OCEANA GROUP

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

UNAUDITED INTERIM RESULTS

for the six months ended 31 March **2017**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 March 2017

	Note	Unaudited six months ended 31 Mar 2017 R'000	Restated* Unaudited six months ended 31 Mar 2016 R'000	Change %	Audited year ended 30 Sep 2016 R'000
Revenue		**3 140 602**	3 602 270	(13)	8 243 988
Cost of sales		**1 918 812**	2 314 888	(17)	5 051 014
Gross profit		**1 221 790**	1 287 382	(5)	3 192 974
Sales and distribution expenditure		**243 750**	263 187	(7)	599 036
Marketing expenditure		**15 373**	33 319	(54)	62 702
Overhead expenditure		**405 100**	472 861	(14)	1 022 029
Net foreign exchange loss/(gain)		**44 677**	(69 909)		(72 723)
Operating profit before associate and joint venture (loss)/profit		**512 890**	587 924	(13)	1 581 930
Associate and joint venture (loss)/profit		**(8 629)**	(1 013)		47 561
Operating profit before other operating items		**504 261**	586 911	(14)	1 629 491
Other operating items	4	**774**	13 363		100 187
Operating profit		**505 035**	600 274	(16)	1 729 678
Investment income		**14 927**	12 886		22 089
Interest expense		**(186 073)**	(176 020)		(385 202)
Profit before taxation		**333 889**	437 140	(24)	1 366 565
Taxation		**104 856**	150 184	(30)	408 276
Profit after taxation		**229 033**	286 956	(20)	958 289
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Movement on foreign currency translation reserve		**(136 394)**	256 845		716
Movement on foreign currency translation reserve of associate and joint ventures		**(1 542)**	(1 744)		(24 847)
Movement on cash flow hedging reserve		**(20 907)**	(36 477)		(49 517)
Movement on fuel hedging reserve			1 757		1 757
Income tax related to loss recognised in equity					2 508
Other comprehensive (loss)/income, net of taxation		**(158 843)**	220 381		(69 383)
Total comprehensive income for the period		**70 190**	507 337	(86)	888 906
Profit after taxation attributable to:					
Shareholders of Oceana Group Limited		**226 324**	271 891	(17)	916 446
Non-controlling interests		**2 709**	15 065	(82)	41 843
		229 033	286 956	(20)	958 289
Total comprehensive income for the period attributable to:					
Shareholders of Oceana Group Limited		**67 481**	492 272	(86)	847 063
Non-controlling interests		**2 709**	15 065	(82)	41 843
		70 190	507 337	(86)	888 906
Earnings per share (cents)					
Basic		**194.0**	233.1	(17)	785.8
Diluted		**176.7**	212.3	(17)	715.5

**Refer to note 2.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2017

	Notes	Unaudited 31 Mar 2017 R'000	Restated* Unaudited 31 Mar 2016 R'000	Audited 30 Sep 2016 R'000
ASSETS				
Non-current assets		**6 514 249**	7 094 028	6 735 686
Property, plant and equipment		**1 616 962**	1 736 284	1 669 373
Intangible assets		**4 448 917**	4 859 371	4 605 275
Derivative assets	5	**4 197**	18 225	7 636
Deferred taxation		**15 724**	32 486	27 714
Investments and loans		**428 449**	447 662	425 688
Current assets		**3 733 335**	3 511 911	4 371 115
Inventories		**1 197 337**	1 372 794	1 393 337
Accounts receivable		**1 456 850**	1 468 339	1 551 170
Taxation		**95 681**	109 748	113 666
Cash and cash equivalents		**983 467**	561 030	1 312 942
Non-current assets held for sale			89 358	
Total assets		**10 247 584**	10 695 297	11 106 801
EQUITY AND LIABILITIES				
Capital and reserves		**3 608 689**	3 751 721	4 007 699
Stated Capital		**1 184 684**	1 187 569	1 188 680
Foreign currency translation reserve		**281 973**	699 141	419 909
Capital redemption reserve		**130**	130	130
Cash flow hedging reserve		**(42 563)**	(11 124)	(21 656)
Share-based payment reserve		**93 491**	86 833	102 083
Distributable reserves		**2 000 821**	1 709 370	2 215 919
Interest of own shareholders		**3 518 536**	3 671 919	3 905 065
Non-controlling interests		**90 153**	79 802	102 634
Non-current liabilities		**4 675 821**	5 343 457	5 121 783
Liability for share-based payments		**32 321**	88 670	100 126
Long-term loans		**3 962 558**	4 364 695	4 145 142
Derivative liabilities	6	**1 723**	224 550	176 301
Deferred taxation		**679 219**	665 542	700 214
Current liabilities		**1 963 074**	1 576 007	1 977 319
Accounts payable and provisions		**1 162 715**	1 062 740	1 341 938
Current portion - Long-term loans		**578 991**	448 213	584 652
Derivative liabilities	6	**164 615**		
Taxation		**56 753**	49 122	50 729
Bank overdrafts			15 932	
Non-current liabilities held for sale			24 112	
Total equity and liabilities		**10 247 584**	10 695 297	11 106 801

**Refer to note 2.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2017

	Unaudited six months ended 31 Mar 2017 R'000	Restated* Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
Balance at the beginning of the period	**4 007 699**	3 564 286	3 564 286
Total comprehensive income for the period	**70 190**	507 337	888 906
Profit after taxation	**229 033**	286 956	958 289
Movement on foreign currency translation reserve	**(136 394)**	256 845	716
Movement on foreign currency translation reserve of associate and joint ventures	**(1 542)**	(1 744)	(24 847)
Movement on cash flow hedging reserve	**(20 907)**	(36 477)	(49 517)
Movement on fuel hedging reserve		1 757	1 757
Income tax related to loss recognised in equity			2 508
Share-based payment expense	**8 366**	13 722	28 973
Share-based payment exercised	**(21 447)**		
Decrease in treasury shares held by share trusts	**493**	172	1 281
(Loss)/profit on sale of treasury shares	**(962)**	504	1 136
Disposal of interest in subsidiary		102	
Non-controlling interest on disposal of business			(56)
Oceana Empowerment Trust dividend distribution	**(23 829)**	(16 637)	(24 632)
Dividends paid	**(431 821)**	(317 765)	(452 195)
Balance at the end of the period	**3 608 689**	3 751 721	4 007 699
Comprising:			
Stated capital**	**1 184 684**	1 187 569	1 188 680
Foreign currency translation reserve	**281 973**	699 141	419 909
Capital redemption reserve	**130**	130	130
Cash flow hedging reserve	**(42 563)**	(11 124)	(21 656)
Share-based payment reserve**	**93 491**	86 833	102 083
Distributable reserves	**2 000 821**	1 709 370	2 215 919
Non-controlling interests	**90 153**	79 802	102 634
Balance at the end of the period	**3 608 689**	3 751 721	4 007 699

**Refer to note 2.*
***R4.5 million was transferred from stated capital to share-based payment reserve during the period.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 March 2017

	Unaudited six months ended 31 Mar 2017 R'000	Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
Cash flow from operating activities			
Operating profit before associate and joint venture (loss)/profit	**512 890**	587 924	1 581 930
Adjustment for non-cash and other items	**33 632**	153 012	144 647
Cash operating profit before working capital changes	**546 522**	740 936	1 726 577
Working capital changes	**39 529**	(339 966)	(95 483)
Cash generated from operations	**586 051**	400 970	1 631 094
Investment income received	**24 203**	70 913	86 470
Interest paid	**(199 677)**	(166 949)	(337 497)
Taxation paid	**(67 361)**	(531 298)	(707 658)
Special distribution of profit to Oceana Empowerment Trust beneficiaries		(15 469)	(15 469)
Dividends paid	**(455 650)**	(334 402)	(476 827)
Cash (outflow)/inflow from operating activities	**(112 434)**	(576 235)	180 113
Cash outflow from investing activities	**(67 329)**	(98 239)	(56 352)
Capital expenditure	**(83 347)**	(100 061)	(210 307)
Replacement of intangible assets	**(6 035)**	(4 361)	(31 281)
Proceeds on disposal of property, plant and equipment	**2 636**	958	1 382
Proceeds on disposal of non-current assets held for sale		44 705	114 314
Proceeds on disposal of businesses		369	73 371
Movement on loans and advances	**19 417**	(30 570)	6 564
Increased contribution/acquisition of a joint venture		(9 279)	(10 078)
Increase of investment			(317)
Cash (outflow)/inflow from financing activities	**(121 668)**	(10 563)	1 954
Proceeds from issue of share capital	**953**	676	2 417
Long-term borrowings (repaid)/raised	**(122 621)**	(142 670)	300 000
Short-term borrowings raised/(repaid)		150 000	(281 438)
Cost associated with debt raising		(18 569)	(19 025)
Net (decrease)/increase in cash and cash equivalents	**(301 431)**	(685 037)	125 715
Cash and cash equivalents at the beginning of the period	**1 312 942**	1 181 273	1 181 273
Effect of exchange rate changes	**(28 044)**	48 862	5 954
Cash and cash equivalents at the end of the period	**983 467**	545 098	1 312 942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 March 2017

1. **BASIS OF PREPARATION**

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 Companies Act of South Africa. 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 2016, except for the adoption of revised standards that became effective during the current period. The adoption of these standards 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.

2. **RESTATEMENT OF THE FINANCIAL RESULTS FOR THE PERIOD ENDED 31 MARCH 2016**

The unaudited results for the period ended 31 March 2016 have been restated as to:

2.1 **The finalisation of the purchase price allocation of the Daybrook business combination**

During the financial year ended 30 September 2015, the group acquired a 100% beneficial shareholding in Daybrook Fisheries Incorporated. The initial accounting for the Daybrook business combination at 30 September 2015 and at the end of the prior period was prepared using provisional values as permitted in terms of IFRS 3 *Business Combinations* paragraph 45. The Daybrook purchase price allocation was finalised (within the measurement period, being a period not exceeding one year from the acquisition date) on 21 June 2016 and the provisional values adjusted in terms of IFRS 3 paragraph 49. The adjustments to the prior period statement of financial position are summarised as follows:

					31 March 2016 R'000
Assets acquired and liabilities assumed	Estimated fair value at time of acquisition	Measurement period adjustments	Revised fair value at time of acquisition	Exchange rate difference	Adjusted closing balance
Property, plant and equipment	784 444	122 639	907 083	27 745	934 828
Intangible assets	503 976	525 435	1 029 411	118 870	1 148 281
Investment in associate	127 733		127 733		127 733
Goodwill	3 191 027	(403 268)	2 787 759	(91 232)	2 696 527
Accounts receivable	250 522	16 178	266 700	3 660	270 360
Inventories	322 678		322 678		322 678
Cash and cash equivalents	399 304		399 304		399 304
Taxation	(212 441)		(212 441)		(212 441)
Provisions	(160 344)		(160 344)		(160 344)
Deferred taxation	(216 482)	(260 984)	(477 466)	(59 043)	(536 509)
Derivative liability	(182 475)		(182 475)		(182 475)
Trade and other payables	(166 689)		(166 689)		(166 689)
Consideration paid in cash	4 641 253		4 641 253		4 641 253
Net cash flow on acquisition of business					
Consideration paid in cash	4 641 253		4 641 253		4 641 253
Less: Cash and cash equivalents balances acquired	(399 304)		(399 304)		(399 304)
	4 241 949		4 241 949		4 241 949
Goodwill on acquisition					
Consideration	4 641 253		4 641 253		4 641 253
Less: Fair value of identifiable assets acquired and liabilities assumed	(1 450 226)	(403 268)	(1 853 494)	(91 232)	(1 944 726)
	3 191 027	(403 268)	2 787 759	(91 232)	2 696 527

2. **RESTATEMENT OF THE FINANCIAL RESULTS FOR THE PERIOD ENDED 31 MARCH 2016 (continued)**

2.2 **Other comprehensive income – movement on foreign currency translation reserve of associate and joint ventures**

Movement in the foreign currency translation reserve in the statement of comprehensive income and statement of changes in equity arising from investments accounted for under the equity method have been presented in a separate line.

	R'000
Movement on foreign currency translation reserve – previously reported	255 101
Movement on foreign currency translation reserve of associate and joint ventures	1 744
Movement on foreign currency translation reserve – restated	256 845

2.3 **Current portion of long-term loans**

The current portion of long-term loans has been reclassified from accounts payable and provisions into a separate line on the face of the statement of financial position.

	R'000
Accounts payable and provisions – previously reported	1 510 953
Current portion – long-term loans	(448 213)
Accounts payable and provisions – restated	1 062 740

	Unaudited six months ended 31 Mar 2017 R'000	Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
3. SEGMENTAL RESULTS			
Revenue			
Canned fish and fishmeal (Africa)	**1 671 436**	1 899 793	4 275 576
Fishmeal and fish oil (USA)	**704 733**	705 682	1 930 923
Horse mackerel and hake	**490 519**	562 302	1 227 310
Lobster and squid	**73 875**	81 286	136 622
Commercial cold storage and logistics	**200 039**	214 671	434 780
Disposed operations[4]		138 536	238 777
Total	**3 140 602**	3 602 270	8 243 988
Operating profit/(loss) before other operating items			
Canned fish and fishmeal (Africa)	**119 843**	193 525	528 464
Fishmeal and fish oil (USA)	**216 299**	190 801	668 152
Horse mackerel and hake	**101 361**	109 522	269 384
Lobster and squid	**19 732**	22 561	21 145
Commercial cold storage and logistics	**47 026**	78 989	132 430
Disposed operations[4]		(8 487)	9 916
Total	**504 261**	586 911	1 629 491
Total assets			
Canned fish and fishmeal (Africa)	**2 305 618**	2 422 988	2 500 368
Fishmeal and fish oil (USA)	**5 937 767**	6 535 209	6 301 086
Horse mackerel and hake	**549 465**	589 487	550 458
Lobster and squid	**49 547**	56 738	40 958
Commercial cold storage and logistics	**260 405**	266 200	268 871
Disposed operations[4]		89 358	
	9 102 802	9 959 980	9 661 741
Deferred taxation	**15 724**	32 486	27 714
Financing[3]	**1 129 058**	702 831	1 417 346
Total	**10 247 584**	10 695 297	11 106 801

	Unaudited six months ended 31 Mar 2017 R'000	Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
3. **SEGMENTAL RESULTS (continued)**			
Total liabilities			
Canned fish and fishmeal (Africa)	**846 027**	444 987	829 927
Fishmeal and fish oil (USA)	**258 540**	444 052	413 793
Horse mackerel and hake	**193 359**	270 904	289 200
Lobster and squid	**35 965**	29 525	25 455
Commercial cold storage and logistics	**67 444**	128 155	90 170
Disposed operations[4]		24 112	
	1 401 335	1 341 735	1 648 545
Deferred taxation	**679 219**	665 542	700 214
Financing[3]	**4 558 341**	4 936 299	4 750 343
Total	**6 638 895**	6 943 576	7 099 102
Revenue per region[1]			
South Africa and Namibia	**1 708 506**	2 160 864	4 305 056
Other Africa	**179 056**	246 623	480 669
North America	**541 547**	692 034	1 218 840
Europe	**388 357**	221 179	1 139 988
Far East	**222 355**	237 626	959 091
Other	**100 781**	43 944	140 344
Total	**3 140 602**	3 602 270	8 243 988
Non-current assets per region[2]			
South Africa and Namibia	**868 606**	835 122	873 666
North America	**5 197 273**	5 760 533	5 400 982
Total	**6 065 879**	6 595 655	6 274 648

Revenue excludes the following inter-segmental revenues in South Africa and Namibia which are eliminated on consolidation: Canned fish and fishmeal R627.1 million (2016: R446.8 million), horse mackerel and hake R17.3 million (2016: R8.1 million) and Commercial cold storage and logistics R28.7 million (2016: R52.7 million).

Notes:

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

2 *Non-current assets per region discloses where the subsidiary is located, includes property, plant and equipment, and intangible assets.*

3 *Financing includes cash and cash equivalents and loans receivable and payable.*

4 *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.*

	Unaudited six months ended 31 Mar 2017 R'000	Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
4. **OTHER OPERATING ITEMS**			
Transaction costs arising from business combination		(1 500)	(2 040)
Profit/(loss) on disposal of fishing vessel	**796**	(3 536)	(3 536)
Profit on the disposal of other assets		9	
Profit on disposal of non-current assets held for sale		18 390	74 836
(Loss)/profit on disposal of business interests	**(22)**		31 521
Impairment of equipment			(594)
	774	13 363	100 187

Exceptional 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 and losses on disposal and scrapping of property, plant and equipment, intangible assets and 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.

	Unaudited six months ended 31 Mar 2017 R'000	Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
5. DERIVATIVE ASSETS			
Non-current			
Interest rate caps held as hedging instruments			
Opening balance	**7 636**		
Additions		18 569	18 569
Fair value adjustments recognised in profit or loss (ineffective portion)	**(562)**	(344)	(2 732)
Fair value adjustments recognised in other comprehensive income (effective portion)	**(2 877)**		(8 201)
	4 197	18 225	7 636

Interest rate caps and swaps recorded in the cash flow hedging reserve, derivative assets and derivative liabilities (note 6) 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. 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.

	Unaudited six months ended 31 Mar 2017 R'000	Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
6. DERIVATIVE LIABILITIES			
Opening balance	**176 301**	209 963	209 963
(Gain)/loss recognised in other comprehensive income	**(6 749)**		6 513
Loss/(gain) recognised in profit or loss	**2 080**		(42 623)
Foreign currency translation adjustment	**(5 294)**	14 587	2 448
Closing balance	**166 338**	224 550	176 301
Put option	**164 615**	224 500	170 053
Interest rate swap	**1 723**		6 248
	166 338	224 500	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 R 164.6 million has been classified as a current liability at 31 March 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 in the prior year by measuring the put option strike price plus the put premium to the fair value of Westbank. Westbank was valued using a discounted cash flow model and unobservable inputs including forecast annual revenue growth rates of 1.8% to 2.0%, forecast EBITDA margin of 22.6% to 25.6% and a risk-adjusted discount rate of 8.2%. A change in the discount rate by 1% would increase or decrease the fair value by R70.0 million. During the period no fair value adjustment was recognised in operating profit.

6. **DERIVATIVE LIABILITIES (continued)**

The notional principal amount of the interest rate swaps at 31 March 2017 amounts to R1 085 million (2016: R1 257 million). This comprises hedges on the term debt of R1 734 million (2016: R1 996 million). The swap is to hedge the interest that is payable under the debt facility. During the period a fair value gain of R6.7 million was recognised in other comprehensive income.

	Unaudited six months ended 31 Mar 2017 R'000	Unaudited six months ended 31 Mar 2016 R'000	Audited year ended 30 Sep 2016 R'000
7. **DETERMINATION OF HEADLINE EARNINGS**			
Profit after taxation attributable to shareholders of Oceana Group Limited	**226 324**	271 891	916 446
Adjusted for:			
Insurance proceeds	**(998)**		(1 330)
Profit on disposal of non-current assets held for sale		(8 847)	(74 836)
Headline earnings adjustments – joint ventures			(16 030)
Net loss on disposal of property, plant and equipment and intangible assets	**672**	2 676	7 030
Loss/(profit) on disposal of business interests	**22**		(31 521)
Impairment of equipment			594
Total non-controlling interest in above	**68**		4 362
Total tax effect of adjustments	**(69)**	3 409	15 593
Headline earnings for the period	**226 019**	269 129	820 308
Headline earnings per share (cents)			
– Basic	**193.8**	230.8	703.4
– Diluted	**176.4**	210.2	640.5
8. **DIVIDENDS**			
Estimated dividend declared after reporting date	**105 035**	130 622	416 519
Dividends per share (cents)	**90.0**	112.0	469.0
Number of shares in issue net of treasury shares	**116 705**	116 627	116 672
9. **SUPPLEMENTARY INFORMATION**			
Amortisation	**27 467**	39 889	57 051
Depreciation	**95 422**	94 605	203 334
Operating lease charges	**25 127**	26 013	112 039
Share-based expenses	**11 836**	45 672	87 512
Cash-settled compensation	**3 470**	31 950	58 539
Equity-settled compensation	**7 771**	12 456	26 600
Oceana empowerment trust	**595**	1 266	2 373
Capital expenditure	**89 382**	104 422	241 588
Expansion	**14 730**	11 635	13 883
Replacement	**74 652**	92 787	227 705
Budgeted capital commitments	**223 351**	162 191	226 708
Contracted	**36 020**	68 612	25 386
Not contracted	**187 331**	93 579	201 322

	Number of shares '000	Number of shares '000	Number of shares '000
10. **ELIMINATION OF TREASURY SHARES**			
Weighted average number of shares in issue	**135 526**	135 526	135 526
Less: Weighted average treasury shares held by share trusts	**(13 785)**	(13 815)	(13 806)
Less: Weighted average treasury shares held by subsidiary company	**(5 094)**	(5 094)	(5 094)
Weighted average number of shares on which basic earnings per share and basic headline earnings per share are based	**116 647**	116 617	116 626
Weighted average number of shares on which diluted earnings per share and diluted headline earnings per share are based	**128 098**	128 064	128 076

11. **RELATED-PARTY TRANSACTIONS**

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.

12. **CONTINGENT LIABILITIES AND GUARANTEES**

The company and its subsidiaries have given cross suretyships in support of bank overdraft facilities of certain subsidiaries and the company. The company has given a letter of support to Calamari Fishing Proprietary Limited, Oceana Lobster Limited and Blue Continent Products Proprietary Limited. The company has guaranteed the long-term loan of R2 806.9 million (2016: R2 816.6 million). Furthermore, six (2016: six) of the subsidiaries in the group have guaranteed the loan.

13. **EVENTS AFTER THE REPORTING DATE**

Subsequent to the reporting date and up to the date of this report, no events occurred that may have an impact on the group's reported financial position at 31 March 2017.

COMMENTS

FINANCIAL RESULTS

Group revenue, after adjusting for businesses sold during 2016, decreased by 9% to R3 141 million (March 2016: R3 464 million from continuing operations). This decline was mainly due to lower canned fish volumes and the effect of a stronger Rand. US Dollar revenue for 2017 was converted at an average exchange rate of R13.60/USD compared to R15.10/USD for the comparable period. US Dollar revenue growth of 14% was achieved in our US operations and export businesses in South Africa, Namibia and Angola, which together contributed USD100.2 million compared to USD88.1 million during the same period in 2016.

The 14% decrease in group operating profit before other operating items to R504 million (March 2016: R587 million) reflected the adverse movement in net foreign exchange, from a gain of R69.9 million in 2016 to a loss of R44.7 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. Despite the improvement in the average rate of forward cover to R14.05/USD from R14.75/USD in 2016, the volatility in the average spot rate over the period resulted in material movement in foreign exchange costs.

Net interest expense for the period of R171 million (March 2016: R163 million) related to finance costs on additional working capital facilities and long-term borrowings. The average interest rate for all debt is currently 7.21% (March 2016: 6.69%).

Headline earnings for the period decreased by 16% compared to the prior period. An interim dividend of 90 cents per share has been declared (March 2016: 112 cents per share).

FINANCIAL POSITION AND CASH FLOW

Group cash flow from operations improved by 46% to R586 million (March 2016: R401 million) with improved use of working capital offsetting decreased cash flows from canned fish sales. At the end of the period, the group has positive cash balances of R983 million (March 2016: R545 million) of which R827 million (March 2016: R542 million) is held in dollar denominated accounts.

At 31 March 2017, group net debt was R3 558 million (March 2016: R4 268 million) of which R908 million (March 2016: R1 454 million) was US Dollar denominated. The net debt to EBITDA ratio at 31 March 2017 was 1.9 times (March 2016: 2.8 times).

REVIEW OF OPERATIONS

Canned fish and fishmeal (Africa)

The initial 2017 South African Total Allowable Catch (TAC) for pilchard decreased to 23 964 tons from 64 928 tons in 2016, and the Namibian pilchard TAC was maintained at 14 000 tons. Our strategy of importing frozen raw material for local processing continued during the period.

The canned fish division experienced a challenging six months with sales volumes decreasing by 28% to 3.6 million cartons (March 2016: 5.0 million cartons). This was driven primarily by the timing of buy-in effects ahead of price increases taken in April 2016 and October 2016, respectively. Canned fish realisations were on average 9.9% higher over the period due to the sales mix and the price increase in October 2016.

Costs in the canned fish division were well managed. Procurement efficiencies and improved US Dollar pricing for imported product contributed to an increase in gross profit margin. This was materially offset by Rand strength against the US Dollar which resulted in foreign exchange losses for the division of R32.2 million compared to a gain of R67.6 million for the comparable period. As a result, the division's overall margin and profitability decreased for the six months.

The fishmeal and fish oil division delivered a solid performance despite headwinds from export earnings and fishmeal pricing. Overall sales volumes improved following positive landings in Angola and improved opening inventory in South Africa. This was partially offset by fishmeal and fish oil pricing which softened during the period, caused by increased global production following higher quotas in Europe and Peru and improved landings in Chile. As a result, both revenue and operating profit for the division showed material improvement.

Fishmeal and fish oil (USA)

The 2016 fishing season for the Menhaden fishery ended on 10 November 2016, and consequently our fishing and processing operations in Daybrook were inactive for a large portion of the period under review. During this period, we undertake annual maintenance on plants and vessels. The 2017 season opened on 17 April 2017 and will run to the end of October 2017.

Revenue was up on the prior period by 12% in US Dollars. The state of the Menhaden resource is healthier than originally anticipated. The increased landings in the 2016 fishing season contributed to elevated opening inventory levels for the period, resulting in improved sales volumes of fishmeal and oil to 31 507 tons (March 2016: 27 809 tons). Since a large portion of fishmeal sales are concluded in advance, this segment has not felt the effect of softer global fishmeal prices for the six months under review.

Strong improvement in operating profit to USD16 million for the six months compared to USD12.7 million for the comparable period was offset by the effects of a stronger Rand when consolidating earnings into the group's results. Operating profit in Rand terms improved by 13%.

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 made an initial allocation of 140 000 tons for the 2017 fishing season with 34.8% (March 2016: 45.4%) allocated to existing rights holders.

The Desert Diamond fished in South African waters during the current period, having been deployed in Namibia during the first six months of the prior period. Catch rates in Namibia are back in line with historical averages following lower catch rates experienced in the first quarter, with the size mix having decreased marginally.

In South Africa, the Precautionary Maximum Catch Limit (PMCL) for targeted catch of horse mackerel decreased by 28.4% to 27 684 tons (2016: 38 656 tons). Consequently, quota available to Oceana through own and joint venture allocations, following the 2016 Fishing Rights Allocation Process (FRAP), dropped to 24.8% (2016: 34.7%) of the PMCL.

Catches in South Africa improved materially over the period.

Overall, horse mackerel revenue was lower due to decreased sales volumes, offset by an improvement in US Dollar sales prices due to improved size mix. The effect of improved pricing and procurement efficiencies served to improve overall trading margins for the horse mackerel business. As a result, operating profit was marginally lower than for the prior period.

The 2017 hake offshore TAC reduced by 4.7% to 117 194 tons (2016: 123 020 tons). Vessel utilisation in this division was affected by the planned factory upgrade of the Mfv Beatrice, and the unforeseen breakdown of two vessels, which resulted in decreased sales volumes for the period. Revenue and operating profit were consequently lower than the prior period, despite the positive effects of stronger European pricing which countered in part the effects of a stronger Rand.

Lobster and squid

The 2017 TAC for west coast lobster remained unchanged at 1 924 tons, although the offshore allocation dropped from 1 244 tons in 2016 to 1 204 tons. Quota available to Oceana for the current season was 256 tons (2016: 264 tons). The industry continues to operate under an exemption with a delay in the announcement of the 2016 FRAP allocations.

Revenue and operating profit in the lobster business declined following the combined effect of lower landings resulting from a delay in the TAC announcement and permit allocations at the start of the 2017 season, lower catch rates, and the effect of a stronger Rand.

Fishing rights allocated to the squid business remained unchanged over the period. Squid revenue and operating profit improved materially due to firm prices and increased landings compared to the prior period.

Commercial cold storage and logistics (CCS)

Difficult trading conditions in certain geographies resulted in occupancy levels in the CCS business declining from the high base set in 2016. This was primarily caused by lower poultry volumes and the loss of some customers in the Gauteng region due to increased competition resulting from lower market volumes. In addition, the timing of frozen fish imports in the canned fish segment improved, resulting in lower levels of stored frozen fish in our cold storage locations in Cape Town.

The effect of lower occupancy in Gauteng, particularly at our leased sites in Midrand, had a material impact on profitability for this segment which declined from R79 million for the period to 31 March 2016 to R47 million in the current period. The effect of lower frozen fish volumes, while material for this segment, has a negligible effect on group earnings.

PROSPECTS

Currency volatility is expected to persist in the medium term which will impact our performance for the full year. Export revenue for the period 1 April to 30 September 2016 was converted at approximately R14.60/USD.

Earnings from our canned fish division are expected to improve in the second half of the year through anticipated good sales volumes in South Africa driven by better pricing and marketing strategies.

Performance in our horse mackerel operations remains highly dependent on our ability to secure quota in Namibia at favourable prices.

In our cold storage business, we expect frozen fish volumes associated with our canned fish production to improve. Occupancies in our Gauteng stores will continue to be affected by reduced poultry volumes.

Fishmeal and fish oil prices are expected to remain under pressure in the short term following the recent announcement that the Peruvian first fishing season anchovy quota allocation has been set at 2.8 million tons (2016: 1.8 million tons). Based on early season catches in South Africa, Angola and the US (Daybrook) we are optimistic that improved total landings across our fishmeal and oil operations will partially mitigate the effect of softer prices.

The Department of Agriculture, Forestry and Fisheries (DAFF) is reviewing horse mackerel FRAP appeals and an announcement is expected within the next few months. We also await the judgement in the Viking Fishing court case which could provide strategic clarity on future fishing rights allocation processes.

The process of finding a suitable US-based partner for the 75% equity stake in Westbank Fishing is continuing. We expect to conclude this prior to the exit of the current partners.

The information and 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
18 May 2017

CASH DIVIDEND DECLARATION

Notice is hereby given of dividend number 147. A gross interim dividend amounting to 90 cents per share, for the six months ended 31 March 2017, was declared on Thursday, 18 May 2017, out of current earnings. Where applicable the deduction of dividends withholding tax at a rate of 20% will result in a net dividend amounting to 72 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	Tuesday, 27 June 2017
Commence trading *ex* dividend	Wednesday, 28 June 2017
Record date	Friday, 30 June 2017
Dividend payable	Monday, 3 July 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 June 2017, and Friday, 30 June 2017, both dates inclusive.

By order of the board

JC Marais
Company secretary

Cape Town
18 May 2017

DIRECTORATE AND STATUTORY INFORMATION

Directors:	MA Brey (chairman), FP Kuttel* (chief executive officer), ZBM Bassa, PG de Beyer, NP Doyle, GG Fortuin, LL Mac Dougall, S Pather, NV Simamane, I Soomra* (* Executive)
Change to Directors:	PB Matlare resigned from the Board of Directors effective 16 February 2017
Registered Office:	9th Floor, Oceana House, 25 Jan Smuts Street, Foreshore, Cape Town, 8001
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
	Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107)
Sponsor – South Africa:	The Standard Bank of South Africa Limited
Sponsor – Namibia:	Old Mutual Investment Services (Namibia) Proprietary Limited
Auditors:	Deloitte & Touche
Company Secretary:	JC Marais
JSE share code:	OCE
NSX share code:	OCG
ISIN:	ZAE000025284

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