

# Unaudited Interim Results

for the six months ended 31 March 2016



**Oceana Group Limited**  
Incorporated in the Republic of South Africa  
(Registration number 1939/001730/06  
("Oceana" or "the Company" or "the Group"))



## South Africa's MOST EMPOWERED listed company

**Directors:** MA Brey (chairman), FP Kuttel\* (chief executive officer), ZBM Bassa, PG de Beyer, NP Doyle, PB Matlare, S Pather, NV Simamane, I Soomra\*, TJ Tapela (\* executive)

**Registered office:** 9th Floor Oceana House, 25 Jan Smuts Street, Foreshore, Cape Town 8001

**Transfer secretaries:** Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) **Sponsor – South Africa:** The Standard Bank of South Africa Limited **Sponsor – Namibia:** Old Mutual Investment Services (Namibia) Proprietary Limited

**Company secretary:** JC Marais

**JSE share code:** OCE

**NSX share code:** OCG

**ISIN:** ZAE000025284



# CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

|   | Notes | Unaudited six months ended<br>31 Mar<br>2016<br>R'000 | Unaudited six months ended<br>31 Mar<br>2015<br>R'000 | Change<br>% | Audited year ended<br>30 Sep<br>2015<br>R'000 |
|---|-------|---|---|-------------|---|
| <b>Revenue</b>  |       | <b>3 602 270</b>                                      | 2 566 132   | 40          | 6 168 777                                     |
| Cost of sales   |       | <b>2 314 888</b>                                      | 1 635 734   | 42          | 3 832 997                                     |
| Gross profit  |       | <b>1 287 382</b>                                      | 930 398   | 38          | 2 335 780                                     |
| Sales and distribution expenditure  |       | <b>263 187</b>  | 238 962   | 10          | 513 241                                       |
| Marketing expenditure   |       | <b>33 319</b>   | 30 063  | 11          | 69 775  |
| Overhead expenditure  |       | <b>472 861</b>  | 327 755   | 44          | 812 148                                       |
| Net foreign exchange gain   |       | <b>(69 909)</b>                                       | (7 684)   |             | (40 542)                                      |
| <b>Operating profit before associate and joint venture (loss)/income</b>                        |       | <b>587 924</b>  | 341 302   | 72          | 981 158                                       |
| Associate and joint venture (loss)/income   |       | <b>(1 013)</b>  | 10 636  | (110)       | 26 097  |
| <b>Operating profit before abnormal items</b>   |       | <b>586 911</b>  | 351 938   | 67          | 1 007 255                                     |
| Abnormal items  | 3     | <b>13 363</b>   | (11 191)  |             | 18 346  |
| Operating profit  |       | <b>600 274</b>  | 340 747   | 76          | 1 025 601                                     |
| Investment income   |       | <b>12 886</b>   | 22 520  |             | 61 558  |
| Interest paid   |       | <b>(176 020)</b>                                      | (27 303)  |             | (158 442)                                     |
| <b>Profit before taxation</b>   |       | <b>437 140</b>  | 335 964   | 30          | 928 717                                       |
| Taxation  |       | <b>150 184</b>  | 100 457   | 50          | 286 515                                       |
| <b>Profit after taxation</b>  |       | <b>286 956</b>  | 235 507   | 22          | 642 202                                       |
| <b>Other comprehensive income</b>   |       |   |   |             |   |
| Movement on foreign currency translation reserve  |       | <b>255 101</b>  | (138)   |             | 432 332                                       |
| Movement on cash flow hedging reserve   |       | <b>(36 477)</b>                                       | 10 729  |             | 23 511  |
| Movement on fuel hedging reserve  |       | <b>1 757</b>  |   |             | (1 757)                                       |
| <b>Other comprehensive income, net of taxation</b>  |       | <b>220 381</b>  | 10 591  |             | 454 086                                       |
| <b>Total comprehensive income for the period</b>  |       | <b>507 337</b>  | 246 098   | 106         | 1 096 288                                     |
| <b>Profit after taxation attributable to:</b>   |       |   |   |             |   |
| Shareholders of Oceana Group Limited  |       | <b>271 891</b>  | 225 836   | 20          | 611 224                                       |
| Non-controlling interests   |       | <b>15 065</b>   | 9 671   | 56          | 30 978  |
|   |       | <b>286 956</b>  | 235 507   | 22          | 642 202                                       |
| <b>Total comprehensive income for the period attributable to:</b>                               |       |   |   |             |   |
| Shareholders of Oceana Group Limited  |       | <b>492 272</b>  | 236 427   | 108         | 1 065 310                                     |
| Non-controlling interests   |       | <b>15 065</b>   | 9 671   | 56          | 30 978  |
|   |       | <b>507 337</b>  | 246 098   | 106         | 1 096 288                                     |
| Weighted average number of shares on which earnings per share is based (000's)                  | 10    | <b>116 617</b>  | 103 390   |             | 104 005                                       |
| Adjusted weighted average number of shares on which diluted earnings per share is based (000's) |       | <b>128 064</b>  | 114 403   |             | 114 959                                       |
| <b>Earnings per share (cents)</b>   |       |   |   |             |   |
| Basic*  |       | <b>233.1</b>  | 218.4   | 7           | 587.7   |
| Diluted*  |       | <b>212.3</b>  | 197.4   | 8           | 531.7   |
| <b>Dividends per share (cents)</b>  |       | <b>112.0</b>  | 106.0   | 6           | 365.0   |
| <b>Headline earnings per share (cents)</b>  | 7     |   |   |             |   |
| Basic*  |       | <b>230.8</b>  | 218.0   | 6           | 588.2   |
| Diluted*  |       | <b>210.2</b>  | 197.0   | 7           | 532.2   |

\*Earnings per share for the prior year comparative has been restated due to the rights offer in the prior year, as required by IAS 33: Earnings per share.

# CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

|   | Notes | Unaudited six months ended<br>31 Mar<br>2016<br>R'000 | Unaudited six months ended<br>31 Mar<br>2015<br>R'000 | Audited year ended<br>30 Sep<br>2015<br>R'000 |
|---|-------|---|---|---|
| <b>ASSETS</b>   |       |   |   |   |
| <b>Non-current assets</b>                                       |       |   |   |   |
| Property, plant and equipment                                   |       | 6 793 839   | 1 235 580   | 6 502 886                                     |
| Intangible assets   |       | 1 585 900   | 680 994   | 1 537 293                                     |
| Derivative asset  | 5     | 4 709 566   | 249 098   | 4 469 232                                     |
| Deferred taxation   |       | 18 225  |   |   |
| Investments and loans   |       | 32 486  | 21 761  | 25 583  |
|   |       | 447 662   | 283 727   | 470 778                                       |
| <b>Current assets</b>   |       |   |   |   |
| Inventories   |       | 3 492 073   | 3 170 264   | 3 970 700                                     |
| Accounts receivable   |       | 1 372 794   | 953 862   | 1 316 266                                     |
| Cash and cash equivalents                                       |       | 1 558 249   | 974 857   | 1 473 161                                     |
|   |       | 561 030   | 1 241 545   | 1 181 273                                     |
| <b>Non-current assets held for sale</b>                         |       |   |   |   |
|   |       | 89 358  |   | 39 478  |
| <b>Total assets</b>   |       |   |   |   |
|   |       | 10 375 270  | 4 405 844   | 10 513 064                                    |
| <b>EQUITY AND LIABILITIES</b>                                   |       |   |   |   |
| <b>Capital and reserves</b>                                     |       |   |   |   |
| Share capital and premium                                       |       | 1 187 569   | 35 245  | 1 187 399                                     |
| Foreign currency translation reserve                            |       | 699 141   | 11 570  | 444 040                                       |
| Capital redemption reserve                                      |       | 130   | 130   | 130   |
| Cash flow hedging reserve                                       |       | (11 124)  | 12 571  | 25 353  |
| Fuel hedging reserve  |       |   |   | (1 757)                                       |
| Share-based payment reserve                                     |       | 86 833  | 70 444  | 73 111  |
| Distributable reserve   |       | 1 709 370   | 1 499 033   | 1 755 638                                     |
| Interest of own shareholders                                    |       | 3 671 919   | 1 628 993   | 3 483 914                                     |
| Non-controlling interests                                       |       | 79 802  | 61 827  | 80 372  |
| <b>Total capital and reserves</b>                               |       |   |   |   |
|   |       | 3 751 721   | 1 690 820   | 3 564 286                                     |
| <b>Non-current liabilities</b>                                  |       |   |   |   |
| Liability for share-based payments                              |       | 5 023 430   | 840 417   | 5 000 698                                     |
| Long-term loan  |       | 88 670  | 59 485  | 86 147  |
| Derivative liability  | 6     | 4 364 695   | 680 985   | 4 374 483                                     |
| Deferred taxation   |       | 224 550   |   | 209 963                                       |
|   |       | 345 515   | 99 947  | 330 105                                       |
| <b>Current liabilities</b>                                      |       |   |   |   |
| Accounts payable and provisions                                 |       | 1 576 007   | 1 874 607   | 1 948 080                                     |
| Taxation  |       | 1 510 953   | 745 037   | 1 625 574                                     |
| Bank overdrafts   |       | 49 122  | 26 566  | 322 506                                       |
|   |       | 15 932  | 1 103 004   |   |
| <b>Non-current liabilities held for sale</b>                    |       |   |   |   |
|   |       | 24 112  |   |   |
| <b>Total equity and liabilities</b>                             |       |   |   |   |
|   |       | 10 375 270  | 4 405 844   | 10 513 064                                    |
| Number of shares in issue net of treasury shares (000's)        |       | 116 627   | 100 512   | 116 588                                       |
| Net asset value per ordinary share (cents)                      |       | 3 148   | 1 621   | 2 988   |
| Total liabilities excluding deferred taxation: Total equity (%) |       | 167   | 155   | 180   |
| Total borrowings: Total equity (%)                              |       | 117   | 106   | 123   |

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

|  | Unaudited six<br>months ended<br>31 Mar<br>2016<br>R'000 | Unaudited six<br>months ended<br>31 Mar<br>2015<br>R'000 | Audited year<br>ended<br>30 Sep<br>2015<br>R'000 |
|--|--|--|--|
| <b>Balance at the beginning of the period</b>              | <b>3 564 286</b>   | 1 746 906  | 1 746 906  |
| Total comprehensive income for the period                  | <b>507 337</b>   | 246 098  | 1 096 288  |
| Profit after taxation                                      | <b>286 956</b>   | 235 507  | 642 202  |
| Movement on foreign currency translation reserve           | <b>255 101</b>   | (138)  | 432 332  |
| Movement on cash flow hedging reserve                      | <b>(36 477)</b>  | 10 729   | 23 511   |
| Movement on fuel hedging reserve                           | <b>1 757</b>   |  | (1 757)  |
| Shares issued  |  |  | 1 150 997  |
| Recognition of share-based payments                        | <b>13 722</b>  | 5 249  | 7 917  |
| Movement in treasury shares held by share trusts           | <b>172</b>   |  | 1 157  |
| Profit on sale of treasury shares                          | <b>504</b>   |  | 1 078  |
| Disposal of interest in subsidiary                         | <b>102</b>   |  |  |
| Additional non-controlling interest arising on acquisition |  | 2 807  | 2 807  |
| Distribution to Oceana Empowerment Trust beneficiaries     |  |  | (15 469)   |
| Oceana Empowerment Trust dividend distribution             | <b>(16 637)</b>  |  | (25 506)   |
| Dividends paid   | <b>(317 765)</b>   | (310 240)  | (401 889)  |
| <b>Balance at the end of the period</b>                    | <b>3 751 721</b>   | 1 690 820  | 3 564 286  |
| Comprising:  |  |  |  |
| Share capital and premium                                  | <b>1 187 569</b>   | 35 245   | 1 187 399  |
| Foreign currency translation reserve                       | <b>699 141</b>   | 11 570   | 444 040  |
| Capital redemption reserve                                 | <b>130</b>   | 130  | 130  |
| Cash flow hedging reserve                                  | <b>(11 124)</b>  | 12 571   | 25 353   |
| Fuel hedging reserve                                       |  |  | (1 757)  |
| Share-based payment reserve                                | <b>86 833</b>  | 70 444   | 73 111   |
| Distributable reserve                                      | <b>1 709 370</b>   | 1 499 033  | 1 755 638  |
| Non-controlling interests                                  | <b>79 802</b>  | 61 827   | 80 372   |
| <b>Balance at the end of the period</b>                    | <b>3 751 721</b>   | 1 690 820  | 3 564 286  |

# CONDENSED GROUP STATEMENT OF CASH FLOWS

|  | Unaudited six<br>months ended<br>31 Mar<br>2016<br>R'000 | Unaudited six<br>months ended<br>31 Mar<br>2015<br>R'000 | Audited year<br>ended<br>30 Sep<br>2015<br>R'000 |
|--|--|--|--|
|  | Notes  |  |  |
| <b>Cash flow from operating activities</b>                         |  |  |  |
| Operating profit before joint venture (loss)/income                | 587 924  | 341 302  | 981 158  |
| Adjustment for non-cash and other items                            | 153 012  | 41 645   | 206 716  |
| <b>Cash operating profit before working capital changes</b>        | <b>740 936</b>   | 382 947  | 1 187 874  |
| Working capital changes  | <b>(339 966)</b>   | (153 287)  | (92 760)   |
| <b>Cash generated from operations</b>                              | <b>400 970</b>   | 229 660  | 1 095 114  |
| Investment income received   | 70 913   | 21 868   | 59 264   |
| Interest paid  | <b>(166 949)</b>   | (27 303)   | (158 442)  |
| Taxation paid  | <b>(531 298)</b>   | (124 484)  | (221 986)  |
| Distribution to employee beneficiaries of Oceana Empowerment Trust | <b>(15 469)</b>  |  |  |
| Dividends paid   | <b>(334 402)</b>   | (310 240)  | (427 395)  |
| <b>Cash (outflow)/inflow from operating activities</b>             | <b>(576 235)</b>   | (210 499)  | 346 555  |
| <b>Cash outflow from investing activities</b>                      | <b>(98 239)</b>  | (372 530)  | (4 747 216)                                      |
| Capital expenditure  | <b>(100 061)</b>   | (75 264)   | (160 613)  |
| Replacement of intangible assets                                   | <b>(4 361)</b>   |  | (3 429)  |
| Proceeds on disposal of property, plant and equipment              | <b>958</b>   | 507  | 12 909   |
| Proceeds on disposal of non-current assets held for sale           | <b>44 705</b>  |  |  |
| Repayment received on preference shares                            |  | 31 426   | 105 049  |
| Net movement on loans and advances                                 | <b>(30 570)</b>  | (75 490)   | (97 099)   |
| Acquisition of business  |  | (251 478)  | (4 544 426)                                      |
| Acquisition of additional shares in subsidiary                     |  |  | (1 276)  |
| Acquisition of fishing rights                                      |  | (2 812)  | (2 812)  |
| Increased contribution/acquisition of a joint venture              | <b>(9 279)</b>   |  | (56 321)   |
| Disposal of interest in subsidiary                                 | <b>369</b>   |  |  |
| Decrease of investment   |  | 581  | 802  |
| <b>Cash (outflow)/inflow from financing activities</b>             | <b>(10 563)</b>  | 380 732  | 5 146 173  |
| Proceeds from issue of share capital                               | <b>676</b>   |  | 1 154 615  |
| Long-term loan (repaid)/raised                                     | <b>(142 670)</b>   | 380 985  | 4 025 301  |
| Short-term borrowings raised/(repaid)                              | <b>150 000</b>   | (253)  | (33 743)   |
| Cost associated with debt raising                                  | <b>(18 569)</b>  |  |  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>        | <b>(685 037)</b>   | (202 297)  | 745 512  |
| <b>Cash and cash equivalents at the beginning of the period</b>    | <b>1 181 273</b>   | 344 003  | 344 003  |
| Effect of exchange rate changes                                    | <b>48 862</b>  | (3 165)  | 91 758   |
| <b>Cash and cash equivalents at the end of the period</b>          | <b>545 098</b>   | 138 541  | 1 181 273  |

# NOTES

## 1. Basis of preparation and accounting policies

The condensed consolidated interim financial information has been prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the South African Companies Act, 71 of 2008. The condensed consolidated interim financial statements have been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 30 September 2015, except for the adoption of accounting standards and interpretations that became effective during the current period. The adoption of these standards and interpretations had no material impact on the Group. The condensed financial information was prepared under the supervision of the Group financial director, I Soomra CA(SA).

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

|   | Unaudited<br>six months<br>ended<br>31 Mar<br>2016<br>R'000 | Unaudited<br>six months<br>ended<br>31 Mar<br>2015<br>R'000 | Audited year<br>ended<br>30 Sep<br>2015<br>R'000 |
|---|---|---|--|
| <b>2. Segmental results</b>                   |   |   |  |
| <b>Revenue</b>                                |   |   |  |
| Canned fish and fishmeal (Africa)             | 1 899 793   | 1 580 611   | 3 408 988  |
| Fishmeal and fish oil (USA)                   | 705 682   |   | 574 328  |
| Horse mackerel and hake                       | 562 302   | 588 824   | 1 314 747  |
| Lobster, squid and French fries               | 218 509   | 227 857   | 412 147  |
| Commercial cold storage                       | 215 984   | 168 840   | 458 567  |
| <b>Total</b>                                  | <b>3 602 270</b>  | <b>2 566 132</b>  | <b>6 168 777</b>                                 |
| <b>Operating profit before abnormal items</b> |   |   |  |
| Canned fish and fishmeal (Africa)             | 193 525   | 167 065   | 452 504  |
| Fishmeal and fish oil (USA)                   | 190 801   |   | 179 612  |
| Horse mackerel and hake                       | 109 522   | 108 998   | 211 020  |
| Lobster, squid and French fries               | 27 125  | 34 772  | 46 574   |
| Commercial cold storage                       | 65 938  | 41 103  | 117 545  |
| <b>Total</b>                                  | <b>586 911</b>  | <b>351 938</b>  | <b>1 007 255</b>                                 |
| <b>Total assets</b>                           |   |   |  |
| Canned fish and fishmeal (Africa)             | 2 422 988   | 1 702 782   | 2 069 746  |
| Fishmeal and fish oil (USA)                   | 6 215 182   |   | 6 026 066  |
| Horse mackerel and hake                       | 589 487   | 844 356   | 679 403  |
| Lobster, squid and French fries               | 132 933   | 148 516   | 125 703  |
| Commercial cold storage                       | 279 363   | 249 228   | 294 642  |
| Financing                                     | 702 831   | 1 439 201   | 1 291 921  |
|   | <b>10 342 784</b>   | <b>4 384 083</b>  | <b>10 487 481</b>                                |
| Deferred taxation                             | 32 486  | 21 761  | 25 583   |
| <b>Total</b>                                  | <b>10 375 270</b>   | <b>4 405 844</b>  | <b>10 513 064</b>                                |
| <b>Total liabilities</b>                      |   |   |  |
| Canned fish and fishmeal (Africa)             | 444 987   | 540 938   | 700 772  |
| Fishmeal and fish oil (USA)                   | 444 052   |   | 934 466  |
| Horse mackerel and hake                       | 270 904   | 162 559   | 175 755  |
| Lobster, squid and French fries               | 49 402  | 56 182  | 43 854   |
| Commercial cold storage                       | 128 155   | 46 177  | 88 507   |
| Financing                                     | 4 940 534   | 1 809 221   | 4 675 319  |
|   | <b>6 278 034</b>  | <b>2 615 077</b>  | <b>6 618 673</b>                                 |
| Deferred taxation                             | 345 515   | 99 947  | 330 105  |
| <b>Total</b>                                  | <b>6 623 549</b>  | <b>2 715 024</b>  | <b>6 948 778</b>                                 |

|   | Unaudited<br>six months<br>ended<br>31 Mar<br>2016<br>R'000 | Unaudited<br>six months<br>ended<br>31 Mar<br>2015<br>R'000 | Audited<br>year ended<br>31 Sep<br>2015<br>R'000 |
|---|---|---|--|
| <b>Revenue per region<sup>1</sup></b>           |   |   |  |
| South Africa and Namibia                        | 2 160 864   | 1 960 328   | 3 937 878  |
| Other Africa                                    | 246 623   | 208 809   | 476 096  |
| North America                                   | 692 034   | 214   | 400 470  |
| Europe  | 221 179   | 191 642   | 710 302  |
| Far East  | 237 626   | 184 988   | 546 955  |
| Other   | 43 944  | 20 151  | 97 076   |
| <b>Total</b>                                    | <b>3 602 270</b>  | <b>2 566 132</b>  | <b>6 168 777</b>                                 |
| <b>Non-current asset per region<sup>2</sup></b> |   |   |  |
| South Africa and Namibia                        | 835 122   | 930 092   | 863 285  |
| North America                                   | 5 460 344   |   | 5 143 240  |
| <b>Total</b>                                    | <b>6 295 466</b>  | <b>930 092</b>  | <b>6 006 525</b>                                 |

Notes:

1 Revenue per region discloses the region in which product is sold.

2 Non-current asset per region discloses where the subsidiary is located.

### 3. Abnormal items

|  |                 |               |                 |
|--|-----------------|---------------|-----------------|
| Transaction costs                                      | 1 500           | 11 191        | 80 815          |
| Forex gain on transaction                              |                 |               | (97 734)        |
| Profit on the disposal of immovable property           |                 |               | (1 537)         |
| Impairment of equipment                                |                 |               | 110             |
| Loss on disposal of property, plant and equipment      | 3 527           |               |                 |
| Profit on disposal of non-current assets held for sale | (18 390)        |               |                 |
| <b>Total</b>   | <b>(13 363)</b> | <b>11 191</b> | <b>(18 346)</b> |

### 4. Acquisition of business

#### 4.1 Foodcorp acquisition

On 2 February 2015, the Group acquired hake, pelagic and lobster fishing rights and related assets from Foodcorp Proprietary Limited for a consideration of R355 million. Foodcorp Proprietary Limited was acquired to enhance the Group's hake, pelagic and lobster footprint.

#### Assets acquired and liabilities recognised at date of acquisition:

|  |                |                |
|--|----------------|----------------|
| Property, plant and equipment            | 148 037        | 148 037        |
| Intangible asset                         | 128 277        | 90 890         |
| Goodwill                                 | 35 918         | 62 835         |
| Accounts receivables                     | 26 745         | 26 745         |
| Taxation                                 | 97             | 97             |
| Inventories                              | 39 815         | 39 815         |
| Cash and cash equivalents                | 52 899         | 52 899         |
| Non-controlling interest                 | (2 807)        | (2 807)        |
| Deferred taxation                        | (37 309)       | (26 840)       |
| Short-term loan                          | (170)          | (170)          |
| Provisions                               |                | (2 114)        |
| Trade and other payables                 | (36 125)       | (34 011)       |
| <b>Total purchase price</b>              | <b>355 377</b> | <b>355 376</b> |
| Less: Purchase consideration outstanding | (51 000)       |                |
| <b>Consideration paid in cash</b>        | <b>304 377</b> | <b>355 376</b> |

# NOTES

|  | Unaudited<br>six months<br>ended<br>31 Mar<br>2016<br>R'000 | Unaudited<br>six months<br>ended<br>31 Mar<br>2015<br>R'000 | Audited<br>year ended<br>31 Sep<br>2015<br>R'000 |
|--|---|---|--|
| <b>Net cash flow on acquisition of business</b>                          |   |   |  |
| Consideration paid in cash   |   | 304 377   | 355 376  |
| Less: Cash and cash equivalents balances acquired                        |   | (52 899)  | (52 899)   |
|  |   | 251 478   | 302 477  |
| <b>Goodwill on acquisition</b>   |   |   |  |
| Consideration  |   | 355 377   | 355 376  |
| Less: Fair value of identifiable assets acquired and liabilities assumed |   | (319 459)   | (292 541)  |
|  |   | 35 918  | 62 835   |

The goodwill arising on the acquisition is attributable to the processing locations, as well as knowledgeable employees that did not meet the criteria for recognition as other intangible assets on the date of acquisition.

## 4.2 Daybrook acquisition

On 30 June 2015, the Group acquired an effective 100% beneficial shareholding in Daybrook Fisheries for a consideration of R4 641 million. Daybrook was acquired to enhance the Group's operations internationally in order to diversify its fishing rights and licences, fish species, operational geography and currency exposure.

The fair value of the acquired intangible assets and goodwill is provisional as at the 31 March 2016 due to the uncertainty of the manner in calculating the fair value and will be finalised on the determination of the purchase price allocation. The provisional fair value of the identifiable assets and liabilities are shown below.

### Assets acquired and liabilities recognised at date of acquisition:

|  |  |             |
|--|--|-------------|
| Property, plant and equipment  |  | 784 444     |
| Intangible asset   |  | 503 976     |
| Investments in associate   |  | 127 733     |
| Goodwill   |  | 3 191 027   |
| Accounts receivables   |  | 250 522     |
| Taxation   |  | (212 441)   |
| Inventories  |  | 322 678     |
| Cash and cash equivalents  |  | 399 304     |
| Provisions   |  | (160 344)   |
| Deferred taxation  |  | (216 482)   |
| Derivative liability   |  | (182 475)   |
| Trade and other payables   |  | (166 689)   |
| Consideration paid in cash   |  | 4 641 253   |
| <b>Net cash flow on acquisition of business</b>                          |  |             |
| Consideration paid in cash   |  | 4 641 253   |
| Less: Cash and cash equivalents balances acquired                        |  | (399 304)   |
|  |  | 4 241 949   |
| <b>Goodwill on acquisition</b>   |  |             |
| Consideration  |  | 4 641 253   |
| Less: Fair value of identifiable assets acquired and liabilities assumed |  | (1 450 226) |
|  |  | 3 191 027   |

The goodwill arising on the acquisition is attributable to the strategic business advantages acquired, key fishing and processing locations, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as other intangible assets on the date of acquisition.



5. **Derivative asset**

The derivative assets relates to interest rate caps, executed on 17 March 2016, the notional principal amount of the interest rate caps amounts to R18,5 million. This comprises hedges on the debt of R980,0 million. These caps are to hedge the interest that is payable under the various debt facilities. Gains and losses on interest rate caps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income and are reclassified in the same period that the hedge cash flows affect profit and loss.

6. **Derivative liability**

The derivative liability relates to the put option (USD15,0 million) between Daybrook Fisheries and the remaining shareholders of Westbank Fishing LLC.

In terms of the Westbank Fishing LLC Agreement, notification of exercise of the put option can only be provided, at the earliest, during the second financial period following the transaction, following which the exercise will only be effective 12 months after the date of such notification. Should the put option be effectively exercised as described, there will be a cash outflow being the put option strike price of USD31,5 million plus the put premium of USD15,0 million (payable only if the put option is exercised within three years) as well as any unpaid distributions, while there will be a cash inflow, based on prevailing market values, from the new shareholder acquiring the 75% shareholding. When the put option is exercised the fair value of the put option liability will be derecognised from the statement of financial position and a corresponding entry will be made to reflect the cash payment. In the event that the put option is not exercised the fair value of the put option liability will be derecognised through profit and loss.

|   | Unaudited<br>six months<br>ended<br>31 Mar<br>2016<br>R'000 | Unaudited<br>six months<br>ended<br>31 Mar<br>2015<br>R'000 | Audited<br>year ended<br>31 Sep<br>2015<br>R'000 |
|---|---|---|--|
| <b>7. Determination of headline earnings and adjusted headline earnings</b>       |   |   |  |
| Profit after taxation attributable to shareholders of Oceana Group Limited        | <b>271 891</b>  | 225 836   | 611 224  |
| Adjusted for:   |   |   |  |
| Profit on disposal of immovable property  |   |   | (1 537)  |
| Headline earnings adjustments – joint ventures                                    |   |   | 99   |
| Net loss/(profit) on disposal of property, plant, equipment and intangible assets | <b>2 676</b>  | (265)   | (1 293)  |
| Profit on disposal of non-current assets held for sale                            | <b>(8 847)</b>  |   |  |
| Profit on change of interest in investment  |   | (381)   | (500)  |
| Loss on the dissolution of foreign subsidiary                                     |   |   | 3 455  |
| Impairment of equipment   |   |   | 110  |
| Total tax effect of adjustments   | <b>3 409</b>  | 161   | 220  |
| <b>Headline earnings for the period</b>   | <b>269 129</b>  | 225 351   | 611 778  |

# NOTES

|   | Unaudited<br>six months<br>ended<br>31 Mar<br>2016<br>R'000 | Unaudited<br>six months<br>ended<br>31 Mar<br>2015<br>R'000 | Audited<br>year ended<br>31 Sep<br>2015<br>R'000 |
|---|---|---|--|
| <b>8. Dividends</b>   |   |   |  |
| Estimated dividend declared after reporting date  | <b>130 622</b>  | 106 543   | 301 964  |
| <b>9. Supplementary information</b>   |   |   |  |
| Amortisation  | <b>39 889</b>   | 12 260  | 40 748   |
| Depreciation  | <b>94 605</b>   | 54 328  | 136 423  |
| Operating lease charges   | <b>26 013</b>   | 23 054  | 75 559   |
| Capital expenditure   | <b>104 422</b>  | 75 264  | 164 042  |
| Expansion   | <b>11 635</b>   | 35 281  | 57 424   |
| Replacement   | <b>92 787</b>   | 39 983  | 106 618  |
| Budgeted capital commitments  | <b>162 191</b>  | 167 363   | 218 686  |
| Contracted  | <b>68 612</b>   | 24 978  | 34 297   |
| Not contracted  | <b>93 579</b>   | 142 385   | 184 389  |
|   | <b>Number of<br/>shares<br/>'000</b>                        | Number of<br>shares<br>'000                                 | Number of<br>shares<br>'000                      |
| <b>10. Elimination of treasury shares</b>   |   |   |  |
| Weighted average number of shares in issue  | <b>135 526</b>  | 119 526   | 120 227  |
| <i>Plus: Bonus issue on rights offer</i>  |   | 2 878   | 2 775  |
| <i>Less: Shares held by share trusts</i>  | <b>(13 815)</b>   | (13 920)  | (13 903)   |
| <i>Less: Treasury shares held by subsidiary company</i>   | <b>(5 094)</b>  | (5 094)   | (5 094)  |
| Weighted average number of shares on which earnings per share and headline earnings per share are based   | <b>116 617</b>  | 103 390   | 104 005  |
| Weighted average number of shares for the prior year comparative has been restated by 2 878 due to the rights offer in the prior year, as required by IAS 33: Earnings per share.   |   |   |  |
| <b>11. Contingent liabilities and guarantees</b>  |   |   |  |
| The Company and its subsidiaries have given cross suretyships in support of bank overdraft facilities of certain subsidiaries and the Company. The Company and six subsidiaries has guaranteed the loan of R4 453 million (2015: R4 374 million).   |   |   |  |
| <b>12. Events after the reporting date</b>  |   |   |  |
| Subsequent to the reporting period the Commercial cold storage business disposed of its fruit refrigeration and handling business operated from Maydon Warf and Maydon Warf Fruit Terminal, disclosed under non-current assets held for sale. The transaction was completed on the 25 April 2016. No other events occurred that may have an impact on the Group's reported financial position at 31 March 2016. |   |   |  |

# COMMENTS

## GROUP OVERVIEW

The performance of the group for the six months ended 31 March 2016 has been positive. Daybrook and Foodcorp have been successfully integrated and both have performed in line with expectations. Increased SA canned fish and hake volumes, higher occupancy levels in the Commercial cold storage business and the effect of a favourable exchange rate have contributed to growth.

Revenue grew by 40%, increasing to R3 602 million from R2 566 million in 2015. Excluding the impact of Daybrook, the group achieved revenue growth of 13%.

Operating profit before abnormal items increased by 67% to R587 million (2015: R352 million) over the period and excluding Daybrook by 13%.

Cashflow from operations increased by 75% to R401 million (2015: R230 million).

Net interest charged for the period is R176.0 million (2015: R27.3 million) primarily due to finance costs incurred on additional working capital facilities and increased long term debt. The average interest rate for all debt is currently 6.7% per annum.

Group headline earnings for the period increased by 19%. As a result of the diluting effect of the additional shares issued during September 2015, basic earnings per share and basic headline earnings per share increased by 7% and 6% respectively.

An interim dividend of 112 cents per share has been declared (2015: 106 cents per share).

## REVIEW OF OPERATIONS

### Canned fish and fishmeal (Africa)

The initial 2016 South African Total Allowable Catch ("TAC") for pilchard decreased to 64 563 tons (final 2015: 83 470 tons). The Namibian pilchard TAC for 2016 decreased to 14 000 tons (2015: 25 000 tons).

Revenue growth of canned fish for the six months has been achieved through a 10% growth in sales volumes combined with the effect of an 8% price increase from February 2015. SA volume growth of 13% for the six months has been driven by an improved pricing and marketing strategy.

The adverse impact of the exchange rate on imported canned fish has been partially offset by a reduction in dollar pricing and the effect of processing a higher proportion of frozen fish at our own production facilities in South Africa and Namibia. Operational efficiencies in supply chain, initiated in the prior period, have delivered further benefit for the period. As a result, canned fish delivered an improved operating profit for the period.

The 2016 initial South Africa anchovy A season TAC is 254 483 tons (final A season TAC for 2015: 450 000 tons). Current season landings of industrial fish to the group's fishmeal plants were 15% higher than the previous season primarily due to the addition of two new sites, the first arising from the Foodcorp acquisition and the other a greenfields expansion in Angola. The Angolan fishmeal plant was commissioned in December 2015 and is producing fishmeal and fish oil. Losses from fishmeal operations were above that for the prior year due to lower opening stock resulting from reduced catches at the end of the 2015 fishing season. As the period under review coincides with a significant portion of the closed season, pre-season costs for the period have increased due to the number of additional plants.

### Fishmeal and fish oil (USA)

Daybrook performed well for the six month period with revenue of R706 million and operating profit before abnormal items of R191 million. The 2015 Gulf Menhaden fishing season ended on 30 October 2015 and as a result five of the six months under review have been outside of the fishing season. During this time the plant and vessels are shut down to undergo maintenance. Sales volumes of 21 437 tons of fishmeal and 6 373 tons of fish oil were achieved for the period, from inventory produced during the successful 2015 season.

Demand and prices for fishmeal softened during the last three months of the 2015 calendar year following good landings in the second 2015 Peruvian fishing season. Subsequently prices have stabilised with a more balanced supply and demand relationship returning to the market. Profit in US Dollars has been in line with our investment expectations.

### Horse mackerel and hake

The 2015 Namibian horse mackerel TAC decreased by 4% to 335 000 tons (2015: 350 000 tons). The Ministry of Fisheries and Marine Resources made an initial allocation of 145 000 tons for the 2016 fishing season on the same basis as the prior period. Reduced owned quota and expensive purchased quota has necessitated a critical review of the commercial performance of our third vessel. As a result the Desert Rose was sold in October 2015.

# COMMENTS

Horse mackerel prices were relatively unchanged despite an oversupply of fish in our traditional African markets. Pricing was however negatively impacted by a change in size mix. The favourable exchange rate partially offset the effect of weaker dollar prices. Despite weaker markets, margins in Namibia improved following the sale of excess fishing capacity and the termination of experimental fishing efforts in Angola.

In South Africa the Precautionary Maximum Catch Limit for targeted catch of horse mackerel decreased by 8% to 38 656 tons (2015: 41 927 tons). The Desert Diamond did not fish in South Africa during the period under review. The vessel was deployed in Namibia for the last two months of 2015 and was tied up for planned maintenance for the remainder of the period under review. As a result, profitability from horse mackerel in South Africa decreased materially for the period.

The 2015 hake TAC remained unchanged from the prior year (2015: 123 020 tons). Hake profitability improved significantly during the period due to a combination of increased volumes following the Foodcorp acquisition, increased prices attributable to the favourable euro exchange rate and the positive effect of lower fuel prices.

## Lobster, squid and French fries

The 2016 TAC for West coast lobster increased by 7% to 1 924 tons (2015: 1 801 tons), and quota available to Oceana for the current season amounts to 264 tons (2015: 238 tons). A decrease in landings due to lower catch rates and a lower live mix due to poorer fish quality negated the favourable effect of exchange rates and resulted in a reduction in profit for the period.

Fishing rights allocated to the squid business remained unchanged over the period. In the current period the squid business generated a profit due to higher sales volumes and prices.

Operating profit in the French fries operation was in line with prior period with higher sales volumes being offset by the effect of higher priced and poorer quality raw material.

## Commercial cold storage (CCS)

The CCS business performed well in the period with revenue increasing by 28% due to improved occupancy levels at most stores and a full six months operation at the new Midrand stores. Improved revenue together with good cost management resulted in increased operating profit in the period.

## CCS FRUIT BUSINESS DISPOSAL

Subsequent to the six months under review the CCS fruit business in Maydon Wharf has been sold to enable management to focus on core activities.

## DIRECTORATE CHANGES

Takula Jenkins Tapela resigned from the board of directors ("the Board") on 12 May 2016 having served as a director since 2009. The Board wishes to thank Takula for his contribution during this period. Geoff Fortuin, who holds an executive position at Brimstone, was appointed to the Board on the same date.

## PROSPECTS

As was required by the Department of Agriculture, Forestry and Fishing (DAFF), fishing rights applications for horse mackerel, hake inshore and West coast rock lobster were submitted on 24 February 2016. DAFF has indicated that the outcome of the allocations will be concluded during August 2016. This will not have an effect on the current year's financial results.

We expect pricing to improve in the fishmeal and fish oil sector based on consistent demand, and with supply challenges in the Peruvian and European sectors. In the USA the 2016 Gulf Menhaden fishing season commenced on the 18th April 2016 with the season planned to run for a 28 week period to the end of October 2016. Early season landings have been positive with good oil yields. In South Africa we expect consistent landing patterns of pilchards, industrial fish and hake. We anticipate that our canned fish value proposition will remain competitive. In Namibia, our performance for the second six months will be dependent on the timing and extent of the allocations of remaining horse mackerel quota. As the Group is materially a net exporter of goods, our overall performance for the full year will also be impacted by prevailing exchange rates. We anticipate that our acquisitions of Foodcorp and Daybrook will continue to deliver the projected returns. In our drive for efficiency and focus, we will continue to evaluate non-core and underperforming assets in the period ahead.

On behalf of the Board

**MA Brey**  
*Chairman*

**FP Kuttel**  
*Chief executive officer*

12 May 2016

# COMMENTS

## CASH DIVIDEND DECLARATION

Notice is hereby given of dividend number 145. A gross interim dividend amounting to 112 cents per share, for the six months ended 31 March 2016, was declared on Thursday, 12 May 2016, out of current earnings. Where applicable the deduction of dividends withholding tax at a rate of 15% will result in a net dividend amounting to 95,2 cents per share.

The number of ordinary shares in issue at the date of this declaration is 135 526 154. The company's tax reference number is 9675/139/71/2. Relevant dates are as follows:

|                                |                        |
|--------------------------------|------------------------|
| Last day to trade cum dividend | – Friday, 24 June 2016 |
| Commence trading ex dividend   | – Monday, 27 June 2016 |
| Record date                    | – Friday, 1 July 2016  |
| Dividend payable               | – Monday, 4 July 2016  |

Share certificates may not be dematerialised or re-materialised between Monday, 27 June 2016 and Friday, 1 July 2016, both dates inclusive.

By order of the board

**JC Marais**

*Company secretary*

12 May 2016

|                                |  |
|--------------------------------|--|
| <b>Directors:</b>              | MA Brey (chairman), FP Kuttel* (chief executive officer), ZBM Bassa, PG de Beyer, NP Doyle, PB Matlare, S Pather, NV Simamane, I Soomra*, TJ Tapela (*executive) |
| <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<br>70 Marshall Street, Johannesburg, 2001 (PO Box 61051, 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>Company Secretary:</b>      | JC Marais  |
| <b>JSE Share Code:</b>         | OCE  |
| <b>NSX Share Code:</b>         | OCG  |
| <b>ISIN Number:</b>            | ZAE000025284   |



