



UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018



CORPORATE INFORMATION

Sea Harvest Group Limited

(Incorporated in the Republic of South Africa)

Registration number: 2008/001066/06

JSE Code: SHG

ISIN: ZAE000240198

“Sea Harvest” or “the Company” or “the Group”

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

Directors: F Robertson * (Chairperson)
BM Rapiya **
WA Hanekom *
L Penzhorn * (Retired 2 July 2018)
MI Khan *
T Moodley * (Appointed 2 July 2018)
KA Lager * (Appointed 2 July 2018)
CK Zama * (Appointed 2 July 2018)
F Ratheb (Chief Executive Officer)
JP de Freitas (Chief Financial Officer)
Mo Brey (Chief Investment Officer)

** Non-Executive*

*** Lead Independent Non-Executive*

Company Secretary: Nana Aston

Transfer Secretary: Computershare Investor Services Proprietary Limited
15 Biermann Avenue, Rosebank, 2196

Sponsor: The Standard Bank of South Africa Limited

Auditors: Deloitte & Touche

COMMENTARY

KEY PERFORMANCE INDICATORS

YEAR ENDED DECEMBER 2017		PERIOD ENDED JUNE 2018	PERIOD ENDED JUNE 2017
2 131 054	Revenue (R'000)	1 004 288	1 056 961
61%	International Revenue Mix	59%	61%
716 790	Gross Profit (R'000)	367 646	353 515
33.6%	Gross Profit Margin (%)	36.6%	33.4%
333 813	Operating Profit (R'000)	165 027	167 715
15.7%	Operating Profit margin	16.4%	15.9%
266 945	Profit for the period (R'000)	111 222	135 888
217 859 827	Weighted Average Number of Shares (WANOS)	240 018 063	195 379 525
119.0	Basic Earnings per share (cents)	47.7	67.0
235 317	Headline Earnings (R'000)	111 325	110 664
108.0	Basic Headline Earnings per share (cents)	46.4	56.6
582.4	Net Asset Value per share (cents)	592.9	531.9
14.95	ZAR : Euro average exchange rate ¹	14.95	14.29
10.27	ZAR : AUD average exchange rate ¹	9.56	10.06
1 250	Closing Share Price (cents)	1 350	1 370

¹ Average spot exchange rate at which sales were recorded.

HIGHLIGHTS FOR THE PERIOD

- The Acquisition of Viking Fishing Group as part of a B-BBEE consortium, and 51% of the shares of Viking Aquaculture, which became effective on 2 July 2018. This is a transformational transaction for the Group delivering diversification into other species and high value aquaculture and will be earnings accretive from the outset.
- Sea Harvest Group achieved Level 1 B-BBEE contributor status with a score of 100.37, an increase from Level 2 with a score of 98.9, making it one of the most transformed businesses in the sector.
- The conversion of the Harvest Mzansi to a hake factory freezer trawler was completed within budget (R250 million) and on time (April 2018).
- The acquisition and integration of two Spanish Mackerel vessels and the related licences in Western Australia.
- Gross profit margin increased to 36.6% (2017: 33.4%), driven by further efficiency gains and Rand weakness.

TRADING AND FINANCIAL PERFORMANCE

The Sea Harvest Group delivered **headline earnings** for the six months ended 30 June 2018 of R111.3 million, an increase of 1% compared to the same period last year (2017: R110.7 million), after absorbing transaction costs relating to the Viking acquisition.

Group revenue for the period decreased by 5% to R1.0 billion (2017: R1.1 billion), impacted by the 5% reduction in Total Allowable Catch (TAC) in South Africa and the delayed start to the prawn fishing season in Australia. The impact of these factors was partially offset by global sourcing, a weaker Rand and firm pricing, which benefited from continued global demand for high value, sustainably certified wild caught seafood with limited supply.

Gross profit for the period increased by 4% to R367.7 million (2017: R353.5 million) and the gross profit margin

COMMENTARY

(CONTINUED)

improved to 36.6% (2017: 33.4%). The expansion in the gross profit margin has been driven by further efficiency gains across both the fleet and factory operations, an increase in higher margin export volumes, price increases and a weaker Rand.

Other **operating income** decreased to R26.9 million (2017: R30.2 million), mainly due to lower foreign exchange hedge gains for the period, with the 2017 average hedge rates benefiting from the sharp devaluation of the Rand in early 2016.

Operating expenses for the period increased by 6% to R229.5 million (2017: R215.9 million), after absorbing transaction costs relating to the Viking acquisition. Normalising for these non-recurring costs, operating expenses increased by only 1%, benefiting from good cost control measures across the Group.

The Group delivered **operating profit before joint venture and associate income** of R165 million for the period, 2% lower than the same period last year (2017: R167.7 million), impacted by the lower revenue and the Viking transaction costs referred to above.

Operating profit before net finance cost and taxation of R166.3 million was 19% lower than the prior period (2017: R205.6 million), as a result of a number of once-off, non-cash benefits being recorded in the first half of 2017, including a gain on disposal of interest in a joint venture of R23 million and a fair value gain on the initial recognition of an option of R14 million.

Profit after tax of R111.2 million for the period decreased by 18% compared to the prior period (2017: R135.9 million), in line with the decrease in operating profit before net finance cost and taxation.

Earnings per share (EPS) decreased by 29% to 47.7 cents per ordinary share (2017: 67.0 cents) and **headline earnings per share (HEPS)** decreased by 18% to 46.4 cents per ordinary share (2017: 56.6 cents). The decrease in both EPS and HEPS was mainly attributable to an increase in the weighted average number of shares in issue ("WANOS"), which increased from 195 379 525 at 30 June 2017 to 240 018 063 at 30 June 2018, as well as lower earnings as set out above. It is important to note that the increase in the WANOS was as a result of the Group restructure and the subsequent listing of the Group on the JSE on 23 March 2017. The shares issued at listing were included in the determination of WANOS for only 99 days in 2017,

compared to the full period in 2018.

South African Operations: South African sales volumes for the period were lower than 2017, impacted by the 5% reduction in the TAC, which was partly offset by the Group's global sourcing strategy. Revenue was on par with 2017, with the impact of the lower volumes offset by higher average prices. Revenue and volumes from export markets grew by 3%, after the 5% reduction in the TAC. The export mix of total sales increased to 54% of sales in value terms (2017: 53%) and 46% of volumes (2017: 43%). The Rand weakened by 3% across the currencies in which Sea Harvest trades. Revenue from the local South African market, which includes retail and foodservice, was 1% lower than prior year, impacted by the continued challenging local retail environment, the 5% TAC reduction and the increase in export volume mix, which saw local volumes reduce by 7% compared to the same period last year.

Australian Operations: Revenue for the period decreased by 23% to R174.1 million (2017: R227.1 million), driven by the lower landings of prawns, which were impacted by the delayed start to the Shark Bay prawn season. Average realisations on prawns were well up, benefiting from a larger size mix and strong demand. As a result of the lower volumes and the resultant lower revenues, the business reported an after-tax loss of R5.1 million for the period, compared to a profit after tax of R12 million in the prior period.

CASHFLOW AND FINANCIAL POSITION

The Group generated cash of R194.5 million (2017: R229.1 million) from its operations in the period, before changes in working capital and R125 million net cash from its operations after the investment in working capital. The increase in working capital was due to higher inventory holdings and an increase in debtors due to higher sales levels in the last two months of the period, compared to the last two months of the prior period, partly offset by higher payables due to increased capital expenditure relating to the Harvest Mzansi and Marel projects.

During the period the Group utilised R129.5 million in investing activities, including a further R44.1 million on the conversion of the Harvest Mzansi into a hake factory freezer trawler and progress payments of R30.9 million on the Marel factory processing facility in Saldanha Bay. The Group disposed of the Harvest Atlantic Hope for an amount of R59 million.

The Group raised a further R67 million of borrowings during the period which was used to fund investing activities. The Group paid R78.5 million in its maiden dividend.

The Group ended the period with R321.2 million of cash on hand.

DRIVING TRANSFORMATION

Sea Harvest is a c. 80% black-owned business, and as such remains committed to driving **transformation** within the fishing industry and communities within which it operates. Significant resources are focused on skills development, employment equity, supply and enterprise development initiatives, as well as projects focused on job creation, youth and rural development. This focus has been recognised by Sea Harvest achieving Level 1 B-BBEE contributor status with a score of 100.37, an increase from Level 2 with a score of 98.9, making Sea Harvest one of the most transformed businesses in the fishing sector.

DIVIDENDS

No interim dividend is declared or proposed for the six months ended 30 June 2018.

OUTLOOK

Sea Harvest expects to see continued global demand for high value, wild caught, MSC certified species such as Cape Hake, which will drive continued export growth and firm international pricing. Export pricing should further benefit from a weaker Rand in the second half of the year. Local retail volumes are expected to come under continued pressure as a result of the challenging economic environment, which will necessitate sustained promotional activity, impacting average pricing.

On the supply side, higher margin export growth will be supported by the introduction of the Harvest Mzansi into the fleet, whose frozen-at-sea products are targeted towards export markets. In addition, the acquisition of Viking Fishing will drive additional export volume growth, in particular into the Iberian Peninsula, as well as growth in foodservice and wholesale channels.

Strategic investments within the fish processing factory in Saldanha Bay during the third quarter will drive further production efficiencies, although with c. R18m of restructuring costs in the second half of 2018, earnings are only expected to benefit from 2019 onwards.

In Australia, prawn volumes in the second half of the year are expected to be better than those of the first half, due to the delayed start to the prawn fishing season. Prawn catch rates since the commencement of the season have been below 2017 levels and this trend is expected to continue through the second half of the year.

On 2 July 2018 the acquisition of 100% of the assets of Viking Fishing as part of a B-BBEE consortium, and 51% of the shares of Viking Aquaculture, became effective.

This transformational transaction is earnings accretive for the Group from the outset, delivering value through the complementary nature of the fishing businesses and diversification into other wild caught species and aquaculture.

On 28 August 2018, the Group announced that its wholly-owned subsidiary, Cape Harvest Food Group Proprietary Limited, has concluded a share purchase agreement to acquire the entire issued share capital of Ladismith Cheese Company Proprietary Limited for R527 million. The transaction is subject to conditions normal for a transaction of this nature.

Established in 1999, Ladismith Cheese is a value adding dairy processing company based in Ladismith in the Western Cape. The company's primary business is the production, distribution, marketing and sales of cheese, butter and milk powders to South African retail, wholesale and food service markets. The company generated revenue of R681 million and profit after tax of R57.7 million for the financial year ended 31 January 2018.

The acquisition is a further step in the execution of Sea Harvest Group's stated investment strategy of growing through:

- i. organic margin enhancement within existing operations;
- ii. acquisitions of high value wild caught species in the South African and Australian seafood sectors;
- iii. acquisitions within high value aquaculture sectors; and
- iv. acquisitions in complementary sectors of the South African food and agricultural industry which exhibit strong fundamentals, growth and where the Group is able to leverage its core competencies and strengths.

To this end, the transaction represents an acquisition of a profitable branded FMCG food manufacturer of significant scale in the food and agricultural sector with a long track record, strong national brand and a proven management team. The transaction is expected to conclude in the 4th quarter of 2018.

On behalf of the Board

F Robertson
Chairman

F Ratheb
CEO

Cape Town
28 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
2 131 054	Revenue	1 004 288	1 056 961
(1 414 264)	Cost of sales	(636 642)	(703 446)
716 790	Gross profit	367 646	353 515
74 707	Other operating income	26 903	30 172
(114 771)	Selling and distribution expenses	(58 137)	(62 301)
(15 166)	Marketing expenses	(6 369)	(6 662)
(327 747)	Other operating expenses	(165 016)	(147 009)
333 813	Operating profit before joint venture and associate income	165 027	167 715
1 000	Share of profit of joint venture and associate	-	1 000
23 155	Gain on the disposal of interest in joint venture	-	23 155
24 825	Fair value gains	1 254	13 727
382 793	Operating profit before net finance cost and taxation	166 281	205 597
17 206	Investment income	13 057	5 862
(38 848)	Interest expense	(20 284)	(30 045)
361 151	Profit before taxation	159 054	181 414
(94 206)	Taxation	(47 832)	(45 526)
266 945	Profit after taxation	111 222	135 888
259 344	Profit for the period attributable to: Shareholders of Sea Harvest Group Limited	114 410	130 955
7 601	Non-controlling interests	(3 188)	4 933
266 945		111 222	135 888
	Earnings per share (cents)		
119.0	- Basic	47.7	67.0
114.7	- Diluted	45.9	66.1

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
266 945	Profit after taxation	111 222	135 888
	Other comprehensive (loss)/income		
	Items that may be reclassified subsequently to profit or loss:		
(20 224)	Movement on cash flow hedging reserve	(27 985)	(17 917)
(11 576)	Exchange differences on foreign operations	24 037	7 382
	Items that may not be reclassified subsequently to profit or loss:		
1 625	Net remeasurement gain on defined benefit plan	-	-
(30 175)	Other comprehensive loss, net of tax	(3 948)	(10 535)
236 770	Total comprehensive income for the period	107 274	125 353
	Total comprehensive income attributable to:		
233 403	Shareholders of Sea Harvest Group Limited	104 916	119 050
3 367	Non-controlling interests	2 358	6 303
236 770		107 274	125 353

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000	Notes	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
ASSETS			
808 192	Property, plant, equipment and vehicles ¹	866 908	531 180
489 805	Intangible assets ²	548 820	505 730
84 220	Goodwill	88 626	87 811
25 264	Available-for-sale investment	-	25 264
-	Investment at fair value through other comprehensive income	25 264	-
24 825	Financial assets	26 080	13 953
72 489	Loans to related parties	72 489	70 501
1 959	Loans to supplier partners	980	-
243	Deferred tax assets	244	-
1 506 997	Non-current assets	1 629 411	1 234 439
304 001	Inventories	384 778	324 982
332 578	Trade and other receivables	423 501	359 280
41 896	Financial assets	2 991	27 687
-	Tax assets	46	-
383 047	Cash and bank balances	321 155	316 222
1 061 522	Current assets	1 132 471	1 028 171
2 568 519	TOTAL ASSETS	2 761 882	2 262 610

Notes

¹ Movement in property, plant and equipment during the period, includes further capitalisation of the Harvest Mzansi costs of R44.1 million, Marel Flowline project of R30.9 million and disposal of Atlantic Hope with a carrying value of R56 million.

² Additions to intangible assets during the period, include the acquisition of Spanish Mackerel rights by Mareterram valued at R36 million.

* Refer to note 9.

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		Notes	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
EQUITY AND LIABILITIES				
1 294 875	Stated capital		1 291 993	1 295 771
(71 476)	Other reserves		(76 897)	(62 586)
174 267	Retained earnings		210 170	43 302
1 397 666	Attributable to shareholders of Sea Harvest Group Limited		1 425 266	1 276 487
168 313	Non-controlling interests		170 718	152 993
1 565 979	Capital and reserves		1 595 984	1 429 480
315 825	Long-term interest-bearing borrowings		347 813	121 398
26 342	Employee related liabilities		26 372	26 703
18 789	Share-based payment liability		25 373	-
12 110	Deferred grant income		11 499	12 920
59 348	Financial liabilities	5	41 252	61 267
205 277	Deferred taxation		221 206	182 245
637 691	Non-current liabilities		673 515	404 533
31 298	Short-term interest-bearing borrowings		79 754	72 150
269 356	Trade and other payables		364 331	310 695
1 505	Short-term deferred grant income		1 541	1 581
20 848	Financial liabilities	5	38 748	22 548
30 980	Short-term provisions		6 949	-
10 862	Taxation		1 060	21 623
364 849	Current liabilities		492 383	428 597
2 568 519	TOTAL EQUITY AND LIABILITIES		2 761 882	2 262 610

* Refer to note 9.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
669 447	Balance at the beginning of the period	1 565 979	669 447
	Attributable to:		
517 404	Shareholders of Sea Harvest Group Limited	1 397 666	517 404
152 043	Non-controlling interests	168 313	152 043
	Total comprehensive income for the period attributable to shareholders of Sea Harvest Group Limited		
233 405		104 916	119 050
259 344	Profit for the period	114 410	130 955
(25 939)	Movements in other items of comprehensive income, net of tax	(9 494)	(11 905)
	Movements attributable to shareholders of Sea Harvest Group Limited		
1 294 047	Shares issued	-	1 294 943
-	Shares repurchased ¹	(2 882)	-
(55 000)	Recognition of FSP reserve	-	(55 000)
(368 409)	Redemption of preference shares	-	(368 409)
(218 771)	Distributions to participants of share trusts and repurchase of shares	-	(218 771)
-	Dividends paid	(78 506)	-
15 178	Share-based payments	4 072	10 403
-	Reclassification of share-based payments	-	(23 133)
(19 789)	Transfer to share-based payment liability (modification)	-	-
(399)	Further acquisition of investment in subsidiary	-	-
16 270	Movement attributable to non-controlling interests	2 405	950
1 565 979	Balance at the end of period	1 595 984	1 429 480

Notes

¹ 217 175 were repurchased for purposes of the forfeitable share plan.

* Refer to note 9.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
	Operating activities		
266 945	Profit after taxation	111 222	135 888
163 296	Adjustments for non-cash and other items	83 233	93 190
430 241	Operating cash flows before changes in working capital	194 455	229 078
(14 255)	Increase in inventories	(74 433)	(31 627)
(53 547)	Increase in trade and other receivables	(85 476)	(74 873)
(21 448)	Increase/(decrease) in trade and other payables	90 708	19 745
340 991	Cash generated from operations	125 254	142 323
17 206	Investment income received	13 057	5 862
(80 011)	Income taxes paid	(34 707)	(44 142)
(25 544)	Interest paid	(18 156)	(21 177)
252 642	Net cash generated from operating activities	85 448	82 866
	Investing activities		
2 855	Proceeds on disposal of property, plant, equipment and vehicles	59 392	-
(369 876)	Acquisition of property, plant, equipment and vehicles	(152 370)	(48 386)
(1 526)	Acquisition of intangible assets	(36 564)	(1 494)
(368 547)	Net cash utilised in investing activities	(129 542)	(49 880)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
	Financing activities		
1 239 025	Shares issued, net of listing costs	-	1 239 943
-	Shares repurchased	(2 882)	-
(368 409)	Redemption of B and C preference share capital	-	(368 409)
(144 269)	Repayment of B and C preference dividends	-	(144 269)
(332 024)	Repayment of borrowings	(361)	(301 478)
257 968	Proceeds from borrowings	66 813	67 886
(22 256)	Payments of financial liabilities	(2 975)	(25 284)
(218 771)	Repurchase of shares and distributions to participants of share trusts	-	(218 771)
-	Dividends paid	(78 506)	-
(80 194)	Amounts advanced to related parties	-	(120 776)
14 971	Rights issue in subsidiary	-	-
(1 479)	Further investment in subsidiary	-	-
344 562	Net cash (utilised in)/generated from financing activities	(17 911)	128 842
228 657	Net (decrease)/increase in cash and cash equivalents	(62 005)	161 828
154 404	Cash and cash equivalents at the beginning of the period	383 047	154 404
(14)	Effects of exchange rates on the balance of cash held in foreign operation	113	(10)
383 047	Cash and cash equivalents at the end of the period	321 155	316 222

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

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

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

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the financial statements for the year ended 31 December 2017, except as set out below.

The Group adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers on 1 January 2018. As reported previously, the adoption of these standards has an immaterial impact on the Group. The implementation of IFRS 9 resulted in the reclassification of the R25 million "available-for-sale" investment to an equity instrument irrevocably designated as at fair value through other comprehensive income as disclosed in note 5. There is no reclassification of fair value changes on the "available-for-sale" investments as these are already reported in equity. The adoption of IFRS 15 had no material impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
3. HEADLINE EARNINGS PER SHARE		
3.1 DETERMINATION OF HEADLINE EARNINGS		
259 344	Profit for the period attributable to shareholders of Sea Harvest Group Limited 114 410	130 955
(3 876)	(Profit)/loss on disposal of property, plant, equipment and vehicles (4 284)	408
-	Impairment of property, plant, equipment and vehicles -	1 230
-	Reversal of impairment of property, plant, equipment and vehicles -	(436)
(23 155)	Realised profit on disposal of interest in joint venture -	(23 155)
3 004	Total tax effects of adjustments 1 199	1 662
235 317	Headline earnings for the period 111 325	110 664
3.2 CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
217 859 827	Weighted average number of shares on which earnings and headline earning per share are based 240 018 063	195 379 525
226 173 525	Weighted average number of shares on which diluted earnings and diluted headline earnings per share are based 249 279 116	198 154 131
217 859 827	Reconciliation of weighted average number of shares between basic and diluted earnings per share and headline earnings and dilute headline earnings per share: Basic 240 018 063	195 379 525
8 313 698	Dilutive instruments 9 261 053	2 774 606
226 173 525	Diluted 249 279 116	198 154 131
	Headline earnings per share (cents)	
108.0	- Basic 46.4	56.6
104.0	- Diluted 44.7	55.8

**AUDITED YEAR
ENDED
31 DECEMBER
2017
R'000**

**UNAUDITED
SIX MONTHS ENDED
30 JUNE
2018
R'000**

**UNAUDITED
SIX MONTHS ENDED
30 JUNE
2017
R'000**

4. SEGMENTAL RESULTS

The Groups' reportable segments under IFRS 8: Operating Segments, are the South African operations and the Australian operations.

	Segment revenue		
1 644 206	SA Operations ¹	830 187	829 890
486 848	Australia Operations	174 101	227 071
2 131 054	Total revenue	1 004 288	1 056 961
	Segment profit/(loss) from operations		
312 262	SA Operations	166 463	155 244
21 551	Australia Operations	(1 436)	12 471
	Operating profit before associate and joint venture income	165 027	167 715
333 813			
24 825	Fair value gains	1 254	13 727
23 155	Gain on the disposal of interest in joint venture	-	23 155
1 000	Share of profits of joint venture and associate	-	1 000
17 206	Investment income	13 057	5 862
(38 848)	Interest expense	(20 284)	(30 045)
361 151	Profit before taxation	159 054	181 414
	Total assets		
1 732 386	SA Operations	1 833 243	1 677 271
836 133	Australia Operations	928 639	585 339*
2 568 519		2 761 882	2 262 610
	Total liabilities		
638 084	SA Operations	744 527	430 746
364 456	Australia Operations	421 371	402 384*
1 002 540		1 165 898	833 130

¹ Revenue excludes inter-segmental revenue of R60.9 million (2017: R47.8 million) which is eliminated on consolidation.

* Refer to note 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
5. OTHER FINANCIAL ASSETS AND LIABILITIES			
66 721	Financial derivative assets	29 071	41 640
24 825	Non-current portion of financial assets ¹	26 080	13 953
41 896	Current portion of financial assets ²	2 991	27 687
Other financial asset			
25 264	Available-for-sale investment ³	-	25 264
-	Investment at fair value through other comprehensive income ³	25 264	-
Financial derivative liabilities			
130	Current portion of financial liabilities ²	16 706	-
Other financial liability			
80 066	Fishing licence liability ⁴	63 294	83 815
59 348	Non-current portion of financial liability	41 252	61 267
20 718	Current portion of financial liability	22 042	22 548

1 CALL OPTION DERIVATIVE

Included in non-current financial assets is a call option to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited. The fair value was independently determined by an expert using the Black-Scholes option pricing model. The call option financial asset has been classified as a non-current asset at 30 June 2018 due to the expected exercise date thereof exceeding 12 months from the reporting date. The call option disclosed in financial assets is regarded as a Level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2 FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

Financial assets and liabilities arise from hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency volatility. Hedging contracts are regarded as Level 2 financial instruments for fair value measurement purposes. Level 2 fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

This investment was previously classified as "available-for-sale". With the adoption of IFRS 9, the Group has irrevocably elected to classify this investment as measured at fair value through other comprehensive income because it is held as a long-term strategic investment that is not expected to be sold in the short to medium term. As a result, investment with a fair value of R25 million was reclassified from "available-for-sale" to investment at fair value through other comprehensive income.

The Group reassesses the valuation of the investment annually, by using an asset valuation method performed by an independent valuator.

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

4 FISHING LICENCE LIABILITY

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

AUDITED YEAR ENDED 31 DECEMBER 2017 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2018 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2017 R'000
6. RELATED PARTY TRANSACTIONS			
6.1 RELATED PARTY LOANS			
	Loans to related parties		
27 420	Vuna Fishing Company Proprietary Limited	27 420	27 420
45 069	Vuna Fishing Group Proprietary Limited	45 069	43 081
72 489	Total	72 489	70 501
Interest paid to related parties			
10 708	Brimco Proprietary Limited	-	10 708
6.2 RELATED PARTY TRANSACTIONS			
	Sales to related parties		
34 880	SeaVuna Fishing Company Proprietary Limited (Joint venture of Brimstone Investment Corporation Limited)	18 913	19 873
	Purchases from related parties		
165 731	SeaVuna Fishing Company Proprietary Limited (Joint venture of Brimstone Investment Corporation Limited)	103 159	75 381

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

**AUDITED YEAR
ENDED
31 DECEMBER
2017**

**UNAUDITED
SIX MONTHS ENDED
30 JUNE
2018**

**UNAUDITED
SIX MONTHS ENDED
30 JUNE
2017**

7. STATED CAPITAL (NUMBER)

	In issue (number)		
251 362 907	Ordinary shares	251 362 907	251 362 907
(11 389 304)	Held as treasury shares	(10 959 595)	(11 389 304)
239 973 603		240 403 312	239 973 603

At 30 June 2018, the movement in stated capital is as follows:

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Opening balance	251 362 907	11 389 304	239 973 603
Shares repurchased	-	217 175	(217 175)
Shares vested	-	(646 884)	646 884
Closing balance	251 362 907	10 959 595	240 403 312

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

8. SHARE-BASED PAYMENTS

The Group has two controlled trusts which have been established as vehicles through which certain executives, senior management and employees have made an investment in or acquired an economic exposure to an investment in shares in the Company and a forfeitable share plan which was adopted to attract, retain, incentivise and reward the right calibre of employees.

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 (subsidiary) to acquire shares in the Company.

The scheme is cash settled with the fair value of the liability measured at every reporting date.

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 (subsidiary) to acquire an economic exposure to an investment in shares in the Company.

The scheme is cash settled with the fair value of the liability measured at every reporting date.

FORFEITABLE SHARE PLAN

On 23 March 2017, the Group established a forfeitable share plan. In terms of the forfeitable share plan, executive directors and senior managers may be awarded performance, bonus and retention shares in the Group. The performance shares are linked to a requirement of continued employment over the prescribed period, the Group's performance and strategic, individual performance conditions which have to be met. Shares are granted to participants for no consideration. These shares participate in dividends and shareholder rights from grant date. The scheme is accounted for as an equity-settled share based payment scheme.

	THE SEA HARVEST MANAGEMENT INVESTMENT TRUST NO.2	THE SEA HARVEST EMPLOYEE SHARE TRUST	FORFEITABLE SHARE PLAN
Grant Date	31 March 2014	31 March 2014	23 March 2017
Number of shares granted	8 257 898	4 258 138	4 400 065
Fair value of shares at grant date (R)	8 788 000	5 155 000	46 283 566
Expiry Date	31 March 2020	31 March 2022	23 March 2020
Vesting conditions	Service	Service	Service and Performance
Number of shares held at the beginning of the period	3 440 790	3 548 449	4 400 065
Shares repurchased	-	-	217 175
Shares vested	-	-	(646 884)
Number of share held at the end of the period	3 440 790	3 548 449	3 970 356

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

9. RESTATEMENT OF THE FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2017

As disclosed in the annual financial statements for the year ended 31 December 2017, the audited financial results for the year ended 31 December 2016 have been restated for the finalisation of the purchase price allocation of the Mareterram business combination. The relevant effects of this adjustment to the statement of financial position and statement of changes in equity are summarised as follows:

	ESTIMATED FAIR VALUE AT TIME OF ACQUISITION R'000	MEASUREMENT PERIOD ADJUSTMENTS R'000	EXCHANGE RATE DIFFERENCES R'000	31 DEC 2016 ADJUSTED CLOSING BALANCE R'000
Assets acquired and liabilities assumed at date of acquisition				
Intangible assets	310 918	157 648	(15 660)	452 906
Deferred tax assets/(liabilities)	30 181	(121 512)	12 071	(79 260)
Total adjustment	341 099	36 136	(3 589)	373 646
Less: non-controlling interest's share	(137 546)	(15 940)	1 583	(151 903)
Equity holders of the parent's share	203 553	20 196	(2 006)	221 743
Goodwill relating to the parent	115 722	(20 196)	2 006	97 532

The impact on the restatement of the 31 December 2016 balances reflected above on the 30 June 2017 reported numbers are as follows:

	REPORTED JUNE 2017 R'000	MEASUREMENT PERIOD ADJUSTMENTS R'000	REVISED JUNE 2017 R'000
ASSETS			
Intangible assets	363 742	141 988	505 730
Goodwill	106 001	(18 190)	87 811
Deferred tax assets	50 313	(50 313)	-
Total assets	520 056	73 485	593 541
LIABILITIES			
Deferred taxation	123 117	59 128	182 245
EQUITY			
Non-controlling interests	138 636	14 357	152 993
Total equity and liabilities	261 753	73 485	335 239

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

10. EVENTS AFTER THE REPORTING PERIOD

a) Viking Fishing and Aquaculture

Following the transaction becoming unconditional on 25 June 2018, Sea Harvest Group Limited with effect from 2 July 2018, has together with a consortium of broad-based black economic empowerment investors, acquired the entire fishing business of Viking Fishing Holdings Proprietary Limited by way of the purchase of selected assets, liabilities and businesses from, and selected shareholdings in, the respective Viking Fishing group businesses; and 51% of the issued share capital of Viking Aquaculture Proprietary Limited.

The purchase consideration for the Viking Group is R885 million and is comprised of:

- 1) An upfront consideration of R565 million for the Fishing acquisition, to be settled as follows:
 - R315 million in cash; and
 - The issue of 19 million Sea Harvest shares at an agreed price of R13 per share (totalling R250 million).
- 2) R65 million for the Aquaculture acquisition;
- 3) Vendor funding in an amount of R56 million; and
- 4) Contingent consideration of R199 million based on the profit after tax generated by the Viking Group for each of the two financial years ending 31 December 2018 and 31 December 2019 respectively, and that certain profit warranties having been achieved. Settlement will be as follows:
 - R44 million post the 31 December 2018 condition being met;
 - R44 million post the 31 December 2019 condition being met; and
 - R110 million on 1 January 2022.

Sea Harvest is in the process of determining the fair values of the assets and liabilities for IFRS 3: Business Combinations purposes.

b) Ladismith Cheese

On 27 August 2018 Sea Harvest has, through its subsidiary Cape Harvest Food Group Proprietary Limited, signed a share purchase agreement to acquire the entire issued share capital of Ladismith Cheese Company Proprietary Limited for a consideration of R527 million, to be settled in cash. The transaction is subject to conditions normal for a transaction of this nature.

