	0	–	–	25 264	25 264
Loans to related parties	Prime plus 2	5 624	16 336	45 379	67 339
Loans to related parties	JIBAR plus 2.65	–	–	13 431	13 431
Loans to related parties	0	–	–	72 488	72 488
Loans to supplier partners	JIBAR plus 2.65	5 036	66 719	23 701	95 456
Loans to supplier partners and loan receivable	0	–	–	13 057	13 057
Financial assets	0	27 334	–	25 138	52 472
Trade and other receivables	0	571 898	–	–	571 898
Cash and bank balances	Bank deposit rates	275 245	–	–	275 245
		885 137	83 055	218 458	1 186 650
Financial liabilities					
Term loan borrowings – variable rates	Refer note 21	122 746	963 170	454 560	1 540 476
Corporate receivables finance loan – variable rates	Refer note 21	42 616	–	–	42 616
Instalment sale agreement borrowings – fixed rates	Refer note 21	5 914	3 993	–	9 907
Fishing licence liability	2.35	25 242	–	–	25 242
Financial derivative liabilities	0.00	227	–	–	227
Trade and other payables	0.00	648 340	–	–	648 340
Bank overdrafts	Bank overdraft rates	4 804	–	–	4 804
Lease liabilities	Various incremental borrowing rates	29 173	108 082	109 869	247 124
		879 062	1 075 245	564 429	2 518 736

	INTEREST RATE %	WITHIN 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	TOTAL
2019					
Financial assets					
Investment at fair value through other comprehensive income	0	–	–	25 264	25 264
Loans to related parties	0	–	–	81 799	81 799
Loans to supplier partners	JIBAR plus 2.65	1 989	81 141	18 277	101 407
Loans to supplier partners and loan receivable	0	2 468	–	5 732	8 200
Financial assets	0	124 947	–	23 218	148 165
Trade and other receivables	0	608 105	–	–	608 105
Cash and bank balances	Bank deposit rates	237 882	–	–	237 882
		975 391	81 141	154 290	1 210 822
Financial liabilities					
Term loan borrowings – variable rates	Refer note 21	301 606	1 159 982	–	1 461 588
Corporate receivables finance loan – variable rates	Refer note 21	53 339	–	–	53 339
Instalment sale agreement borrowings – fixed rates	Refer note 21	11 591	5 914	–	17 505
Fishing licence liability	2.35	21 584	21 487	–	43 071
Financial derivative liabilities	0.00	160	–	–	160
Trade and other payables	0.00	546 052	–	–	546 052
Bank overdrafts	Bank overdraft rates	8 589	–	–	8 589
Lease liabilities	Various incremental borrowing rates	27 548	97 215	133 123	257 886
		970 469	1 284 598	133 123	2 388 190

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33. FINANCIAL RISK MANAGEMENT (continued)

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

	2020 R'000	2019 R'000
Increase in profits	5 279	(6 051)
Decrease in profits	(5 279)	6 051

Credit risk management

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

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Foreign currency risk management

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

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

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

	2020 R'000	2019 R'000
Assets		
USD-denominated	6 210	11 912
GBP-denominated	1 617	11 254
EURO-denominated	197 796	214 618
AUD-denominated	10 903	3 994
Liabilities		
EURO-denominated	4 326	378

Foreign currency sensitivity analysis

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

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

	2020 R'000	2019 R'000
USD-denominated		
Profit or loss	(1 587)	(2 131)
GBP-denominated		
Profit or loss	60	1 125
EURO-denominated		
Profit or loss	(37 759)	(33 844)
AUD-denominated		
Profit or loss	(1 982)	399

Commodity price risk management

Commodity price risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in commodity prices. The Group's exposure to the risk of changes in commodity prices relates primarily to the Group's operating activities which require the ongoing purchase of diesel fuel. Due to the volatility, the Group enters into derivatives such as swaps and options for the forecasted diesel fuel purchase requirements for the 2021 fishing season.

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

Hedging and derivatives

Cash flow hedges

Due to the volatility in foreign currency rates and commodity prices, the Group enters into derivatives such as options, swaps and forward exchange contracts for the purpose of minimising the Group's exposure to fluctuations in cash flows over the hedging period that results from the volatility. The Group applies IFRS 9: Financial Instruments for hedge accounting.

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

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

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

i. Foreign currency risk

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

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

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

ii. Commodity price risk

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (continued)

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

FOREIGN CURRENCY	R'000	AVERAGE CONTRACT EXCHANGE RATE %	CONTRACTUAL EXPIRY DATE
2020			
USD	1 538	14.67	29 December 2020 – 7 January 2021
EURO	1 461 470	18.86	28 February 2020 – 28 February 2022
AUD	178 576	11.34	2 March 2020 – 28 February 2022
2019			
USD	2 166	14.79	31 January 2020
USD	7 044	16.57	31 January 2020
USD	96 834	15.24	31 January 2020 – 31 December 2020
EURO	1 195 416	17.87	8 January 2020 – 31 December 2020
EURO	242 915	18.07	31 January 2020 – 31 December 2020
EURO	1 115	16.51	15 January 2020 – 31 March 2020
AUD	73 894	10.33	3 January 2020 – 31 December 2020
GBP	1 359	18.87	9 January 2020
GBP	42	19.41	17 January 2020

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

FOREIGN CURRENCY	R'000	AVERAGE CONTRACT EXCHANGE RATE %	CONTRACTUAL EXPIRY DATE
2020			
GBP	1 854	14.69	22 December 2020 – 16 February 2021
EURO	482	18.41	16 November 2020 – 17 February 2021
EURO	2 081	18.43	29 October 2020 – 15 March 2021
2019			
GBP	3 769	18.87	2 January 2020 – 13 March 2020

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

	2020 R'000	2019 R'000
Foreign currency forward exchange contracts	27 107	124 787

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

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

34. COMMITMENTS AND CONTINGENCIES

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

Capital commitments

Budgeted capital expenditure is as follows:

	2020 R'000	2019 R'000
Commitments for the acquisition of property, plant, equipment and vehicles	32 023	13 580
Authorised by the Directors, but not contracted	205 812	275 035
	237 835	288 615

Contingent liabilities

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

35. RELATED PARTY TRANSACTIONS

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

A. TRADING TRANSACTIONS

	SALES TO RELATED PARTIES ¹ R'000	PURCHASES FROM RELATED PARTIES R'000	RECOVERIES AND OTHER INCOME ² R'000	AMOUNTS OWED BY RELATED PARTIES ³ R'000	AMOUNTS OWED TO RELATED PARTIES ³ R'000
2020					
SeaVuna Fishing Company Proprietary Limited (wholly owned subsidiary of Vuna Fishing Company Proprietary Limited*)	33 408	221 374	14 999	11 098	36 722
2019					
SeaVuna Fishing Company Proprietary Limited (wholly owned subsidiary of Vuna Fishing Company Proprietary Limited*)	43 933	214 182	17 878	21 891	37 154

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

¹ In terms of the supply agreement with Vuna Fishing Company Proprietary Limited (Vuna) and SeaVuna Fishing Company Proprietary Limited (SeaVuna), fish caught by Vuna and SeaVuna are marketed by Sea Harvest Corporation Proprietary Limited.

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

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

All sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

35. RELATED PARTY TRANSACTIONS (continued)

B. LOANS TO AND FROM RELATED PARTIES

	INTEREST RECEIVED R'000	AMOUNTS OWED BY RELATED PARTIES R'000
2020		
Non-current		
Vuna Fishing Company Proprietary Limited (joint venture of the Brimstone Investment Corporation Limited group)	–	27 420
Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	–	45 069
SeaVuna Fishing Company Proprietary Limited (wholly owned subsidiary of Vuna Fishing Company Proprietary Limited)	2 266	56 955
	2 266	129 444
Non-current (investment in associate)		
Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited) Refer to note 13 .	–	4 000
	–	4 000
2019		
Non-current		
Vuna Fishing Company Proprietary Limited (joint venture of the Brimstone Investment Corporation Limited group)	–	27 420
Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	–	45 069
SeaVuna Fishing Company Proprietary Limited (wholly owned subsidiary of Vuna Fishing Company Proprietary Limited)	–	9 310
	–	81 799
Non-current (investment in associate)		
Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited) Refer to note 13 .	–	4 000
	–	4 000

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

C. COMPENSATION FOR KEY MANAGEMENT PERSONNEL

	2020 R'000	2019 R'000
Short-term benefits	57 743	42 594
Post-employment benefits	3 570	3 082
	61 313	45 676

The remuneration of Directors and key executives is determined by the Remuneration Committee, having regard to the performance of individuals and market trends. Also refer to [note 36](#) for remuneration paid to Directors.

D. OTHER RELATED PARTY TRANSACTIONS

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

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

Management fees received	1 452	1 452
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b. Brimstone Investment Corporation Limited performed certain administrative services for Sea Harvest Corporation Proprietary Limited, for which a management fee was charged and paid.

Management fees paid to Brimstone Investment Corporation Limited	1 650	1 596
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c. The Group has a 10-year option as from 1 January 2017 to buy 85% of the shares in Vuna Fishing Group Proprietary Limited from Brimco Proprietary Limited at fair value.

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

E. HOLDING COMPANY

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

36. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	TOTAL R'000
	SALARY AND FEES R'000	SHORT-TERM INCENTIVE R'000	FORFEITABLE SHARE PLAN VESTED R'000	OTHER R'000	PENSION/PROVIDENT R'000	
2020						
Executive Directors						
M Brey	3 000	2 888	3 502	52	581	10 023
JP de Freitas ¹	1 483	2 726	3 040	110	287	7 646
F Ratheb	5 088	5 864	6 228	110	985	18 275
	9 571	11 478	12 770	272	1 853	35 944

¹ JP de Freitas resigned as a Director on 1 May 2020.

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

	FORFEITABLE SHARES	VALUE OF FORFEITABLE SHARES
M Brey	1 042 738	11 892 453
JP de Freitas	486 307	5 546 344
F Ratheb	1 959 917	22 360 941

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

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

	BOARD FEES R'000	COMMITTEE FEES R'000	TOTAL R'000
Non-executive Directors			
WA Hanekom	177	238	415
MI Khan ¹	234	59	293
BM Rapiya	293	198	491
F Robertson ²	636	117	753
KA Lagler	234	152	386
CK Zama	234	140	374
T Moodley ³	234	–	234
	2 042	904	2 946

¹ Fees above were paid to Brimstone Investment Corporation Limited. In addition, MI Khan received R5.8 million (2019: R5.7 million) as remuneration from Brimstone Investment Corporation Limited in his capacity as an Executive Director.

² F Robertson received R8.8 million (2019: R10.3 million) as remuneration from Brimstone Investment Corporation Limited in his capacity as an Executive Director.

³ Fees above were paid to Brimstone Investment Corporation Limited. In addition, T Moodley received R2.9 million (2019: R3 million) as remuneration from Brimstone Investment Corporation Limited in her capacity as an Executive Director.

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

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

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

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

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

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

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

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

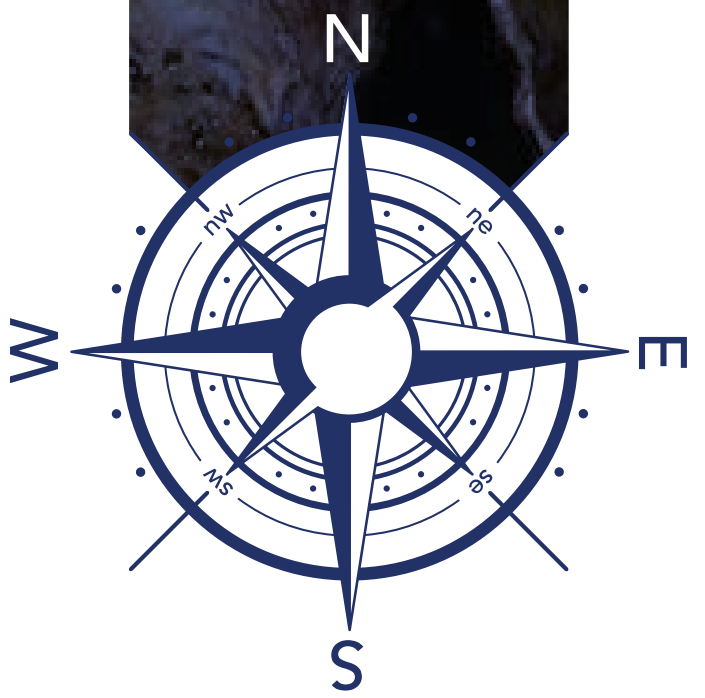
³ Fees above were paid to Brimstone Investment Corporation Limited. In addition, T Moodley received R3.0 million (2018: R1.5 million) as remuneration from Brimstone Investment Corporation Limited in her capacity as an Executive Director.



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OUR COMPANY STATEMENTS

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





COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	NOTES	2020 R'000	2019 R'000
Revenue	2	6 851	123 617
Gross profit		6 851	123 617
Fair value gains/(losses)	3	1 919	(2 694)
Operating expenses	3	(7 190)	(7 756)
Operating profit before net investment income and taxation		1 580	113 167
Investment income	4	66	526
Profit before taxation		1 646	113 693
Taxation	5	(461)	455
Profit after taxation		1 185	114 148
Other comprehensive income, net of taxation		-	-
Total comprehensive income for the year		1 185	114 148



COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2020

	NOTES	2020 R'000	2019 R'000
ASSETS			
Loans to related parties	14	1 311 083	1 460 749
Other financial asset	8	25 138	23 218
Non-current assets		1 336 221	1 483 967
Cash and bank balances		2 076	551
Taxation		1	–
Current assets		2 077	551
Total assets		1 338 298	1 484 518
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	6	1 812 394	1 813 420
Accumulated loss		(480 597)	(335 621)
Total equity		1 331 797	1 477 799
Loans from related parties	14	178	178
Deferred tax liabilities	10	5 631	5 201
Non-current liabilities		5 809	5 379
Trade and other payables	7	692	1 340
Current liabilities		692	1 340
Total equity and liabilities		1 338 298	1 484 518



COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	STATED CAPITAL R'000	ACCUMULATED LOSS R'000	TOTAL R'000
Balance as at 1 January 2019	1 541 011	(333 518)	1 207 493
Issue of shares, net of listing costs	300 000	–	300 000
Shares repurchased	(27 591)	–	(27 591)
Profit for the year	–	114 148	114 148
Dividends paid	–	(116 251)	(116 251)
Balance as at 1 January 2020	1 813 420	(335 621)	1 477 799
Shares repurchased	(1 026)	–	(1 026)
Profit for the year	–	1 185	1 185
Dividends paid	–	(146 161)	(146 161)
Balance as at 31 December 2020	1 812 394	(480 597)	1 331 797



COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

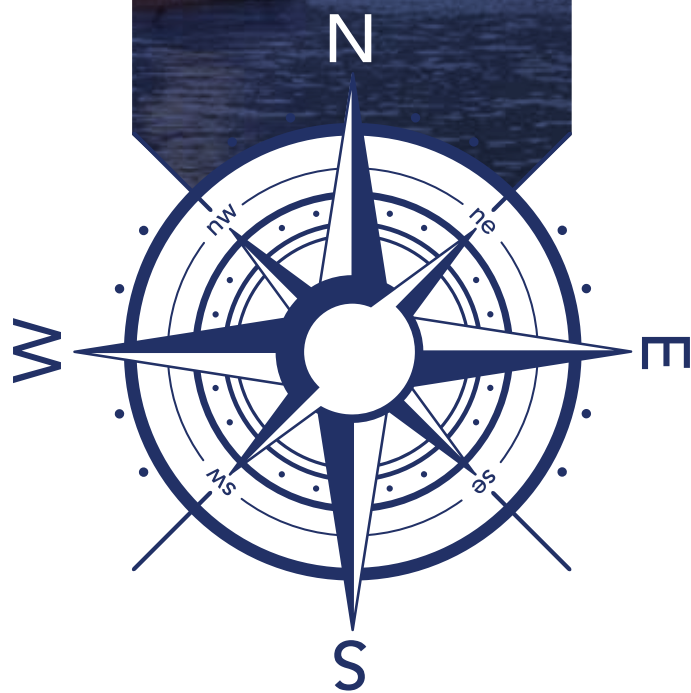
	NOTES	2020 R'000	2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	(339)	115 861
Working capital changes	B	(648)	897
Cash generated from operating activities		(987)	116 758
Investment income received		66	526
Income tax paid		(32)	(944)
Net cash (utilised in)/generated from operating activities		(953)	116 340
CASH FLOWS FROM INVESTING ACTIVITIES			
Amounts advanced to related parties		(54 330)	(732 089)
Amounts repaid by related parties		203 995	457 036
Net cash generated from/(utilised in) investing activities		149 665	(275 053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from related party loans		–	22
Dividends paid		(146 161)	(116 251)
Shares issued		–	300 000
Shares repurchased		(1 026)	(27 591)
Net cash (utilised in)/generated from financing activities		(147 187)	156 180
Net increase/(decrease) in cash and cash equivalents		1 525	(2 533)
Cash and cash equivalents at the beginning of the year		551	3 084
Cash and cash equivalents at the end of the year		2 076	551
A. Cash generated from operations			
Profit for the year		1 185	114 148
<i>Adjustments for:</i>			
Taxation charge		461	(455)
Investment income		(66)	(526)
Fair value gain on financial assets		(1 919)	–
Fair value loss on financial assets		–	2 694
		(339)	115 861
B. Working capital changes			
(Decrease)/increase in trade and other payables		(648)	897
Cash generated from operations		(987)	116 758



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**OUR
NOTES TO THE
COMPANY
ANNUAL
FINANCIAL
STATEMENTS**





NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

PRESENTATION OF FINANCIAL STATEMENTS

A. BASIS OF PREPARATION

ACCOUNTING POLICY

Statement of compliance

The separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with the JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, No 71 of 2008. The financial statements were approved for issue by the Board of Directors on 31 March 2021.

Basis of measurement and preparation

The financial statements have been prepared in accordance with the going concern and historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies.

The principal accounting policies, set out below and in the individual notes, have been applied on a basis consistent with the previous year.

Functional and presentation currency

The financial statements are presented in South African rand, which is the Company's functional currency, rounded to the nearest thousand, unless otherwise stated.

Disclosure of accounting policies

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

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

B. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

ACCOUNTING POLICY

In applying the Company's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These judgements and estimates are described within the notes and identified under the heading "significant judgements and estimates". The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no reportable segments as required by IFRS 8 Operating Segments.

1.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

There are no new standards, interpretations and/or amendments that became applicable for the current reporting period that had an impact on the Company's accounting policies.

2. REVENUE

ACCOUNTING POLICY	
Recognition and measurement	
Revenue from contracts with customers	
Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer, excluding value added tax.	
Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price management contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.	
Dividend income	
Dividend income is recognised when the right to receive payment has been established, which is normally the last date to trade.	

	2020 R'000	2019 R'000
Revenue consists of:		
Administration fee from subsidiaries	6 851	6 617
Dividends received from subsidiaries	–	117 000
	6 851	123 617
3. OPERATING PROFIT BEFORE INVESTMENT INCOME AND TAXATION		
Operating profit before investment income and taxation is arrived at after taking into account the following:		
Fair value gain/(loss) on option		
Fair value gain/(loss) on option	1 919	(2 694)
Expenses		
Auditors' remuneration		
– external statutory audit	981	1 517
Directors' fees (refer to note 36 of the Group financial statements for more detail)	2 947	2 892
4. INVESTMENT INCOME		
Interest received on bank deposits and from external parties	66	526
	66	526



NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020

	2020 R'000	2019 R'000
5. TAXATION		
Current tax		
In respect of the current year	18	135
In respect of the prior year	13	13
	31	148
Deferred tax		
In respect of the current year	430	(603)
Total income tax recognised in the current year	461	(455)
Tax rate reconciliation:		
Profit before taxation	1 646	113 693
Income tax expense calculated at 28% (2019: 28%)	461	31 834
Prior year under provision	13	13
Non-deductible expenses	95	307
Non-taxable income	–	(32 760)
Capital gains tax	(108)	151
	461	(455)

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

	2020 R'000	2019 R'000
6. SHARE CAPITAL AND RESERVES		
6.1 STATED CAPITAL		
Authorised		
10 000 000 000 (2019: 10 000 000 000) ordinary shares of no par value	–	–
Issued and fully paid		
294 293 814 (2019: 294 293 814) ordinary shares of no par value	1 879 536	1 879 536
Held as treasury shares		
3 042 149 (2019: 4 063 857) ordinary shares of no par value	(67 142)	(66 116)
Total stated capital	1 812 394	1 813 420
6.1.1 Ordinary shares		
As at 31 December, the movement in share capital is as follows:		
Balance at the beginning of the year	1 879 536	1 579 536
Issue of share capital	–	300 000
Balance at the end of the year	1 879 536	1 879 536
		NUMBER OF SHARES
	2020	2019
Balance at the beginning of the year	294 293 814	272 865 243
Issue of share capital	–	21 428 571
Balance at the end of the year	294 293 814	294 293 814

	2020 R'000	2019 R'000
6.1.2 Held as treasury shares		
As at 31 December, the movement in share capital is as follows:		
Balance at the beginning of the year	(66 116)	(38 526)
Shares repurchased for purposes of the Group's forfeitable share plan	(1 026)	(27 590)
Balance at the end of the year	(67 142)	(66 116)

	NUMBER OF SHARES	
	2020	2019
Balance at the beginning of the year	4 063 857	2 454 467
Shares repurchased	1 452 054	4 094 889
Forfeitable shares plan allocation during the year	(2 495 671)	(2 536 746)
Forfeitable shares plan shares forfeited	21 909	51 247
Balance at the end of the year	3 042 149	4 063 857¹

¹ Prior year number of shares was changed to include shares bought back from The Management Investment Trust No 2, vested and allocation of forfeited shares.

	2020 R'000	2019 R'000
7. TRADE AND OTHER PAYABLES		
Other payables	692	1 340
	692	1 340

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

8. OTHER FINANCIAL ASSET

ACCOUNTING POLICY

Included in non-current financial assets is a call option, entered into on 1 January 2017, to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited. The fair value was independently determined by an expert using the Black-Scholes option pricing model. The 10-year call option financial asset, which can be exercised at any time, has been classified as a non-current asset at year end due to the expected exercise date thereof exceeding 12 months from the reporting date. The call option is regarded as a Level 3 financial instrument for fair value measurement purposes.

Classification and measurement in accordance with IFRS 9: Financial Instruments

The Company initially records all financial assets at fair value. The Company subsequently holds each financial asset at fair value (fair value through profit or loss (FVTPL)) or at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on accreting the initial amount recognised for the financial instrument to the maturity value on a systematic basis using a fixed interest rate (effective interest rate), taking account of repayment dates and initial premiums or discounts.

Financial assets at fair value through profit or loss

Financial assets are held at FVTPL. The Company's financial assets at FVTPL principally comprise investments in equities and derivatives.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

8. OTHER FINANCIAL ASSET (continued)

	2020 R'000	2019 R'000
Asset held at fair value through profit or loss	25 138	23 218

Fair value gain on share option of R1.9 million (2019 loss: R2.7 million) is recognised in profit or loss.

The movement in the call option derivative is as follows:

Balance at the beginning of the year	23 218	25 912
Fair value movement	1 920	(2 694)
Balance at the end of the year	25 138	23 218

Assumption sensitivity analysis

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

Vuna Fishing Company valuation

+ 5%	2 212	2 063
- 5%	(2 161)	(2 029)

Yield curve 5.277% (2019: 7.325%)

+ 5%	1 782	1 351
- 5%	(1 786)	(1 240)

Volatility 37.163% (2019: 27.363%)

+ 1%	839	1 227
- 1%	(817)	(1 249)

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

9. FAIR VALUE MEASUREMENT

The following table analyses the Group's assets and liabilities that are measured at fair value subsequent to initial recognition, grouped in Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Fair value measurement hierarchy for assets and liabilities as at 31 December 2020:

	DATE OF VALUATION	TOTAL	PRICES QUOTED IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets measured at fair value					
Other financial asset	31 December 2020	25 138	-	-	25 138

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

	DATE OF VALUATION	TOTAL	PRICES QUOTED IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
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Assets measured at fair value

Other financial asset	31 December 2019	23 218	–	–	23 218
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There were no transfers between Levels 1, 2 and 3 during the current or prior year.

Specific valuation techniques used for the Level 3 instruments are:

Other financial assets: Asset valuation method performed by an independent valuator.

The sensitivity of the valuation assumptions for the Level 3 financial instruments are set out in [note 8](#).

10. DEFERRED TAXATION

ACCOUNTING POLICY

Recognition and measurement

Deferred tax is provided using the liability method, providing for temporary differences arising between the tax base and the accounting carrying amount of amounts reflected in the financial statements. Deferred tax is however not provided for temporary differences that arise from the initial recognition of an asset or liability where that transaction affects neither accounting profit nor tax profit (tax loss), the only exception to this being when that asset or liability arises in terms of a business combination. Deferred tax is determined at tax rates that are enacted or substantively enacted at year end and are expected to apply when the temporary difference reverses.

	2020 R'000	2019 R'000
Deferred tax liabilities	5 631	5 201
	5 631	5 201

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

	OPENING BALANCE R'000	RECOGNISED IN PROFIT OR LOSS R'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME R'000	CLOSING BALANCE R'000
2020				
Deferred tax liabilities in relation to:				
Derivative instruments	5 201	430	–	5 631
	5 201	430	–	5 631
2019				
Deferred tax liabilities in relation to:				
Derivative instruments	5 804	(603)	–	5 201
	5 804	(603)	–	5 201



NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

CONTINUED for the year ended 31 December 2020

11. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Board of Directors recommended a gross and final cash ordinary dividend on 1 March 2021, amounting to 45 cents per share (2019: 50 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 2020.

During the budget speech held on the 22nd of February 2021, the Minister of Finance announced a decrease in the corporate tax rate from 28% to 27% with effect from 1 April 2022. If the legislation had been effective as at year end, the impact would have been insignificant.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company.

12. COMMITMENT AND CONTINGENCIES

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

13. FINANCIAL RISK MANAGEMENT

The Company's financial risk management strategy is consistent with that of the Group, set out in [note 33](#) of the Group financial statements.

Liquidity and interest rate risk management

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

	INTEREST RATE %	WITHIN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
2020					
Financial assets					
Asset held at fair value through profit or loss	0	–	–	25 138	25 138
Loans to related parties	0	1 311 083	–	–	1 311 083
Cash and bank balances	Bank deposit rate	2 076	–	–	2 076
		1 313 159	–	25 138	1 338 297
Financial liabilities					
Trade and other payables	0	692	–	–	692
Loans from related parties	0	–	178	–	178
		692	178	–	870
2019					
Financial assets					
Asset held at fair value through profit or loss	0	–	–	23 218	23 218
Loans to related parties	0	1 460 749	–	–	1 460 749
Cash and bank balances	Bank deposit rate	551	–	–	551
		1 461 300	–	23 218	1 484 518
Financial liabilities					
Trade and other payables	0	1 340	–	–	1 340
Loans from related parties	0	–	178	–	178
		1 340	178	–	1 518

14. RELATED PARTY TRANSACTIONS

A. LOANS TO AND FROM RELATED PARTIES

	DIVIDENDS RECEIVED R'000	ADMINISTRATION FEES RECEIVED R'000	AMOUNTS OWED BY RELATED PARTIES R'000	AMOUNTS OWED TO RELATED PARTIES R'000
2020				
Sea Harvest Corporation Proprietary Limited (subsidiary)	-	3 360	100 765	-
Cape Harvest Foods Proprietary Limited (subsidiary)	-	184	-	-
Cape Harvest Food Group Proprietary Limited (subsidiary)	-	-	557 310	-
Ladismith Cheese Proprietary Limited	-	1 733	-	-
Sea Harvest International Proprietary Limited (subsidiary)	-	-	515 796	-
Vuna Fishing Group Proprietary Limited (fellow subsidiary)	-	-	45 069	-
Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	-	-	27 420	-
Sea Harvest Aquaculture Proprietary Limited (subsidiary)	-	-	64 723	-
Sea Harvest Employee Share Trust (controlled trust)	-	-	-	178
	-	5 277	1 311 083	178
2019				
Sea Harvest Corporation Proprietary Limited (subsidiary)	117 000	4 793	302 752	-
Cape Harvest Foods Proprietary Limited (subsidiary)	-	166	102	-
Cape Harvest Food Group Proprietary Limited (subsidiary)	-	-	557 253	-
Ladismith Cheese Proprietary Limited	-	1 658	1 907	-
Sea Harvest International Proprietary Limited (subsidiary)	-	-	461 584	-
Vuna Fishing Group Proprietary Limited (fellow subsidiary)	-	-	45 069	-
Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	-	-	27 420	-
Sea Harvest Aquaculture Proprietary Limited (subsidiary)	-	-	64 662	-
Sea Harvest Employee Share Trust (controlled trust)	-	-	-	178
	117 000	6 617	1 460 749	178

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

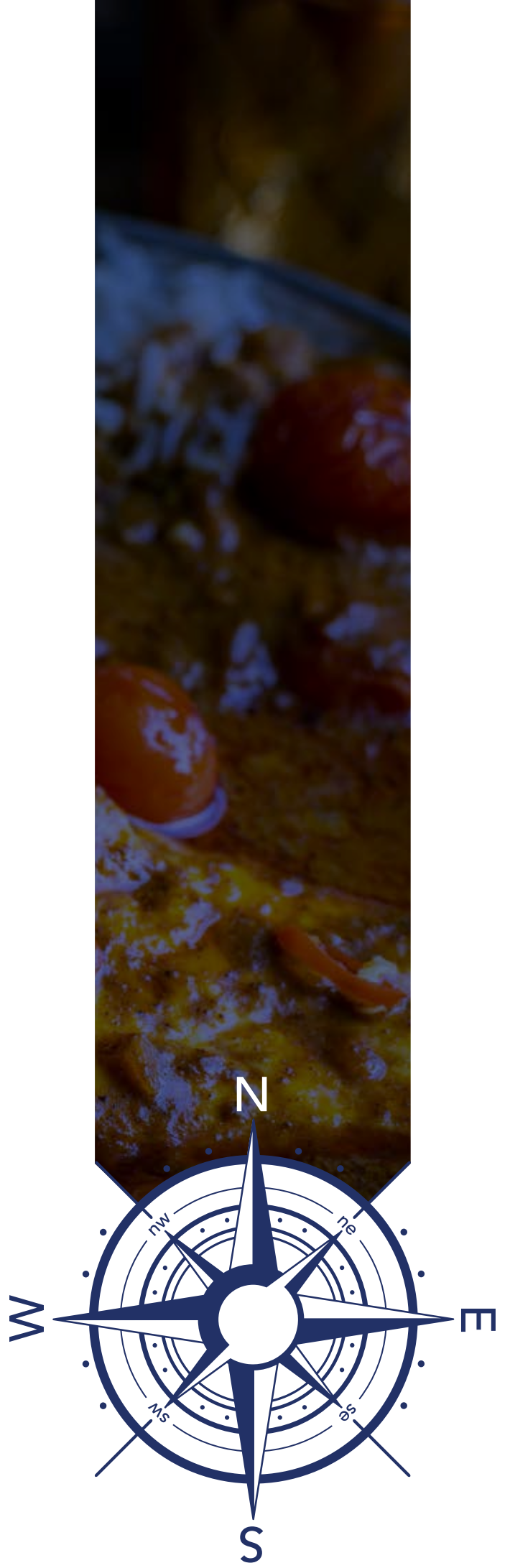
B. KEY MANAGEMENT PERSONNEL

Details of remuneration of key management personnel are set out in [note 36](#) of the Group financial statements.

7

OUR INTERESTS, SHAREHOLDERS AND CORPORATE INFORMATION

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



INTERESTS IN PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

for the year ended 31 December 2020

NAME OF COMPANY	NOTES	NATURE OF BUSINESS	ISSUED CAPITAL 2020 R	EFFECTIVE HOLDING 2020 %
South Africa				
Sea Harvest Corporation Proprietary Limited		Fishing and fish processing	100	100
Cape Harvest Foods Proprietary Limited		FMCG agency and retail business	100	100
Ladismith Cheese Company Proprietary Limited	2	Value-added dairy	33 045	100
Sea Harvest International Proprietary Limited		Holding company for international operations	100	100
Sea Harvest Employee Share Trust	4	Share trust	n/a	
The Sea Harvest Management Investment Trust No 2	4	Share trust	n/a	
The Sea Harvest Foundation NPC		Non-profit organisation	n/a	
Cape Harvest Food Group Proprietary Limited		Holding company for Ladismith Cheese	100	100
Sea Harvest Aquaculture Proprietary Limited		Holding company for Aquaculture business	100	100
Viking Aquaculture Proprietary Limited	1	Abalone, mussels, oysters and trout farming	100	51
Australia				
Cape Haddie Limited – Australia		Dormant	100	100
Sea Harvest Proprietary Limited (Sea Harvest Australia)	3	Fishing and fish processing	246 964 101	100

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

Molapong Aquaculture Proprietary Limited	87%
Tuna Marine Proprietary Limited	69%
Buffeljags Abalone Farm Proprietary Limited	100%
Luderitz Mariculture Proprietary Limited	95%
West Coast Oyster Growers Proprietary Limited	100%
West Coast Aquaculture Proprietary Limited	50%
Diamond Coast Aquaculture Proprietary Limited	90%
Bluecap General Trading Proprietary Limited	100%

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

³ Sea Harvest Australia is the holding company of Sea Harvest Fishing Company Proprietary Limited, Sea Harvest Trading Proprietary and Nor-West Seafoods Proprietary Limited.

⁴ Consolidated special-purpose entities.

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

	2020 R'000	2019 R'000
Profits	396 662	398 366

	ISSUED CAPITAL 2019 R	EFFECTIVE HOLDING 2019 %	INTERESTS OF HOLDING COMPANY	
			INDEBTEDNESS 2020 R'000	INDEBTEDNESS 2019 R'000
	100	100	100 765	302 752
	100	100	-	102
	33 045	100	-	1 907
	100	100	515 796	461 584
	n/a		-	(178)
	n/a		-	-
	100	100	557 310	557 253
	100	100	64 723	64 662
	100	51	-	-
	100	100	-	-
	246 964 101	100	-	-
			1 238 594	1 388 082

ANALYSIS OF ORDINARY SHAREHOLDERS

for the year ended 31 December 2020

SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
1 – 1 000 shares	872	67.13	140 082	0.05
1 001 – 10 000 shares	186	14.32	773 090	0.26
10 001 – 100 000 shares	127	9.78	5 238 653	1.78
100 001 – 1 000 000 shares	84	6.47	29 673 591	10.08
Over 1 000 000 shares	30	2.30	258 468 398	87.83
Total	1 299	100.00	294 293 814	100.00

Distribution of shareholders

Assurance companies	4	0.31	557 116	0.19
Close corporations	7	0.54	64 648	0.02
Collective investment schemes	39	3.00	26 150 737	8.88
Custodians	2	0.15	29 596	0.01
Foundations and charitable funds	8	0.62	2 470 010	0.84
Hedge funds	13	1.00	7 792 489	2.65
Insurance companies	1	0.08	5 600	0.00
Investment partnerships	5	0.38	185 200	0.06
Managed funds	2	0.15	278 745	0.09
Medical aid funds	1	0.08	8 000	0.00
Organs of state	1	0.08	26 325 000	8.95
Private companies	45	3.46	189 776 523	64.48
Public companies	1	0.08	55 352	0.02
Retail shareholders	1 044	80.37	5 434 027	1.85
Retirement benefit funds	60	4.62	18 200 789	6.18
Scrip lending	1	0.08	287 009	0.10
Share schemes	1	0.08	3 548 446	1.21
Sovereign funds	2	0.15	9 170 939	3.12
Stockbrokers and nominees	5	0.38	15 829	0.01
Trusts	57	4.39	3 937 759	1.34
Total	1 299	100.00	294 293 814	100.00

SHAREHOLDER TYPE

Non-public shareholders	11	0.85	147 208 697	50.02
Directors and associates	9	0.69	5 619 918	1.90
Newshelf 1411 (Pty) Ltd (beneficial holders > 10%)	1	0.08	138 040 333	46.91
Share schemes	1	0.08	3 548 446	1.21
Public shareholders	1 288	99.15	147 085 117	49.98
Total	1 299	100.00	294 293 814	100.00

	NUMBER OF SHARES	% OF ISSUED CAPITAL
Fund managers with a holding greater than 3% of the issued shares		
Public Investment Corporation	26 325 000	8.94
Visio Capital Management	17 407 783	5.92
36One Asset Management	16 640 965	5.65
Kagiso Asset Management	15 879 574	5.40
Total	76 253 322	25.91
Beneficial shareholders with a holding greater than 3% of the issued shares		
Newshelf 1411 (Pty) Ltd ¹	138 040 333	46.91
Government Employees Pension Fund	26 325 000	8.95
Newshelf 1169 (Pty) Ltd ¹	21 459 070	7.29
Odin Investments (Pty) Ltd	12 307 692	4.18
Sea Harvest Corporation (Pty) Ltd	11 052 442	3.76
36One	10 403 082	3.53
Total	219 587 619	74.62
Total number of shareholdings		1 299
Total number of shares in issue		294 293 814
Share price performance		
Opening price 2 January 2020 (rand)		14.26
Closing price 30 December 2020 (rand)		14.26
Closing high for period (rand)		15.00
Closing low for period (rand)		11.25
Number of shares in issue		294 293 814
Volume traded during period		14 652 466
Ratio of volume traded to shares issued (%)		4.98
Rand value traded during the period (rand)		193 031 916
Price/earnings ratio as at 31 December 2020		9.63
Earnings yield as at 31 December 2020		10.39
Dividend yield as at 31 December 2020		2.52
Market capitalisation at 31 December 2020 (rand)		4 196 629 788

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



CORPORATE INFORMATION

Sea Harvest Group Limited

(Incorporated in the Republic of South Africa)

Registration number: 2008/001066/06

JSE share code: SHG

ISIN: ZAE000240198

"Sea Harvest" or "the Company" or "the Group"

Registered address: The Boulevard Office Park
1st Floor, Block C
Searle Street
Woodstock
Cape Town
7925
South Africa

Directors: F Robertson* (Chairperson)
BM Rapiya**
WA Hanekom***
MI Khan*
T Moodley*
KA Lagler***
CK Zama***
F Ratheb (Chief Executive Officer)
M Brey (Chief Financial Officer)

**Non-executive Director*

*** Lead Independent Non-executive Director*

**** Independent Non-executive Director*

Company Secretary: N Seshoka

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





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