Premier Fishing & Brands Limited

The First Choice

COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August

2017

AUDIT AND RISK COMMITTEE REPORT

1. MEMBERS OF THE AUDIT COMMITTEE

The members of the audit committee are all independent non-executive directors of the Company and include:

Name	Qualification
Takudzwa Tanyaradzwa Hove (Chairman)	BCom (Hons) CA(SA), ACMA, CGMA
Rosemary Phindile Mosia	PDM, BCTA, MBL
Arthur William Johnson	BA Law (UCT), BCom (UCT), CFA

The committee is satisfied that the members thereof have the required knowledge and experience as set out in section 94(5) of the Companies Act, 71 of 2008 (No. 71 of 2008) as amended, ("Companies Act") and Regulation 42 of the Companies Regulation, 2011. The nomination committee will meet shortly to start the process to reconstitute the committee.

2. MEETINGS HELD BY THE AUDIT COMMITTEE

The audit committee performs the duties laid upon it by section 94(7) of the Companies Act, by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors. The nomination committee will meet shortly to start the process to reconstitute the committee.

3. EXTERNAL AUDITOR

The audit and risk committee nominated Grant Thornton Cape Inc. as the independent auditor and Mr I Hashim as the designated partner, who is a registered independent auditor, for appointment of the 2017 audit.

The committee satisfied itself through inquiry that the external auditors are independent as defined by the Companies Act of South Africa and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act of South Africa that internal governance processes within the firm support and demonstrate the claim to independence.

The audit and risk committee in consultation with executive management, agreed to the terms of engagement. The audit fee for the external audit was considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope of the audit.

The audit and risk committee considered and pre-approved all non-audit services provided by the external auditors and the fees relative there to so as to ensure the independence of the external auditors is maintained.

4. ANNUAL FINANCIAL STATEMENTS

Following the review of the annual financial statements the audit committee recommend board approval thereof.

5. EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

As required by the JSE Listings Requirement 3.84(h), the audit and risk committee assessed the competence and performance of the chief financial officer and is satisfied that he has the appropriate expertise and experience. The committee is satisfied with the expertise and adequacy of the resources within the finance department and the experience of the finance staff.

6. INTERNAL AUDIT AND OBJECTIVE AND SCOPE OF THE AUDIT

For further information on the activities of the internal audit function and the objectives and scope of the audit conducted during the year under review, kindly refer to the report of the audit and risk committee, which is in the group integrated report available on the company website www.premierfishing.co.za.

On behalf of the audit committee

TAKUDZWA TANYARADZWA HOVE
Chairman Audit and Risk committee

24 October 2017

COMPANY SECRETARY CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY

I declare that, to the best of my knowledge, the company has lodged all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

per NOBULUNGISA MBALISELI
Company secretary

24 October 2017

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, The SAICA financial reporting guides issued by the Accounting Practice committee, the listing requirements of the JSE Ltd and Companies Act. The external auditors are engaged to express an independent opinion on the annual financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost- effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 August 2018 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's annual financial statements and their report is presented on pages 5 to 7.

The annual financial statements set out on pages 12 to 33, which have been prepared on the going concern basis, were approved by the board of directors on 24 October 2017 and were signed on their behalf by:

MOGAMAT SAMIR SABAN
Director

KHALID ABDULLA
Director

Grant Thornton
An instinct for growth™

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Premier Fishing and Brands Proprietary Limited

OPINION

We have audited the financial statements of Premier Fishing and Brands Proprietary Limited (the company) set out on pages to , which comprise the statement of financial position as at 31 August 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 August 2017, and its financial performance and 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 Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT continued

To the shareholders of Premier Fishing and Brands Limited Group

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of Subsidiaries	
Investment in subsidiaries are carried at fair value through profit or loss, amounting to R1 102 000 000. The valuation of these investments are based on an entity discounted cash flow valuation technique. The use of a discounted cash flow valuation requires the estimation of a number of significant inputs, including the future expected cash flows and the weighted average cost of capital used to perform the discounting. Many of these inputs may have a material impact on the valuation. In determining the fair value of the subsidiary companies, which are not traded in an active market, valuation techniques which require significant judgement and estimates are applied by management. These are in accordance with Level 3 inputs as per International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13). The judgements are based on existing market conditions, determined at the end of each reporting period to determine the fair value of these financial instruments. Accordingly, the valuation of investment in subsidiaries at fair value through profit or loss was considered to be a key audit matter, due to the significant contribution to results of the financial statements as well as the significance of the assumptions, estimates and the level of judgement involved. The disclosures relating to investment in subsidiaries are contained in note 1 (accounting policies) and notes 3 and 12 (financial disclosures).	In assessing the fair value of the unlisted investments, we obtained an understanding of the overall control environment as well as the processes which have been implemented by management and which have been overseen by the board of directors. Our audit procedures included, an assessment of the reasonability of the forecast by: • Testing the mathematical accuracy of the valuation models, by performing a recalculation of each valuation. • Assessing the budgeting process, and confirming reasonability of the forecasts. • Agreeing management forecast to the approved budgets. • Comparing the actual performance to that of previous years forecast. We have assessed the key inputs in the valuation models by performing the following procedures: • Comparing the inputs to the weighted average cost of capital discount rate to independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. • Utilising our internal valuation experts, who have assessed the reasonableness and appropriateness of the key inputs. We have assessed managements' qualifications, experience and expertise with respect to the valuation performed. We inspected the disclosures in the financial statements in relation to the valuation of unlisted investments for compliance with the relevant accounting requirements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE ANNUAL FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 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 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 company's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 Grant Thornton Cape Incorporated has been the auditor of Premier Fishing and Brands Proprietary Limited for 20 years.

Grant Thornton Cape

GRANT THORNTON CAPE INC.

Registered Auditors

Registration number: 2010/016204/21

Imtiaaz Hashim

Partner

Registered Auditor

Chartered Accountant (SA)

24 October 2017

6th Floor, Grant Thornton House,

123 Hertzog Boulevard, Foreshore

Cape Town

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Premier Fishing and Brands Limited for the year ended 31 August 2017.

1. NATURE OF BUSINESS

Premier Fishing and Brands Limited ("PFB") is an investment entity incorporated in South Africa with interests in the fishing industry. PFB and it's subsidiaries ("the group") operates in South Africa and is engaged in commercial harvesting, processing and marketing of marine resources. The group's principal operations are catching, processing and marketing of pelagic (pilchards and anchovy), west coast rock lobster, south coast rock lobster, squid and hake. The group also earns rental income by renting out its warehousing facilities through which it offers cold and dry storage for clients. The group is also involved in aquaculture (abalone farming) as well as the manufacture of environmental friendly fertiliser products (organic liquid fertiliser).

During the current year, PFB was listed on the main board of the Johannesburg Stock Exchange ("JSE") on 2 March 2017. On 2 March 2017, an additional 117 000 000 ordinary shares were issued to the public in a private placement as part of the Company's capital raising and the listing of the Company on the main board of the Johannesburg Stock Exchange (JSE).

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA financial reporting guides issues by the Accounting Practices Committee, the Listings Requirements of the JSE Limited and the Companies Act. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in the annual financial statements. Refer to the company's website www.premierfishing.co.za for the consolidated financial statements and the integrated report of the group.

3. CORPORATE GOVERNANCE

The directors subscribe to the principles incorporated in King IV™ Report on Corporate Governance for South Africa 2016 (King IV™) and save as disclosed in the corporate governance review, have complied as far as practical with principles contained therein throughout the reporting period. The directors recognise the need to conduct the Company with integrity and in accordance with generally accepted corporate practices. The Board and the Board committees have reviewed the Company's corporate governance policies and procedures in the current year and no issues were identified.

Refer to the company's website www.premierfishing.co.za for the full report on King IV™.

4. GOING CONCERN

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual separate financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

5. EVENTS AFTER THE REPORTING PERIOD

The Company, through its subsidiary Premier Fishing SA (Pty) Ltd, has entered into a binding Heads of Agreement with Talhado Fishing Enterprises (Pty) Ltd to acquire a 50,01% stake in their business. The effective date of the transaction is 30 November 2017 subject to the conditions precedent in the Heads of Agreement. The business is one of the largest squid players in the South African market and the acquisition fits in line with our growth strategy to expand organically or through acquisitive growth. This acquisition will also increase the diversification of our product basket.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

6. SHARE CAPITAL

Refer to note 7 of the annual financial statements for detail of the movement in authorised and issued share capital.

7. DIVIDENDS

A final dividend of 15 cents per share was approved by the board of directors on 19 October 2017 in South African Rand in respect of the year ended 31 August 2017. The dividend is payable on 5 February 2018 to shareholders recorded in the register of the Company at close of business on 30 January 2018.

8. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the audit and risk committee, as required in section 94(7)(f) of the Companies Act, is set out on page 2 of these financial statements.

9. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

The board of directors believes that the committee has satisfied its responsibilities for the year in compliance with the terms of reference of the Companies Act.

10. DIRECTORATE

The directors in office at the date of this report are as follows:

Director	Office	Designation	Date of appointment
MS Saban	Chief executive officer	Executive	1 February 2017
IT Bundo	Chief financial officer	Executive	1 February 2017
R Isaacs	Sales and marketing director	Executive	1 February 2017
Prof VC Mehana	Chairman	Non-executive	1 February 2017
K Abdulla	Deputy Chairman	Non-executive	1 December 2008
S Young	–	Non-executive	1 February 2017
CF Hendricks	–	Non-executive	6 July 2009
AB Amod	–	Non-executive	13 January 2014
TT Hove	–	Non-executive	1 February 2017
RP Mosia	–	Non-executive	1 February 2017
CL Van der Venter	–	Non-executive	1 February 2017
AW Johnson	–	Non-executive	1 February 2017
LS Naidoo	–	Non-executive	1 February 2017
FEC Brand	–	Non-executive	1 February 2017

DIRECTORS' REPORT continued

11. LIQUIDITY AND SOLVENCY

The directors have performed the required liquidity and solvency tests required by the Companies Act as amended for the Company. The directors are satisfied that the Company is solvent and have no reason to believe that the business will not be a going concern in the year ahead.

12. DIRECTORS' INTERESTS IN SHARES

Interest in share capital

Directors

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
Salim Young	50 000	–	–	–	0,01%
Clifford Leonard van der Venter	33 000	–	–	–	0,01%
Total	**83 000**	**–**	**–**	**–**	**0,02%**

These have been no changes in the directors' interest in shares between 1 September 2016 and the date of this report.

No director held shares in the Company in the prior year.

13. INTERESTS IN SUBSIDIARIES

Details of material interests in subsidiary companies are presented in note 3 of the annual financial statements. There were no significant acquisitions or divestitures during the year ended 31 August 2017.

14. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is African Equity Empowerment Investments Limited which holds 55% (2016: 100%) of the Company's equity. African Equity Empowerment Investments Limited is listed on the JSE Limited.

15. SECRETARY

The Company Secretary is Miss N Mbaliseli.

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8000

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Cape Town
8001

16. COMPANY SECRETARY

As required by JSE Listings Requirement 3.84(i), the Board has satisfied itself that the Company Secretary has the appropriate expertise, competence and experience. The company secretary is accountable to the Board and the following duties, among other things, were carried out:

- guidance to the directors in terms of their duties, responsibilities, powers, training and induction of the responsibilities and liabilities under the Companies Act;
- making the Board aware of any law relevant to and/or affecting the Company;
- preparation of Board packs and recording of proper detailed minutes of meetings;
- ensuring proper and orderly conduct at all Board, committee and annual general meetings;
- disclosure of corporate actions of SENS announcements and directors' dealings in securities;
- preparation and timeous delivery of the integrated report and annual general meeting notice and proxy to shareholders;
- compliance with JSE Listings Requirements and the Companies Act; and
- updated Board policies, Board charters in compliance with statutory, regulatory and legislative requirements.

All directors have access to the advice and services of the company secretary. The Board considered the competence, qualifications and experience of the company secretary and is satisfied that they are appropriate. This was concluded after due assessment following a review by the remuneration committee of the Company regarding the Company Secretary's qualifications, experience and performance.

17. AUDITORS

The audit committee recommend that Grant Thornton Cape Inc. continue in office as the independent external auditors for the company and its subsidiaries in accordance with section 90 of the Companies Act.

PREMIER FISHING AND BRANDS LIMITED COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 August 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Investments in subsidiaries	3	**1 102 000**	1 014 000
Loan to Group company	4	**16 052**	–
		1 118 052	1 014 000
Current assets			
Trade and other receivables	5	**3 283**	**–**
Cash and cash equivalents	6	**508 595**	–
		511 878	–
Total assets		**1 629 930**	1 014 000
EQUITY AND LIABILITIES			
Equity			
Stated capital	7	**507 517**	–
Retained income		**883 287**	800 657
		1 390 804	800 657
Liabilities			
Non-current liabilities			
Loan from Group company	4	**1 688**	815
Deferred tax	8	**232 240**	212 528
		233 928	213 343
Current liabilities			
Trade and other payables	9	**200**	–
Current tax payable	10	**4 998**	–
		5 198	–
Total liabilities		**239 126**	213 343
Total equity and liabilities		**1 629 930**	1 014 000

PREMIER FISHING AND BRANDS LIMITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 August 2017

	Notes	2017 R'000	2016 R'000
Revenue	11	**50 310**	24 000
Fair value adjustments	12	**88 000**	603 250
Other operating expenses		**(868)**	(29)
Operating profit		**137 442**	627 221
Finance costs	13	**(102)**	(78)
Profit before taxation		**137 340**	627 143
Taxation	14	**(24 710)**	(148 093)
Profit for the year		**112 630**	479 050
Other comprehensive income		**–**	–
Total comprehensive income for the year		**112 630**	479 050

PREMIER FISHING AND BRANDS LIMITED COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2017

	Stated capital R'000	Retained income R'000	Total equity R'000
Balance at 1 September 2015	–	345 607	345 607
Profit for the year	–	479 050	479 050
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	479 050	479 050
Dividends	–	(24 000)	(24 000)
Total contributions by and distributions to owners of Company recognised directly in equity	–	(24 000)	(24 000)
Balance at 1 September 2016	–	800 657	800 657
Profit for the year	**–**	**112 630**	**112 630**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**112 630**	**112 630**
Issue of shares	**526 500**	**–**	**526 500**
Share issue costs	**(18 983)**	**–**	**(18 983)**
Dividends	**–**	**(30 000)**	**(30 000)**
Total contributions by and distributions to owners of Company recognised directly in equity	**507 517**	**(30 000)**	**477 517**
Balance at 31 August 2017	**507 517**	**883 287**	**1 390 804**
Note	7		

PREMIER FISHING AND BRANDS LIMITED COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2017

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash receipts from customers		**15 835**	–
Cash paid to suppliers		**(19 786)**	–
Cash used in operations	15	**(3 951)**	–
Interest income		**19 118**	–
Net cash from operating activities		**15 167**	–
Cash flows from investing activities			
Loans advanced to Group company		**(29 229)**	–
Loan to Group company repaid		**15 140**	–
Net cash to investing activities		**(14 089)**	–
Cash flows from financing activities			
Proceeds on share issue	7	**526 500**	–
Share issue costs	7	**(18 983)**	–
Net cash from financing activities		**507 517**	–
Total cash movement for the year		**508 595**	
Total cash at end of the year	6	**508 595**	–

PREMIER FISHING AND BRANDS LIMITED COMPANY ACCOUNTING POLICIES

for the year ended 31 August 2017

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa, as amended.

The annual financial statements have been prepared on the historical cost basis, except where otherwise stated, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.2 Investments in subsidiaries

Investments in subsidiaries are carried at fair value through profit or loss.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Key sources of estimation uncertainty
Fair value estimation
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting period. Discounted cash flows are used to determine fair value for the investments in subsidiaries. The use of a discounted cash flow analysis requires the estimation of a number of significant components, including the future expected cash flows, and the weighted average cost of capital used to perform the discounting. Many of these factors may have a material impact on the valuation.

Impairment testing
Assets are subject to regular impairment reviews as required. Impairments are measured at the difference between the carrying value of a particular asset and the recoverable amount which is the greater of the fair value less cost to sell or value-in-use of the asset. Impairments are recorded in the statement of comprehensive income in the period in which they occur.

Investment in subsidiaries
Valuation Method
An entity discounted cash flow (DCF) valuation technique is used for all unlisted investments that are held at fair value and for which there is no active market. Price/earnings valuations are not as accurate and are thus only used as a secondary review.

Application of methodology
Free cash flow (FCF) forecasts are prepared year-by-year for a minimum of a three-year period and for high-growth companies year-by-year forecasts for a period of five to ten-year period are prepared, where after a terminal value will be calculated.

Terminal value growth rates
When calculating the terminal value, growth rates in excess of the current inflation rate are not utilised. Real growth beyond ten years is not likely, and even if likely is difficult to forecast with any certainty.

Terminal values
When calculating the terminal value, care is taken regarding the level of net capital investment assumed. This is assumed to be lower than during the specific forecast period for high growth companies. For mature, stable companies net capital investment during the specific forecast period and beyond is assumed to be the same.

Discount rate
Free cash flows are discounted at the company's weighted average cost of capital (WACC), being the weighted cost of equity (as determined using the capital asset pricing model (CAPM)) and the weighted after-tax cost of debt and/or any other non-equity form of financing.

Risk-free rate
The risk-free rate utilised is the current yield on R207 government bonds. These yields were obtained from the financial press at the time of preparing the valuations.

Beta
The equally-weighted average of the relevant industry betas together with professional judgement is used. The betas are calculated over a five-year period (where possible). This is assumed to provide a fair estimate of the Company's recent market risk.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.3 Significant judgements and sources of estimation uncertainty continued

Market risk premium
A market risk premium was utilised in all valuations.

Value of equity
The value of equity will be equal to the free cash flow value of the entity, less the statement of financial position values (at valuation date) of debt and any other form of financing, plus any cash on hand (per the statement of financial position) which is in excess of normal working capital requirements.

1.4 Financial instruments

Initial recognition and measurement
The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The Company's principle financial assets are investments, loans receivable, trade and other receivables and cash and cash equivalents. The company's principle financial liabilities are loan payables and trade payables.

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Loans to/(from) Group company
This includes loans to and from a subsidiary company and is recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The loan from Group company is measured at amortised cost.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade and other payables
Trade payables are initially measured at fair value plus transactions costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprises of short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

1.5 Tax

Current tax liabilities
Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities
Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses
Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

PREMIER FISHING AND BRANDS LIMITED COMPANY ACCOUNTING POLICIES continued

for the year ended 31 August 2017

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.6 Impairment of assets

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

1.7 Revenue

Interest revenue comprises of interest earned on bank accounts and interest earned on the loan to Group company. Interest revenue is recognised, in profit or loss, using the effective interest rate method.

Dividend income is recognised when the shareholder's right to receive payment is established.

1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.9 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and not adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Not applicable
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Not material
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	Not applicable
• Amendment to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	Not applicable
• Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption.	1 January 2016	Not applicable
• Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	1 January 2016	Not applicable
• Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	1 January 2016	Not applicable
• Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	1 January 2016	Not material
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	1 January 2016	Not material
• Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project	1 January 2016	Not applicable

2.2 Standards and interpretations not yet effective

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 16 Leases	1 January 2019	Not material
• IFRS 15 Revenue from Contracts with Customers	1 January 2017	Impact is currently being assessed
• IFRS 9 Financial Instruments	1 January 2018	Not material
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2019	Impact is currently being assessed
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	Impact is currently being assessed
• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Not material
• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	Not applicable
• Amendments to IAS 7: Disclosure initiative	1 January 2017	Not material
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	Not material
• IFRIC 23: Uncertainty over income tax treatments	1 January 2019	Not material

PREMIER FISHING AND BRANDS LIMITED COMPANY NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 August 2017

3. INTERESTS IN SUBSIDIARIES

Name of Company	Held by	Percentage holding 2017	Percentage holding 2016
Sekfish Investments Proprietary Limited	Sekunjalo Food and Fishing Proprietary Limited	**100**	100
Premier Fishing SA Proprietary Limited	Sekfish Investments Proprietary Limited	**100**	100
Marine Growers Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
Premfresh Seafoods Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
Kuttlefish Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
Atlantic Fishing Enterprises Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
Chapman's Peak Fisheries Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
John Quality Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
John Ovenstone Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
Fish Drying Corporation Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
Seagro Fertilisers Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100
Southern Sea Fishing Proprietary Limited	Premier Fishing SA Proprietary Limited	**100**	100

The following table lists the entity which is controlled directly by the Company, and the carrying amount of the investment. The investment in the subsidiary has been designated as at fair value through profit and loss.

Company

Name of Company	Percentage holding 2017	Percentage holding 2016	Carrying amount 2017	Carrying amount 2016
Sekunjalo Food and Fishing Proprietary Limited	**100**	100	**1 102 000**	1 014 000

Fair value information

Refer to note 18 for more detail on the fair value information

Reconciliation of investments in subsidiaries – Company

Below is a reconciliation of the movement in the carrying value of investments in subsidiaries:

	2017 R'000	2016 R'000
Opening balance	**1 014 000**	410 750
Change in fair values	**88 000**	603 250
Closing balance	**1 102 000**	1 014 000

For the consolidated financial statements of the Group and the integrated report, refer to the Company website www.premierfishing.co.za

	2017 R'000	2016 R'000
4. LOANS TO/(FROM) GROUP COMPANY		
Subsidiary		
Premier Fishing SA Proprietary Limited	**16 052**	–
Interest is charged at the prime overdraft rate. The loan is unsecured and has no fixed terms of repayment. Premier Fishing and Brands Limited has granted to Premier Fishing SA Proprietary Limited an unconditional right to defer payment of the outstanding amount for at least 12 months from the statement of financial position date.		
Premier Fishing SA Proprietary Limited	**(1 688)**	(815)
Interest is charged at the prime overdraft rate. The loan is unsecured. Premier Fishing SA Proprietary Limited has granted to Premier Fishing and Brands Limited an unconditional right to defer payment of the outstanding amount for at least 12 months from the statement of financial position date.		
	14 364	(815)
Non-current assets	**16 052**	–
Non-current liabilities	**(1 688)**	(815)
	14 364	(815)
5. TRADE AND OTHER RECEIVABLES		
Accrued interest	**3 283**	–

The interest is receivable from ABSA Bank Limited ("ABSA"). ABSA is a reputable banking institution and its credit quality is considered to be high with a credit rating of BBB. The credit quality of the accrued interest receivable is therefore considered to be high.

	2017 R'000	2016 R'000
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	**508 595**	–

Credit quality of cash at bank and short-term deposits, excluding cash on hand

Cash and cash equivalents are held with Absa. This is a reputable banking institution and its credit quality is considered to be high.

	2017 R'000	2016 R'000
Credit rating		
Absa Bank Limited BBB	**508 595**	–

	2017	2016
7. STATED CAPITAL		
Authorised shares		
Ordinary shares	**2 000 000 000**	1 000
Issued shares		
Ordinary shares	**260 000 000**	100
Reconciliation of number of shares issued:		
Opening balance	**100**	100
Shares split	**142 999 900**	–
Issue of shares – ordinary shares	**117 000 000**	–
	260 000 000	100

	2017 R'000	2016 R'000
Issued capital		
260 000 000 ordinary shares of no par value (2016: 100 ordinary shares of R1,00 each)	**526 500**	–
Capitalised share issue costs	**(18 983)**	–
	507 517	–

At the end of the 2016 financial year, there were 100 shares in issue of R1,00 each.

On 1 February 2017, the share capital of Premier Fishing and Brands Limited was altered by:

- converting the entire authorised and issued share capital from par value shares of R1,00 each into no par value shares;
- increasing the authorised share capital from 1 000 ordinary shares of R1,00 each into 2 000 000 000 ordinary no par value shares; and
- subdividing each share in the Company's authorised and issued share capital into 1 430 000 shares.

The authorised share capital of the Company is 2 000 000 000 ordinary shares of no par value.

On 2 March 2017, an additional 117 000 000 ordinary shares were issued to the public on a private placement as part of the capital raising exercise and the listing of the Company on the main board of the Johannesburg Stock Exchange (JSE).

On 31 August 2017, the issued share capital of the Company was 260 000 000 ordinary shares of no par value. (2016: 100 ordinary shares of R1,00 each)

	2017 R'000	2016 R'000
8. DEFERRED TAX		
Deferred tax liability		
Fair value adjustment on investment in subsidiary	**(232 240)**	(212 528)
Reconciliation of the deferred tax liability		
At beginning of year	**(212 528)**	(64 436)
Increase due to change in capital gains tax rate	**–**	(12 964)
Fair value adjustment on investments in subsidiary	**(19 712)**	(135 128)
	(232 240)	(212 528)

PREMIER FISHING AND BRANDS LIMITED COMPANY NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 August 2017

	2017 R'000	2016 R'000
9. TRADE AND OTHER PAYABLES		
Accrued sponsor fees	**25**	–
Accrued audit fees	**175**	–
	200	–
Trade payables are interest free and have payment terms of 30 days		
The carrying value of trade payables approximate fair value due to their short-term nature		
10. TAX PAID		
Current tax for the year recognised in profit or loss	**(4 998)**	–
Balance at end of the year	**4 998**	–
	–	–
11. REVENUE		
Interest income – Bank	**19 118**	–
Dividends received	**30 000**	24 000
Interest income – Group company	**1 192**	–
	50 310	24 000
12. FAIR VALUE ADJUSTMENTS		
Investment in subsidiary	**88 000**	603 250
13. FINANCE COSTS		
Group company	**102**	78
14. TAXATION		
Major components of the tax expense		
Current		
South African normal taxation	**4 998**	–
Deferred		
Originating and reversing temporary differences	**19 712**	135 128
Changes in tax rates	**–**	12 965
	19 712	148 093
	24 710	148 093
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	**28,00%**	28,00%
Fair value adjustment on investment in subsidiary taxed at CGT rate	**(3,59%)**	(5,38%)
Change in capital gains tax rate	**–**	2,07 %
Dividends received not taxable	**(6,12%)**	(1,08%)
Utilisation of previous unrecognised tax loss	**(0,30%)**	–
	17,99%	23,61%

	2017 R'000	2016 R'000

15. CASH USED IN OPERATIONS

	2017 R'000	2016 R'000
Profit before taxation	**137 340**	627 143
Adjustments for:		
Dividend income	**(30 000)**	(24 000)
Interest received	**(20 310)**	–
Finance costs	**102**	78
Fair value adjustments on investment in subsidiary	**(88 000)**	(603 250)
Changes in working capital:		
Trade and other receivables	**(3 283)**	–
Trade and other payables	**200**	29
	(3 951)	–

16. COMMITMENTS

	2017 R'000	2016 R'000
Authorised capital expenditure		
Not yet contracted for and authorised by directors	**223 000**	12 519

This committed expenditure relates to the abalone farm expansion and the acquisition of a fishmeal plant in the subsidiary companies. The expenditure will be financed by available finance resources.

17. EVENTS AFTER THE REPORTING PERIOD

The Company, through its subsidiary Premier Fishing SA Proprietary Limited, has entered into a binding Heads of Agreement with Talhado Fishing Enterprises Proprietary Limited to acquire a 50,01% stake in their business. The effective date of the transaction is 30 November 2017, subject to the conditions precedent in the Heads of Agreement. The business is one of the largest squid players in the South African market and the acquisition fits in line with our growth strategy to expand organically or through acquisitive growth. This acquisition will also increase the diversification of our product basket.

18. RELATED PARTIES

Relationships

Ultimate holding Company	African Equity Empowerment Investments Limited
Subsidiaries	Refer to note 3
Directors	Refer to Director's report
Members of key management	Mogamat Samir Saban
	Isaiah Tatenda Bundo
	Shaun Bhana
	Rushaan Isaacs
	Shaun Solomon
	Jean-Pierre Coetzer

	2017 R'000	2016 R'000
Related party balances		
Loan receivable from related party		
Premier Fishing SA Proprietary Limited	**16 052**	–
Loan payable to related party		
Premier Fishing SA Proprietary Limited	**1 688**	815
Related party transactions		
Interest received from related party		
Premier Fishing SA Proprietary Limited	**1 192**	–
Dividends received from related party		
Premier Fishing SA Proprietary Limited	**30 000**	24 000
Dividends paid to related party		
African Equity Empowerment Investments Limited	**30 000**	24 000
Listing fees paid to related party		
African Equity Empowerment Investments Limited	**6 000**	–
Interest paid to related party		
Premier Fishing SA Proprietary Limited	**102**	78

Directors interests in shares	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
Salim Young	**50 000**	–	–	–	**0.01**
Clifford van der Venter	**33 000**	–	–	–	**0.01**
	83 000	–	–	–	**0.02**

19. DIRECTORS' EMOLUMENTS

Executive directors

2017	Salary	Bonus	Provident fund	Total
R Isaacs	**614**	**113**	**67**	**794**
IT Bundo	**790**	**150**	**92**	**1 032**
MS Saban	**1 266**	**315**	**139**	**1 720**
Total	**2 670**	**578**	**298**	**3 546**
2016				
R Isaacs	573	106	62	742
IT Bundo	617	115	72	803
MS Saban	1 103	318	120	1 541
Total	2 293	539	254	3 086

The executive directors' emoluments were paid by the subsidiary Premier Fishing SA Proprietary Limited.

Non-executive directors

2017	Salary	Bonus	Provident fund	Medical aid	Directors' fees	Total
CF Hendricks	**801**	**205**	**118**	**63**	**–**	**1 187**
Prof VC Mehana	**–**	**–**	**–**	**–**	**110**	**110**
K Abdulla	**–**	**–**	**–**	**–**	**–**	**–**
S Young	**–**	**–**	**–**	**–**	**75**	**75**
AB Amod	**–**	**–**	**–**	**–**	**75**	**75**
TT Hove	**–**	**–**	**–**	**–**	**–**	**–**
RP Mosia	**–**	**–**	**–**	**–**	**75**	**75**
CL van der Venter	**–**	**–**	**–**	**–**	**75**	**75**
AW Johnson	**–**	**–**	**–**	**–**	**–**	**–**
LS Naidoo	**–**	**–**	**–**	**–**	**–**	**–**
FEC Brand	**–**	**–**	**–**	**–**	**–**	**–**
Total	**801**	**205**	**118**	**63**	**410**	**1 597**
2016						
K Abdulla	–	–	–	–	–	–
CF Hendricks	748	200	110	59	–	1 117
AB Amod	–	–	–	–	–	–
Total	748	200	110	59	–	1 117

The emoluments for Miss CF Hendricks are paid by Premier Fishing SA Proprietary Limited on behalf of African Equity Empowerment Investments Limited.

20. FINANCIAL RISK MANAGEMENT

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares or reduce debt.

The Company monitors capital on the basis of the net interest borrowing debt as a percentage of equity.

This percentage is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position). Total equity is represented in the statement of financial position. The net debt to equity percentage during 2017 was less than 1%.

Financial risk management

The Group is exposed to a number of financial instrument related risks. The Group has trade receivables, cash and cash equivalents and loans receivable which give rise to credit risk and interest rate risk. The Group has trade payables, loans payable and other financial liabilities which give rise to liquidity risk and interest rate risk. The Group also has trade receivables and cash equivalents denominated in foreign currencies which give rise to foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Company manages liquidity risk by effectively managing its cash flows and working capital. The Company meets its financing requirements through the use of available cash resources.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations.

	Up to one year	Between two to five-years	Total
At 31 August 2017			
Loan from Group company	**–**	**1 688**	**1 688**
Trade payables	**200**	**–**	**200**
At 31 August 2016			
Loan from Group company	–	815	815

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company has no significant concentration of interest rate risk.

At 31 August 2017, if interest rates had been 0,5% higher or lower with all other variables held constant, post-tax profit for the year would have been R871 233 higher or lower, based on average interest rate for the year.

20. **FINANCIAL RISK MANAGEMENT** CONTINUED

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Premier Fishing SA Proprietary Limited	**10.25%**			**1 688**		

Credit risk

Credit risk is the risk that one counter party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk consists mainly of trade receivables, cash and cash equivalents and loans and other receivables.

Trade receivables are comprised of accrued interest receivable from ABSA Bank Limited ("ABSA"). ABSA is a reputable banking institution and its credit quality is considered to be high with a credit rating of BBB. The credit quality of the accrued interest receivable is therefore considered to be high.

The Company only deposits cash with major banks that have a good reputation and a high quality credit standing. Loans and other receivables are comprised of advances to Group company. The Company assesses the trading performance of the Group company before making advances. Advances are made on the strength of the counterparty's trading performance and forecast cash flows. Loans and other receivables are carefully monitored for impairment.

Financial assets exposed to credit risk at period end were as follows:

	2017 R'000	2016 R'000
Financial instrument		
Loans to Group company	**16 052**	–
Trade and other receivables	**3 283**	–
Cash and cash equivalents	**508 595**	–

21. FAIR VALUE INFORMATION

Fair value hierarchy

Financial assets, financial liabilities and non-financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The following table shows the carrying amounts and fair values of non-financial assets measured at fair value, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Levels of fair value measurements

Level 3

Recurring fair value measurements

Assets	Notes	2017 R'000	2016 R'000
Investments in subsidiaries at fair value	3		
Investments in unlisted subsidiaries		**1 102 000**	1 014 000
Total		**1 102 000**	1 014 000

There were no transfers of assets and liabilities between levels 1, 2 or 3 of the fair value hierarchy.

21. **FAIR VALUE INFORMATION** CONTINUED

Reconciliation of assets and liabilities measured at level 3

	Notes	Opening balance R'000	Gains recognised in profit or loss R'000	Closing balance R'000
2017				
Assets				
Investments in subsidiaries at fair value	3			
Investments in unlisted subsidiaries		**1 014 000**	**88 000**	**1 102 000**
Total		**1 014 000**	**88 000**	**1 102 000**
2016				
Assets				
Investments in subsidiaries at fair value	3			
Investments in unlisted subsidiaries		410 750	603 250	1 014 000
Total		410 750	603 250	1 014 000

Financial instruments measured at cost for which a fair value is disclosed

Financial instruments that are not measured at fair value, namely trade and other receivables, cash and cash equivalents, and loans receivable are classified as loans receivable. It has been concluded that the carrying amount of these assets approximate their fair values.

Financial liabilities that are not measured at fair value, namely loans, and trade and other payables, are categorised as other financial liabilities. It has been concluded that the carrying amount of these liabilities approximate fair value.

Information about valuation techniques and inputs used to derive level 3 fair values

Investments in subsidiaries

The value of investments in subsidiaries is determined using a discounted cash flow technique. A capital asset pricing model is used in which the present value of expected cash flows of the subsidiaries are determined. The expected cash flows are determined by considering the current and planned operational activities of each subsidiary.

For the subsidiary Premier Fishing SA Proprietary Limited a gross profit percentage of 46,84%, terminal growth rate of 4,5% and a Weighted Average Cost of Capital of 14,17% was used in the valuation model.

For the subsidiary Premfresh Seafoods Proprietary Limited a gross profit percentage of 12,78%, a terminal growth rate of 4,5% and a Weighted Average Cost of Capital of 22,60% was used in the valuation model.

For the subsidiary Marine Growers Proprietary Limited a gross profit percentage of 56,55%, terminal growth rate of 4,5% and a Weighted Average Cost of Capital of 18,67% was used in the valuation model.

The potential effect of using reasonably possible alternative assumptions in the valuation, based on a change on the most significant input by 1% while holding all other variables constant, is shown in the following table:

	PROFIT AFTER TAX	
	1% increase R'000	1% decrease R'000
Terminated growth rate	**132 243**	**(132 243)**
Weighted Average Cost of Capital	**(150 091)**	**150 091**
Gross Profit	**60 438**	**(60 438)**

Valuation processes applied by the Company

The fair value calculations of Investments in Subsidiaries are performed by the Company's finance department and operations team on a yearly basis. The valuation reports are discussed with the audit committee in accordance with the Company's reporting policies.

22. CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	Debt instruments at amortised cost	Financial liabilities at amortised cost	Equity and non-financial assets and liabilities	Total
2017					
Assets					
Non-current assets					
Investments in subsidiary	3	–	–	1 102 000	1 102 000
Loans to Group company	4	16 052	–	–	16 052
		16 052	–	1 102 000	1 118 052
Current assets					
Trade and other receivables	5	3 283	–	–	3 283
Cash and cash equivalents	6	508 595	–	–	508 595
		511 878	–	–	511 878
Total assets		527 930	–	1 102 000	1 629 930
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent:					
Share capital	7	–	–	507 517	507 517
Retained income		–	–	883 287	883 287
		–	–	1 390 804	1 390 804
Total equity		–	–	1 390 804	1 390 804
Liabilities					
Non-current liabilities					
Loan from Group company	4	–	1 688	–	1 688
Deferred tax	8	–	–	232 240	232 240
		–	1 688	232 240	233 928
Current liabilities					
Trade and other payables	9	–	200	–	200
Current tax payable	10	–	–	4 998	4 998
		–	200	4 998	5 198
Total liabilities		–	1 888	237 238	239 126
Total equity and liabilities		–	1 888	1 628 042	1 629 930

22. **CATEGORIES OF FINANCIAL INSTRUMENTS** CONTINUED

	Notes	Debt instruments at amortised cost	Financial liabilities at amortised cost	Equity and non-financial assets and liabilities	Total
2016					
Assets					
Non-current assets					
Investments in subsidiary	3	–	–	1 014 000	1 014 000
Total assets		**–**	**–**	**1 014 000**	**1 014 000**
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent:					
Retained income	16	–	–	800 657	800 657
Total equity		**–**	**–**	**800 657**	**800 657**
Liabilities					
Non-current liabilities					
Loan from Group company	4	–	815	–	815
Deferred tax	8	–	–	212 528	212 528
		–	**815**	**212 528**	**213 343**
Total liabilities		**–**	**815**	**212 528**	**213 343**
Total equity and liabilities		**–**	**815**	**1 013 185**	**1 014 000**