

SUMMARISED  
CONSOLIDATED  
AUDITED  
RESULTS  
**2017**

FOR THE YEAR ENDED 30 SEPTEMBER

# SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2017

	Notes	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000	Change %
<b>Revenue</b>		<b>6 807 927</b>	8 243 988	(17)
Cost of sales		<b>4 360 013</b>	5 051 014	(14)
Gross profit		<b>2 447 914</b>	3 192 974	(23)
Sales and distribution expenditure		<b>548 078</b>	599 036	(9)
Marketing expenditure		<b>48 299</b>	62 702	(23)
Overhead expenditure		<b>795 533</b>	1 022 029	(22)
Net foreign exchange loss/(gain)		<b>60 940</b>	(72 723)	(184)
<b>Operating profit before associate and joint venture income</b>		<b>995 064</b>	1 581 930	(37)
Associate and joint venture income		<b>6 364</b>	47 561	(87)
<b>Operating profit before other operating items</b>		<b>1 001 428</b>	1 629 491	(39)
Other operating income/(expense) items	3	<b>8 701</b>	100 187	(91)
<b>Operating profit</b>		<b>1 010 129</b>	1 729 678	(42)
Investment income		<b>29 248</b>	22 089	32
Interest paid		<b>(372 405)</b>	(385 202)	(3)
<b>Profit before taxation</b>		<b>666 972</b>	1 366 565	(51)
Taxation		<b>187 622</b>	408 276	(54)
<b>Profit after taxation</b>		<b>479 350</b>	958 289	(50)
<b>Other comprehensive (loss)/income</b>				
Items that may be reclassified subsequently to profit or loss:				
Movement on foreign currency translation reserve		<b>(145 763)</b>	716	
Movement on foreign currency translation reserve from associate and joint ventures		<b>(8 234)</b>	(24 847)	
Movement on cash flow hedging reserve		<b>9 438</b>	(49 517)	
Movement on fuel hedging reserve		<b>70</b>	1 757	
Income tax related to loss recognised in equity		<b>70</b>	2 508	
<b>Other comprehensive loss, net of taxation</b>		<b>(144 489)</b>	(69 383)	
<b>Total comprehensive income for the year</b>		<b>334 861</b>	888 906	(62)
<b>Profit after taxation attributable to:</b>				
Shareholders of Oceana Group Limited		<b>468 310</b>	916 446	(49)
Non-controlling interests		<b>11 040</b>	41 843	(74)
		<b>479 350</b>	958 289	(50)
<b>Total comprehensive income attributable to:</b>				
Shareholders of Oceana Group Limited		<b>323 821</b>	847 063	(62)
Non-controlling interests		<b>11 040</b>	41 843	(74)
		<b>334 861</b>	888 906	(62)
<b>Earnings per share (cents)</b>				
– Basic		<b>401.3</b>	785.8	(49)
– Diluted		<b>366.5</b>	715.5	(49)

# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2017

	Notes	Audited 30 Sept 2017 R'000	Audited 30 Sept 2016 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>6 493 594</b>	6 735 686
Property, plant and equipment		<b>1 604 099</b>	1 669 373
Intangible assets		<b>4 434 878</b>	4 605 275
Derivative assets	4	<b>1 837</b>	7 636
Deferred taxation		<b>27 616</b>	27 714
Investments and loans		<b>425 164</b>	425 688
<b>Current assets</b>			
		<b>3 549 631</b>	4 371 115
Inventories		<b>1 201 049</b>	1 393 337
Accounts receivable		<b>1 071 444</b>	1 551 170
Taxation		<b>55 098</b>	113 666
Cash and cash equivalents		<b>1 222 040</b>	1 312 942
<b>Total assets</b>			
		<b>10 043 225</b>	11 106 801
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
		<b>3 756 629</b>	4 007 699
Stated capital		<b>1 184 194</b>	1 188 680
Foreign currency translation reserve		<b>265 912</b>	419 909
Capital redemption reserve			130
Cash flow hedging reserve		<b>(12 148)</b>	(21 656)
Share-based payment reserve		<b>92 586</b>	102 083
Distributable reserves		<b>2 134 148</b>	2 215 919
Interest of own shareholders		<b>3 664 692</b>	3 905 065
Non-controlling interests		<b>91 937</b>	102 634
<b>Non-current liabilities</b>			
		<b>3 924 245</b>	5 121 783
Liability for share-based payments		<b>17 019</b>	100 126
Long-term loan		<b>3 209 875</b>	4 145 142
Derivative liabilities	5	<b>6 283</b>	176 301
Deferred taxation		<b>691 068</b>	700 214
<b>Current liabilities</b>			
		<b>2 362 351</b>	1 977 319
Accounts payable and provisions		<b>1 221 941</b>	1 341 938
Current portion – long-term loan		<b>954 026</b>	584 652
Current portion – derivative liabilities	5	<b>164 181</b>	
Taxation		<b>22 203</b>	50 729
<b>Total equity and liabilities</b>			
		<b>10 043 225</b>	11 106 801



# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2017

	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000
<b>Balance at the beginning of the year</b>	<b>4 007 699</b>	3 564 286
Total comprehensive income for the year	<b>334 861</b>	888 906
Profit after taxation	<b>479 350</b>	958 289
Movement on foreign currency translation reserve	<b>(145 763)</b>	716
Movement on foreign currency translation reserve from associate and joint ventures	<b>(8 234)</b>	(24 847)
Movement on cash flow hedging reserve	<b>9 438</b>	(49 517)
Movement on fuel hedging reserve	<b>70</b>	1 757
Income tax related to loss recognised in equity	<b>70</b>	2 508
Decrease in treasury shares held by share trusts	<b>1 235</b>	1 281
Share-based payment expense	<b>9 664</b>	28 973
Share-based payment exercised	<b>(24 740)</b>	
Profit on sale of treasury shares	<b>1 153</b>	1 136
Non-controlling interest on disposal of business	<b>(29 734)</b>	(56)
Oceana Empowerment Trust dividend distribution	<b>(543 509)</b>	(24 632)
Dividends	<b>(543 509)</b>	(452 195)
<b>Balance at the end of the year</b>	<b>3 756 629</b>	4 007 699
Comprising:		
Stated capital	<b>1 184 194</b>	1 188 680
Foreign currency translation reserve	<b>265 912</b>	419 909
Capital redemption reserve	<b>130</b>	130
Cash flow hedging reserve	<b>(12 148)</b>	(21 656)
Share-based payment reserve	<b>92 586</b>	102 083
Distributable reserve	<b>2 134 148</b>	2 215 919
Non-controlling interests	<b>91 937</b>	102 634
<b>Balance at the end of the year</b>	<b>3 756 629</b>	4 007 699

# SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2017

Notes	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000
<b>Cash flow from operating activities</b>		
Operating profit before associate and joint venture income	995 064	1 581 930
Adjustment for non-cash and other items	151 605	144 647
<b>Cash operating profit before working capital changes</b>	<b>1 146 669</b>	<b>1 726 577</b>
Working capital changes	560 579	(95 483)
<b>Cash generated from operations</b>	<b>1 707 248</b>	<b>1 631 094</b>
Investment income received	37 966	86 470
Interest paid	(344 895)	(337 497)
Taxation paid	(148 456)	(707 658)
Special distribution of profits to Oceana Empowerment Trust Beneficiaries		(15 469)
Dividends paid	(573 243)	(476 827)
<b>Net cash inflow from operating activities</b>	<b>678 620</b>	<b>180 113</b>
<b>Cash outflow from investing activities</b>	<b>(191 097)</b>	<b>(56 352)</b>
Replacement capital expenditure	(139 746)	(196 424)
Expansion capital expenditure	(14 730)	(13 883)
Replacement of intangible assets	(38 772)	(31 281)
Proceeds on disposal of property, plant and equipment	15 900	1 382
(Payment)/proceeds on disposal of non-current assets held for sale	(2 900)	114 314
Proceeds on disposal of businesses		73 371
Movement on loans and advances	(11 167)	6 564
Increased contribution to joint venture		(10 078)
Decrease/(increase) of investment	318	(317)
<b>Cash (outflow)/inflow from financing activities</b>	<b>(553 613)</b>	<b>1 954</b>
Proceeds from issue of share capital	2 387	2 417
Short-term borrowings repaid	(831 260)	(281 438)
Long-term loan raised	300 000	300 000
Equity-settled share-based payment	(24 740)	
Cost associated with debt raising		(19 025)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(66 090)</b>	<b>125 715</b>
<b>Net cash and cash equivalents at the beginning of the year</b>	<b>1 312 942</b>	<b>1 181 273</b>
Effect of exchange rate changes	(24 812)	5 954
<b>Net cash and cash equivalents at the end of the year</b>	<b>1 222 040</b>	<b>1 312 942</b>

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2017

## 1. BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The summarised financial information was prepared under the supervision of the chief financial officer, I Soomra CA(SA).

The auditors, Deloitte & Touche, have issued their unmodified audit opinion on the consolidated financial statements for the year ended 30 September 2017. The audit was conducted in accordance with International Standards on Auditing. These preliminary summarised financial statements have been derived from the consolidated financial statements, with which they are consistent in all material respects. These preliminary summarised financial statements have been audited by the company's auditors who have issued an unmodified opinion. Copies of the audit reports and the full consolidated financial statements are available for inspection at the company's registered office. The audit report does not necessarily cover all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the company's website or from the registered office of the company.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

2017 Segment	Canned fish and fishmeal (Africa) R'000	Fishmeal and fish oil (USA) R'000	Horse mackerel and hake R'000	Lobster and squid R'000	Commercial cold storage and logistics R'000	Deferred taxation R'000	Financing <sup>3</sup> R'000	Total R'000
<b>2. SEGMENTAL RESULTS</b>								
<b>Operating results</b>								
<b>Revenue</b>	3 768 707	1 438 605	1 054 153	144 907	401 555			6 807 927
Operating profit before other operating items	276 622	390 230	197 559	37 827	99 190			1 001 428
Other operating items	11 601				(2 900)			8 701
<b>Operating profit</b>	288 223	390 230	197 559	37 827	96 290			1 010 129
Investment income	19 792	7	7 907	54	1 488			29 248
Interest paid	(277 276)	(88 843)	(6 027)	(37)	(222)			(372 405)
<b>Profit before taxation</b>	30 739	301 394	199 439	37 844	97 556			666 972
Taxation	(11 142)	94 333	59 886	10 540	34 005			187 622
<b>Profit after tax for the year</b>	41 881	207 061	139 553	27 304	63 551			479 350
The above profit for the year include the following:								
Depreciation and amortisation	61 170	95 187	55 834	2 741	20 906			235 838
<b>Statement of financial position</b>								
<b>Total assets</b>	1 888 696	5 964 460	545 056	39 322	241 036	27 616	1 337 039	10 043 225
<b>Total liabilities</b>	647 896	435 671	232 444	29 944	68 313	691 068	4 181 260	6 286 596
The above amounts of assets and liabilities includes the following:								
Interest in associate and joint ventures	127 530	182 209		1				309 740
<b>2017 Region</b>	South Africa and Namibia R'000	Other Africa R'000	North America R'000	Europe R'000	Far East R'000	Other R'000	Total R'000	
<b>Revenue<sup>1</sup></b>	3 641 248	412 486	1 137 749	753 315	623 775	239 354	6 807 927	
<b>Non-current assets<sup>2</sup></b>	888 863		5 150 114				6 038 977	

## 2. SEGMENTAL RESULTS continued

2016 Segment	Canned fish and fishmeal (Africa) R'000	Fishmeal and fish oil (USA) R'000	Horse mackerel and hake R'000	Lobster and squid R'000	Commercial cold storage and logistics R'000	Disposed operations <sup>4</sup>	Deferred taxation R'000	Financing <sup>3</sup> R'000	Total R'000
<b>Operating results</b>									
<b>Revenue</b>	4 275 576	1 930 923	1 227 310	136 622	434 780	238 777			8 243 988
Operating profit before other operating items	528 464	668 152	269 384	21 145	132 430	9 916			1 629 491
Other operating items	28 707		14 863	180	56 437				100 187
<b>Operating profit</b>	557 171	668 152	284 247	21 325	188 867	9 916			1 729 678
Investment income	18 413	68	2 919	312	377				22 089
Interest paid	(285 649)	(95 695)	(3 597)	(14)	(239)	(8)			(385 202)
<b>Profit before taxation</b>	289 935	572 525	283 569	21 623	189 005	9 908			1 366 565
Taxation	85 081	186 756	74 843	6 991	52 112	2 493			408 276
<b>Profit after tax for the year</b>	204 854	385 769	208 726	14 632	136 893	7 415			958 289
The above profit for the year includes the following:									
Depreciation and amortisation	62 771	104 210	62 857	2 904	26 203	1 440			260 385
<b>Statement of financial position</b>									
<b>Total assets</b>	2 500 368	6 301 086	550 458	40 958	268 871		27 714	1 417 346	11 106 801
<b>Total liabilities</b>	829 927	413 793	289 200	25 455	90 170		700 214	4 750 343	7 099 102
The above amounts of assets and liabilities include the following:									
Interest in associate and joint ventures	138 415	181 420	828	1					320 664
		South Africa and Namibia R'000	Other Africa R'000	North America R'000	Europe R'000	Far East R'000	Other R'000	Total R'000	
<b>Revenue<sup>1</sup></b>		4 305 056	480 669	1 218 840	1 139 988	959 091	140 344	8 243 988	
<b>Non-current assets<sup>2</sup></b>		873 666		5 400 982				6 274 648	

The segments have been identified based on both the geographic region of primary group operations and the different products sold and services rendered by the group.

Revenue excludes the following inter-segmental revenues in South Africa and Namibia which are eliminated on consolidation:

Canned fish and fishmeal R1.3 billion (2016: R1.2 billion), horse mackerel and hake R23.1 million (2016: R16.8 million) and commercial cold storage and logistics R68.3 million (2016: R108.0 million).

Notes:

<sup>1</sup> Revenue per region discloses the region in which product is sold and services rendered.

<sup>2</sup> Non-current asset per region discloses where the subsidiary is located, includes property, plant and equipment and intangible assets.

<sup>3</sup> Financing includes cash and cash equivalents and loans receivable and payable.

<sup>4</sup> Disposed operations includes segmental information pertaining to the French fries operation (Lamberts Bay Foods Limited) and the CCS fruit operation disposed of in the prior year.



# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000
<b>3. OTHER OPERATING INCOME/(EXPENSE) ITEMS</b>		
Transaction costs arising from business combination		(2 040)
Profit on the disposal of immovable property	<b>11 601</b>	
Loss on disposal of fishing vessel		(3 536)
(Loss)/profit on disposal of non-current assets held for sale <sup>1</sup>	<b>(2 900)</b>	74 836
Profit on disposal of business interests		31 521
Impairment of equipment		(594)
	<b>8 701</b>	100 187
<i>Note:</i>		
<sup>1</sup> The R2.9 million relates to a claim settled in the current year in relation to the prior year sale of the CCS fruit business.		
Transactions outside the ordinary course of business that are substantially capital or non-recurring in nature and are identified by management as warranting separate disclosure are disclosed under other operating items in the statement of comprehensive income. These comprise profits or losses on disposal and scrapping of property, plant and equipment, intangibles assets and non-current assets held for sale, impairments or reversal of impairments, profits or losses on disposal of investments, operations or subsidiaries and business combination related costs or gains.		
<b>4. DERIVATIVE ASSETS</b>		
Non-current		
<b>Interest rate caps held as hedging instruments</b>		
Opening balance	<b>7 636</b>	
Additions		18 569
Fair value adjustments recognised in profit or loss (ineffective portion)	<b>(243)</b>	(2 732)
Fair value adjustments recognised in other comprehensive income (effective portion)	<b>(5 556)</b>	(8 201)
<b>Closing balance</b>	<b>1 837</b>	15 837

Interest rate caps and swaps recorded in the cash flow hedging reserve, derivative assets and derivative liabilities are regarded as level 2 financial instruments. 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).

The fair value of interest rate caps and swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Interest rate caps were executed in the prior year, with a maturity date of 20 July 2018 and 20 July 2020. Interest rate caps were designated as cash flow hedges and executed to hedge the interest that is payable under various debt facilities with principal values of R1 810 million. The amount of the principal value designated as a hedged item is R980 million. Gains or losses on interest rate caps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income and are reclassified to profit or loss in the same period that the hedge cash flows affect profit or loss.

	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000
<b>5. DERIVATIVE LIABILITIES</b>		
Opening balance	<b>176 301</b>	209 963
Loss recognised in other comprehensive income	<b>246</b>	6 513
Gain recognised in profit or loss		(42 623)
Transferred to current liabilities	<b>(164 181)</b>	
Foreign currency translation adjustment	<b>(6 083)</b>	2 448
Closing balance	<b>6 283</b>	176 301
Put option		170 053
Interest rate swap	<b>6 283</b>	6 248
<b>Closing balance</b>	<b>6 283</b>	176 301

The put option recorded in derivative liabilities is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 financial instruments are those derived from inputs that are not based on observable market data (unobservable inputs). The fair value of the put option is determined using discounted cash flow analysis.

In terms of the Westbank operating agreement the remaining shareholders of Westbank Fishing Limited Liability Company ("Westbank") could put their 75% equity stake in Westbank to Daybrook Fisheries Incorporated ("Daybrook") or its nominee for a fixed price of USD31.5 million ("put option strike price"). Effective 1 November 2016, the Westbank Fishing Limited Liability Company exercised the put option in terms of the Westbank operating agreement. The exercise of the put option triggers the payment of the put option strike price plus the put option premium as well as any unpaid distributions on the put closing date, being 15 November 2017. The put option derivative liability amounting to R164.2 million has been classified as a current liability at 30 September 2017 due to the expected settlement thereof within 12 months from the end of the reporting date.

The put option liability was remeasured to fair value at 30 September 2017 by measuring the put option strike price plus the put premium to the fair value of Westbank Fishing Limited Liability Company. Westbank Fishing Limited Liability Company was valued using a discounted cash flow model and unobservable inputs including forecast annual revenue growth rates of 2.0% (2016: 1.8% to 2.0%), forecast EBITDA margin of 18.0% and 22.2% (2016: 22.6% to 25.6%) and a risk-adjusted discount rate of 7.8% (2016: 8.2%). A change in the discount rate by 1% would increase or decrease the fair value by R74.0 million (2016: R70.0 million). No fair value adjustment (2016: R42.6 million gain) was recognised in operating profit.

The notional principal amount of the interest rate swaps at 30 September 2017 amounts to R938 million (2016: R1 136 million). This comprises hedges on the term debt of R1 564 million (2016: R1 894 million). The swap is to hedge the interest that is payable under the debt facility. During the period a fair value loss of R0.2 million (2016: R6.5 million) was recognised in other comprehensive income.

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000
<b>6. DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE</b>		
<b>6.1 Seasonal fruit business (CCS)</b>		
The group disposed of the commercial cold storage fruit business in the prior year.		
Non-current assets held for sale		13 163
<b>Consideration (paid)/received</b>	<b>(2 900)</b>	69 609
Net (loss)/profit on disposal	<b>(2 900)</b>	56 446
<b>6.2 Vessel – Desert Rose</b>		
The group disposed of the Mfv Desert Rose fishing vessel in the prior year.		
Non-current assets held for sale		26 315
<b>Consideration received</b>		44 705
Net profit on disposal		18 390
<b>Net cash (outflow)/inflow from non-current assets held for sale</b>	<b>(2 900)</b>	114 314
	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000
<b>7. DETERMINATION OF HEADLINE EARNINGS</b>		
Profit after taxation attributable to shareholders of Oceana Group Limited	<b>468 310</b>	916 446
Adjusted for:		
Profit on the disposal of immovable property	<b>(11 601)</b>	
Insurance proceeds	<b>(998)</b>	(1 330)
Profit on disposal of non-current assets held for sale		(74 836)
Headline earnings adjustments – joint venture	<b>(1 144)</b>	(16 030)
Profit on disposal of business interests		(31 521)
Profit on change of interest in investment	<b>(122)</b>	
Impairment of equipment		594
Net loss on disposal of property, plant and equipment and intangible assets	<b>1 200</b>	7 030
Total non-controlling interest on above	<b>195</b>	4 362
Total tax effect of adjustments	<b>1 469</b>	15 593
<b>Headline earnings for the year</b>	<b>457 309</b>	820 308
<b>Headline earnings per share (cents)</b>		
– Basic	<b>391.9</b>	703.4
– Diluted	<b>357.9</b>	640.5
<b>8. DIVIDENDS</b>		
Estimated dividends declared after reporting date		416 519
Dividends per share (cents)	<b>90.0</b>	469.0
Number of shares in issue net of treasury shares	<b>116 753</b>	116 672

	Audited Year ended 30 Sept 2017 R'000	Audited Year ended 30 Sept 2016 R'000
<b>9. SUPPLEMENTARY INFORMATION</b>		
Amortisation	<b>57 568</b>	57 051
Depreciation	<b>178 270</b>	203 334
Operating lease charges	<b>129 059</b>	112 039
Share-based expenses	<b>2 187</b>	87 512
Cash-settled compensation scheme	<b>(7 475)</b>	58 539
Equity-settled compensation scheme	<b>8 999</b>	26 600
Oceana Empowerment Trust	<b>663</b>	2 373
Capital expenditure	<b>193 248</b>	241 588
Expansion	<b>14 730</b>	13 883
Replacement	<b>178 518</b>	227 705
Budgeted capital commitments	<b>161 047</b>	226 708
Contracted	<b>14 445</b>	25 386
Not contracted	<b>146 602</b>	201 322
	<b>Audited number of shares '000</b>	Audited number of shares '000
<b>10. ELIMINATION OF TREASURY SHARES</b>		
Weighted average number of shares in issue	<b>135 526</b>	135 526
Less: Weighted average treasury shares held by share trusts	<b>(13 732)</b>	(13 806)
Less: Weighted average treasury shares held by subsidiary company	<b>(5 094)</b>	(5 094)
Weighted average number of shares on which basic earnings per share and basic headline earnings per share are based	<b>116 700</b>	116 626
Weighted average number of shares on which diluted earnings per share and diluted headline earnings per share are based	<b>127 769</b>	128 076
<b>11. RELATED-PARTY TRANSACTIONS</b>		
The group entered into various transactions with related parties in the ordinary course of business, on an arm's-length basis. The nature of related-party transactions is consistent with those reported previously.		
<b>12. CONTINGENT LIABILITIES AND GUARANTEES</b>		
The group has given cross suretyships in support of bank overdraft facilities of certain subsidiaries and the company.		
<b>13. EVENTS AFTER THE REPORTING DATE</b>		
In terms of an addendum to the Westbank Fishing Limited Liability Company operating agreement entered into on 31 October 2017, the put closing date was extended to 15 February 2018 on which date the put option strike price (USD31.5 million) as well as any unpaid distributions will be due for payment. In addition it was agreed that the put option premium (USD15.0 million) will be paid no later than 15 January 2018. No other events occurred after the reporting date that may have an impact on the groups' reported financial position at 30 September 2017 or require separate disclosure in these financial statements.		

# COMMENTS

## FINANCIAL RESULTS

Oceana's financial performance for the year has primarily been impacted by a stronger rand, lower global fishmeal prices and a slowdown in South African consumer spend.

Group revenue, from continuing operations, decreased by 15% to R6 808 million (2016: R8 005 million). Revenue gains from improved pricing in most sectors has been materially offset by the negative effect of a stronger rand on export and foreign revenues, and lower global fishmeal and fish oil prices. US Dollar revenue for 2017 was converted at an average exchange rate of R13.37/USD compared to R14.79/USD for the comparative period.

Group operating profit before other operating items decreased by 39% to R1 001 million (2016: R1 629 million). This decrease is primarily attributed to the revenue impact discussed above, and was further exacerbated by an adverse movement in net foreign exchange, from a gain of R73 million in 2016 to a loss of R61 million in this reporting period. These movements were primarily due to the effects of forward exchange contracts to cover the cost of imported frozen fish for our canned fish business. In addition, material improvements in our cost base due to group-wide procurement efficiencies have been offset by reduced pilchard landings, and lower CCS occupancies in Gauteng.

Net interest expense for the year is R343 million (2016: R363 million). The average interest rate for all debt is currently 7.3% (2016: 7.1%).

Headline earnings for the year decreased by 44% compared to the prior year.

In the context of this year's performance relative to the level of gearing in the Group the board considers it prudent to conserve cash and forego the payment of a final dividend. It is anticipated that the Group will resume dividend payments in 2018.

## FINANCIAL POSITION AND CASH FLOW

Cash generated from operations for the period has increased to R1 707 million (2016: R1 631 million) due to a R656 million improvement in working capital utilisation offsetting the effect of lower operating profit. At year-end the group had positive cash balances of R1 222 million (2016: R1 313 million) of which R749 million (2016: R735 million) is held in dollar denominated accounts. At 30 September 2017 group net debt is R2 942 million (2016: R3 417 million) of which R949 million (2016: R1 099) million is denominated in US dollars. The net debt to EBITDA ratio at September 2017 was 2.4 times (2016: 1.7 times).

## REVIEW OF OPERATIONS

### Canned fish and fishmeal (Africa)

The canned fish business experienced declining sales volumes in the first half of the year reflecting both the nature of the trading environment and the timing effect of price increases in October 2016. Volumes in the second half improved on a relative basis reflecting strong demand into the last quarter of the 2017 calendar year. On an overall basis, including export volumes, 7.9 million cartons of canned fish were sold, compared to prior year's volumes of 9.4 million cartons. After adjusting for the impact on volumes of the price increase effect on October 2016, normalised volume decline is 6% on the prior year.

The 2017 South African Total Allowable Catch (TAC) for pilchard was decreased to 45 560 tons (2016: 64 928 tons) and the Namibian pilchard TAC for 2017 was maintained at 14 000 tons. A difficult catching environment in the second half of the year, resulted in an increased reliance on frozen fish imports to meet canned production demand. This ensured improved utilisation of local production capacity and the continuity of supply of Lucky Star product. While margins on canned product from imported fish are more challenging, good progress was made during the year in driving efficiencies in the supply chain and production processes. This had a positive impact on cannery overhead recoveries, and also increased the hours worked and wages earned by factory employees.

Profitability in the canned fish business was further impacted by foreign exchange losses of R77.4 million (2016: R66.1 million foreign exchange gain) attributed to forward exchange contracts to cover the cost of imported frozen fish.

While the pilchard resource remains under pressure, the South African anchovy resource recorded its highest recruitment level for 30 years, with the 2017 TAC increased to its maximum 450 000 tons (2016: 354 326 tons).

Landings of industrial fish to the group's fishmeal plants in South Africa and Angola were higher than prior year at 179 984 tons (2016: 162 169 tons) which together with improved oil yields resulted in higher production volumes. Despite the higher volumes, profitability declined due to the effect of the stronger rand and lower global fishmeal and fish oil prices as a consequence of higher global production, particularly in Peru.



### **Fishmeal and fish oil (USA)**

The 2017 Gulf Menhaden fishing season, which runs from April to the end of October, has seen landings of 735 million fish, an increase on the 686 million fish landed last year and is the second best seasonal catch on record.

Daybrook production of 55 406 tons fishmeal (2016: 50 994 tons) and 17 737 tons fish oil (2016: 27 545 tons) for the year resulted in a combined production yield of 32.8% (2016: 37.3%). Oil yields at 7.6% were below the 12.5% historical average.

Fishmeal and fish oil pricing has come under pressure, as indicated above, resulting in a decline in average realised prices by 4% for fishmeal and 13% for fish oil. Softer pricing, in addition to the material effect of reduced oil volumes, has contributed to an overall revenue decline of 18% to USD107.2 million (2016: USD130.3 million).

Despite a strong focus on costs, revenue challenges have contributed to Daybrook's operating profit decline to USD29.1 million (2016: USD45.4 million). The effect of the stronger rand has also contributed adversely when consolidating earnings into the group's results with an operating profit contribution from Daybrook of R390 million (2016: R668 million).

### **Horse mackerel and hake**

The 2017 Namibian horse mackerel TAC increased by 1.5% to 340 000 tons (2016: 335 000 tons). The Ministry of Fisheries and Marine Resources has allocated the full TAC for the 2017 fishing season. Our allocation for the period was 24 717 tons (2016: 26 265 tons). The Precautionary Maximum Catch Limit (PMCL) for targeted catch of South African horse mackerel decreased by 27.0% to 28 231 tons (2016: 38 656 tons).

Sales volumes in Namibia have been negatively impacted by reduced sea days arising from statutory maintenance for both vessels operating in Namibia during the period. However, the fleet has continued to perform well in terms of landings, efficiency, product quality and cost management and this has translated into consistent operating margins over the period.

In South Africa, the Desert Diamond catch rates continued to improve over the period. Good size mix has contributed to improved price realisation, despite the effect of a stronger rand on USD horse mackerel prices. As a result, profitability of the Desert Diamond has been restored in this financial year.

In May 2017, the provisional outcome of the Fishing Rights Application Process (FRAP) process was announced, proposing a 28.0% reduction in the allocation to existing rights holders. Consequently, quota available to Oceana through own and joint venture allocations decreased to 24.3% (2016: 34.7%) of the PMCL. This allocation is presently under appeal.

The 2017 hake TAC reduced by 4.7% to 117 194 tons (2016: 123 020 tons). Hake landings declined by 6% on a relative basis as a result of lower vessel utilisation caused by unanticipated breakdowns. Firmer European prices driven by strong demand have been countered by the effects of a stronger rand. Revenue and operating profit were consequently lower than the prior year.

### **Lobster and squid**

The 2017 TAC for West Coast Rock Lobster (WCRL) remained unchanged at 1 924 tons. Quota available to Oceana for the current season was 256 tons (2016: 264 tons). In July 2017, the provisional outcome of the FRAP process was announced, proposing a 30% reduction in the offshore commercial TAC for existing WCRL rights holders.

Lobster catch volumes improved by 15% year-on-year due to improved catch performance and vessel scheduling which mitigated the effect of the decrease in the offshore TAC allocation. Revenue declined however, due to weaker Chinese live lobster prices and the effect of the stronger rand. Despite lower revenue, a strong focus on cost management resulted in the lobster business delivering an increased operating profit.

Fishing rights allocated to the squid business remained unchanged over the period. The squid business reported a third consecutive year of strong results, reflecting improved biomass availability and catches, as well as enhanced operational efficiencies.

### **Commercial cold storage and logistics (CCS)**

CCS coastal facilities have delivered growth for the year due to improved business with third parties. However, the performance of the division has been materially affected by a more competitive environment in Gauteng due to excess capacity. In addition, the Western Cape region saw a reduction in the storage of frozen fish following improved inventory management by the canned fish business.

As a result revenue and operating profit have declined on the prior year.

# COMMENTS (continued)

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## PROSPECTS

### Africa operations

Our African operations are well-positioned to deliver growth in the year ahead. In South Africa we expect recent improved demand in canned fish to continue into the new year. However, production costs in the canned fish business could be negatively impacted by a weaker rand and lower local pilchard landings. Improved vessel utilisation across all our divisions will be a focus area while CCS will continue to expand customer service offerings and endeavour to consolidate its position in Gauteng. In Namibia, we are committed to ensuring that we satisfy government expectations and regulatory requirements for quota renewal.

### USA operations

The strong volume performance at Daybrook this year, despite lower prices and oil yields, reinforces our view regarding the potential of this resource. There are signs of a recovery in both fishmeal and fish oil pricing with global demand being stimulated by lower prices and improved demand in Asia. Daybrook's performance for the first half of the year will continue to be impacted by lower prices due to forward sales contracts, which is normal practice, concluded on approximately 70% of inventory on hand at the financial year-end.

The exit of our current fishing partners in Westbank, which was scheduled to coincide with the end of the 2017 fishing season, has been extended until 15 February 2018. The process of finalising a suitable US-based partner for the 75% equity stake in Westbank is ongoing and the process is expected to be concluded prior to the commencement of the 2018 fishing season.

We will continue to leverage on our size to make Oceana a more efficient business. Balance sheet strength and improved profitability are key focus areas for the year ahead.

Any forward-looking statements set out in this announcement have not been reviewed or reported on by the auditors.

On behalf of the board

**MA Brey**  
*Chairman*

**FP Kuttel**  
*Chief executive officer*

Cape Town  
16 November 2017

By order of the board

**JC Marais**  
*Company secretary*  
16 November 2017

# DIRECTORATE AND STATUTORY INFORMATION

<b>Directors:</b>	MA Brey (chairman), FP Kuttel* (chief executive officer), ZBM Bassa, PG de Beyer, NP Doyle, GG Fortuin, LC Mac Dougall, S Pather, NV Simamane, I Soomra* (* Executive)
<b>Change to Directors:</b>	PB Matlare resigned from the Board of Directors effective 16 February 2017
<b>Registered Office:</b>	9th Floor, Oceana House, 25 Jan Smuts Street, Foreshore, Cape Town, 8001
<b>Transfer Secretaries:</b>	Computershare Investor Services Proprietary Limited  Rosebank Towers, 15 Bierman Avenue, Rosebank, Johannesburg, 2196 (PO Box 62053, Marshalltown, 2107)
<b>Sponsor – South Africa:</b>	The Standard Bank of South Africa Limited
<b>Sponsor – Namibia:</b>	Old Mutual Investment Services (Namibia) Proprietary Limited
<b>Auditors:</b>	Deloitte & Touche
<b>Company Secretary:</b>	JC Marais
<b>JSE share code:</b>	OCE
<b>NSX share code:</b>	OCG
<b>ISIN:</b>	ZAE000025284