

BROADENING OUR HORIZONS

2022



**AUDITED ANNUAL
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Sea Harvest Group Limited (the "Group" or the "Company" or "Sea Harvest") are responsible for the preparation, integrity and objectivity of the consolidated and separate annual financial statements.

To fulfil 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 (IFRS) and have been reported on by our auditors in conformity with International Standards of Auditing and the Companies Act, No 71 of 2008 as amended (Companies Act). The Group and Company annual financial statements for the year ended 31 December 2022, which appear on **pages 8 to 112**, were approved by the Board of Directors on 31 March 2023 and signed on its behalf by:



Frederick Robertson
Non-executive
Chairperson



Felix 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 2022 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 2022

The Group CEO and the CFO hereby confirm that:

- the consolidated and separate annual financial statements, set out on **pages 8 to 112**, 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.



Felix Ratheb
Chief Executive
Officer (CEO)



Muhammad Brey
Chief Financial
Officer (CFO)

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.



S Gounden
Company Secretary

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INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sea Harvest Group Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and company financial statements of Sea Harvest Group Limited and its subsidiaries (the group) and company set out on **pages 18 to 105**, which comprise of the consolidated and company statements of financial position as at 31 December 2022, and the consolidated and company statements of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies and the analysis of ordinary shareholdings table on **page 110 and 111**.

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the consolidated and company financial position of the group and company as at 31 December 2022, and its consolidated and company financial performance and consolidated and company 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 company Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and 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 of the group and company and 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 company financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated and company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and company financial statements.

The Key audit matters apply only to the audit of the consolidated financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>Provisional purchase price allocation and goodwill recognition of MG Kailis acquisition</p> <p>With effect from 23 May 2022, the group through its wholly-owned subsidiaries, Sea Harvest Proprietary Limited and Sea Harvest Marine Proprietary Limited acquired selected net assets of Western Australia-based MG Kailis Proprietary Limited fishing business and related subsidiaries (MG Kailis) for a total consideration of R769.6 million.</p> <p>The acquisition which was determined by management to be a business combination rather than an asset acquisition, resulted in the recognition of goodwill of R148.8 million following the allocation of the purchase price.</p> <p>The disclosures required by IFRS 3: Business Combinations are set out in note 32: Business Combination.</p> <p>In completing the purchase price allocation (PPA), management engaged independent specialists to assist in valuing certain tangible and intangible assets involved in the transaction. Measurement period adjustments in terms of IFRS 3 were processed in order to adjust the provisional fair values reported to the updated fair values at reporting date.</p> <p>Given the magnitude of the transaction and the level of management judgement involved in identifying and fair valuing the acquired assets, including intangible assets, we consider the purchase price allocation to be a matter of most significance to the audit and identified it as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ➤ In conjunction with our internal financial reporting specialists, we evaluated the reasonableness of the recognition and adequacy of related disclosure of the acquisition in the financial statements in accordance with IFRS 3: Business Combinations. ➤ We obtained an understanding of the process that management followed in order to provisionally allocate the purchase price. ➤ We inspected the key contracts to obtain an understanding of the transaction and its key terms. ➤ We evaluated whether the appropriate accounting treatment had been applied to the transaction. ➤ We assessed the valuation and completeness of the recognised intangible assets (fishing licences) and plant and equipment by performing the following: <ul style="list-style-type: none"> – We challenged the valuation approach, methodology and assumptions applied by management to value the fair value of tangible and intangible assets and residual goodwill. This included assessing the mathematical accuracy of the valuation models used by management. – We assessed the rights, obligations and completeness of intangible assets recognised. – We evaluated the appropriateness of management's independent specialist's work by validating key inputs or assessing them for reasonableness compared to independently sourced data. – We assessed the competence, objectivity, experience and independence of each of the independent valuers engaged by management. – We recalculated the deferred tax balances. ➤ We assessed whether all associated transaction costs have been expensed correctly. ➤ We assessed the determination of the fair values of the components of working capital. ➤ We agreed the components of the purchase price cash settlements to payment documentation.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the shareholders of Sea Harvest Group Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the 114 page document titled "Sea Harvest Group Limited Audited Annual Financial Statements 2022", which includes the Report of the Directors and the Audit and Risk Committee Report, and the Report of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does 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 company 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 company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 company financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and company 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 company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the group and 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 company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and company 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 company 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 company 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 and 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 and 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 company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's

report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company 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 and company 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 directors 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 directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and company 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 Ernst & Young Inc. has been the auditor of Sea Harvest Group Limited for two years.

Ernst & Young Inc.

Ernst & Young Inc.

Director – Pierre Gustav Du Plessis
Chartered Accountant (SA)
Registered Auditor

31 March 2023

Waterway House
3 Dock Road
Cape Town

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report which forms part of the annual financial statements for Sea Harvest Group Limited and its subsidiaries (the Group) for the year ended 31 December 2022.

NATURE OF BUSINESS AND OPERATIONS

Sea Harvest is a leading black-controlled and internationally recognised, vertically integrated fishing and branded fast-moving consumer goods (FMCG) business established in 1964. The Group's principal activities are divided into the following operations:

- South African Fishing is involved in 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 include hake, Horse Mackerel, prawn, anchovy and pilchard.
- Sea Harvest Australia, complemented by the acquisition of MG Kailis in the 2022 financial year, is a vertically integrated fishing business 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 foodservice sales and distribution business.
- The ownership of 51% of the shares of Viking Aquaculture Proprietary Limited (Viking Aquaculture) delivers diversification into high-value aquaculture.
- Cape Harvest Foods, which includes Ladismith Cheese Company Proprietary Limited (Ladismith), a value-added dairy operation and BM Foods Group Proprietary Limited (BM Foods Group), which manufactures and distributes a range of chilled and frozen food products.

COMPANIES ACT

The Board confirms that the Group has complied with the provisions of the Companies Act, 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 consolidated statement of comprehensive income on [page 18](#).

The profit attributable to ordinary shareholders for the year is R310.6 million (2021: R469.9 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
Opening balance	298 866 214	18 899 604	279 966 610
Shares repurchased	–	6 385 471	(6 385 471)
Shares vested	–	(2 754 198)	2 754 198
Closing balance	298 866 214	22 530 877	276 335 337

Details of the authorised and issued share capital of the Company are set out in [note 21](#).

SPECIAL RESOLUTIONS

During the 2022 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 repurchase its own securities.
- The approval of the non-executive directors' remuneration, the effect of which was to approve the annual remuneration of non-executive directors for the period from 1 July 2022 to 30 June 2023.
- The approval to provide financial assistance to related or interrelated companies, the effect of which was to authorise the Company to provide direct and indirect financial assistance to related or interrelated companies in terms of section 45 of the Companies Act.

- The approval to provide financial assistance for the acquisition of shares, the effect of which was to authorise the Company to provide such direct and indirect financial assistance in terms of section 44 of the Companies Act.
- The specific authority to repurchase vested shares resulting from the Group's forfeitable share plan.
- The specific authority to repurchase shares held by the Viking Staff Scheme.

Changes in the Board

N Seshoka resigned as Company Secretary effective 31 May 2022, and S Gounden was appointed as Company Secretary from 1 June 2022.

Directors

The names of the directors in office at the date of this report are set out on [page 112](#) along with the name and business and registered address of the Company.

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 2022 was as follows:

	NUMBER OF SHARES			PERCENTAGE OF ISSUED ORDINARY SHARE CAPITAL %
	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL	
2022				
M Brey	1 998 283	–	1 998 283	0.67
WA Hanekom	–	780 010	780 010	0.26
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	3 030 213	–	3 030 213	1.02
F Robertson	5 600	236 818	242 418	0.08
Total	5 082 096	1 024 828	6 106 924	2.04
2021				
M Brey	2 024 948	–	2 024 948	0.68
WA Hanekom	–	730 009	730 009	0.24
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	3 066 743	–	3 066 743	1.03
F Robertson	5 600	233 826	239 426	0.08
Total	5 145 291	971 835	6 117 126	2.05

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 2022 and the date of approval of the financial statements:

M Brey	332 642
F Ratheb	663 139

Details of directors' individual interests in shares held in terms of the forfeitable share plan are set out in [note 39](#).

REPORT OF THE DIRECTORS CONTINUED

Subsidiaries

Details of the Company's interest in and share of the aggregate profits and losses of its subsidiaries are given in separate schedules on [pages 108 and 109](#).

Property, plant, equipment and vehicles

Capital expenditure during the year amounted to R259.1 million (2021: R273.7 million). Further details are disclosed in [note 7](#). During the year there was no major change in the nature of the assets or in the policy relating to their use.

Directors' responsibility for annual financial statements

The directors are responsible for the preparation and fair presentation of the Group and separate annual financial statements of Sea Harvest Group Limited, comprising the statements of financial position as at 31 December 2022, and the statements of comprehensive income, statements of changes in equity and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS and the requirements of the Companies Act of South Africa and the JSE Limited (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 assessed going concern, taking into account current economic conditions, available information about future risks and uncertainties (including load shedding), cash flow analyses, operational analyses, and available funding facilities across the Group.

The result of these analyses was that the Group will have sufficient cash resources to sustain operations. No material funding covenants were breached during the year ended 31 December 2022. Therefore, the directors have no reason to believe that the Group will not be a going concern in the foreseeable future and, accordingly, the consolidated annual financial statements have been prepared on a going concern basis.

Further details are disclosed in [note 30](#).

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 dividend on 7 March 2023 amounting to 38 cents per share (2021: 56 cents per share), in respect of the year ended 31 December 2022.

On 8 March 2023, the Group announced that it had, through its wholly-owned subsidiary, Sea Harvest Aquaculture Proprietary Limited, which currently owns 54% of the shares in Viking Aquaculture, entered into an agreement to acquire a further 28% of the shares in and loan claims against Viking Aquaculture for a purchase consideration of R210 million.

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2022

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 2022. This report is prepared in line with the Committee's responsibilities as defined in the Companies Act, the King IV™ for South Africa and the JSE Listings Requirements.



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KA Lagler

CA(SA)



3/3

CK Zama

CA(SA)



3/3

WA Hanekom

CA(SA)



3/3

BM Rapiya

BAdmin

INDEPENDENT NON-EXECUTIVE DIRECTORS

ROLES AND RESPONSIBILITIES

The Committee is governed by a formal terms of reference which has been approved by the Board and is reviewed annually; it was last reviewed in November 2022. 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 Companies Act, King IV™, the JSE Listings Requirements, and the additional responsibilities assigned to it by the Board. In addition to its statutory duties prescribed in the Companies Act, the Committee is required to provide independent oversight of the system of internal controls and risk management, and the effectiveness of the internal financial controls, to assist the Board in monitoring the integrity of the Group's interim and annual financial statements and other performance-related external reports. The Committee further oversees the effectiveness and independence of the Group's external and internal assurance providers and services that contribute to the integrity of the Group's financial and integrated reporting.

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

Chairperson: 

Meetings attended: 

COMPOSITION OF THE COMMITTEE

The Committee comprises four independent non-executive directors. The members of the Committee have remained unchanged for the 2022 financial year.

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

The Committee Chairperson, Ms KA Lagler, and members Mr BM Rapiya, Mr WA Hanekom and Ms CK Zama will hold office until the upcoming AGM on 18 May 2023, where their re-election to the Committee will be a matter for shareholder consideration.

The Group Chairman, CEO, CFO, Mr MI Khan (Non-executive Director), Ms T Moodley (Non-executive Director), the Brimstone Investment Corporation Limited Financial 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 is based on the formal terms of reference, ensuring 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

AUDIT AND RISK COMMITTEE REPORT CONTINUED

for the year ended 31 December 2022

the Committee and its chairperson without management being present to ensure open discussion. 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 on page 11.

KEY FUNCTIONS OF THE COMMITTEE

The Committee performed the following duties during the year ended 31 December 2022

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval;
- Reviewed the solvency and liquidity, working capital, and going concern position;
- Reviewed and recommended the annual dividend proposal to the Board for approval;
- Considered the independence and effectiveness of the external auditors and received and considered the external auditor's reports;
- Considered and nominated for approval at the AGM the external auditors and the designated auditor for the financial year under review;
- Determined the fees paid to the external auditors and the auditors' terms of engagement;
- Reviewed the expertise and experience of the Group's CFO and finance function;
- Satisfied itself with the adequacy of the Group's internal controls, including internal controls over financial reporting;
- Reviewed reports from the established subsidiary companies' Finance and Risk Committees;
- Reviewed the strategic risk register and mitigation plans put in place by management;
- Reviewed goodwill impairment assessment calculations and considerations;
- Reviewed the fraud and defalcation reports;
- Reviewed insurance renewal terms;
- Conducted a self-assessment evaluation in accordance with the terms of reference;
- Reviewed the Insider Trading Policy, Non-audit Services Policy and Fraud Prevention Policy inclusive of the Whistle-blowing Policy;
- 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 and received and considered the internal auditor's reports;
- Received and considered the JSE Proactive Monitoring Reports, and satisfied itself with the responses provided to the Committee by management;
- 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 application of the King IV™ principles as set out in the King IV™ Application Register and Report on Corporate Governance;
- Received reports detailing the tax status of each company within the Group and compliance with tax laws and regulations;
- Reviewed the Group's framework for determining materiality, which is applied to ensure that significant areas of risk, complexity and judgement are included for the evaluation of internal financial reporting controls; and
- Considered the Group structure and the nature and size of the components forming part thereof, to ensure that management has established appropriate procedures to ensure that all relevant components have submitted audited or reviewed financial reporting packages, prepared in accordance with International Financial Reporting Standards (IFRS), which have been included in the consolidated financial statements of Sea Harvest as required by paragraph 3.84(g)(ii) of the JSE Listings Requirements.

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 on 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 2022 financial year, the Committee considered the risk assessments and mitigation plans presented by management and evaluated and approved the plans of the internal and external audit functions.

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.

IT GOVERNANCE

The Committee has oversight responsibility for IT governance and IT risk management. IT governance and IT risk management are managed through various charters, plans, policies, procedures and practices. An IT Steering

Committee meets regularly to monitor IT governance and risk-related matters as well as 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.

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 Companies Act and therefore able to express an independent opinion on the Group's annual financial statements. The Committee, in consultation with management, agreed to the audit fee for the 2022 financial year and evaluated the extent of non-audit work in accordance with the established policy in this regard. The policy of non-audit services establishes that non-audit work performed by the external auditor beyond an agreed rand quantum is approved by the Committee chairperson and tabled at Committee meetings at set intervals. The fees paid to the external auditors for non-audit services in 2022 related to due diligence for specific business acquisitions, taxation work and agreed upon procedures in respect of royalty certificates issues to the Marine Stewardship Council.

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

Mr P du Plessis was the designated audit partner for the year ended 31 December 2022. Mr P du Plessis has confirmed to the Committee that Ernst & Young Inc. have complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants standards.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

for the year ended 31 December 2022

Key audit matters relating to the 2022 audit

The report of the independent auditors for the year ended 31 December 2022 contained the following key audit matter

- Provisional purchase price allocation and goodwill recognition of MG Kailis acquisition.

The Committee addressed the key audit matter as follows

- The Committee assessed procedures followed by management in accounting for acquisitions governed by IFRS 3: Business Combinations, which requires judgement in the identification and valuation of assets acquired and liabilities assumed. The Committee is satisfied with the outcomes of the purchase price allocation performed by management and assessed by the auditors.

INTERNAL AUDITORS

The Group's in-house internal audit function operates in accordance with the terms of reference that 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 regularly evaluated the progress made in relation to the internal audit coverage plan for 2022 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 is aligned with 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.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the year ended 31 December 2022 and is satisfied that it complies with IFRS. 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 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. 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 Listings Requirements and the requirements of the King IV™ Codes. The King IV™ Application Register, which can be found in the Environmental, Social and Governance Report, is available on the Group's website: www.seaharvestgroup.co.za.

JSE proactive monitoring report

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

- Report on proactive monitoring of financial statements in 2022 (issued 4 November 2022);
- The Audit Committee Briefing Document issued on 6 October 2022: Proactive monitoring limited scope thematic review: Cash flow information and disclosures of liquidity and going concern; and
- The following sections from the Combined Findings Report issued in October 2022:
 - Income Tax (pages 36 to 37 – matters 3 and 5);
 - Revenue (page 40 – matters 1 and 2); and
 - Interim Financial Reporting (pages 49 to 52 – matters 1 and 2).

The Committee ensured that, where applicable, the contents of these reports were appropriately actioned in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2022.

JSE reporting requirements 3.84(k)

The Committee 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 JSE Listings Requirement 3.84(k) is appropriately supported.

The Committee, in satisfying itself in this regard, evaluated:

- The consistency of the processes adopted in respect of risk assessment and scoping, 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; and

- At each reporting period, the assessment of controls following a combined assurance approach, including management declarations and internal audit findings, following their assessment of the operating effectiveness of internal financial reporting controls.

The Committee is satisfied that this aforementioned process was applied to all material subsidiaries, including those acquired during the reporting period.

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

The Committee discussed and documented the basis for its conclusion, which includes discussions with internal audit, external auditors and 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 also to thank the invitee non-executive and executive directors, management and assurance providers for their contributions to the Committee this year.



Kari Ann Lagler
CA(SA)

31 March 2023





OUR CONSOLIDATED STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	NOTES	2022 R'000	2021 R'000
Revenue	1	5 875 295	4 615 463
Cost of sales		(4 537 353)	(3 191 608)
Gross profit		1 337 942	1 423 855
Other operating income		251 647	241 778
Selling and distribution expenses		(289 933)	(238 625)
Marketing expenses		(22 244)	(20 638)
Other operating expenses ¹		(805 669)	(715 140)
Operating profit	2	471 743	691 230
Share of loss in associate		(1 110)	(478)
Gains on bargain purchase		–	1 578
Fair value gains/(losses)		29 456	(16 577)
Impairment of assets		–	(6 153)
Profit before net finance costs and taxation		500 089	669 600
Investment income	3	19 669	20 770
Finance costs	4	(143 761)	(77 859)
Profit before taxation		375 997	612 511
Taxation	5	(81 932)	(178 326)
Profit after taxation		294 065	434 185
Profit after taxation attributable to:			
Shareholders of Sea Harvest Group Limited		310 610	469 890
Non-controlling interests		(16 545)	(35 705)
		294 065	434 185
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:		(2 199)	33 666
Movement in cash flow hedging reserve		(59 860)	83 551
Movement in cost of hedging reserve		37 910	(48 139)
Reserves recycled to other operating income		(494)	(14 593)
Exchange rate differences on foreign operations		15 192	18 947
Deferred taxation effect		5 053	(6 100)
Items that may not be reclassified subsequently to profit or loss:		3 094	3 963
Movement in investment at fair value through other comprehensive income		1 230	4 725
Net measurement gain on defined benefit plan		2 916	324
Deferred taxation effect		(1 052)	(1 086)
Other comprehensive income, net of tax		895	37 629
Total comprehensive income for the year		294 960	471 814
Total comprehensive income for the year attributable to:			
Shareholders of Sea Harvest Group Limited		313 992	507 519
Non-controlling interests		(19 032)	(35 705)
		294 960	471 814
Earnings per share (cents)			
– Basic	6	111	168
– Diluted	6	109	166

¹ Included in other operating expenses is the movement in expected credit loss of R1.8 million (2021: R2.7 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	NOTES	2022 R'000	RESTATED* 2021 R'000
ASSETS			
Property, plant, equipment and vehicles	7	2 341 225	2 192 999
Right-of-use assets	8	194 149	114 446
Biological assets	9	87 287	68 299
Investment property	10	3 700	3 700
Intangible assets	11	1 421 503	769 463
Goodwill	12	1 018 878	865 192
Investments in associates	14	6 907	8 073
Investment at fair value through other comprehensive income	15	31 220	29 989
Other financial assets	26	29 616	24 936
Loans to related parties	38	113 478	121 718
Loans to supplier partners	16.1	92 670	94 384
Loan receivable	16.2	7 240	7 446
Deferred tax assets	17	5 239	3 312
Non-current assets		5 353 112	4 303 957
Inventories	18	1 013 197	902 618
Trade and other receivables	19	895 451	740 033
Biological assets	9	77 909	82 123
Other financial assets	26	41 532	58 866
Tax assets		14 930	10 678
Cash and bank balances	20	243 270	739 909
Current assets		2 286 289	2 534 227
Total assets		7 639 401	6 838 184
EQUITY AND LIABILITIES			
Stated capital	21	1 705 898	1 769 070
Other reserves	21	51 615	56 859
Retained earnings		1 427 529	1 286 289
Equity attributable to the owners of the Company		3 185 042	3 112 218
Non-controlling interests		52 016	56 506
Equity		3 237 058	3 168 724
Long-term borrowings	22	2 144 828	1 793 679
Employee-related liabilities	23	22 170	20 927
Deferred grant income	24	34 342	32 148
Contingent consideration	25	–	9 773
Lease liabilities	27	200 681	125 224
Other financial liabilities	26	7 256	–
Deferred taxation	17	826 151	608 994
Non-current liabilities		3 235 428	2 590 745
Short-term borrowings	22	242 266	70 828
Trade and other payables	28	858 370	727 408
Deferred grant income	24	2 776	3 546
Contingent consideration	25	–	120 671
Other financial liabilities	26	5 075	118
Lease liabilities	27	27 496	19 882
Share-based payment liabilities	31	–	35 746
Provision	29	5 740	47 513
Taxation		512	13
Bank overdrafts	20	24 680	52 990
Current liabilities		1 166 915	1 078 715
Total equity and liabilities		7 639 401	6 838 184

* The restatement relates to a reclassification between stated capital and other reserves. Refer to [note 34](#) for details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	ATTRIBUTABLE TO EQUITY OWNERS OF THE PARENT			
	RESTATED* STATED CAPITAL R'000	SHARE-BASED PAYMENTS RESERVE R'000	INVESTMENT REVALUATION RESERVE R'000	CASH FLOW HEDGING RESERVE R'000
Balance as at 1 January 2021	1 769 597	(33 348)	17 309	75 269
Profit for the year	-	-	-	-
Dividends declared and paid	-	-	-	-
Other comprehensive income for the year	-	-	3 639	28 839
Recognition of share-based payments	-	22 128	-	-
Transfer to share-based payment liability subsequent to modification date	-	(3 425)	-	-
Shares vested in terms of forfeitable share plan	35 694	(35 694)	-	-
Shares repurchased	(36 221)	-	-	-
Acquisition of non-controlling interests	-	-	-	-
Non-controlling interests at acquisition of a subsidiary	-	-	-	-
Balance as at 1 January 2022	1 769 070	(50 339)	20 948	104 108
Profit for the year	-	-	-	-
Dividends declared and paid	-	-	-	-
Other comprehensive income for the year	-	-	965	(40 985)
Recognition of share-based payments	-	32 020	-	-
Shares vested in terms of forfeitable share plan	25 516	(25 516)	-	-
Shares repurchased	(88 688)	-	-	-
Acquisition of non-controlling interests	-	-	-	-
Balance as at 31 December 2022	1 705 898	(43 835)	21 913	63 123

* The restatement relates to a reclassification between stated capital and the forfeitable share plan reserve that was previously disclosed. Refer to [note 34](#) for details.

ATTRIBUTABLE TO EQUITY OWNERS OF THE PARENT							
COST OF HEDGING RESERVE R'000	FOREIGN CURRENCY TRANSLATION RESERVE R'000	ACTUARIAL GAINS/LOSSES RESERVE R'000	CHANGE IN OWNERSHIP R'000	RETAINED EARNINGS R'000	TOTAL R'000	NON-CONTROLLING INTERESTS R'000	TOTAL EQUITY R'000
(65 183)	37 590	8 038	(3 377)	948 311	2 754 206	40 138	2 794 344
-	-	-	-	469 890	469 890	(35 705)	434 185
-	-	-	-	(131 912)	(131 912)	(1 093)	(133 005)
(14 120)	18 947	324	-	-	37 629	-	37 629
-	-	-	-	-	22 128	-	22 128
-	-	-	-	-	(3 425)	-	(3 425)
-	-	-	-	-	-	-	-
-	-	-	-	-	(36 221)	-	(36 221)
-	-	-	(77)	-	(77)	1 968	1 891
-	-	-	-	-	-	51 198	51 198
(79 303)	56 537	8 362	(3 454)	1 286 289	3 112 218	56 506	3 168 724
-	-	-	-	310 610	310 610	(16 545)	294 065
-	-	-	-	(169 370)	(169 370)	(588)	(169 958)
26 081	15 192	2 129	-	-	3 382	(2 487)	895
-	-	-	-	-	32 020	-	32 020
-	-	-	-	-	-	-	-
-	-	-	-	-	(88 688)	-	(88 688)
-	-	-	(15 130)	-	(15 130)	15 130	-
(53 222)	71 729	10 491	(18 584)	1 427 529	3 185 042	52 016	3 237 058

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	NOTES	2022 R'000	2021 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before changes in working capital	A	725 451	977 697
Working capital changes	B	(66 509)	(155 953)
Cash generated from operations		658 942	821 744
Interest received		11 437	11 006
Dividends received		5 000	8 000
Proceeds from government grants		6 813	3 048
Income tax paid	C	(58 601)	(131 347)
Interest paid		(142 564)	(75 506)
Net cash generated from operating activities		481 027	636 945
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	32	(769 614)	(65 116)
Acquisition of property, plant, equipment and vehicles		(259 054)	(273 751)
Proceeds from the disposal of property, plant, equipment and vehicles		4 074	2 496
Insurance proceeds		25 099	46 450
Acquisition of intangible assets		(2 754)	(1 940)
Additions to biological assets		(71 250)	(68 703)
Proceeds on loans advanced to related parties		–	7 725
Proceeds on loans advanced to supplier partners		2 789	1 559
Cash movement in other long-term and short-term loans		105	(1 142)
Net cash utilised in investing activities		(1 070 605)	(352 422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased		(88 688)	(36 221)
Proceeds from borrowings	D	1 409 385	544 878
Repayment of borrowings and lease liabilities	D	(925 367)	(220 041)
Repayment of other financial liabilities		–	(24 448)
Dividends paid		(169 958)	(133 005)
Settlement of contingent consideration ¹		(110 000)	–
Net cash generated from financing activities		115 372	131 163
Net (decrease)/increase in cash and cash equivalents		(474 206)	415 686
Cash and cash equivalents at the beginning of the year		686 919	270 441
Effects of exchange rate changes on the balance of cash held in foreign operation		5 877	792
Cash and cash equivalents at the end of the year	20	218 590	686 919

¹ Given the probability of payment at initial recognition was virtually certain and the significant period between initial recognition and settlement of 3.5 years, the deferred nature of this payment is, in substance, a financing arrangement.

	2022 R'000	2021 R'000
A. CASH GENERATED BY OPERATIONS		
Profit after taxation	294 065	434 185
Adjustments for:		
Finance costs	143 761	77 859
Taxation charge	81 932	178 326
Investment income	(19 669)	(20 770)
Profit on disposal of property, plant, equipment and vehicles	(2 084)	(8 616)
Loss on disposal of property, plant, equipment and vehicles	2 581	7 646
Gain on lease modification	–	(1 199)
Gains on bargain purchase	–	(1 578)
Unrealised foreign exchange losses/(gains)	3 836	(11 703)
Depreciation and amortisation on non-current assets	268 606	246 034
Share of losses of associate	1 110	478
Government grant income	(5 389)	(2 235)
Non-cash movements in relation to share-based payments	32 021	22 938
Fair value adjustment on option	(4 680)	307
Fair value adjustment on contingent consideration	(20 444)	10 629
Fair value adjustment on biological assets	(4 330)	5 642
Non-cash movement on biological assets	60 807	73 047
Movement in provisions	(55 447)	7 004
Insurance proceeds	(25 099)	(46 450)
Impairment of assets	–	6 153
Settlement of employee share trust liability	(39 795)	–
Other non-cash movements	13 669	–
	725 451	977 697
B. MOVEMENTS IN WORKING CAPITAL	(66 509)	(155 953)
(Increase)/decrease in trade receivables	(102 826)	18 150
Increase in trade payables	65 119	22 297
Increase in inventory	(28 802)	(196 400)
Cash generated by operating activities	658 942	821 744

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

for the year ended 31 December 2022

	2022 R'000	2021 R'000
C. INCOME TAX PAID		
Prepaid at 1 January	(10 665)	(6 951)
Acquisitions through business combinations	–	755
Other non-cash movements	399	638
	(10 266)	(5 558)
Income tax expense	54 449	126 240
Prepaid at 31 December	14 418	10 665
Income tax paid	58 601	131 347

D. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	BORROWINGS R'000	LEASE LIABILITIES R'000	TOTAL R'000
Balance as at 1 January 2021	1 426 740	159 967	1 586 707
Loans raised	544 878	–	544 878
Capital repaid	(200 866)	(19 174)	(220 040)
New leases	–	6 959	6 959
Terminated leases	–	(7 531)	(7 531)
Interest charged	59 059	13 773	72 832
Interest paid	(58 300)	(12 232)	(70 532)
Acquired through business combination	84 553	3 279	87 832
Effect of foreign currency exchange differences	8 443	65	8 508
Balance as at 31 December 2021	1 864 507	145 106	2 009 613
Loans raised	1 409 385	–	1 409 385
Capital repaid	(901 039)	(24 328)	(925 367)
New leases	–	95 003	95 003
Terminated leases	–	(1 114)	(1 114)
Interest charged	119 594	13 714	133 308
Interest paid	(119 747)	(12 409)	(132 156)
Acquired through business combination	–	7 532	7 532
Effect of foreign currency exchange differences	14 394	4 673	19 067
Balance as at 31 December 2022	2 387 094	228 177	2 615 271

SEGMENT REPORT

for the year ended 31 December 2022

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's 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 and sell Cape Hake and Horse Mackerel; the Aquaculture operation farms and sells abalone and oysters; the Australian operations predominantly fish and sell prawns, scallops, crabs and Spanish Mackerel. The Cape Harvest Food segment produces and sells value-added dairy products, fast moving consumer goods and includes the Sea Harvest factory fish shops.

The following tables are an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2022:

2022	SOUTH AFRICAN FISHING R'000	AUSTRALIA ¹ R'000	AQUACULTURE R'000	CAPE HARVEST FOODS R'000	TOTAL R'000
Revenue ²	2 744 422	938 067	117 955	2 074 851	5 875 295
Depreciation and amortisation	(176 742)	(35 718)	(15 283)	(40 863)	(268 606)
Foreign currency and commodity price gains/(losses)	165 150	796	(501)	(51)	165 394
Employee-related expenses (including post-employment benefits)	(900 229)	(68 502)	(41 971)	(253 155)	(1 263 857)
Share-based payment expenses	(29 975)	–	–	(2 045)	(32 020)
Other expenses	(1 453 433)	(789 870)	(100 362)	(1 660 798)	(4 004 463)
Operating profit	349 193	44 773	(40 162)	117 939	471 743
Investment income	19 113	23	278	255	19 669
Finance costs	(105 484)	(24 230)	(2 064)	(11 983)	(143 761)
Fair value gain	4 680	–	4 331	20 445	29 456
Share of losses of associate	–	–	(1 463)	353	(1 110)
Profit before taxation	267 502	20 566	(39 080)	127 009	375 997
Taxation	(54 750)	(6 837)	7 085	(27 430)	(81 932)
Profit after taxation	212 752	13 729	(31 995)	99 579	294 065
Segment assets	3 124 470	2 367 478	686 664	1 460 789	7 639 401
Segment liabilities	2 243 394	1 195 336	469 377	494 236	4 402 343
Non-current assets	2 058 729	1 917 256	578 548	798 579	5 353 112
Additions to non-current assets	216 666	89 310	23 183	45 432	374 591
The above amounts of assets and liabilities include the following:					
Investment in associates	–	–	4 053	2 854	6 907

¹ The Australian segment includes the results of the Western Australia-based fishing and related businesses of MG Kailis and its subsidiaries, which were acquired through the current year business combination.

² Revenue excludes the following intersegmental revenues between South African Fishing and Australia which are eliminated on consolidation: R183.4 million (2021: R 170.0 million), R43.3 million (2021: R38.4 million) between South African Fishing and Cape Harvest Food Group, and R1.0 million (2021: R5.5 million) between Aquaculture and South African Fishing.

SEGMENT REPORT CONTINUED

for the year ended 31 December 2022

2021	SA OPERATIONS R'000	AUSTRALIA R'000	AQUACULTURE R'000	CAPE HARVEST FOODS R'000	TOTAL R'000
Revenue ²	2 664 472	553 722	91 686	1 305 583	4 615 463
Depreciation and amortisation	(171 028)	(25 686)	(17 759)	(31 560)	(246 033)
Foreign currency and commodity price gains	141 892	84	82	904	142 962
Employee-related expenses (including post-employment benefits) ¹	(931 223)	(38 684)	(45 568)	(197 276)	(1 212 751)
Share-based payment expenses	(20 408)			(1 719)	(22 127)
Other expenses ¹	(1 012 122)	(458 193)	(92 142)	(1 023 827)	(2 586 284)
Operating profit	671 583	31 243	(63 701)	52 105	691 230
Investment income	19 814	401	44	511	20 770
Finance costs	(61 893)	(10 154)	(2 100)	(3 712)	(77 859)
Fair value (loss)/gain	(11 571)	–	(5 641)	635	(16 577)
Gains on bargain purchase	–	–	–	1 578	1 578
Impairment of assets	–	–	(6 153)	–	(6 153)
Share of losses of associate	–	–	(478)	–	(478)
Profit before taxation	617 933	21 490	(78 029)	51 117	612 511
Taxation	(173 937)	(5 874)	(1 397)	2 882	(178 326)
Profit after taxation	443 996	15 616	(79 426)	53 999	434 185
Segment assets	3 696 190	1 130 391	665 697	1 345 906	6 838 184
Segment liabilities	2 322 218	412 048	454 917	480 277	3 669 460
Non-current assets	2 022 673	920 157	562 879	798 248	4 303 957
Additions to non-current assets	173 714	36 440	13 741	67 759	291 654
The above amounts of assets and liabilities include the following:					
Investment in associates	–	–	5 516	2 557	8 073

¹ The prior year employee-related expenses has been adjusted to include post-employment benefits to allow comparability.

Information regarding major customers

No customer (2021: Nil) individually contributes 10% or more of the Group's revenue arising from the South African Fishing, Australian, Aquaculture and Cape Harvest Foods segments.



3 OUR POLICIES

Group accounting policies

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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 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, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act. The financial statements were approved for issue by the Board of Directors on 31 March 2023.

Basis of measurement and preparation

The Group and Company financial statements are prepared on the going concern and historical cost basis, except for the revaluation of certain assets and liabilities detailed in **notes 9, 10, 15, 25 and 26**.

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 that 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 on 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 effective and adopted

In the current year, the Group has applied amended IFRS standards and interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements.

Standards that are issued but not yet effective

The amendments below will not be early adopted and will be implemented on the effective date. The impact of the new standards are in the process of being determined.

➤ **Definition of Accounting Estimates (Amendments to IAS 8)**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments must be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

➤ **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**

The amendments narrow the scope of the initial recognition exception under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2023.

➤ **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

The amendments specify requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that a right to defer settlement must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments also require additional disclosure requirements.

The amendments are effective for annual periods beginning on or after 1 January 2024.



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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 2022

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 Australian and Cape Harvest Foods segments:

- In the Australian segment, revenue from the rendering of services, such as ship repairs and maintenance is recognised over time as the service is rendered.
- In the Cape Harvest Foods segment, revenue over time 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 input material from the customer to be converted into specific product formats. No material input relating to the co-manufacturing was on hand as at 31 December 2022.

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.

	2022 R'000	2021 R'000
Group revenue for the year can be analysed as follows:		
Revenue recognised at a point in time	5 817 452	4 590 316
Revenue recognised over time	57 843	25 147
	5 875 295	4 615 463
Revenue per product mix comprises:		
Wild-caught fish ¹	3 022 329	2 808 530
Shellfish ²	595 195	343 255
Convenience foods	489 511	246 588
Traded ³	189 600	132 005
Dairy	1 578 660	1 085 085
	5 875 295	4 615 463
Revenue per channel mix comprises:		
International	2 435 680	1 957 992
Retail	1 727 702	1 374 417
Foodservice	1 085 383	870 389
Wholesale	626 530	412 665
	5 875 295	4 615 463
Revenue is further split by geographic location as follows:		
South Africa	3 439 614	2 657 470
Australia	869 463	544 388
Europe	1 222 721	1 143 488
Other markets	343 497	270 117
	5 875 295	4 615 463

¹ Cape Hake, Horse Mackerel, Spanish Mackerel and related by-catch

² Prawns, scallops, crabs and abalone

³ Includes sales of purchased products

1. REVENUE CONTINUED

Revenue from wild-caught fish is disclosed in the South African Fishing, Australian and Cape Harvest Foods segments. Shellfish revenue is disclosed in the South African Fishing, Australian and Aquaculture segments. Revenue from convenience foods is disclosed in the Cape Harvest Foods and Australian segments, with dairy revenue disclosed in the Cape Harvest Foods segment. Traded revenue is disclosed in the South African Fishing and Cape Harvest Foods segments.

International revenue is disclosed in all segments. Retail and wholesale revenue is disclosed in the South African Fishing and Cape Harvest Foods segments. Foodservice revenue is disclosed in the South African Fishing, Aquaculture and Cape Harvest Foods segment.

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

	2022 R'000	2021 R'000
2. OPERATING PROFIT		
Operating profit is arrived at after taking into account the following:		
Income		
Foreign currency and commodity price gains	165 394	142 961
Government grant income	5 389	2 235
Profit on the disposal of property, plant, equipment and vehicles	2 084	8 616
Insurance proceeds	25 134	46 450
Operating expenses		
Amortisation of intangibles	9 033	8 731
Auditors remuneration		
– External statutory audit	6 784	5 249
– Other	865	5 040
Depreciation of property, plant, equipment and vehicles	234 113	215 921
Depreciation of right-of-use assets	25 460	21 381
COVID-19 expenses	5 581	26 898
Movement in expected credit losses	1 837	2 720
Inventory adjustments		
– Net (decrease)/increase in the provision for obsolescence	(8 621)	15 457
– Write downs to net realisable value	15 532	19 517
Loss on the disposal of property, plant, equipment and vehicles	2 581	7 646
Rental expense on low-value and short-term leases		
– Land and buildings	1 138	7 812
– Property, plant, equipment and vehicles	10 217	4 343
Employee-related expenses		
Salaries, wages and other short-term benefits	1 216 598	1 166 195
Share-based payments expense	32 020	22 128
Post-employment benefits	47 259	46 556
Total employee-related expenses	1 295 877	1 234 879
3. INVESTMENT INCOME		
Interest received on bank deposits and from external parties	14 669	12 770
Dividends received from investment at fair value through other comprehensive income	5 000	8 000
	19 669	20 770
4. FINANCE COSTS		
Interest on borrowings and overdraft	123 601	59 059
Interest on lease liabilities	13 714	13 773
Other ¹	6 446	5 027
	143 761	77 859

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

	2022 R'000	2021 R'000
5. TAXATION		
Current tax: South Africa		
In respect of the current year	48 832	126 639
In respect of prior years	5 681	159
	54 513	126 798
Deferred tax: South Africa		
In respect of the current year	37 886	45 564
In respect of the change in tax rate	(17 305)	–
	20 581	45 564
Current tax: Australia¹		
In respect of the current year	(64)	(558)
	(64)	(558)
Deferred tax: Australia		
In respect of the current year	6 853	7 216
In respect of prior years	49	(694)
	6 902	6 522
Taxation charge	81 932	178 326
Deferred tax recognised through other comprehensive income		
Fair value remeasurement of cash flow hedges	5 053	(6 100)
Movement in investment at fair value through other comprehensive income	(265)	(1 086)
Net measurement gain on defined benefit plan	(787)	–
	4 001	(7 186)
Tax rate reconciliation		
Profit before tax	375 997	612 511
Income tax expense calculated at 28% (2021: 28%) ²	105 279	171 946
Effect of change in tax rate	(20 008)	–
Prior year adjustment	5 730	4 978
Under/(over) provided previous year	412	(534)
Non-taxable income ³	(26 951)	(16 064)
Non-deductible expenses ⁴	10 846	16 194
Deferred tax asset not recognised	6 350	16 390
Capital gains tax	(343)	(387)
Tax effect of fair value adjustments	328	(347)
Tax effect of utilisation of prior year losses	–	(13 872)
Tax effect of share of results of associates	410	134
Tax effect of tax rates of subsidiary operating in other jurisdictions	(121)	(112)
Taxation charge	81 932	178 326

¹ The Australian tax rate is 30% (2021: 30%).

² In the current financial year, current tax was calculated at 28% and deferred tax was calculated at 27% as a result of the change in corporate tax rate which will be effective for the 2023 financial year.

³ Non-taxable income relates to the reversal of contingent consideration, dividend income and learnership incentives.

⁴ Non-deductible expenses relates mainly to legal, consulting and other professional fees.

		NUMBER OF SHARES	
		2022 R'000	2021 R'000
6. EARNINGS PER SHARE			
6.1 Calculation of weighted average number of ordinary shares (WANOS)			
WANOS used in the calculation of basic and headline earnings per share		279 167 094	280 352 798
Dilutive effect of treasury shares (forfeitable share plan)		7 097 328	2 125 743
WANOS used in the calculation of diluted basic and headline earnings per share		286 264 422	282 478 541

	GROSS 2022 R'000	NET ¹ 2022 R'000	GROSS 2021 R'000	NET ¹ 2021 R'000
6.2 Determination of headline earnings				
Profit for the year attributable to shareholders of Sea Harvest Group Limited	375 997	310 610	612 511	469 890
<i>Adjusted for:</i>				
Loss/(profit) on disposal of property, plant, equipment and vehicles	497	314	(970)	(970)
Insurance proceeds ²	(25 134)	(17 720)	(46 135)	(31 258)
Gains on bargain purchase	-	-	(1 578)	(1 578)
Impairment of assets	-	-	6 153	2 951
Headline earnings for the year	351 360	293 204	569 981	439 035

¹ Net of tax and non-controlling interests

² In the prior year, an amount received from insurance for loss of biological assets was excluded from insurance proceeds.

	2022	2021
Headline earnings per share (cents)		
- Basic	105	157
- Diluted	102	155
Basic earnings per share (cents)	111	168
Diluted basic earnings per share (cents)	109	166

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

7. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

ACCOUNTING POLICY

RECOGNITION AND MEASUREMENT

Property, plant, equipment and vehicles is 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 comprehensive income 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 comprehensive income.

Depreciation

Property, plant, equipment and vehicles is depreciated to its estimated residual value on a straight-line basis over its expected useful life. 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 that 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 costs to sell and value-in-use. When 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 (cash-generating units). 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 historic 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	CAPITAL IN PROGRESS ¹ R'000	MOTOR VEHICLES R'000	OFFICE EQUIPMENT R'000	TOTAL R'000
2022								
Balance as at 1 January 2022	330 100	29 973	936 221	807 894	7 337	31 330	50 144	2 192 999
Cost	350 455	65 128	1 314 665	1 075 789	7 337	47 344	106 075	2 966 793
Accumulated depreciation and impairment	(20 355)	(35 155)	(378 444)	(267 895)	-	(16 014)	(55 931)	(773 794)
Transfers in	8 270	-	26 609	39 878	3 255	106	57	78 175
Transfers out ¹	(924)	(56)	-	(28 141)	(48 424)	-	-	(77 545)
Additions ²	3 333	4 192	146 895	37 858	50 866	8 651	16 058	267 853
Acquisitions through business combinations	171	-	102 401	13 853	250	-	499	117 174
Disposals/derecognition	(46)	(618)	(3 139)	(2 187)	(159)	(957)	(176)	(7 282)
Cost	(423)	(7 304)	(44 042)	(22 965)	(159)	(5 283)	(10 970)	(91 146)
Accumulated depreciation and impairment	377	6 686	40 903	20 778	-	4 326	10 794	83 864
Depreciation for the year	(8 369)	(5 014)	(131 734)	(66 920)	-	(6 448)	(15 628)	(234 113)
Effect of foreign currency exchange differences	(69)	-	2 626	488	878	79	(38)	3 964
Balance as at 31 December 2022	332 466	28 477	1 079 879	802 723	14 003	32 761	50 916	2 341 225
Cost	359 928	61 953	1 542 290	1 118 511	14 003	50 895	112 478	3 260 058
Accumulated depreciation and impairment	(27 462)	(33 476)	(462 411)	(315 788)	-	(18 134)	(61 562)	(918 833)
2021								
Balance as at 1 January 2021	149 998	28 021	905 697	740 075	102 683	20 397	46 403	1 993 274
Cost	163 842	58 774	1 244 000	941 533	102 683	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)
Transfers in	75 089	109	28 682	91 724	293	1 499	589	197 985
Transfers out ¹	(315)	(653)	(1 670)	(38 780)	(162 707)	(295)	(29)	(204 449)
Additions	1 151	7 093	133 203	38 244	65 335	11 969	16 756	273 751
Acquisitions through business combinations	110 533	1 764	-	46 030	62	3 460	2 197	164 046
Disposals/derecognition	(360)	(1)	(15 832)	(912)	(123)	(588)	(45)	(17 861)
Cost	(599)	(1 959)	(96 230)	(4 095)	(123)	(1 795)	(2 505)	(107 306)
Accumulated depreciation and impairment	239	1 958	80 398	3 183	-	1 207	2 460	89 445
Depreciation for the year	(6 162)	(6 195)	(118 492)	(64 304)	-	(5 032)	(15 736)	(215 921)
Impairment losses during the year	(347)	(165)	(324)	(5 152)	-	(84)	(81)	(6 153)
Effect of foreign currency exchange differences	513	-	4 957	969	1 794	4	90	8 327
Balance as at 31 December 2021	330 100	29 973	936 221	807 894	7 337	31 330	50 144	2 192 999
Cost	350 455	65 128	1 314 665	1 075 789	7 337	47 344	106 075	2 966 793
Accumulated depreciation and impairment	(20 355)	(35 155)	(378 444)	(267 895)	-	(16 014)	(55 931)	(773 794)

¹ Project costs are accumulated in a capital work in progress account and transferred to the relevant asset categories when the asset is complete and ready for use.

² R8.8 million of the additions for the year were non-cash and in respect of loans to supplier partners.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

7. PROPERTY, PLANT, EQUIPMENT AND VEHICLES CONTINUED

Government grants

A grant of R6.8 million (2021: R3.0 million) was received and used towards the purchase of property, plant, equipment and vehicles. The government grant is treated as deferred income and released to the statement of comprehensive income over the useful lives of the assets. Refer to [note 24](#).

Additional information

The moveable assets of the Group, including property, plant, equipment and vehicles with a carrying amount of approximately R2.2 billion (2021: R2.2 billion) have been pledged to secure long-term borrowings of the Group. Refer to [note 22](#).

The cost of fully depreciated property, plant, equipment and vehicles amounted to R192.5 million (2021: R156.8 million).

An amount of R25.1 million (2021: R46.1 million) was received as compensation from third parties for items of property, plant, equipment and vehicles that were scrapped due to damage.

8. RIGHT-OF-USE ASSETS

ACCOUNTING POLICY

RECOGNITION AND MEASUREMENT

Right-of-use assets

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

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

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 and variable lease payments that depend on an index or a rate.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain properties, motor vehicles and equipment (i.e. those leases that have a lease term of 12 months or shorter 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.

ACCOUNTING POLICY CONTINUED**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 and retail shops, with lease terms between three and 15 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. The leases relating to Sea Harvest Australia with a carrying amount of approximately R62.8 million (2021: R4.1 million) have been pledged to secure long-term borrowings. Refer to **note 22**.

	2022 R'000	2021 R'000
Balance at the beginning of the year	114 446	131 904
Cost	171 379	173 945
Accumulated depreciation and impairment losses	(56 933)	(42 041)
Additions to leases	95 003	6 961
Acquired through business combination	7 162	3 243
Terminated leases	(940)	(6 333)
Cost	(6 111)	(13 140)
Accumulated depreciation	5 171	6 807
Depreciation	(25 460)	(21 381)
Effect of foreign currency exchange differences	3 938	52
Balance as at 31 December 2022	194 149	114 446
Cost	269 937	171 379
Accumulated depreciation and impairment losses	(75 788)	(56 933)
Amounts recognised in profit and loss:		
Depreciation expense on right-of-use assets	25 460	21 381
Expenses relating to leases of low-value assets	10 217	4 343
Expenses relating to short-term leases	1 138	7 812
Gain on modification of leased asset	175	1 198
Interest expense on lease liabilities	13 714	13 773
Total cash flows recognised:		
Rental expenses consists of:	48 092	45 102
Operating activities		
Expenses relating to low-value and short-term leases	11 355	12 155
Interest expense on lease liabilities	12 409	13 773
Financing activities		
Capital portion of lease liabilities	24 328	19 174

At 31 December 2022, the Group is committed to R2.3 million (2021: R1.4 million) relating to short-term leases.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

9. BIOLOGICAL ASSETS

ACCOUNTING POLICY

RECOGNITION AND MEASUREMENT

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

SIGNIFICANT ESTIMATES

The fair value of abalone and oysters is determined based on US dollar and rand denominated market prices of biological assets of a similar age, breed, and genetic merit. In the absence of an active market, due to early stages of the biological assets' development, the capitalised costs are deemed to be the best estimate of fair value. Subsequent expenditure incurred in the development of abalone and oysters 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
2022				
Balance as at 1 January 2022	133 637	16 641	144	150 422
Increase due to additions and cost capitalised ¹	61 332	16 516	–	77 848
Decrease due to harvest and mortalities	(51 298)	(15 962)	(144)	(67 404)
Fair value adjustment	4 885	(555)	–	4 330
Balance as at 31 December 2022	148 556	16 640	–	165 196
Transferred to current	75 927	1 982	–	77 909
Total non-current	72 629	14 658	–	87 287
2021				
Balance as at 1 January 2021	123 276	29 935	7 197	160 408
Increase due to additions and cost capitalised	50 065	15 296	3 342	68 703
Decrease due to harvest and mortalities	(42 606)	(21 013)	(9 428)	(73 047)
Fair value adjustment	2 902	(7 577)	(967)	(5 642)
Balance as at 31 December 2021	133 637	16 641	144	150 422
Transferred to current	80 325	1 654	144	82 123
Total non-current	53 312	14 987	–	68 299

¹ The additions and cost capitalised to biological assets include non-cash costs of R6.6 million.

	ABALONE (TONNES)	MUSSELS (TONNES)	OYSTERS (UNITS IN MILLIONS)	FISH (TONNES)
2022				
Quantities on hand at 31 December 2022	446	–	4	–
Quantities harvested during the period	271	–	2	61
2021				
Quantities on hand at 31 December 2021	501	–	8	41
Quantities harvested during the period	210	144	2	46

Included in inventory of finished goods is an amount of R9.1 million (2021: R9.9 million) relating to canned, frozen and dried biological assets.

The operating cycle is more than one year and therefore only abalone above and including 40g to 50g and oysters above and including the 50g to 60g size categories are classified as current assets.

The fair value gain on biological assets of R4.3 million (2021: R5.6 million loss) consists of R6.1 million loss (2021: R11.3 million) relating to physical change in size and R10.4 million gain (2021: R5.7 million) relating to change in market price. A change in unobservable inputs would not have a significant change in fair value.

The Group has budgeted to spend R63 million (2021: R81.3 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 biological assets have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. Refer to [note 35](#) and the accounting policy.

9.2 Risk management strategy related to aquaculture 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 36](#).

9.2.2 Mechanical, environmental and disease risks

Reliance on property, plant, equipment and vehicles 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 the shortage of electricity supply. Critical assets are monitored with sophisticated monitoring/detection 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 in cases when animals cannot be removed from red tide events to prevent accidental human consumption and illness.

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 sound B-BBEE credentials.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

9. BIOLOGICAL ASSETS CONTINUED

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 demonstrates the increase/(decrease) in the biological assets valuation that could result from a change in this assumption.

	EXCHANGE RATE	FAIR VALUE ADJUSTMENT R'000
2022		
-10% (weakening of the rand against the US dollar)	\$1/R18.7232	10 225
+10% (Strengthening of the rand against the US dollar)	\$1/R15.3910	(10 225)
2021		
-10% (weakening of the rand against the US dollar)	\$1/R17.51453	10 610
+10% (Strengthening of the rand against the US dollar)	\$1/R14.33007	(10 610)

10. INVESTMENT PROPERTY

ACCOUNTING POLICY

Investment property, which is held to earn rentals and for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

	2022 R'000	2021 R'000
Balance at the beginning of the year	3 700	–
Acquired through business combination	–	3 700
Balance at the end of the year	3 700	3 700

Investment property consists of commercial offices at The Estuaries in Century City, Cape Town. The fair value has been determined by an independent valuator, and the valuation conforms to International Valuation Standards. The fair value was determined based on the income capitalisation approach.

The fair value estimate for investment property is classified as a Level 3 measurement within the fair value hierarchy. There were no transfers between fair value hierarchy levels in the current period.

11. INTANGIBLE ASSETS

ACCOUNTING POLICY

RECOGNITION AND MEASUREMENT

Intangible assets acquired separately are initially measured at cost. These include fishing rights and licences, retail agency rights, trade names, brands and aquaculture-related intangibles. Intangible assets acquired in a business combination are identified and recognised separately from goodwill when 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 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 is recognised as expenses in the statement of comprehensive income. 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 they are 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 amount of intangible assets is determined as the higher of value-in-use and fair value less costs to sell.

Value-in-use

Refer to the goodwill accounting policy in [note 12](#).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

11. INTANGIBLE ASSETS CONTINUED

ACCOUNTING POLICY CONTINUED

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

Long-term fishing rights

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

Indefinite useful life intangible assets constitute 92% of total intangible assets (2021: 85% of total intangible assets).

Amortisation of long-term fishing rights

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

- whether the Group intends and is able to renew the fishing rights;
- whether there are substantial costs associated with renewal; and
- whether there will be any material modifications to the 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;
- 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 useful lives

The anticipated useful lives used to amortise the Group's intangible assets for the 2022 year are as follows:

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

11. INTANGIBLE ASSETS CONTINUED

	INDEFINITE USEFUL LIFE INTANGIBLE ASSETS			DEFINITE USEFUL LIFE INTANGIBLE ASSETS				TOTAL R'000
	FISHING LICENCES R'000	BRANDS R'000	RETAIL AGENCY RIGHT R'000	FISHING RIGHTS AND LICENCES R'000	MARITIME AQUACULTURE AND SEAWEED RIGHTS R'000	TRADE NAMES R'000	BRAND R'000	
2022								
Balance at the beginning of the year	576 990	72 234	3 483	111 894	2 201	792	1 869	769 463
Cost	576 990	72 234	3 483	267 555	2 991	2 643	1 972	927 868
Accumulated amortisation and impairment	-	-	-	(155 661)	(790)	(1 851)	(103)	(158 405)
Additions from separate acquisitions	-	-	-	2 754	-	-	-	2 754
Acquisitions through business combinations	637 171	-	-	-	-	-	-	637 171
Amortisation for the year	-	-	-	(8 031)	(226)	(529)	(247)	(9 033)
Effect of foreign currency exchange differences	21 163	(2)	(7)	(6)	-	-	-	21 148
Balance at the end of the year	1 235 324	72 232	3 476	106 611	1 975	263	1 622	1 421 503
Cost	1 235 324	72 232	3 476	270 305	2 991	2 643	1 972	1 588 943
Accumulated amortisation and impairment	-	-	-	(163 694)	(1 016)	(2 380)	(350)	(167 440)
2021								
Balance at the beginning 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)
Additions from separate acquisitions	1 940	-	-	-	-	-	-	1 940
Acquisitions through business combinations	-	25 609	-	-	-	-	1 972	27 581
Amortisation for the year	-	-	-	(7 873)	(226)	(529)	(103)	(8 731)
Effect of foreign currency exchange differences	15 357	22	93	27	-	-	-	15 499
Balance at the end of the year	576 990	72 234	3 483	111 894	2 201	792	1 869	769 463
Cost	576 990	72 234	3 483	267 555	2 991	2 643	1 972	927 868
Accumulated amortisation and impairment	-	-	-	(155 661)	(790)	(1 851)	(103)	(158 405)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

11. INTANGIBLE ASSETS CONTINUED

Indefinite useful life intangibles

The most significant intangible assets are the fishing licences with an indefinite useful life.

The fishing licences and retail agency rights in Australia are held in perpetuity and are classified as indefinite useful life intangible assets. The licences represent 10 of 18 licences, issued by the Western Australia Department of Fisheries for the Shark Bay Prawn Managed Fishery and 20 Spanish Mackerel licences. The licences acquired in the current year acquisition of MG Kailis included 15 Exmouth prawn licences, five Pilbara fish trawl licences, two Pilbara wet line licences and one Western Deepwater trawl licence. There have been no breaches of financial or regulatory obligations. Fishing licences with a carrying value of R1.24 billion (2021: R577 million) have been pledged to secure long-term borrowings with the Bank Commonwealth of Australia (CBA).

Refer to **note 12** for the impairment assessment of the Australian operation.

Brands with an indefinite useful life relate to the Ladismith and BM Foods Group brands. 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. Refer to **note 12** for the impairment assessment of the Cape Harvest Foods operation.

Definite useful life intangibles

Fishing rights and licences with finite useful lives have a remaining useful life of 13.8 years (2021: 14.8).

12. 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 cash-generating unit (CGU). Each of those CGUs represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows 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 value-in-use of the CGUs 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.

ACCOUNTING POLICY CONTINUED**SIGNIFICANT JUDGEMENTS AND ESTIMATES**

The value-in-use calculation requires management to estimate future cash flows, suitable discount rates, 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 requires 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 operates. Estimations are based on a number of key assumptions such as volume, price and product mix, which will create a basis for future growth and gross margin. These assumptions are set in relation to historic figures and external reports on market growth. If necessary, these cash flows are then adjusted to take into account any changes in assumptions or operating conditions that have been identified subsequent to the preparation of the budgets and forecasts. 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.

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.

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

	2022 R'000	2021 R'000
Balance at the beginning of the year	865 192	862 492
Cost	865 192	862 492
Additional amounts recognised from business combinations that occurred during the year	148 816	–
Effect of foreign currency exchange differences	4 870	2 700
Balance at the end of the year	1 018 878	865 192
Cost	1 018 878	865 192
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.		
South African Fishing	463 325	463 325
Australia	254 989	101 303
Aquaculture	69 983	69 983
Cape Harvest Foods	230 581	230 581
	1 018 878	865 192

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12. GOODWILL CONTINUED

South African Fishing

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 2022 earnings and 2023 projected earnings. A price earnings multiple of 12.56 (2021: 11.05) was used in the valuation, which is an average of listed companies operating in the same industry adjusted by a 20% (2021: 20%) 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 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.

Australia

The recoverable amount of this CGU (excluding the current year MG Kailis acquisition) is determined based on a value-in-use calculation that requires the use of certain assumptions. The calculation uses cash flow projections based on approved financial budgets, covering a five-year period.

	2022 %	2021 %
Pre-tax discount rate	11.49	10.78
Revenue growth per annum	3.00	2.30
Inflation	3.00	2.00
Terminal growth rate ¹	2.50	2.50

¹ The 2.5% terminal growth rate is the midpoint of the long-term Reserve Bank of Australia inflation target of 2% to 3%.

Goodwill arising from the current year business combination has been excluded from the impairment assessment as the estimated amount is still provisional. The fair value of the MG Kailis fishing licences was determined on 23 May 2023, and management has concluded that the fair value is still reflective of the recoverable amount as at 31 December 2022.

The valuations resulted in a surplus over the carrying values of the CGU, and the directors believe that a reasonably possible change in the assumptions would not result in an impairment of the carrying value of goodwill or indefinite useful life intangible assets.

Aquaculture

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

	2022 %	2021 %
Pre-tax discount rate	15.66	15.29
Revenue growth per annum (five-year average) ¹	9.30	6.50
Inflation ²	6.00	5.00
Terminal growth	6.00	4.00

¹ The increase in the growth rate is based on forecasting higher profitability based on a higher margin product mix.

² In line with the inflation rate in South Africa

The Aquaculture segment, with its main markets being in the Far East, continued to experience the negative effects of COVID-19 as a direct result of continued lockdown restrictions in China and Hong Kong, the curtailment of air freight, and associated high freight costs from South Africa. Significant judgement was required in estimating the future sale quantities of abalone.

The valuation resulted in a surplus over the carrying values of the CGU, and 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.

Cape Harvest Foods

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

	2022 %	2021 %
Pre-tax discount rate ¹	15.28	16.22
Revenue growth per annum (five-year average)	9.00	9.00
Inflation ²	6.00	5.00
Terminal growth	6.00	5.00

¹ The decrease in the discount rate is due to a lower company-specific risk premium as the business is mature and fully integrated within the Group.

² In line with the inflation rate in South Africa

The valuation resulted in a surplus over the carrying value of the CGU, and the directors believe that a reasonably possible change in the assumptions would not result in an impairment of the carrying value of goodwill or indefinite useful life intangible assets.

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

13. INVESTMENTS IN SUBSIDIARIES

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

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below.

The summarised financial information below represents amounts including goodwill and fair value adjustments recognised at acquisition and is presented before intra-group eliminations.

	VIKING AQUACULTURE PROPRIETARY LIMITED		BM FOODS GROUP PROPRIETARY LIMITED	
	2022 R'000	2021 ¹ R'000	2022 R'000	2021 ¹ R'000
Current assets	108 117	104 761	132 057	111 774
Non-current assets	435 203	419 534	96 071	99 447
Current liabilities	(36 211)	(28 499)	(95 144)	(67 346)
Non-current liabilities	(613 459)	(565 125)	(69 689)	(74 897)
Net (liabilities)/assets of the subsidiary	(106 350)	(69 329)	63 295	68 978
Attributable to owners of the Company	(92 953)	(59 837)	5 206	8 489
Attributable to non-controlling interests	(13 397)	(9 492)	58 089	60 489
Revenue	118 975	97 150	483 602	154 928
(Loss)/profit for the year	(31 946)	(79 322)	(4 752)	14 400
Attributable to owners of the Company	(15 397)	(43 453)	(2 352)	7 999
Attributable to non-controlling interests	(16 549)	(35 869)	(2 400)	6 401
Other comprehensive loss for the year attributable to owners of the Company	(2 588)	–	–	–
Other comprehensive loss for the year attributable to non-controlling interests	(2 487)	–	–	–
Other comprehensive (loss)/income for the year	(5 075)	–	–	–
Total comprehensive (loss)/income for the year attributable to owners of the Company	(17 985)	(43 453)	(2 352)	7 999
Total comprehensive (loss)/income for the year attributable to non-controlling interests	(19 036)	(35 869)	(2 400)	6 401
Total comprehensive (loss)/income for the year	(37 021)	(79 322)	(4 752)	14 400
Dividends paid to non-controlling interests	–	–	588	–

¹ The prior year amounts have been amended to include goodwill and fair value adjustments recognised at acquisitions to allow comparability to current year amounts.

Refer to [pages 108 to 109](#) for details of all investments in subsidiaries.

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14. INVESTMENTS IN ASSOCIATES

ACCOUNTING POLICY

RECOGNITION AND MEASUREMENT

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.

The Group applies the equity method of accounting, under which the investments are initially recognised at the fair value of the purchase 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.

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.

The most recently 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 or joint venture 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 investments in associates relate to:

- Viking Aquaculture'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.
- BM Foods Group's 25% investment in Alliance Food Services Proprietary Limited, suppliers of quality and innovative ingredients to the foodservice industry across South Africa.

No dividends were received from associates during the current financial year.

The following table illustrates the summarised financial information of the Group's investments in associates:

	SPECIALISED AQUATIC FEED		ALLIANCE FOODS	
	2022 R'000	2021 R'000	2022 R'000	2021 ¹ R'000
Current assets	14 690	14 738	34 450	22 244
Non-current assets	18 055	17 450	6 490	1 877
Current liabilities	(8 947)	(5 289)	(28 251)	(12 397)
Non-current liabilities	(15 225)	(13 450)	(11 277)	(11 825)
Net assets of associates	8 573	13 449	1 412	(101)
Revenue	68 844	65 551	102 524	25 500
Expenses	(75 594)	(67 513)	(100 630)	(25 500)
Operating (loss)/profit before tax	(6 750)	(1 962)	1 894	–
Income tax expense	1 873	368	(482)	–
(Loss)/profit for the year	(4 877)	(1 594)	1 412	–
Group's share of (loss)/profit for the year	(1 463)	(478)	353	–

¹ Alliance Foods became the Group's equity-accounted associate effective 2 September 2021.

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

	SPECIALISED AQUATIC FEED		ALLIANCE FOODS	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Net assets of associates	8 573	13 449	1 412	–
Proportion of the Group's ownership interest in associates	30%	30%	25%	25%
Share of associate's net assets	2 573	4 035	353	–
Pre-acquisition impairment reversal not recognised	(5 950)	(5 950)	–	–
Loans to associates	4 000	4 000	2 500	2 557
Goodwill recognised at acquisition of associate	3 431	3 431	–	–
Carrying amount of the Group's interest in associates	4 054	5 516	2 853	2 557

15. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ACCOUNTING POLICY

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

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

Dividends are recognised as investment 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.

	2022 R'000	2021 R'000
Balance at the beginning of the year	29 989	25 264
Fair value adjustment	1 231	4 725
	31 220	29 989

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 asset valuation performed by an independent valuator represents the valuation of unlisted shares in a vessel-owning company. The underlying vessel is valued based on the age and condition of the vessel and current market value derived by sales comparison of these or similar types of vessels adjusted for differences in age, condition, degree of upgrade already carried out on the vessel, and size. A change in unobservable inputs would not have a significant change in the fair value.

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 35](#).

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	2022 R'000	2021 R'000
16. LOANS TO SUPPLIER PARTNERS AND OTHER LOAN RECEIVABLE		
16.1 Loans to supplier partners		
Balance at the beginning of the year¹	108 092	91 174
Advances to supplier partners ²	2 703	18 695
Interest charged	3 986	3 037
Interest repaid	(1 528)	(1 272)
Loans repaid ²	(11 589)	(3 542)
Balance at the end of the year	101 664	108 092
Non-current	92 670	94 384
Current ³	8 994	13 708
	101 664	108 092

¹ The reconciliation was previously presented for the non-current portion of the supplier partner loans. The reconciliation has been updated to also include the current portion of the supplier partner loans.

² In the prior year, advances to supplier partners were in the form of non-cash to assist the supplier partners to acquire portions of vessels from Sea Harvest Group. In the current year, R8.8 million of the loans repaid relate to the non-cash acquisition of vessels from supplier partners.

³ The current portion of supplier loans is included in trade and other receivables.

The balance relates mainly to loans advanced to Nalitha Investments Proprietary Limited and South African Fishing Empowerment Corporation Proprietary Limited. These loans bear interest at the Johannesburg Interbank Average Rate (JIBAR) plus 2.65%. The remaining loans relate to various supplier partners to whom loans are granted for the sale of part shares in vessels. These loans are interest free and have repayment terms between five and seven years.

16.2 Loan receivable

Balance at the beginning of the year	7 446	3 836
Advances during the year	3 949	5 430
Loans repaid	(4 055)	(1 283)
Current portion transferred to accounts receivable	(100)	(537)
Balance at the end of the year	7 240	7 446

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.

17. 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 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.

	2022 R'000	2021 R'000
Deferred tax assets	(5 239)	(3 312)
Deferred tax liabilities	826 151	608 994
Net deferred tax liability	820 912	605 682
Net deferred tax liability at the beginning of the year	605 682	508 318
Recognised in profit or loss	27 483	52 086
Recognised in other comprehensive income	(4 001)	7 186
Other	(1 108)	(368)
Recognition on acquisition of subsidiary	186 526	35 733
Effect of foreign currency exchange differences	6 330	2 727
Net deferred tax liability at the end of the year	820 912	605 682
The major components of the deferred tax balances are as follows:		
Excess tax allowance over depreciation charges for property, plant, equipment and vehicles	547 939	493 570
Excess of tax allowances over amortisation of intangible assets	387 184	222 192
Investment at fair value through other comprehensive income	5 218	4 987
Derivative financial instruments	5 051	4 904
Difference between tax and accounting treatment of:		
– Biological assets	7 600	6 354
– Inventory	(13 913)	(12 253)
– Prepayments	1 410	1 400
– Government grants	(1 241)	(1 806)
– Cash flow hedges and cost of hedging	7 879	13 071
– Leases	45	185
Provisions ¹	(27 802)	(29 899)
Other	(1 980)	(2 770)
Effect of tax losses ²	(96 478)	(94 253)
	820 912	605 682

¹ Provisions includes leave pay accruals.

² The tax losses relate mainly to the Australian, Aquaculture and Cape Harvest Foods 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 that is highly probable based on recent forecasts and budgets.

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18. INVENTORIES

ACCOUNTING POLICY

RECOGNITION AND MEASUREMENT

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 the 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.

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 the statement of comprehensive income within cost of sales.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Determination of net realisable value of inventories

Management is required to exercise considerable judgement in the determination of net realisable value, specifically relating to the forecasting of demand.

Management is also required to exercise significant judgement in estimating the provision for obsolete inventory. Such judgement would take into account:

- Change in taste
- Change in market
- Inventory nearing expiry dates.

	2022 R'000	2021 R'000
Raw materials	110 033	95 725
Work in progress	61 128	33 930
Finished goods	686 880	664 178
Consumable stores	172 543	134 793
	1 030 584	928 626
Obsolescence provision	(17 387)	(26 008)
Total inventories at the lower of cost and net realisable value	1 013 197	902 618

The cost of inventories recognised as an expense during the year was R4.5 billion (2021: R3.2 billion). This is recognised in cost of sales.

The cost of inventories recognised as an expense includes R15.5 million (2021: R19.5 million) in respect of the write down of inventory to net realisable value (2021: R19.5 million).

The amount of inventories carried at cost was R902.0 million (2021: R825.1 million), and inventories carried at net realisable value was R111.2 million (2021: R77.5 million).

The moveable assets of the Group, including inventory with a carrying amount of R1.0 billion (2021: R902.6 million), have been pledged to secure the long-term borrowings of the Group (refer to [note 22](#)).

19. 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 applies 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 in which the Group's debtors operate, 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 not considered material.

The ECL 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 when 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.

	2022 R'000	2021 R'000
Trade receivables, gross	738 500	569 808
Less: allowance for impairment of receivables	(7 953)	(6 117)
Net trade receivables	730 547	563 691
Other receivables	164 904	176 342
Short-term loans to supplier partners	8 994	13 708
Prepayments	57 444	54 396
VAT receivable	70 074	81 071
Other receivables ¹	28 392	27 167
	895 451	740 033
¹ Other receivables consist of non-trade debtors and other sundry receivables.		
Trade receivables and other receivables are non-interest bearing and are generally on terms of 30 to 90 days.		
As at 31 December 2022, 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	(6 117)	(3 397)
Allowances increased through profit or loss	(1 837)	(2 715)
Effect of foreign currency exchange differences	1	(5)
Balance at the end of the year	(7 953)	(6 117)

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19. TRADE AND OTHER RECEIVABLES CONTINUED

As at 31 December 2022, 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 2022			31 DECEMBER 2021		
	CARRYING VALUE R'000	IMPAIRMENT R'000	EXPECTED LOSS RATE %	CARRYING VALUE R'000	IMPAIRMENT R'000	EXPECTED LOSS RATE %
Current	652 256	–	0	468 578	–	0
30 – 60 days	50 952	–	0	68 343	(95)	0
60 – 90 days	22 070	(213)	1	16 294	(106)	1
90 – 120 days	2 051	(581)	28	7 604	(823)	11
121 – 150 days	2 954	(347)	12	909	(761)	84
151 – 180 days	333	(56)	17	–	–	0
181 – 210 days	285	–	0	5	(2)	32
211 – 240 days	7 217	(6 470)	90	187	(151)	81
Over 240 days	382	(286)	75	7 888	(4 179)	53
	738 500	(7 953)		569 808	(6 117)	

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, which will settle a percentage of the lower of the credit limit approved or the amount outstanding at the bad debt date subject to certain criteria, including strict adherence to procedures in the event of a customer paying after payment due date.

At 31 December 2022, 69% (2021: 75%) of the Group's trade receivables are covered by the credit guarantee insurance. The decrease in the credit default cover has resulted in an increase in the allowance for ECLs to R8.0 million (2021: R6.1 million).

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

Trade receivables past due and impaired at the end of the year is R7.7 million (2021: R5.9 million).

Refer to [note 36](#) on the 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 R895.5 million (2021: R740.0 million), have been pledged to secure long-term borrowings of the Group (refer to [note 22](#)).

20. 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. The bank overdrafts are repayable on demand and form an integral part of the Group's cash management practices.

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

	2022 R'000	2021 R'000
Cash at banks and on hand	243 270	739 909
Bank overdrafts	(24 680)	(52 990)
	218 590	686 919

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 R218.6 million (2021: R686.9 million) have been pledged to secure long-term borrowings of the Group (refer to [note 22](#)).

	NOTES	2022 R'000	RESTATED 2021 R'000
21. SHARE CAPITAL AND RESERVES			
21.1 Stated capital			
Authorised			
10 000 000 000 (2021: 10 000 000 000) ordinary shares of no par value		–	–
Issued and fully paid			
298 866 214 (2021: 298 866 214) ordinary shares	21.1.1	1 939 206	1 939 206
Held as treasury shares			
22 530 877 (2021: 18 899 604) ordinary shares	21.1.2	(233 308)	(170 136)
Total stated capital		1 705 898	1 769 070
21.1.1 Ordinary shares			
As at 31 December, the movement in share capital is as follows:			
Balance at the beginning of the year		1 939 206	1 879 536
Issue of shares under the Group's forfeitable share plan		–	59 670
Balance at the end of the year		1 939 206	1 939 206

	NUMBER OF SHARES	
	2022	2021
Balance at the beginning of the year	298 866 214	294 293 814
Issue of shares under the Group's forfeitable share plan	–	4 572 400
Balance at the end of the year	298 866 214	298 866 214

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21. SHARE CAPITAL AND RESERVES CONTINUED

21.1 Stated capital continued

	2022 R'000	RESTATED 2021 R'000
21.1.2 Held as treasury shares		
Balance at the beginning of the year	(170 136)	(109 939)
Issue of shares under the Group's forfeitable share plan	–	(59 670)
Shares repurchased net of tax ¹	(88 688)	(36 221)
Shares vested in terms of forfeitable share plan	25 516	35 694
Balance at the end of the year	(233 308)	(170 136)

	NUMBER OF SHARES	
	2022	2021
Balance at the beginning of the year	18 899 604	14 600 889
Issue of shares under the Group's forfeitable share plan	–	4 572 400
Shares repurchased	6 385 471	2 432 929
Shares vested in terms of forfeitable share plan	(2 754 198)	(2 706 614)
Balance at the end of the year	22 530 877	18 899 604

¹ The average price for the shares bought back was R13.89 (2021: R14.89) per share.

The forfeitable share plan reserve was previously presented in a separate reserve. The Group has established that it would be more appropriate to present the reserve as treasury shares. Refer to [note 34](#) for details on the restatement.

	NOTES	2022 R'000	2021 R'000
21.2 Other reserves (net of income tax)			
Share-based payment reserve	A	(43 835)	(50 339)
Investment revaluation reserve	B	21 913	20 948
Cash flow hedging reserve	C	63 123	104 108
Cost of hedging reserve	D	(53 222)	(79 303)
Foreign currency translation reserve	E	71 729	56 537
Actuarial gains/losses reserve	F	10 491	8 362
Change in ownership	G	(18 584)	(3 454)
		51 615	56 859

- A.** 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](#).
- B.** 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. Refer to [note 15](#).
- C.** The cash flow hedging reserve arises from the change in fair value of foreign exchange forward contracts (FECs) 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 FECs 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 other operating income or loss in the statement of comprehensive income.
- D.** The cost of hedging reserve is the forward elements of the FECs that arise as a result of Sea Harvest choosing to designate only the spot rate as per IFRS 9.
- 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.** The actuarial gains/losses reserve represents the actuarial gains/losses on the Group's defined benefit plans.
- G.** The change in ownership reserve arose on the acquisition of additional shares in a subsidiary.

	2022 R'000	2021 R'000
As at 31 December, the movement in the other reserves (net of income tax), is as follows:		
A. SHARE-BASED PAYMENT RESERVE		
Balance at the beginning of the year	(50 339)	(33 348)
Arising on share-based payments	32 020	22 128
Recognition of change in value of share option liability directly in equity	–	(3 425)
Transfer from forfeitable share plan (shares vested)	(25 516)	(35 694)
Balance at the end of the year	(43 835)	(50 339)
B. INVESTMENT REVALUATION RESERVE		
Balance at the beginning of the year	20 948	17 309
Current year movement	1 230	4 725
Less: deferred taxation	(265)	(1 086)
Balance at the end of the year	21 913	20 948
C. CASH FLOW HEDGING RESERVE		
Balance at the beginning of the year	104 108	75 269
Net fair value (loss)/gain on cash flow hedges	(59 860)	83 552
Transferred to other operating income ¹	180	(43 122)
Less: deferred taxation	16 208	(11 591)
Non-controlling interests share of cash flow hedge reserve	2 487	–
Balance at the end of the year	63 123	104 108
D. COST OF HEDGING RESERVE		
Balance at the beginning of the year	(79 303)	(65 183)
Current year movement	37 910	(48 139)
Transferred to other operating income ¹	(674)	28 528
Less: deferred taxation	(11 155)	5 491
Balance at the end of the year	(53 222)	(79 303)
E. FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at the beginning of the year	56 537	37 590
Net foreign currency loss on the translation of foreign operations	15 192	18 947
Balance at the end of the year	71 729	56 537
F. ACTUARIAL GAINS/LOSSES RESERVE		
Balance at the beginning of the year	8 362	8 038
Actuarial gain on post-retirement medical aid obligation	2 916	324
Less: deferred taxation	(787)	–
Balance at the end of the year	10 491	8 362
G. CHANGE IN OWNERSHIP		
Balance at the beginning of the year	(3 454)	(3 377)
Arising on acquisition of additional shares in subsidiary	(15 130)	(77)
Balance at the end of the year	(18 584)	(3 454)

¹ 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.

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22. 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. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of selected loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment against the loan for liquidity services and amortised over the period of the facility to which it relates.

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.

	2022 R'000	2021 R'000
SECURED – AT AMORTISED COST		
<i>Loans from financial institutions to Sea Harvest Corporation Proprietary Limited (SHC)</i>		
Senior debt – Standard Bank	561 000	561 000
No capital repayments were made in 2022 (2021: Nil). The balance is repayable in full on 30 November 2024. The loan is subject to a variable interest rate of three-month JIBAR plus 1.98% (2021: 2.13%) and is secured by marine bonds and a general notarial bond.		
Sustainability term loan – Standard Bank	400 000	–
Draw downs of R500 million (2021: Nil) and capital repayments of R100 million (2021: Nil) were made in 2022. Capital repayments of R100 million are due annually until the final repayment date of 31 December 2026. The loan is subject to a variable interest rate of three-month JIBAR plus 1.98% and is secured by marine bonds and a general notarial bond.		
Revolving credit facility – Standard Bank	275 000	600 000
R400 million was repaid during 2022 (2021: R100 million). An additional draw down of R75 million was made in the current year (2021: R 450 million). The loan is repayable in full on 30 November 2024 and is subject to a variable interest rate of three-month JIBAR plus 1.98% (2021: 2.13%) and is secured by marine bonds and a general notarial bond.		
<i>Loans from financial institutions to Sea Harvest Australia (SHA)</i>		
Cash advance facility – Commonwealth Bank of Australia (CBA)	579 255	–
A draw down of AUD50 million (2021: Nil) was made in 2022. Capital repayments will be made annually in December over 15 years commencing in 2025. The loan is subject to a variable interest rate of the Bank Bill Swap Yield (BBSY) plus 1.80% margin plus 0.7% available commitment fee and is secured by a security interest and charge in the form of a General Security Agreement on the Personal Properties Security Register (PPSR) over all of SHA's assets.		
Trade finance facility – CBA	115 851	–
The trade finance facility is a rolling facility limited to working capital parameters. The loan is subject to a variable interest rate of BBSY plus 1.30% margin plus 0.7% available commitment fee and is secured by a security interest and charge in the form of a General Security Agreement on the PPSR over all of SHA's assets.		
Senior loan – National Australia Bank (NAB)	–	130 639
The loan was settled in 2022 and was subject to a variable interest rate of BBSY plus funding margin of 0% plus customer margin of 2.38%. The loan was secured by a security interest and charge in the form of a General Security Agreement on the PPSR over all of SHA's assets.		

	2022 R'000	2021 R'000
Corporate market loan – NAB	–	58 053
The loan was settled in 2022 and was subject to a variable interest rate of BBSY plus funding margin 0% plus drawn margin of 3.08%. The loan was secured by a security interest and charge in the form of a General Security Agreement on the PPSR over all of SHA's assets.		
Corporate receivables finance loan – NAB	–	31 858
The loan was settled in 2022 and was subject to a variable interest rate of lender indicator rate plus customer margin of 1.39% plus purchase charge of 1.00% on the facility limit.		
Corporate market loan – NAB	–	23 221
The loan was settled in 2022 and was subject to a variable interest rate of BBSY plus funding margin 0% plus drawn margin of 2.38%. The loan was secured by a security interest and charge in the form of a General Security Agreement on the PPSR over all of SHA's assets.		
<i>Loans from financial institutions to BM Foods Group Proprietary Limited (BMFG)</i>		
Term loan – Investec	30 817	35 658
The loan bears interest at prime plus 1%; capital repayments are made monthly until maturity on 4 November 2024. The loan is secured by assets of BMFG.		
Bond – Nedbank	20 174	24 548
The loan bears interest at prime minus 1%; capital repayments are made monthly until maturity in November 2027. The loan is secured by property of BMFG.		
Loan – previous shareholders of Chelsea Pies Proprietary Limited	–	4 477
The loan was owed to the previous shareholders of Chelsea Pies Proprietary Limited (a former subsidiary of BMFG), interest free, and was repaid on 1 May 2022.		
<i>Instalment sale agreements – Standard Bank, Wesbank, Nedbank</i>	25 143	16 248
Instalment sale contracts with terms between 48 to 60 months over the fleet with variable interest rates from prime less 1.5% to prime and a fixed interest rate of 11%.		
UNSECURED – AT AMORTISED COST		
<i>Loans from financial institutions to SHA</i>		
Premium funding agreement – Premium Finance Proprietary Limited	13 511	3 795
The loan relates to group insurance policy, attracts interest at 2.15%, and is repayable over 10 instalments.		
COVID-19 business support loan and business options instalment loan – NAB	–	9 724
The loan bore interest at 4.5% and was settled in 2022.		
<i>Loans from non-controlling shareholders of Viking Aquaculture Proprietary Limited</i>		
Loan from Viking Fishing Group Administration Proprietary Limited	248 488	248 488
Loan from Odin Investments Proprietary Limited	55 009	55 009
Loan from Redburg Investments Proprietary Limited	61 789	61 789
R110.5 million bears interest from 1 January 2020 at prime plus 2%, compounded monthly and payable monthly in arrears. An additional R195 million bears interest from 1 January 2021 at prime plus 2%, nominal annual, compounded monthly and payable monthly in arrears. There are no fixed capital repayment terms, which will be determined by directors on the basis as provided for in the annual budget and as set out in the shareholders agreement.		
<i>Loan from non-controlling shareholders of BMFG</i>	1 057	–
The loan is unsecured with fixed capital repayment terms and bears interest at prime plus 5%.		
	2 387 094	1 864 507
Current portion of long-term interest bearing liabilities	(242 266)	(70 828)
Non-current portion of long-term interest bearing liabilities	2 144 828	1 793 679

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22. LONG-TERM BORROWINGS CONTINUED

Covenants

The secured loans provided by the lenders are subject to covenant conditions using specific, bank-defined formulas as set out in the loan agreements and are regularly monitored by management to ensure these are complied with. In the event that an entity is at risk of breaching its covenants, negotiations are entered into with lenders to remediate.

Covenants regarding term loans and revolving credit facilities	31 DECEMBER 2022			31 DECEMBER 2021		
	REQUIRED COVENANTS	AS CALCULATED	COMPLIANCE (YES/NO)	REQUIRED COVENANTS	AS CALCULATED	COMPLIANCE (YES/NO)
Sea Harvest Corporation Proprietary Limited						
Net debt: EBITDA ratio	2.00	1.58	Yes	2.00	0.63	Yes
Interest cover ratio	3.75	8.36	Yes	3.75	21.21	Yes
Senior debt service cover ratio	1.20	2.27	Yes	1.20	5.16	Yes
Sea Harvest Australia						
Interest cover ratio	2.00	4.60	Yes	2.50	7.90	Yes
BM Foods Group Proprietary Limited						

BM Foods Group has quarterly covenants attached to the Investec debt, which was in place before the business combination date of 2 September 2021.

These covenants were breached in June 2022 and September 2022 and were condoned by the lender.

The Board is satisfied with the current debt levels and the Group's ability to make repayments as they fall due. The directors will continue to review the loan covenants as part of the going concern assessment.

23. EMPLOYEE-RELATED LIABILITIES

	2022 R'000	2021 R'000
Post-employment medical aid liability	18 845	20 587
Leave pay liability	3 325	340
	22 170	20 927

Defined contribution plans

The Group provides for retirement contribution plans for all qualifying employees through independent funds. These funds are governed by the Pension Funds Act, No 24 of 1956 of the Republic of South Africa.

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

The total expense recognised in profit or loss of R47.3 million (2021: R46.6 million) represents contributions payable to these funds by the Group at rates specified in the rules of the funds.

Defined benefit plans

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 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 liabilities are valued annually using the projected unit credit method and have been funded by contributions to an independent administered insurance plan. The latest actuarial valuation was performed at 31 December 2022.

	2022 R'000	2021 R'000
The principal assumptions used for purposes of the actuarial valuations were as follows:		
Discount rate	12.50%	11.10%
Healthcare cost inflation	8.10%	7.7% to 8.2%
Retirement age	63	63 or 65
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:		
Current service cost	201	198
Interest costs	2 375	2 344
Actuarial gain recognised	(2 129)	(324)
	447	2 218

The net unexpected actuarial gain of R2.1 million (2021: R0.3 million) arose as a result of a combination of the following factors:

	2022 R'000	2021 R'000
Change in real discount rate	1 825	(1 039)
Lower/(higher) than expected healthcare cost inflation including changes in members' benefit options	917	(46)
Change in subsidy valued	–	(308)
Health bonus correction	182	–
Unexpected changes in membership	(795)	1 717
	2 129	324
Movements in the present value of the defined benefit obligation in the current year were as follows:		
Opening defined benefit obligation	22 417	22 167
Current service cost	201	198
Interest cost	2 375	2 344
Actuarial gain arising during the year	(2 129)	(324)
Benefits paid	(2 070)	(1 968)
Balance at the end of the year	20 794	22 417
Current portion transferred to trade and other payables	(1 949)	(1 830)
Non-current defined benefit obligation	18 845	20 587

The expected contribution to the plan for the next annual reporting period is R2.0 million (2021: R1.9 million).

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23. EMPLOYEE-RELATED LIABILITIES CONTINUED

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 that could result from a change in these risks.

	2022 R'000	2021 R'000
Discount rate		
+ 1%	(1 490)	(1 750)
- 1%	1 719	2 040
Healthcare cost inflation		
+ 5% for 5 years	3 139	3 471
+ 10% for 5 years	6 686	7 397
Retirement age		
One year younger	28	30
One year older	(22)	1

	2022 R'000	2021 R'000
Leave pay liabilities		
Balance at the beginning of the year	56 434	45 829
Acquisition of a subsidiary	17 027	4 025
Arising during the year	46 964	28 533
Utilised during the year	(48 014)	(22 223)
Effect of foreign currency exchange differences	131	270
Balance at the end of the year	72 542	56 434
Current portion of leave pay liabilities	(69 217)	(56 094)
Non-current portion of leave pay liabilities	3 325	340

Refer to [note 36](#) on the liquidity risk of employee-related liabilities, which explains the Group's process for managing its liquidity risk.

24. DEFERRED GRANT INCOME

ACCOUNTING POLICY

Government grants are initially recognised as deferred income when there is reasonable assurance that they will be received and there is reasonable assurance that the Group will comply with the conditions attached 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 the grants are intended to compensate. Government grants of which the 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.

	2022 R'000	2021 R'000
Balance at the beginning of the year	35 694	34 873
Received in the current year	6 813	3 048
Released to the statement of comprehensive income	(5 389)	(2 227)
Balance at the end of the year	37 118	35 694
Current portion of deferred government grant	(2 776)	(3 546)
Non-current portion of deferred government grant	34 342	32 148

Government grants received in the prior years 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.

	2022 R'000	2021 R'000
25. CONTINGENT CONSIDERATION		
Contingent consideration as at 31 December comprises:		
Viking Fishing Holdings Proprietary Limited ¹	–	110 000
BM Foods Group Proprietary Limited ²	–	20 444
	–	130 444
Balance at the beginning of the year	130 444	99 974
Arising from business combination	–	19 842
Fair value adjustment	(20 444)	10 628
Effect of discounting	–	10 628
Reversal of contingent consideration	(20 444)	–
Settlement of contingent consideration	(110 000)	–
Balance at the end of the year	–	130 444
Portion transferred to current liabilities	–	(120 671)
Non-current liabilities	–	9 773

¹ The contingent consideration arrangement required the Group to pay the former owners of Viking Fishing for achieving certain earnout targets for the 2018 and 2019 financial years, up to a maximum undiscounted amount of R110 million. The fair value of the contingent consideration arrangement was estimated calculating the present value of the future expected cash flows. The estimates were based on a discount rate equal to the prime lending rate and the assumption that the earnout targets would be met based on the best available forecast information at acquisition date. The contingent consideration was settled on 1 January 2022.

² The contingent consideration required the Group to pay the former owners of BM Foods Group for achieving earnout targets for the 12-month period ending 28 February 2022 and 31 December 2022, respectively, up to a maximum undiscounted amount of R20 million. The fair value of the contingent consideration was estimated by calculating the present value of future expected cash flows. The estimates were based on a discount rate determined using the entity's specific risk and the assumption that the earnout targets would be met based on the best available forecast information at acquisition date. The contingent consideration was reversed during the current year due to earnout targets not being achieved.

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

	2022 R'000	2021 R'000
26. FINANCIAL ASSETS AND LIABILITIES		
Financial derivative assets	41 532	58 866
Asset held at fair value through profit or loss	29 616	24 936
	71 148	83 802
Current portion of other financial assets	(41 532)	(58 866)
Non-current portion of other financial assets	29 616	24 936
Financial derivative liabilities	12 331	118
Current portion of other financial liabilities	(5 075)	(118)
Non-current portion of other financial liabilities	7 256	–

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 36](#) for details on the Group's hedging process).

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26. FINANCIAL ASSETS AND LIABILITIES CONTINUED

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 (Vuna) 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 gain for the year on the revaluation of the share option of R4.7 million (2021: loss of R0.2 million) has been recognised in profit or loss.

The movement in the call option derivative is as follows:

	2022 R'000	2021 R'000
Opening balance	24 936	25 138
Fair value movement	4 680	(202)
Closing balance	29 616	24 936

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 that could result from a change in these assumptions.

	2022 R'000	2021 R'000
Vuna valuation		
+5%	2 716	2 264
-5%	(2 676)	(2 215)
Yield curve 8.01% (2021: 6.39%)		
+5%	1 298	1 595
+5%	(1 221)	(1 566)
Volatility 37.57% (2021: 36.02%)		
+1%	818	798
+1%	(818)	(780)

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

	2022 R'000	2021 R'000
27. LEASE LIABILITIES		
Carrying value as at 1 January	145 106	159 967
New leases acquired	95 003	6 959
Acquired through business combinations	7 532	3 279
Leases terminated	(1 114)	(7 531)
Interest charged	13 714	13 773
Interest paid	(12 409)	(12 232)
Capital repaid	(24 328)	(19 174)
Effect of foreign currency exchange differences	4 673	65
Carrying value as at 31 December	228 177	145 106
Less: transfer to short-term lease liability	(27 496)	(19 882)
Non-current lease liability	200 681	125 224
Maturity analysis		
Year 1	42 802	31 816
Year 2	40 989	29 005
Year 3	39 174	26 740
Year 4	30 191	25 232
Year 5	27 300	16 485
Onwards	131 112	85 254
Total	311 568	214 532
Less: unearned interest	(83 391)	(69 426)
	228 177	145 106

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

	2022 R'000	2021 R'000
28. TRADE AND OTHER PAYABLES		
Trade payables	576 689	560 926
Employee-related payables	42 689	36 520
Contract liability ¹	–	24 958
VAT payable	11 507	4 816
Leave pay accrual	72 542	56 730
Other accruals ²	82 511	25 775
Other payables ³	72 432	17 683
Total	858 370	727 408

¹ The Group has a revenue stream arising from the performance of services related to co-manufacturing and packaging contracts, the amount payable under contract as at 31 December 2022 was Nil (2021: R25 million). The significant change in contract liability is due to no material input relating to the co-manufacturing being on hand as at 31 December 2022. The conversion cost in relation to the 31 December 2021 liability was recognised as revenue in the current financial year.

² Included in other accruals are deferred licence accruals and stamp duty payable on fishing licences acquired as part of the MG Kailis business combination.

³ Included in other payables are audit fees, tenant allowance and skimmed milk powder supply.

Trade and other payables are non-interest bearing and are generally on terms of 30 to 90 days. Refer to [note 36](#) on the liquidity risk of trade payables, which explains the Group's process for managing its liquidity risk.

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	2022 R'000	2021 R'000
29. PROVISION		
BONUS		
Balance at the beginning of the year	47 513	36 432
Acquired through business combinations	–	1 300
Arising during the year	13 078	56 025
Utilised during the year	(54 851)	(46 244)
Balance at the end of the year	5 740	47 513

Bonus

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

30. GOING CONCERN

Management assessed going concern, taking into account current economic conditions, available information about future risks and uncertainties (including load shedding), cash flow analyses, operational analyses, and available funding facilities across the Group.

The South African Fishing and Australian segments' assessment included the consideration of the sustainability of fishing resources in the sectors and geographies in which the Group operates as well as the impact of climate change. The sustainability of resources and impact of climate change feature as one of the Group's top risks, and management continues to assess the potential effects on the business and value chain. The Group's diversification strategy and investment along different coastlines enable it to mitigate risk through geographic and species diversification.

The Cape Harvest Foods segment's assessment included the consideration of organic expansion projects completed in 2022 as well as the diversification introduced through the acquisitions of Mooivallei and BM Foods Group. The Aquaculture segment's assessment included the consideration of the growth rates, new product formats, new markets and customers as well as the status of lockdown restrictions in China and Hong Kong and freight costs from South Africa.

The Group's forecasts and projections of its current and expected profitability and cash flows, taking account of reasonably possible changes in trading performance, capital and liquidity, show that the Group will be able to operate within the limits of its existing banking facilities for at least 12 months from the reporting date of the consolidated annual financial statements.

The result of these analyses was that the Group will have sufficient cash resources to sustain operations. No material funding covenants were breached during the year ended 31 December 2022. Therefore, the directors have no reason to believe that the Group will not be a going concern in the foreseeable future, and accordingly, the consolidated annual financial statements have been prepared on a going concern basis.

The continued impact of the COVID-19 pandemic on the Aquaculture operation

As previously reported, the Aquaculture segment, with its main markets being in the Far East, continued to experience the negative effects of COVID-19 as a direct result of continued lockdown restrictions in China and Hong Kong, the curtailment of air freight, and associated high freight costs from South Africa.

The improved performance of the abalone business, combined with the closure of the mussel and trout businesses, has resulted in the segment reducing its operating losses for the year to R40.2 million (2021: R64 million). The news in December 2022 of China rolling back its strict COVID-19 protocols and the resumption of international flights scheduled for the second half of 2023 also bodes well for the segment.

The assessment of goodwill impairment for the Aquaculture operation as at 31 December 2022 indicates that the recoverable amount is in excess of the carrying amount of the CGU. The directors will continue to assess the long-term effects of COVID-19 on the Aquaculture operation and the impact it has on the assessment of goodwill impairment.

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 controlled trusts that 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 upon listing, 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.

	2022 R'000	2021 R'000
Equity-settled compensation plans		
The Sea Harvest Management Investment Trust No 2	(42 441)	(42 441)
Sea Harvest Employee Share Trust	(28 851)	(28 851)
Sea Harvest Australia	(3 186)	(3 186)
Forfeitable share plan	30 643	24 139
Share-based payment reserve	(43 835)	(50 339)
Cash-settled compensation plans		
Sea Harvest Employee Share Trust	-	35 746
Share-based payment liabilities	-	35 746

Costs of R32.0 million (2021: R22.1 million) relating to the forfeitable share plan are accounted for as employee expenses and are included in the calculation of distributable reserves.

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31. SHARE-BASED PAYMENT PLANS CONTINUED

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. All shares vested in 2020.

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.

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

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

	2022	2021
MOVEMENT IN SHARE OPTIONS DURING THE YEAR		
Balance at the beginning of the year	3 548 450	3 548 450
Shares vested	(3 548 450)	–
Balance at the end of the year	–	3 548 450
The key assumptions used in the measurement of the fair values at year end were as follows:		
Dividend yield (%)	–	2.55
Historical volatility (%)	–	34.96
Risk-free interest rate (%)	–	4.69
Expected life of options (years)	–	8.01
Grant date share price (ZAR)	–	3.57
Model used	–	Finite difference

Volatility was calculated using historical market information from 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 include a combination of 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 the 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 issued upon listing vest in equal annual tranches over either (i) five years (CEO and key executives) or (ii) three years (other) from award date. Subsequent issues vest equally in years three, four and five from award date.

	PERFORMANCE SHARES	BONUS SHARES	RETENTION SHARES	TOTAL
2022				
Number of shares outstanding at the beginning of the year	5 307 071	1 976 033	5 170 986	12 454 090
Granted during the year	1 877 956	884 676	–	2 762 632
Vested during the year ¹	(1 719 464)	(772 169)	(262 565)	(2 754 198)
Number of shares outstanding at the end of the year	5 465 563	2 088 540	4 908 421	12 462 524
2021				
Number of shares outstanding at the beginning of the year	5 361 919	2 123 247	525 129	8 010 295
Granted during the year	1 667 466	658 281	4 908 422	7 234 169
Vested during the year ¹	(1 638 554)	(805 495)	(262 565)	(2 706 614)
Forfeited during the year	(83 760)	–	–	(83 760)
Number of shares outstanding at the end of the year	5 307 071	1 976 033	5 170 986	12 454 090

¹ The weighted average share price at the date of vesting was 14.88 (2021: R14.90) per share.

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 unvested equity-settled share-based payment plans were as follows:

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31. SHARE-BASED PAYMENT PLANS CONTINUED

Forfeitable share plan continued

FORFEITABLE SHARES ISSUED 9 MARCH 2020

Fair value at grant date (R'000)	17 421
Dividend yield (%)	3.4
Expected volatility (%)	31.619
Risk-free interest rate (%)	6.24
Share price at grant date	12.61
Expected life of share offers	3 years
Model used	Monte Carlo

FORFEITABLE SHARES ISSUED 18 MARCH 2021

Fair value at grant date (R'000)	24 014
Dividend yield (%)	3.0
Expected volatility (%)	45.4
Risk-free interest rate (%)	6.10
Share price at grant date	15.01
Expected life of share offers	3 – 5 years
Model used	Monte Carlo

FORFEITABLE SHARES ISSUED 30 NOVEMBER 2021

Fair value at grant date (R'000)	58 574
Dividend yield (%)	3.5
Expected volatility (%)	35.78
Risk-free interest rate (%)	6.60
Share price at grant date	12.81
Expected life of share offers	5 years
Model used	Monte Carlo

FORFEITABLE SHARES ISSUED 23 MARCH 2022

Fair value at grant date (R'000)	58 574
Dividend yield (%)	4.2
Expected volatility (%)	45.62
Risk-free interest rate (%)	6.47
Share price at grant date	13.70
Expected life of share offers	5 years
Model used	Monte Carlo

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

4. Unallocated shares

At 31 December 2022, the Group had bought back 6 519 908 (2021: 2 897 069) of its own shares for the purpose of future forfeitable share plan allocation. The movement is as follows:

	2022 R'000	2021 R'000
Number of shares at the beginning of the year	2 897 069	3 042 149
Shares repurchased	6 385 471	2 432 929
Forfeitable share plan allocation during the year	(2 762 632)	(2 661 769)
Forfeitable share plan shares forfeited	–	83 760
Numbers of shares at the end of the year	6 519 908	2 897 069

32. BUSINESS COMBINATION

32.1 MG KAILIS

With effect from 23 May 2022, the Group, through its wholly-owned foreign subsidiaries, Sea Harvest Proprietary Limited and Sea Harvest Marine Proprietary Limited, acquired selected net assets of the Western Australia-based fishing and related businesses of MG Kailis and its subsidiaries (MG Kailis).

MG Kailis is a vertically integrated prawn and fish trawling, seafood, trading and engineering business of scale with over 50 years' experience in the seafood industry in Australia that complements and diversifies the Group's existing business operations in Australia from a fishing, trading, engineering and sales perspective.

The acquisition is a significant step in the execution of the Group's investment strategy of acquisitive growth in the international seafood space focusing on businesses of scale in high-value seafood species. The acquisition assets include vessels, licences, and fishing rights for prawns in the Exmouth region and trawled fish in the Pilbara region in Western Australia and provides the Group with further security of supply and diversification of product.

The initial accounting for the acquisition of MG Kailis has been provisionally determined at the reporting date. The measurement period adjustments relate to the finalisation of the intangible asset valuation and working capital adjustments, these adjustments also impacted the total consideration.

	PROVISIONAL FAIR VALUES AS PREVIOUSLY REPORTED R'000	MEASUREMENT PERIOD ADJUSTMENTS R'000	UPDATED PROVISIONAL FAIR VALUES AT REPORTING DATE R'000
Assets acquired and liabilities assumed			
Property, plant, equipment and vehicles	117 174	–	117 174
Right-of-use assets	7 162	–	7 162
Intangible assets	534 770	102 401	637 171
Inventories	75 624	–	75 624
Trade and other receivables	55 744	(688)	55 056
Deferred tax	(160 431)	(26 095)	(186 526)
Lease liabilities	(7 532)	–	(7 532)
Trade and other payables	(75 385)	(1 946)	(77 331)
Total identifiable assets and liabilities	547 126	73 672	620 798
Total consideration transferred			
Cash	761 305	8 309	769 614
Deferred payment	3 917	(3 917)	–
	765 222	4 392	769 614
Net cash flow on acquisition of subsidiary			
Consideration paid in cash	761 305	8 309	769 614
	761 305	8 309	769 614
Goodwill			
Consideration	765 222	4 392	769 614
Less: Fair value of identifiable assets acquired and liabilities assumed	(547 126)	(73 672)	(620 798)
	218 096	(69 280)	148 816

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32. BUSINESS COMBINATION CONTINUED

Property, plant, equipment and vehicles with a fair value of R117.2 million includes fishing vessels with a carrying amount of R102.5 million, which approximates fair value at acquisition date. The valuations for fishing vessels were performed by an independent valuator.

The intangible assets identified were fishing licences. The fair value was determined by an independent industry expert valuator with reference to the best estimate of market participant's ability to generate economic benefits by using the asset in its highest and best use.

The fair value of trade and other receivables of R55.1 million includes trade receivables with a fair value of R47.3 million, which approximates the gross contractual amount.

Goodwill is attributable to the benefit of revenue growth, expected synergies and diversification into high-value species.

32.2 Impact of the acquisition on the results of the Group

	R'000
Amounts included in the Group's results relating to MG Kailis since the date of acquisition:	
Revenue	339 896
Profit for the period	50 620
Results of the Group if MG Kailis had been consolidated from 1 January 2022:	
Revenue	6 003 642
Profit for the year	293 613

The directors consider these amounts to represent an approximate measure of the performance of the combined Group and to provide a reference point for comparison in future years.

Acquisition-related costs

Acquisition costs of R34.2 million for the period were recognised in profit or loss within other operating expenses.

33. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Board of Directors recommended a gross and final cash dividend on 7 March 2023 amounting to 38 cents per share (2021: 56 cents per share), in respect of the year ended 31 December 2022.

On 8 March 2023, the Group announced that it had, through its wholly-owned subsidiary, Sea Harvest Aquaculture Proprietary Limited, which currently owns 54% of the shares in Viking Aquaculture, entered into an agreement to acquire a further 28% of the shares in and loan claims against Viking Aquaculture for a purchase consideration of R210 million.

34. CHANGE IN PRESENTATION OF THE FORFEITABLE SHARE SCHEME RESERVE

The Group previously presented treasury shares related to the forfeitable share plan as a separate reserve in the statement of financial position (aggregated with other reserves in the consolidated statement of financial position) and the remaining treasury shares were presented as a reduction in stated capital. The Group has established that it would be more appropriate for all treasury shares to be presented together as a reduction in stated capital.

Prior year amounts have been reclassified and the impact on the affected lines of the consolidated statement of financial position and changes in equity is shown below.

The reclassification has no impact on the consolidated statement of comprehensive income or the consolidated statement of cash flows. There is also no impact on basic/headline earnings or diluted/diluted headline earnings per share.

Impact of the reclassification on the consolidated statement of financial position

	31 DECEMBER 2021		
	PREVIOUS PRESENTATION R'000	RECLASSIFICATION OF FORFEITABLE SHARE SCHEME RESERVE R'000	REVISED PRESENTATION R'000
EQUITY AND LIABILITIES			
Stated capital	1 832 487	(63 417)	1 769 070
Other reserves	(6 558)	63 417	56 859
Retained earnings	1 286 289	–	1 286 289
Attributable to shareholders of Sea Harvest Group Limited	3 112 218	–	3 112 218
Non-controlling interests	56 506	–	56 506
Capital and reserves	3 168 724	–	3 168 724

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for the year ended 31 December 2022

34. CHANGE IN PRESENTATION OF THE FORFEITABLE SHARE SCHEME RESERVE CONTINUED

Impact of the reclassification on the consolidated statement of financial position

	31 DECEMBER 2020		
	PREVIOUS PRESENTATION R'000	RECLASSIFICATION OF FORFEITABLE SHARE SCHEME RESERVE R'000	REVISED PRESENTATION R'000
EQUITY AND LIABILITIES			
Stated capital	1 809 038	(39 441)	1 769 597
Other reserves	(3 143)	39 441	36 298
Retained earnings	948 311	–	948 311
Attributable to shareholders of Sea Harvest Group Limited	2 754 206	–	2 754 206
Non-controlling interests	40 138	–	40 138
Capital and reserves	2 794 344	–	2 794 344

Impact of the reclassification on the consolidated statement of changes in equity

	31 DECEMBER 2021		
	PREVIOUS PRESENTATION R'000	RECLASSIFICATION OF FORFEITABLE SHARE SCHEME RESERVE R'000	REVISED PRESENTATION R'000
EQUITY AND LIABILITIES			
Stated capital	1 832 487	(63 417)	1 769 070
Forfeitable share plan reserve (treasury shares)	(63 417)	63 417	–
Capital and reserves	1 769 070	–	1 769 070

	31 DECEMBER 2020		
	PREVIOUS PRESENTATION R'000	RECLASSIFICATION OF FORFEITABLE SHARE SCHEME RESERVE R'000	REVISED PRESENTATION R'000
EQUITY AND LIABILITIES			
Stated capital	1 809 038	(39 441)	1 769 597
Forfeitable share plan reserve (treasury shares)	(39 441)	39 441	–
Capital and reserves	1 769 597	–	1 769 597

35. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair value measurement

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

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

Fair value measurement hierarchy for assets and liabilities as at 31 December 2022:

	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 2022	165 196	–	–	165 196
Investment at fair value through other comprehensive income	31 December 2022	31 220	–	–	31 220
Financial assets	31 December 2022	71 148	–	41 532	29 616
Liabilities measured at fair value					
Other financial liabilities	31 December 2022	12 331	–	12 331	–

Fair value measurement hierarchy for assets and liabilities as at 31 December 2021:

	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 2021	150 422	–	–	150 422
Investment at fair value through other comprehensive income	31 December 2021	29 989	–	–	29 989
Financial assets	31 December 2021	83 802	–	58 866	24 936
Liabilities measured at fair value					
Financial derivatives liabilities	31 December 2021	118	–	118	–
Contingent consideration liability	31 December 2021	130 444	–	–	130 444

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

35. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES CONTINUED

Specific valuation techniques used for the instruments are:

- **Biological assets:** Biological assets are measured at fair value less costs to sell. Biological assets include abalone and oysters cultivated at aquaculture farms and are measured at their fair value less estimated point-of-sale costs. Fair value is determined based on the dollar denominated market prices of biological assets of similar age, breed and genetic merit. 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. A fair value gain for the year of R4.3 million (2021: R5.6 million loss) was recognised in profit or loss relating to the valuation of biological assets. A change in unobservable inputs would not have a significant change in the fair value. Refer to [note 9](#).
- **Investment at fair value through other comprehensive income:** The asset valuation method is performed by an independent valuator and represents unlisted shares in a vessel-owning company. The underlying vessel is valued based on the age and condition of the vessel and current market value derived by sales comparison of these or similar types of vessels, adjusted for differences in age, condition, size, and degree of upgrade already carried out on the vessel. A fair value gain for the year of R1.2 million (2021: R4.7 million) was recognised in other comprehensive income relating to the valuation of the investment. A change in unobservable inputs would not have a significant change in the fair value. Refer to [note 15](#).
- **Financial assets/liabilities:**
 - Level 3 financial assets represent the call option to acquire shares in Vuna. The fair value was independently determined by an expert using the Black-Scholes option pricing model. Key unobservable assumptions being (i) the value of Vuna calculated using an average of actual 2022 earnings and 2023 projected earnings multiplied by a price earnings multiple, (ii) yield curve of 8.01% (2021: 6.39%), and (iii) volatility of 37.57% (2021: 36.02%). A change in unobservable inputs would not have a material change in the fair value. A fair value gain for the year on the revaluation of the share option of R4.7 million (2021: R0.2 million loss) has been recognised in profit or loss.
 - Level 2 financial assets and liabilities relate to hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency and fuel price volatility. The valuation is performed by an independent valuator, taking into account forward exchange contracts spot and forward rates, current fuel prices, and discount factors. Refer to [note 26](#).
- **Contingent consideration:** As at 31 December 2022, there was a decrease of R130.4 million to nil in the contingent consideration liability (2021: R10.6 million increase) as a result of (i) the R110 million settlement of the Viking Fishing earnout and (ii) the recognition of a fair value gain of R20.4 million relating to the BM Foods Group contingent consideration as a result of the 2021 and 2022 year earnouts not being achieved. The fair value of the contingent consideration arrangements was estimated by calculating the present value of the expected future cash flows. The estimates were based on discount rates and the assumption that the earnout targets would be met based on the best available forecast information at acquisition date. Refer to [note 25](#).

36. 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 review 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 expansion can be funded as and when necessary.

The capital structure of the Group consists of net debt (borrowings as detailed in [note 22](#) offset by cash and bank balances as detailed in [note 20](#)) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in [note 21](#)). 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 2022 and 2021.

Liquidity and interest rate risk management

The Group is exposed to interest rate risk because entities in the Group mainly borrow funds at floating interest rates.

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.

	2022 R'000	2021 R'000
Unutilised banking facilities		
Total banking and loan facilities	3 166 523	2 763 268
Facilities utilised	(2 387 094)	(1 864 507)
	779 429	898 761
Unrestricted cash and cash equivalents	218 590	686 919
Unutilised banking facilities and cash and cash equivalents	998 019	1 585 680

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 and, in the case when contractual maturities cannot be determined, using management's best view of the period when the amounts will be recovered.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

36. FINANCIAL RISK MANAGEMENT CONTINUED

	INTEREST RATE	WITHIN 1 YEAR	1 – 2 YEARS
2022			
Financial assets			
Investment at fair value through other comprehensive income	0%	–	–
Loans to related parties	Prime plus 2	3 684	3 684
Loans to related parties	JIBAR plus 2.65%	1 141	1 141
Loans to related parties	0%	–	–
Loans to supplier partners	JIBAR plus 2.65%	8 994	8 994
Loans to supplier partners	0%	–	–
Financial assets	0%	41 532	–
Trade and other receivables	0%	758 939	–
Cash and banks balances	Bank deposit rates	243 270	–
		1 057 560	13 819
Financial liabilities			
Interest bearing borrowings – variable rates	Refer to note 22	424 359	551 059
Instalment sale agreement borrowings – fixed rates	Refer to note 22	1 789	1 226
Financial derivative liabilities	0.00%	5 075	7 256
Trade and other payables	0.00%	769 893	–
Bank overdrafts	Bank overdraft rates	24 680	–
	Various incremental borrowing rates	42 802	40 989
Lease liabilities			
		1 268 598	600 530
2021			
Financial assets			
Investment at fair value through other comprehensive income	0%	–	–
Loans to related parties	Prime plus 2	3 402	3 565
Loans to related parties	JIBAR plus 2.65%	–	1 442
Loans to related parties	0%	–	–
Loans to supplier partners	JIBAR plus 2.65%	13 708	18 948
Loans to supplier partners	0%	–	–
Financial assets	0%	58 866	–
Trade and other receivables	0%	590 858	–
Cash and banks balances	Bank deposit rates	739 909	–
		1 406 743	23 955
Financial liabilities			
Interest bearing borrowings	Refer to note 22	142 649	1 309 212
Financial derivative liabilities	0.00%	118	–
Trade and other payables	0.00%	629 342	–
Bank overdrafts	Bank overdraft rates	52 990	–
	Various incremental borrowing rates	31 816	29 005
Lease liabilities			
		856 915	1 338 217

2-3 YEARS	3-4 YEARS	4-5 YEARS	OVER 5 YEARS	TOTAL	UNEARNED INTEREST	CARRYING AMOUNT
-	-	-	31 220	31 220	-	31 220
33 152	-	-	-	40 520	(11 051)	29 469
12 663	-	-	-	14 945	(3 424)	11 521
72 488	-	-	-	72 488	-	72 488
8 994	8 994	8 994	82 905	127 875	(43 473)	84 402
-	-	-	17 262	17 262	-	17 262
-	-	-	29 616	71 148	-	71 148
-	-	-	-	758 939	-	758 939
-	-	-	-	243 270	-	243 270
127 297	8 994	8 994	161 003	1 377 667	(57 948)	1 319 719
839 409	224 543	104 952	1 066 634	3 210 956	(826 776)	2 384 180
299	-	-	-	3 314	(400)	2 914
-	-	-	-	12 331	-	12 331
-	-	-	-	769 893	-	769 893
-	-	-	-	24 680	-	24 680
39 174	30 191	27 300	131 112	311 568	(83 391)	228 177
878 882	254 734	132 252	1 197 746	4 332 742	(910 567)	3 422 175
2-3 YEARS	3-4 YEARS	4-5 YEARS	OVER 5 YEARS	TOTAL	UNEARNED INTEREST	CARRYING AMOUNT
-	-	-	29 989	29 989	-	29 989
3 565	42 107	-	-	52 639	(14 095)	38 544
792	11 531	-	-	13 765	(3 080)	10 685
-	-	-	72 489	72 489	-	72 489
18 948	18 948	18 948	12 040	101 540	(12 866)	88 674
-	-	-	19 418	19 418	-	19 418
-	-	-	24 936	83 802	-	83 802
-	-	-	-	590 858	-	590 858
-	-	-	-	739 909	-	739 909
23 305	72 586	18 948	158 872	1 704 409	(30 041)	1 674 368
54 841	34 651	43 972	477 009	2 062 334	(197 827)	1 864 507
-	-	-	-	118	-	118
-	-	-	-	629 342	-	629 342
-	-	-	-	52 990	-	52 990
26 740	25 232	16 485	85 254	214 532	(69 426)	145 106
81 581	59 883	60 457	562 263	2 959 316	(267 253)	2 692 063

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

36. 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.

	2022 R'000	2021 R'000
Increase in profits	11 342	7 091
Decrease in profits	(11 342)	(7 091)

Credit risk management

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

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

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

Within the South African Fishing and Australian segments, credit exposure 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 pays 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:

	2022 R'000	2021 R'000
Assets		
USD denominated	18 664	13 163
GBP denominated	6 989	2 762
EURO denominated	176 299	157 282
AUD denominated	61 307	15 754
Liabilities		
USD denominated	5 245	492
GBP denominated	–	240
EURO denominated	518	492

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 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 negative number indicates a decrease in profit where the rand strengthens by 10% against the relevant currency. For a 10% weakening in the rand against the relevant currency, there would be an equal and opposite effect on the profit.

	2022 R'000	2021 R'000
USD denominated		
Profit or loss	1 342	2 450
GBP denominated		
Profit or loss	699	252
EURO denominated		
Profit or loss	17 578	25 667
AUD denominated		
Profit or loss	6 131	1 845

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 that 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 future fishing seasons.

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

Hedging and derivatives

Cash flow hedges

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

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

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity under cost of hedging reserve. The hedges relate to highly probable forecast transactions and the 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 movements in the underlying exchange rates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

36. FINANCIAL RISK MANAGEMENT CONTINUED

Hedging and derivatives continued

Cash flow hedges continued

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

I. FOREIGN CURRENCY RISK

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

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

The contracts are matched by anticipated future cash flows in foreign currencies, primarily from sales. It is the Group's policy to enter into forward exchange contracts for all 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.

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

FOREIGN CURRENCY	R'000	AVERAGE CONTRACT EXCHANGE RATE	CONTRACTUAL EXPIRY DATE
2022			
USD	103 822	18.30	6 January 2023 – 31 January 2024
EURO	1 697 147	19.55	6 January 2023 – 31 December 2024
AUD	262 815	12.29	13 January 2023 – 31 December 2024
GBP	2 392	21.74	11 January 2023
2021			
USD	2 952	16.01	11 January 2022
EURO	1 630 699	19.17	11 January 2022 – 29 December 2023
AUD	256 024	12.09	11 January 2022 – 29 December 2023

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

38. 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 R'000	PURCHASES FROM RELATED PARTIES ¹ 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
2022					
SeaVuna (subsidiary of Vuna) ⁴	29 570	283 906	26 374	1 556	31 631
2021					
SeaVuna (subsidiary of Vuna) ⁴	21 471	240 230	5 240	9 123	30 740
Obsidian Health Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	–	824	–	–	–
Oceana Group Limited (associate of Brimstone Investment Corporation Limited)	2 343	–	–	–	–

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

² Recoveries relate to expenses incurred by Sea Harvest Corporation Proprietary Limited on behalf of SeaVuna and recovered from SeaVuna. This has no impact on the Group earnings.

³ The amounts are classified as trade receivables and trade payables, respectively (see notes 19 and 28).

⁴ Vuna is a joint venture of Brimstone Investment Corporation Limited.

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 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

B. LOANS TO AND FROM RELATED PARTIES

	INTEREST RECEIVED R'000	AMOUNTS OWED BY RELATED PARTIES R'000	
2022			
Non-current			
Vuna (joint venture of the Brimstone Investment Corporation Limited) ¹	–	27 420	
Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited) ¹	–	45 068	
SeaVuna (subsidiary of Vuna) ¹	4 852	40 990	
	4 852	113 478	
Non-current (investment in associate – refer to note 14)			
Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited)	–	4 000	
Alliance Foods Proprietary Limited (associate of BM Foods Group)	–	2 500	
	–	6 500	
	INTEREST RECEIVED R'000	AMOUNTS OWED BY RELATED PARTIES R'000	
		AMOUNTS OWED TO RELATED PARTIES R'000	
2021			
Non-current			
Vuna (joint venture of the Brimstone Investment Corporation Limited) ¹	–	27 420	–
Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited) ¹	–	45 068	–
SeaVuna (subsidiary of Vuna) ¹	3 742	49 230	–
	3 742	121 718	–
Non-current (investment in associate – refer to note 14)			
Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited)	–	4 000	–
Alliance Foods Proprietary Limited (associate of BM Foods Group)	–	2 557	–
	–	6 557	–
Current			
Obsidian Health Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	–	–	278
	–	–	278

¹ Classified as non-current based on expected settlement date rather than contractual maturity.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

38. RELATED PARTY TRANSACTIONS CONTINUED

Loans to fellow subsidiaries have no fixed terms of repayment.

C. COMPENSATION FOR KEY MANAGEMENT PERSONNEL

	2022 R'000	2021 R'000
Short-term benefits	43 450	43 722
Post-employment benefits	3 660	3 608
Forfeitable share plan vested	25 582	27 731
	72 692	75 061

The remuneration of directors and key executives is determined by the Remuneration Committee, having regard to the performance of individuals and market trends. Refer to **note 39** for remuneration paid to directors and prescribed officers.

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, for which a management fee was charged and paid.**

	2022 R'000	2021 R'000
Management fees received	1 452	1 452

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

	2022 R'000	2021 R'000
Management fees paid to Brimstone Investment Corporation Limited	1 802	1 709

- c. **The Group has an option to acquire 100% of the shareholding in Vuna from Vuna Fishing Group Proprietary Limited. Refer to note 26.**

E. HOLDING COMPANY

The intermediate holding company of Sea Harvest Group Limited is Brimco Proprietary Limited through its wholly-owned subsidiaries 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.

39. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	TOTAL R'000
	SALARY AND FEES R'000	SHORT-TERM INCENTIVE ^{1,2} R'000	FORFEITABLE SHARE PLAN VESTED R'000	OTHER R'000	PENSION/PROVIDENT R'000	
2022						
Executive directors						
M Brey	3 501	4 237	5 250	58	676	13 722
F Ratheb	5 636	7 608	9 766	93	1 088	24 191
	9 137	11 845	15 016	151	1 764	37 913

¹ The short-term incentive relates to the 2021 financial year, paid in February 2022 when the executives became unconditionally entitled to the bonus.

² For the 2022 financial year, paid in February 2023, M Brey received R0.9 million and F Ratheb received R1.6 million in short-term incentives which related to functional targets achieved.

	FORFEITABLE SHARES R'000	VALUE OF FORFEITABLE SHARES R'000
M Brey	1 706 468	18 295 370
F Ratheb	3 030 213	32 249 473

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

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

	BOARD FEES R'000	COMMITTEE FEES R'000	TOTAL R'000
Non-executive directors			
WA Hanekom	257	346	603
MI Khan ¹	257	64	321
BM Rapiya	321	217	538
F Robertson ²	680	128	808
KA Lagler	257	167	424
CK Zama	257	153	410
T Moodley ³	257	–	257
	2 286	1 075	3 361

¹ Fees above were paid to Brimstone Investment Corporation Limited. In addition, MI Khan received R6.9 million (2021: R6.1 million) as remuneration from Brimstone Investment Corporation Limited in his capacity as Executive Director.

² F Robertson received R10.8 million (2021: R9.6 million) as remuneration from Brimstone Investment Corporation Limited in his capacity as Executive Director.

³ Fees above were paid to Brimstone Investment Corporation Limited. In addition, T Moodley received R3.4 million (2021: R3.1 million) as remuneration from Brimstone Investment Corporation Limited in her capacity as Executive Director.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

39. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS CONTINUED

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	TOTAL R'000
	SALARY AND FEES R'000	SHORT-TERM INCENTIVE R'000	FORFEITABLE SHARES VESTED R'000	OTHER R'000	PENSION/PROVIDENT R'000	
2021						
Executive directors						
M Brey	3 351	3 384	5 748	56	648	13 187
F Ratheb	5 390	7 424	10 602	94	1 043	24 553
	8 741	10 808	16 350	150	1 691	37 740
					FORFEITABLE SHARES R'000	VALUE OF FORFEITABLE SHARES R'000
M Brey					1 733 132	20 990 500
F Ratheb					3 066 743	36 805 121
				BOARD FEES R'000	COMMITTEE FEES R'000	TOTAL R'000
Non-executive directors						
WA Hanekom				186	250	436
MI Khan				246	61	307
BM Rapiya				307	208	515
F Robertson				650	123	773
KA Lagler				246	160	406
CK Zama				246	148	394
T Moodley				246	–	246
				2 127	950	3 077



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COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	NOTES	2022 R'000	2021 R'000
Revenue	2	157 501	529 194
Gross profit		157 501	529 194
Other operating income/(loss)		4 844	(307)
Operating expenses		(8 182)	(7 569)
Operating profit	3	154 163	521 318
Investment income	4	1 198	1 821
Finance costs	5	(223)	–
Profit before taxation		155 138	523 139
Taxation	6	(1 085)	(441)
Profit after taxation		154 053	522 698
Other comprehensive income, net of tax		–	–
Total comprehensive income for the year		154 053	522 698

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2022

	NOTES	2022 R'000	2021 R'000
ASSETS			
Loans to related parties	15	1 811 554	1 378 369
Other financial asset	9	29 511	24 831
Non-current assets		1 841 065	1 403 200
Cash and bank balances		2 161	450 696
Trade receivables and other receivables		109	1 482
Current assets		2 270	452 178
Total assets		1 843 335	1 855 378
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	7	1 939 206	1 939 206
Accumulated loss		(103 343)	(90 117)
Total equity		1 835 863	1 849 089
Loans from related parties	15	–	178
Deferred tax liabilities	11	6 374	5 562
Non-current liabilities		6 374	5 740
Trade and other payables	8	1 098	547
Taxation		–	2
Current liabilities		1 098	549
Total equity and liabilities		1 843 335	1 855 378

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	STATED CAPITAL R'000	ACCUMULATED LOSS R'000	TOTAL R'000
Balance as at 1 January 2021	1 812 394	(480 597)	1 331 797
Issue of shares, net of transaction costs	59 670	–	59 670
Treasury shares transferred to subsidiary ¹	67 142	–	67 142
Profit for the year	–	522 698	522 698
Dividends paid	–	(132 218)	(132 218)
Balance as at 1 January 2022	1 939 206	(90 117)	1 849 089
Profit for the year	–	154 053	154 053
Dividends paid	–	(167 279)	(167 279)
Balance as at 31 December 2022	1 939 206	(103 343)	1 835 863

¹ The transaction was non-cash through an inter-company loan.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	NOTES	2022 R'000	2021 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	(740)	(375)
Working capital changes	B	1 924	(1 627)
Cash generated from operating activities		1 184	(2 002)
Investment income received		1 198	1 821
Dividends received from subsidiary		150 000	522 000
Income tax paid		(275)	(510)
Net cash generated from operating activities		152 107	521 309
CASH FLOWS FROM INVESTING ACTIVITIES			
Amounts advanced to related parties		(447 315)	(91 255)
Amounts repaid by related parties		14 130	91 114
Amounts repaid to related parties		(178)	–
Net cash utilised in investing activities		(433 363)	(141)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(167 279)	(132 218)
Shares issued		–	59 670
Net cash utilised in financing activities		(167 279)	(72 548)
Net (decrease)/increase in cash and cash equivalents		(448 535)	448 620
Cash and cash equivalents at the beginning of the year		450 696	2 076
Cash and cash equivalents at the end of the year		2 161	450 696
A. CASH GENERATED FROM OPERATIONS			
Profit for the year		154 053	522 698
<i>Adjustments for:</i>			
Taxation charge		1 085	441
Investment income		(1 198)	(1 821)
Dividends received from subsidiary		(150 000)	(522 000)
Fair value (gain)/loss on option		(4 680)	307
		(740)	(375)
B. WORKING CAPITAL CHANGES			
Decrease/(increase) in trade and other receivables		1 373	(1 482)
Increase/(decrease) in trade and other payables		551	(145)
Cash generated from operations		1 184	(2 002)





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

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Presentation of financial statements

A. BASIS OF PREPARATION

ACCOUNTING POLICY

STATEMENT OF COMPLIANCE

The Company financial statements have been prepared in accordance with IFRS, in compliance with the JSE Listings Requirements, the interpretations adopted by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act.

The financial statements were approved for issue by the Board of Directors on 31 March 2023.

Basis of measurement and preparation

The Company financial statements are prepared on 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 presentation and functional currency of the 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 Company discloses only those accounting policies that 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 on 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 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 is recognised when the right to receive payment has been established, which is normally the last date to trade.

	2022 R'000	2021 R'000
Revenue consists of:		
Administration fee from subsidiaries	7 501	7 194
Dividends received from subsidiaries	150 000	522 000
	157 501	529 194
3. OPERATING PROFIT		
Operating profit is arrived at after taking into account the following:		
Income		
Fair value gain/(loss) on option	4 680	(307)
Foreign currency and commodity price gains	164	–
Expenses		
Auditors' remuneration		
– External statutory audit	1 123	1 022
Directors' fees (Refer to note 39 of the Group financial statements for more detail)	3 361	3 077
4. INVESTMENT INCOME		
Interest received on bank deposits and from external parties	1 198	1 821
	1 198	1 821
5. FINANCE COSTS		
Interest on borrowings and overdraft	223	–
	223	–

NOTES TO THE COMPANY

ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

	2022 R'000	2021 R'000
6. TAXATION		
Current tax		
In respect of the current year	273	510
	273	510
Deferred tax		
In respect of the current year	1 011	(69)
Effect of change in tax rate	(199)	–
	812	(69)
Total taxation expense recognised in the current year	1 085	441
Tax rate reconciliation:		
Profit before tax	155 138	523 139
Income tax expense calculated at 28% (2021: 28%) ¹	43 439	146 479
Non-deductible expenses	1 455	105
Non-taxable income ²	(43 311)	(146 160)
Capital gains tax	(253)	17
Effect of change in tax rate	(245)	–
	1 085	441

¹ In the current financial year, current tax was calculated at 28% and deferred tax was calculated at 27% as a result of the change in corporate tax rate, which will be effective for the 2023 financial year.

² Non-taxable income mainly relates to dividend income received from a subsidiary.

	2022 R'000	2021 R'000
7. SHARE CAPITAL AND RESERVES		
7.1 Stated capital		
Authorised		
10 000 000 000 (2021: 10 000 000 000) ordinary shares of no par value	–	–
Issued and fully paid		
298 866 214 (2021: 298 866 214) ordinary shares of no par value	1 939 206	1 939 206
Total stated capital	1 939 206	1 939 206
7.1.1 Ordinary shares		
As at 31 December, the movement in share capital is as follows:		
Balance at the beginning of the year	1 939 206	1 879 536
Issue of share capital	–	59 670
Balance at the end of the year	1 939 206	1 939 206

	NUMBER OF SHARES	
	2022	2021
Balance at the beginning of the year	298 866 214	294 293 814
Issue of share capital	–	4 572 400
Balance at the end of the year	298 866 214	298 866 214

	2022 R'000	2021 R'000
7.1.2. Held as treasury shares		
As at 31 December, the movement in share capital is as follows:		
Balance at the beginning of the year	–	(67 142)
Shares transferred to subsidiary	–	67 142
Balance at the end of the year	–	–

	NUMBER OF SHARES	
	2022	2021
Balance at the beginning of the year	–	3 042 149
Transfer to subsidiary	–	(3 042 149)
Balance at the end of the year	–	–

	2022 R'000	2021 R'000
8. TRADE AND OTHER PAYABLES		
Other payables	1 098	547
	1 098	547

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

9. 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 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 – 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 fair value through profit or loss. The Company's financial assets at fair value through profit or loss principally comprise investments in equities and derivatives.

NOTES TO THE COMPANY

ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

9. OTHER FINANCIAL ASSET CONTINUED

	2022 R'000	2021 R'000
Asset held at fair value through profit or loss	29 511	24 831
Fair value gain on share option of R4.7 million (2021: R0.3 million loss) was recognised in profit or loss.		
The movement in the call option derivative is as follows:		
Balance at the beginning of the year	24 831	25 138
Fair value movement	4 680	(307)
Balance at the end of the year	29 511	24 831

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.

	2022 R'000	2021 R'000
Vuna valuation		
+5%	2 716	2 264
-5%	(2 676)	(2 215)
Yield curve 8.01% (2021: 6.39%)		
+5%	1 298	1 595
-5%	(1 221)	(1 566)
Volatility 37.57% (2021: 36.023%)		
+1%	818	798
-1%	(818)	(780)

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

10. FAIR VALUE MEASUREMENT

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

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

Fair value measurement hierarchy for assets and liabilities as at 31 December 2022:

	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 2022	29 511	—	—	29 511

Fair value measurement hierarchy for assets and liabilities as at 31 December 2021:

	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 2021	24 831	–	–	24 831

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 using the Black-Scholes option pricing model.

The sensitivity of the valuation assumptions for the Level 3 financial instruments is set out in [note 9](#).

11. 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.

	2022 R'000	2021 R'000
Deferred tax liabilities	6 374	5 562
	6 374	5 562

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

	2022 R'000	2021 R'000
Deferred tax liabilities in relation to:		
Derivative instruments		
Opening balance	5 562	5 631
Recognised in profit or loss	1 011	(69)
Effect of change in tax rate	(199)	–
Closing balance	6 374	5 562

NOTES TO THE COMPANY

ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

12. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Board of Directors recommended a gross and final cash dividend on 7 March 2023 amounting to 38 cents per share (2021: 56 cents) in respect of the year ended 31 December 2022.

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

13. COMMITMENT AND CONTINGENCIES

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

14. FINANCIAL RISK MANAGEMENT

The Company's financial risk management strategy is consistent with that of the Group as set out in [note 36](#) 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
2022					
Financial assets					
Asset held at fair value through profit or loss	0	-	-	29 511	29 511
Loans to related parties	0	-	1 811 554	-	1 811 554
Trade receivables and other receivables	0	109	-	-	109
Cash and banks balances	Bank deposit rate	2 161	-	-	2 161
		2 270	1 811 554	29 511	1 843 335
Financial liabilities					
Trade and other payables	0	1 098	-	-	1 098
		1 098	-	-	1 098
2021					
Financial assets					
Asset held at fair value through profit or loss	0	-	-	24 831	24 831
Loans to related parties	0	-	1 378 369	-	1 378 369
Trade receivables and other receivables	0	1 482	-	-	1 482
Cash and banks balances	Bank deposit rate	450 696	-	-	450 696
		452 178	1 378 369	24 831	1 855 378
Financial liabilities					
Trade and other payables	0	547	-	-	547
Loans from related parties	0	-	178	-	178
		547	178	-	725

15. RELATED PARTY TRANSACTIONS

A. LOANS AND TRANSACTIONS 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
2022				
Sea Harvest Corporation Proprietary Limited (subsidiary)	150 000	5 441	62 666	–
Cape Harvest Foods Proprietary Limited (subsidiary)	–	150	86	–
Cape Harvest Food Group Proprietary Limited (subsidiary)	–	–	611 715	–
Ladismith Cheese Proprietary Limited	–	1 910	–	–
Sea Harvest International Proprietary Limited (subsidiary)	–	–	999 740	–
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)	–	–	64 858	–
	150 000	7 501	1 811 554	–
2021				
Sea Harvest Corporation Proprietary Limited (subsidiary)	522 000	5 182	76 796	–
Cape Harvest Foods Proprietary Limited (subsidiary)	–	193	–	–
Cape Harvest Food Group Proprietary Limited (subsidiary)	–	–	608 168	–
Ladismith Cheese Proprietary Limited	–	1 819	–	–
Sea Harvest International Proprietary Limited (subsidiary)	–	–	556 162	–
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)	–	–	64 754	–
Sea Harvest Employee Share Trust (controlled trust)	–	–	–	178
	522 000	7 194	1 378 369	178

Loans to/from subsidiaries and other related parties are interest free, unsecured and have no set terms of repayment. The loans are classified as non-current based on expected redemption instead of contractual maturity.

B. KEY MANAGEMENT PERSONNEL

Details of remuneration of key management personnel are set out in [note 38](#) of the Group financial statements.





OUR INTERESTS, SHAREHOLDERS AND CORPORATE INFORMATION

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INTERESTS IN PRINCIPAL SUBSIDIARIES AND ASSOCIATES

for the year ended 31 December 2022

NAME OF COMPANY	NATURE OF BUSINESS
South Africa	
Sea Harvest Corporation Proprietary Limited	Fishing and fish processing
Cape Harvest Foods Proprietary Limited	Retail business
Ladismith Cheese Company Proprietary Limited ¹	Value-added dairy
Sea Harvest International Proprietary Limited	Holding company for international operations
Sea Harvest Employee Share Trust ²	Share trust
The Sea Harvest Management Investment Trust No 2 ²	Share trust
The Sea Harvest Foundation NPC	Non-profit organisation
Cape Harvest Food Group Proprietary Limited	Holding company for Ladismith Cheese Company Proprietary Limited
Sea Harvest Aquaculture Proprietary Limited	Holding company for aquaculture business
Viking Aquaculture Proprietary Limited ³	Abalone and oyster farming
BM Foods Group Proprietary Limited ⁴	Convenience foods
Australia	
Cape Haddie Limited – Australia	Dormant
Sea Harvest Proprietary Limited (Sea Harvest Australia) ^{5, 6}	Fishing and fish processing

¹ Ladismith Cheese Company Proprietary Limited holds 100% of the shares issued by Ladismith Powder Company Proprietary Limited and Mooivallei Suiwel Proprietary Limited.

² Consolidated special-purpose entities

³ These are the material subsidiaries held by Viking Aquaculture Proprietary Limited:

Molapong Aquaculture Proprietary Limited	87%
Tuna Marine Proprietary Limited	100%
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%

⁴ These are the material subsidiaries held by BM Foods Group Proprietary Limited:

BM Food Manufacturers Proprietary Limited	100%
BM Foods Investments Proprietary Limited	100%
Delecto Proprietary Limited	100%
BM Foods Investments (SPV) Proprietary Limited	100%

⁵ Sea Harvest Australia is the holding company of Sea Harvest Fishing Company Proprietary Limited, Sea Harvest Trading Proprietary, Nor-West Seafoods Proprietary Limited and Sea Harvest Marine Proprietary Limited.

⁶ The issued share capital 2021 was corrected to allow comparability to current year amounts.

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

	2022 R'000	2021 R'000
Profits	256 876	431 996

ISSUED CAPITAL 2022 R	EFFECTIVE HOLDING 2022 %	ISSUED CAPITAL 2021 R	EFFECTIVE HOLDING 2021 %	INTERESTS OF HOLDING COMPANY	
				INDEBTEDNESS 2022 R'000	INDEBTEDNESS 2021 R'000
100	100	100	100	62 666	76 796
100	100	100	100	86	–
33 045	100	33 045	100	–	–
100	100	100	100	999 740	556 162
n/a	–	n/a	–	–	–
n/a	–	n/a	–	–	–
n/a	–	n/a	–	–	–
100	100	100	100	611 715	608 168
100	100	100	100	64 858	64 754
100	54	100	54	–	–
16 421 451	51	16 421 451	51	–	–
100	100	100	100	–	–
826 129 709	100	381 959 083	100	–	–
				1 739 065	1 305 880

ANALYSIS OF ORDINARY SHAREHOLDERS

for the year ended 31 December 2022

SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
1 – 1 000 shares	2 315	83.54	186 110	0.06
1 001 – 10 000 shares	227	8.19	878 255	0.29
10 001 – 100 000 shares	114	4.11	4 613 594	1.54
100 001 – 1 000 000 shares	89	3.21	33 202 104	11.11
Over 1 000 000 shares	26	0.95	259 986 151	87.00
Total	2 771	100.00	298 866 214	100.00

DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
Assurance companies	7	0.25	1 694 767	0.57
Close corporations	6	0.22	61 984	0.02
Collective investment schemes	38	1.37	27 693 905	9.27
Custodians	2	0.07	43 159	0.01
Foundations and charitable funds	9	0.32	2 328 665	0.78
Hedge funds	11	0.40	6 567 595	2.20
Insurance companies	1	0.04	5 600	0.00
Investment partnerships	7	0.25	186 100	0.06
Managed funds	2	0.07	266 860	0.09
Organs of state	1	0.04	26 325 000	8.81
Private companies	54	1.95	197 809 398	66.19
Public companies	1	0.04	113 512	0.04
Retail shareholders	2 516	90.80	4 631 120	1.55
Retirement benefit funds	61	2.20	16 312 351	5.46
Scrip lending	1	0.04	204 837	0.07
Share schemes	1	0.04	3 548 446	1.19
Sovereign funds	2	0.07	9 593 822	3.21
Stockbrokers and nominees	5	0.18	419 905	0.14
Trusts	46	1.65	1 059 188	0.34
Total	2 771	100.00	298 866 214	100.00

Pursuant to the provisions of section 56 of the Companies Act, disclosures from foreign nominee companies have been included in this analysis.

SHAREHOLDER TYPE	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
Non-public shareholders	11	0.40	169 214 254	56.62
Directors and associates	8	0.29	6 106 924	2.04
Newshelf 1411 and Newshelf 1169 Proprietary Limited (beneficial holders >10%)	2	0.07	159 558 884	53.39
Share schemes	1	0.04	3 548 446	1.19
Public shareholders	2 760	99.60	129 651 960	43.38
Total	2 771	100.00	298 866 214	100.00

FUND MANAGERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES	NUMBER OF SHARES	% OF ISSUED CAPITAL
Public Investment Corporation	26 325 000	8.81
Camissa Asset Management	19 507 499	6.53
Visio Capital Management	19 051 064	6.37
36One Asset Management	14 697 123	4.92
Total	79 580 686	26.63

BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES	NUMBER OF SHARES	% OF ISSUED CAPITAL
Newshelf 1411 Proprietary Limited*	138 040 333	46.19
Government Employees Pension Fund	26 325 000	8.81
Newshelf 1169 Proprietary Limited*	21 518 551	7.20
Sea Harvest Corporation Proprietary Limited	18 186 999	6.09
Odin Investments Proprietary Limited	12 307 692	4.12
36One Asset Management	10 002 472	3.35
Total	226 381 047	75.75
Total number of shareholdings	2 771	
Total number of shares in issue	298 866 214	

* Both companies are subsidiaries of Brimstone Investment Corporation Limited, with a combined shareholding of 53.39%.

SHARE PRICE PERFORMANCE	NUMBER OF SHAREHOLDINGS
Opening price 3 January 2022	13.98
Closing price 30 December 2022	12.00
Closing high for period	16.90
Closing low for period	10.60
Number of shares in issue	298 866 214
Volume traded during period	19 035 487
Ratio of volume traded to shares issued (%)	6.37
Rand value traded during the period	244 868 917
Price/earnings ratio as at 30 December 2022	8.01
Earnings yield as at 30 December 2022	12.49
Dividend yield as at 30 December 2022	3.73
Market capitalisation at 30 December 2022	3 586 394 568

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 (resigned 31 May 2022)
S Gounden (appointed 1 June 2022)

TRANSFER SECRETARY: Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

SPONSOR: The Standard Bank of South Africa Limited

AUDITORS: Ernst & Young Incorporated



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