



2018

SUMMARISED
CONSOLIDATED
AUDITED RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER



100
YEARS
1918 - 2018



Africa's largest black-owned fishing company delivering 100 years of shared value



Revenue

14%



Operating profit*

24%



Earnings per share

83%



Headline earnings per share

86%



Dividend per share

362%

* Operating profit before associate and joint venture income, fair value adjustments and other operating items.

Summarised consolidated statement of comprehensive income

for the year ended 30 September 2018

	Notes	Audited Year ended 30 Sept 2018 R'000	Audited Year ended 30 Sept 2017 R'000	Change %
Revenue		7 732 692	6 807 927	14
Cost of sales		4 823 816	4 360 013	11
Gross profit		2 908 876	2 447 914	19
Sales and distribution expenditure		610 553	548 078	11
Marketing expenditure		55 184	48 299	14
Overhead expenditure		1 068 033	795 533	34
Net foreign exchange (gain)/loss		(19 248)	60 940	(132)
Operating profit before associate and joint venture income		1 194 354	995 064	20
Associate and joint venture (loss)/income		(5 447)	6 364	(186)
Operating profit before other operating items		1 188 907	1 001 428	19
Other operating (expense)/income items	3	(14 091)	8 701	(262)
Operating profit		1 174 816	1 010 129	16
Investment income		40 767	29 248	39
Interest paid		(332 532)	(372 405)	(11)
Profit before taxation		883 051	666 972	32
Taxation	4	810	187 622	(100)
Profit after taxation		882 241	479 350	84
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Movement on foreign currency translation reserve including hyperinflation effect		212 903	(145 763)	
Movement on foreign currency translation reserve from associate and joint ventures including hyperinflation effect		8 214	(8 234)	
Movement on cash flow hedging reserve		24 845	9 438	
Income tax related to profit/(loss) recognised in equity		(5 813)	70	
Other comprehensive income/(loss), net of taxation		240 149	(144 489)	
Total comprehensive income for the year		1 122 390	334 861	235
Profit after taxation attributable to:				
Shareholders of Oceana Group Limited		857 831	468 310	83
Non-controlling interests		24 410	11 040	121
		882 241	479 350	84
Total comprehensive income attributable to:				
Shareholders of Oceana Group Limited		1 097 980	323 821	239
Non-controlling interests		24 410	11 040	121
		1 122 390	334 861	235
Earnings per share (cents)				
– Basic		734.6	401.3	83
– Diluted		674.6	366.5	84

Summarised consolidated statement of financial position

at 30 September 2018

	Notes	Audited 30 Sept 2018 R'000	Audited 30 Sept 2017 R'000
ASSETS			
Non-current assets		6 685 126	6 493 594
Property, plant and equipment		1 586 626	1 604 099
Intangible assets		4 617 278	4 434 878
Derivative assets	5	17 398	1 837
Deferred taxation		29 338	27 616
Investments and loans		434 486	425 164
Current assets		4 014 355	3 549 631
Inventories		1 467 239	1 201 049
Accounts receivable		1 502 331	1 071 444
Taxation		29 725	55 098
Cash and cash equivalents	9	1 015 060	1 222 040
Total assets		10 699 481	10 043 225
EQUITY AND LIABILITIES			
Capital and reserves		4 721 969	3 756 629
Stated capital		1 189 482	1 184 194
Foreign currency translation reserve		487 029	265 912
Cash flow hedging reserve		6 884	(12 148)
Share-based payment reserve		90 535	92 586
Distributable reserves		2 851 418	2 134 148
Interest of own shareholders		4 625 348	3 664 692
Non-controlling interests		96 621	91 937
Non-current liabilities		3 818 656	3 924 245
Liability for share-based payments		10 145	17 019
Long-term loan	8	3 339 750	3 209 875
Derivative liabilities	6		6 283
Deferred taxation		468 761	691 068
Current liabilities		2 158 856	2 362 351
Accounts payable and provisions		1 711 483	1 221 941
Current portion – long-term loan		427 351	954 026
Current portion – derivative liabilities	6		164 181
Taxation		20 022	22 203
Total equity and liabilities		10 699 481	10 043 225

Summarised consolidated statement of changes in equity

for the year ended 30 September 2018

	Audited Year ended 30 Sept 2018 R'000	Audited Year ended 30 Sept 2017 R'000
Balance at the beginning of the year	3 756 629	4 007 699
Total comprehensive income for the year	1 122 390	334 861
Profit after taxation	882 241	479 350
Movement on foreign currency translation reserve including hyperinflation effect	212 903	(145 763)
Movement on foreign currency translation reserve from associate and joint ventures including hyperinflation effect	8 214	(8 234)
Movement on cash flow hedging reserve	24 845	9 438
Income tax related to profit/(loss) recognised in equity	(5 813)	70
Decrease in treasury shares held by share trusts	1 853	1 235
Share-based payment expense	12 456	9 664
Share-based payment exercised	(11 017)	(24 740)
Profit on sale of treasury shares	1 671	1 153
Oceana Empowerment Trust dividend distribution	(7 304)	(29 734)
Dividends	(154 709)	(543 509)
Balance at the end of the year	4 721 969	3 756 629
Comprising:		
Stated capital	1 189 482	1 184 194
Foreign currency translation reserve	487 029	265 912
Cash flow hedging reserve	6 884	(12 148)
Share-based payment reserve	90 535	92 586
Distributable reserve	2 851 418	2 134 148
Non-controlling interests	96 621	91 937
Balance at the end of the year	4 721 969	3 756 629

R3.4 million (2017: R5.7 million) was transferred between stated capital and share-based payment reserve during the period.

Summarised consolidated statement of cash flows

for the year ended 30 September 2018

	Notes	Audited Year ended 30 Sept 2018 R'000	Audited Year ended 30 Sept 2017 R'000
Cash flow from operating activities			
Operating profit before associate and joint venture income		1 194 354	995 064
Adjustment for non-cash and other items		297 905	151 605
Cash operating profit before working capital changes		1 492 259	1 146 669
Working capital changes		(189 366)	560 579
Cash generated from operations		1 302 893	1 707 248
Investment income received		41 607	37 966
Interest paid		(296 845)	(344 895)
Taxation paid		(217 036)	(148 456)
Dividends paid		(162 013)	(573 243)
Net cash inflow from operating activities		668 606	678 620
Cash outflow from investing activities		(180 928)	(191 097)
Replacement capital expenditure		(163 742)	(139 746)
Expansion capital expenditure			(14 730)
Replacement of intangible assets		(20 469)	(38 772)
Proceeds on disposal of property, plant and equipment		10 031	15 900
Payment on disposal of non-current assets held for sale	7.1		(2 900)
Proceeds on disposal of business	7.2	8 000	
Movement on loans and advances		(14 748)	(11 167)
Decrease in investment			318
Cash outflow from financing activities		(720 152)	(553 613)
Proceeds from issue of share capital		3 523	2 387
Short-term borrowings repaid		(507 589)	(831 260)
Long-term loan raised			300 000
Equity-settled share-based payment		(11 017)	(24 740)
Cost associated with debt refinancing	8	(2 170)	
Settlement of put option		(202 899)	
Net decrease in cash and cash equivalents		(232 474)	(66 090)
Net cash and cash equivalents at the beginning of the year		1 222 040	1 312 942
Effect of exchange rate changes		25 494	(24 812)
Net cash and cash equivalents at the end of the year	9	1 015 060	1 222 040

Notes to the summarised consolidated financial statements

for the year ended 30 September 2018

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 consolidated financial statements and summarised consolidated financial statement information was prepared under the supervision of the interim chief financial officer, T Giles CA(SA).

The auditors, Deloitte & Touche, have issued their unmodified audit opinion on the consolidated financial statements for the year ended 30 September 2018. 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 respective 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 2018

Audited 2018 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 ³ R'000	Total R'000
2. SEGMENTAL RESULTS								
Operating results								
Revenue	4 054 601	1 789 118	1 287 067	180 510	421 396			7 732 692
Operating profit before other operating items	436 710	392 638	255 615	32 212	71 732			1 188 907
Other operating items		(25 588)	3 497		8 000			(14 091)
Operating profit	436 710	367 050	259 112	32 212	79 732			1 174 816
Investment income	32 275	1 544	6 870	72	6			40 767
Interest paid	(226 241)	(99 814)	(5 789)	(153)	(535)			(332 532)
Profit before taxation	242 744	268 780	260 193	32 131	79 203			883 051
Taxation	68 937	(194 012)	86 158	9 180	30 547			810
Profit after tax for the year	173 807	462 792	174 035	22 951	48 656			882 241
The above profit for the year include the following:								
Depreciation and amortisation	62 465	95 828	85 746	2 704	21 963			268 706
Statement of financial position								
Total assets	2 214 412	6 476 246	533 082	28 312	280 950	29 334	1 137 145	10 699 481
Total liabilities	946 144	376 923	284 807	27 725	93 583	468 761	3 779 569	5 977 512
The above amounts of assets and liabilities includes the following:								
Interest in associate and joint ventures	89 257	222 733		1				311 991
2018 Region	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	
Revenue ¹	3 942 116	778 539	1 199 893	1 161 660	432 238	218 246	7 732 692	
Non-current assets ²	849 191		5 354 713				6 203 904	

Audited 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 ³ R'000	Total R'000
Operating results								
Revenue	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
Operating profit	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)
Profit before taxation	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
Profit after tax for the year	41 881	207 061	139 553	27 304	63 551			479 350
The above profit for the year includes the following:								
Depreciation and amortisation	61 170	95 187	55 834	2 741	20 906			235 838
Statement of financial position								
Total assets	1 888 696	5 964 460	545 056	39 322	241 036	27 616	1 337 039	10 043 225
Total liabilities	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 include the following:								
Interest in associate and joint ventures	127 530	182 209		1				309 740

2017 Region	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
Revenue¹	3 641 248	412 486	1 137 749	753 315	623 775	239 354	6 807 927
Non-current assets²	888 863		5 150 114				6 038 977

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 R1.1 billion (2017: R1.3 billion), horse mackerel and hake R33.2 million (2017: R23.1 million) and commercial cold storage and logistics R78.8 million (2017: R68.3 million).

Notes:

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

² Non-current asset 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.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September 2018

	Audited Year ended 30 Sept 2018 R'000	Audited Year ended 30 Sept 2017 R'000
3. OTHER OPERATING (EXPENSE)/INCOME ITEMS		
Transaction costs ¹	(25 588)	
Profit on the disposal of immovable property		11 601
Profit on disposal of fishing vessel	3 497	
Loss on disposal of non-current assets held for sale ²		(2 900)
Profit on disposal of business ³	8 000	
	(14 091)	8 701

Notes:

¹ Transaction costs relate to the extension of the Westbank Fishing Limited Liability Company ("Westbank") operating agreement and subsequent change of the Westbank majority shareholding.

² The R2.9 million relates to a claim settled in relation to the sale of the CCS fruit business in 2016.

³ The R8.0 million relates to profit on sale of the CCS Linebooker transport 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, intangible 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.

4. TAXATION

Current taxation

	240 950	175 037
Current year	254 820	192 752
Capital gains tax	1 794	
Withholding tax	9 943	13 452
Adjustments in respect of previous years	(25 607)	(31 167)

Deferred taxation

Current year	(1 271)	27 582
Adjustments in respect of previous years	(1 049)	(14 997)
Adjustments in respect of change in tax rate ¹	(237 820)	

810 187 622

Notes:

¹ This adjustment relates to a USD18.6 million release in Daybrook Fisheries Incorporated following the reduction in the federal corporate tax rate in the United States of America from 35% to 21%.

5. DERIVATIVE ASSETS

Non-current

Interest rate caps and swaps held as hedging instruments

Opening balance	1 837	7 636
Fair value adjustments recognised in profit or loss (ineffective portion)	(5 331)	(243)
Fair value adjustments recognised in other comprehensive income (effective portion)	20 139	(5 556)
Reclassified from derivative liability	207	
Foreign currency translation adjustment	546	
Closing balance	17 398	1 837
Interest rate caps	586	1 837
Interest rate swaps	16 812	
	17 398	1 837

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.

5. DERIVATIVE ASSETS (CONTINUED)

Interest rate caps were executed in 2016, 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 is R390 million (2017: 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 2018 R'000	Audited Year ended 30 Sept 2017 R'000
6. DERIVATIVE LIABILITIES		
Non-current		
Opening balance	6 283	176 301
(Gain)/loss recognised in other comprehensive income	(6 148)	246
Transferred to current liabilities		(164 181)
Reclassified to derivative asset	(207)	
Foreign currency translation adjustment	72	(6 083)
Closing balance		6 283
Interest rate swap		6 283
Current		
Opening balance	164 181	
Transferred from current non-liabilities		164 181
Loss recognised in profit or loss	34 577	
Put option exercised	(202 899)	
Foreign currency translation adjustment	4 141	
Closing balance		164 181
Put option		164 181

The put option recorded in derivative liabilities was 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 remaining shareholder of Westbank exercised the put option in terms of the Westbank operating agreement. The exercise of the put option triggered 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.

In terms of the first addendum to the Westbank operating agreement, the put closing date was extended to 15 February 2018. In terms of this addendum, the put option premium (USD15.0 million) was settled on 15 January 2018. The put option liability was remeasured to fair value prior to settlement by measuring the put option strike price plus put premium to the fair value of Westbank. Westbank was valued using a discounted cash flow model and unobservable inputs including forecast annual growth rates of 2.0% (2017: 2.0%), forecast EBITDA margin of 18.0% (2017: 18.0% to 22.2%) and a risk-adjusted discount rate of 6.8% (2017: 7.8%). A fair value loss of R34.6 million (2017: Nil) was recognised in operating profit, which offset the fair value gain that was recognised in 2016 of R42.6 million.

In terms of the second addendum to the Westbank operating agreement, the put closing date was extended to 15 April 2018 on which date the put option strike price (USD31.5 million) was paid. In terms of this addendum, the unpaid distributions (USD7.9 million) were settled on 15 February 2018.

The notional principal amount of the interest rate swaps at 30 September 2018 amounts to R1 471 million (2017: R938 million). This comprises hedges on the term debt of R1 471 million (2017: R1 564 million). The swap is to hedge the interest that is payable under the debt facility. An interest rate swap was executed on 9 March 2017 with an effective date of 31 August 2018 and a maturity date of 22 July 2020 at a swap fixed rate of 2.175%. Gains and losses on the interest rate swap held as a hedging instrument in a designated and effective hedging relationship are recognised in other comprehensive income and are reclassified in the same period that the hedged cash flows affect profit or loss. During the year a fair value gain of R6.1 million (2017: loss R0.2 million) was recognised in other comprehensive income. The interest rate swap was reclassified to derivative assets during the year.

Notes to the summarised consolidated financial statements (continued)

for the year ended 30 September 2018

	Audited Year ended 30 Sept 2018 R'000	Audited Year ended 30 Sept 2017 R'000
7. DISPOSAL OF BUSINESSES		
7.1 Seasonal fruit business (CCS)		
The group disposed of the commercial cold storage fruit business in 2016, subsequent to the disposal additional costs were incurred in 2017.		
Consideration paid		(2 900)
Net loss on disposal of non-current assets held for sale		(2 900)
7.2 Linebooker transport business (CCS)		
The group disposed of the commercial cold storage Linebooker transport business on 9 August 2018.		
Consideration received	8 000	
Net profit on disposal of business	8 000	
8. DEBT REFINANCED		
During the year a R1 420.0 million term facility was refinanced in terms of which R500.0 million was restructured as an amortisation payment facility maturing in 5 years, R738.0 million was restructured as a bullet payment facility maturing in 4 years and R182.0 million as a bullet payment facility maturing in 3 years. Debt refinancing cost of R2.2 million was incurred.		
9. NET CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	1 015 060	1 222 040
Daybrook Fisheries Incorporated ("Daybrook") received \$17.3 million (net of legal costs) in the year following a Federal Court settlement in relation to Daybrook's 2006 Deepwater Horizon oil spill law suit. In terms of the 2015 stock purchase agreement entered into with the selling Daybrook stockholders, all risks and rewards relating to the Deepwater Horizon oil spill law suit were excluded from the transaction and the purchase consideration. The settlement proceeds received, net of any taxation and legal costs, are accordingly due and payable to the Stockholder Representative on behalf of the selling shareholders. At 30 September 2018, these restricted funds (R246.4 million) were held in cash and cash equivalents with a corresponding liability in accounts payable as the funds had not yet been remitted to the Stockholder Representative.		
10. DETERMINATION OF HEADLINE EARNINGS		
Profit after taxation attributable to shareholders of Oceana Group Limited	857 831	468 310
Adjusted for:		
Profit on the disposal of immovable property		(11 601)
Insurance proceeds		(998)
Headline earnings adjustments – joint venture	(72)	(1 144)
Profit on change of interest in investment		(122)
Profit on disposal of business	(8 000)	
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(3 491)	1 200
Total non-controlling interest on above	(3)	195
Total tax effect of adjustments	2 793	1 469
Headline earnings for the year	849 058	457 309
Headline earnings per share (cents)		
– Basic	727.1	391.9
– Diluted	667.7	357.9
11. DIVIDENDS		
Estimated dividends declared after reporting date	355 300	
Dividends per share (cents)	416.0	90.0
Number of shares in issue net of treasury shares	116 875	116 753

	Audited Year ended 30 Sept 2018 R'000	Audited Year ended 30 Sept 2017 R'000
12. SUPPLEMENTARY INFORMATION		
Amortisation	59 315	57 568
Depreciation	209 391	178 270
Operating lease charges	110 400	129 059
Share-based expenses	9 958	2 187
Cash-settled compensation scheme	(2 498)	(7 475)
Equity-settled compensation scheme	12 456	8 999
Oceana Empowerment Trust		663
Capital expenditure	163 742	154 476
Expansion		14 730
Replacement	163 742	139 746
Budgeted capital commitments	318 086	161 047
Contracted	23 218	14 445
Not contracted	294 868	146 602

	Audited number of shares '000	Audited number of shares '000
13. ELIMINATION OF TREASURY SHARES		
Weighted average number of shares in issue	135 526	135 526
Less: Weighted average treasury shares held by share trusts	(13 654)	(13 732)
Less: Weighted average treasury shares held by subsidiary company	(5 094)	(5 094)
Weighted average number of shares on which basic earnings per share and basic headline earnings per share are based	116 778	116 700
Weighted average number of shares on which diluted earnings per share and diluted headline earnings per share are based	127 164	127 769

14. RELATED-PARTY TRANSACTIONS

Effective 13 April 2018 Makimry Patronus Limited Liability Company ("Makimry"), a US company majority owned and controlled by Mr Francois Kuttel (the former Chief Executive Officer of Oceana Group Limited ("Oceana")), acquired a 75% interest in Westbank Fishing Limited Liability Company (a company 25% owned by Daybrook Fisheries Incorporated). The requisite majority of Oceana shareholders were required to vote in favour of the arrangement in terms of section 10.1(a) of the Listings Requirements of the JSE due to the deemed related party nature of certain of the agreements. The respective resolutions were passed by the requisite majority of shareholders present in person or by proxy at the general meeting held on 13 April 2018. Oceana received dispensation from the JSE for the requirement to obtain a fairness opinion in terms of section 10 of the Listings Requirements. Westbank loaned USD31.5 million to Makimry during the year, to partly finance the purchase of Makimry's 75% membership interest in Westbank. The loan bears interest at LIBOR plus applicable margin of 1.75% to 2.25% with a final maturity date of 12 April 2033.

The group entered into various other transactions with related parties in the ordinary course of business, on market related terms. The nature of these related-party transactions is consistent with those reported previously.

15. CONTINGENT LIABILITIES AND GUARANTEES

The group has given cross suretyships in support of bank overdraft facilities of certain subsidiaries and the company.

During the reporting period a customer of the Commercial Cold Storage Proprietary Limited sent a letter of demand for alleged damages suffered to their meat products. The amount claimed in the letter of demand is R24.4 million. In terms of legal advice obtained the customer's alleged claim is without merit and should the customer initiate legal action, such legal action will be contested. No provision has been made in the 2018 annual financial statements as management do not consider there to be any likelihood of a loss.

16. EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that may have an impact on the group's reported financial position at 30 September 2018 or require separate disclosure in these financial statements.

Comments

FINANCIAL RESULTS

Oceana has delivered a strong performance for the year driven primarily by increased canned fish sales volumes, improved landings for hake, horse mackerel and squid in South Africa and Gulf menhaden in the United States together with continued focus on operational efficiencies and improved management of foreign currency exposure.

Group revenue increased by 14% to R7 733 million (2017: R6 808 million). Revenue from Africa operations increased by 11%, underpinned by good volume growth in most segments. Likewise the Daybrook operations in the United States (US) delivered a 24% increase in revenue driven by increased sales volumes on the back of improved landings. Despite Rand weakness in the last quarter, US Dollar revenue for 2018 was converted at an average exchange rate of R13.20/USD compared to R13.37/USD for the comparative period.

Group operating profit before associate and joint venture income, fair value adjustments and other operating items ("operating profit") increased by 24% to R1 234 million (2017: R995 million). Africa operations delivered a 35% increase in operating profit driven primarily by volume growth in canned fish, horse mackerel and hake together with a favourable movement in net foreign exchange, from a loss of R61 million in 2017 to a gain of R19 million this year. A disappointing year for the CCS division tempered the performance. In the US, Daybrook's operating profit improved by 5% with record landings and improved fish oil yields being partially offset by weaker global fish oil prices.

Other operating expenses of R14 million (2017: income of R9 million) relate mainly to transaction costs (R25 million) incurred in extending the Westbank operating agreement and the subsequent change in the majority shareholder of Westbank Fishing.

Net interest expense related to finance costs on facilities and long-term borrowings has reduced by 15% for the year to R292 million (2017: R343 million). The average interest rate for all debt is currently 7.2% (2017: 7.3%).

Group profit before taxation increased by 32% to R883 million (2017: R667 million)

TAXATION

Taxation expense of R0.8 million for the year is materially lower than the comparative period (2017: R188 million) largely due to a USD18.6 million (R238 million) once-off release of deferred taxation following the reduction in the federal corporate tax rate in the United States of America from 35% to 21%, effective after 31 December 2017.

HEADLINE EARNINGS AND DIVIDEND

Headline earnings for the year increased by 86% compared to the prior year. Excluding the effect of the once-off deferred tax adjustment, fair value adjustments and other operating items, headline earnings increased by 45%.

A final dividend of 304 cents (2017: Nil cents) per share has been declared which together with the interim dividend of 112 cents (2017: 90 cents) per share brings the total dividend for the year to 416 cents (2017: 90 cents) per share.

FINANCIAL POSITION AND CASH FLOW

Cash generated from operations for the year decreased to R1 303 million (2017: R1 707 million) due to R189 million cash utilised for working capital purposes in the year (2017: cash generated R 561 million) offsetting the effect of higher operating profit. At year-end the group had positive cash balances of R1 015 million (2017: R1 222 million) of which R560 million (2017: R749 million) is held in dollar denominated accounts. At 30 September 2018 group net debt is R2 752 million (2017: R2 942 million) of which R1 052 million (2017: R949 million) is denominated in US dollars. The net debt to EBITDA ratio at 30 September 2018 was 2.0 times (2017: 2.4 times).

REVIEW OF OPERATIONS

CANNED FISH AND FISHMEAL (AFRICA)

Due to strong demand and favourable pricing, sales volumes in the canned fish business increased to 8.8 million cartons (2017: 7.9 million cartons). This was achieved primarily in our South African market which consumes approximately 88% of all volumes and achieved 12% growth for the year.

Due to a successive year of poor fresh pilchard landings in South Africa and Namibia, canned fish production was primarily driven by supply of imported frozen fish from various geographies. The 2018 South African Total Allowable Catch (TAC) for pilchard was increased to 65 000 tons from 45 560 tons however industry was only able to land 32% of the TAC. In Namibia a Ministerial decision was taken to suspend pilchard fishing in 2018 based on scientific advice.

Good progress was made in the year in driving cannery efficiencies and supply chain logistics which resulted in increased cannery throughput and improved labour productivity.

Operating margins in the canned fish business increased materially as a result.

Landings of industrial fish to the group's fishmeal plants in South Africa and Angola were lower than prior year resulting primarily from lower catch rates in Angola. The resulting lower sales volumes were positively offset by an improvement in net realised prices for fishmeal and oil. Profitability in this segment was lower due to the poor Angolan performance.

FISHMEAL AND FISH OIL (USA)

A record seasonal catch of 803 million fish (2017: 735 million fish) was achieved for the 2018 Gulf menhaden fishing season, which runs from April to the end of October. The improved catch was attributed to the combination of good nutrient availability in the Gulf, increased fishing days with fewer extreme weather events and operational improvements introduced under the new Westbank ownership.

Daybrook production of 63 966 tons fishmeal (2017: 55 406 tons) and 23 650 tons fish oil (2017: 17 737 tons) for the year resulted in a combined production yield of 35.0% (2017: 32.8%). Oil yields improved to 9.5% (2017: 7.6%) but remained below the 12.5% historical average. The Daybrook plant performed very well in the season, benefitting from off-season maintenance and investment in operational improvements.

Although sales volumes grew in the year, global fishmeal and fish oil pricing remained soft off the back of strong production from Peru. Sales volumes into the US petfood market increased in the year following a strategic drive to differentiate our offerings, improve margins and reduce exposure to price volatility. This strategy together with increased sales volumes into other geographic regions mitigated the effect of tariffs imposed by China on US fishmeal imports, which this season constituted less than 5% of total volumes sold.

Daybrook's revenue increased by 24% to USD133 million (2017: USD107 million) and operating profit to USD31.9 million (2017: USD29.1 million) with margins adversely impacted by an 8% decline in average fish oil prices year on year.

HORSE MACKEREL AND HAKE

In Namibia the 2018 horse mackerel TAC remained in line with 2017 at 340 000 tons. The Ministry of Fisheries and Marine Resources allocated the full TAC for the 2018 fishing season with 64.4% (2017: 68.8%) allocated to existing rights holders. Our allocation for the year was 22 724 tons (2017: 24 717 tons).

The Namibian vessels experienced a tough year due to variable catch rates, small fish sizes and higher quota related costs. This was slightly offset by improved vessel utilisation and increased sales volumes. Operating profit for Namibian horse mackerel was consequently lower.

In South Africa, the Precautionary Maximum Catch Limit (PMCL) for targeted catch of horse mackerel decreased by 9.7% to 25 500 tons (2017: 28 231 tons). Quota available to Oceana through own and joint venture allocations remained in line with 2017 at 30.3% of the PMCL. The 2017 Fishing Rights Application Process (FRAP) allocation remains under appeal.

The Desert Diamond's catch rates in South Africa improved in both its traditional and the experimental fishing grounds, boosting sales volumes for the year. In addition, strong market demand and good USD pricing for the larger sized South African horse mackerel contributed to a strong performance.

The 2018 hake offshore TAC reduced by 5.0% to 111 294 tons (2017: 117 194 tons). Vessel utilisation for the hake vessels improved in the year following increased focus on preventative maintenance. Revenue and operating profit increased on prior year driven by higher catch rates, larger size mix, higher opening stock volumes and strong European demand and pricing.

LOBSTER AND SQUID

The 2018 TAC for West Coast Rock Lobster (WCRL) remained unchanged at 1 924 tons, although the offshore allocation dropped from 1 204 tons in 2017 to 995 tons with a higher tonnage allocated to small scale. Own quota available to Oceana for the current season reduced by 39% to 156 tons (2017: 256 tons), in response we reduced the number of operational sites and actively acquired third party quota for catching, processing and marketing. The full 2018 quota allocation was harvested this year.

Fishing rights allocated to the squid business remained unchanged over the period. The squid business reported a fourth consecutive year of strong results, reflecting improved biomass availability and catches, enhanced operational efficiencies and good European market pricing.

COMMERCIAL COLD STORAGE AND LOGISTICS (CCS)

The CCS business experienced a challenging year including the continued oversupply of storage space in the Gauteng region adversely impacting occupancy levels and pricing for most of the financial year. The coastal facilities in South Africa, Namibia and Angola continued to perform well in the year with the Western Cape region benefiting from the increased volumes of frozen fish imports.

The CCS leadership team has been strengthened in order to improve performance levels.

Comments (continued)

DIRECTORATE CHANGES

Mr G Fortuin resigned from the board of directors ("the board") on 7 September 2018, having served as a director since 2016. The board wishes to thank Geoff for his contribution during this period.

Mr I Soomra was appointed as the chief executive officer effective 1 August 2018, having served as interim chief executive officer following the resignation of Mr FP Kuttel on 13 February 2018. The board wishes Imraan every success going forward.

PROSPECTS

2018, Oceana's centenary year, saw the group successfully improve profitability levels and lay a solid foundation for further growth.

In the year ahead, focus will remain on optimising existing businesses while continuing to seek volume growth particularly in canned fish by maintaining affordability and price consistency. Our strategy with regard to the lobster business is under review following the recent announcement by the Department of Agriculture, Forestry and Fisheries that the 2018/19 West Coast Rock Lobster TAC will be reduced by 43.6% to 1 084 tons.

In the US and Africa fishmeal and fish oil businesses, focus will be on ensuring improved utilisation of resources by realising opportunities to improve catch rates, optimising plant efficiency and increasing sales volumes through a global group-wide sales and distribution strategy.

In South Africa and Namibia there will be continued engagement with regulators in both countries to ensure that ongoing transformation activities are sufficiently aligned with government expectations.

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 (non-executive)

I Soomra
Chief executive officer

Cape Town

15 November 2018

By order of the board

CASH DIVIDEND DECLARATION

Notice is hereby given of dividend number 149. A gross final dividend amounting to 304 cents per share, in respect of the year ended 30 September 2018, was declared on Thursday, 15 November 2018, 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 243.2 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 <i>cum</i> dividend	Tuesday, 8 January 2019
Commence trading <i>ex</i> dividend	Wednesday, 9 January 2019
Record date	Friday, 11 January 2019
Dividend payable	Monday, 14 January 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 January 2019, and Friday, 11 January 2019, both dates inclusive.

JC Marais
Company secretary

15 November 2018

Directorate and statutory information

Directors:	MA Brey (<i>chairman</i>), I Soomra* (<i>chief executive officer</i>), ZBM Bassa, PG de Beyer, NP Doyle, LC Mac Dougall, S Pather, NV Simamane (*Executive)
Change to Directors:	FP Kuttel resigned from the Board of Directors effective 13 February 2018. GG Fortuin resigned from the Board of Directors effective 7 September 2018. I Soomra was appointed as chief executive officer effective 1 August 2018.
Change to Prescribed Officer:	T Giles was appointed as interim chief financial officer effective 1 August 2018.
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 62053, 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

