29 February 2012

Oceania Capital Partners Limited – Results for Announcement to the market (Appendix 4D) for the period ended 31 December 2011

Oceania Capital Partners Limited announces the following results for the Company and its controlled entities (together the Consolidated Entity) for the half year ended 31 December 2011:

Results for announcement to the market

Extracted from the 31 December 2011 Half Year Financial Report	Six months to 31/12/2011 $A'000	Six months to 31/12/2010 $A'000	Change %
Revenue from ordinary activities[1]	5,824	42,393	(86.3)
Net profit (loss) from ordinary activities after tax attributable to members[2]	819	(23,255)	103.5
Net profit (loss) after tax attributable to members[2]	819	(23,255)	103.5

1 Comparative figures include revenue of $39.4m from Signature Security Group classified as "held for sale" in the 31 December 2010 half year financial report. Signature Security Group was sold with completion occurring on 29 April 2011.

2 Includes impacts of measuring the iSOFT exposure at fair value resulting in a profit of $2.7m being recognised upon realisation during the current period and an unrealised decrease in fair value of $25.5m in the comparative period.

The current period result includes:

- interest income earned on funds held on interest bearing deposit with banking institutions of $4.6 million (2010 - $0.7 million);
- an accounting gain of $2.7 million recognised upon realisation of the investment held in iSOFT Group Limited;
- an equity accounted profit contribution of $1.1 million from Baycorp (2010 - $2.3 million); and
- a loss of $3.2 million before tax reflecting the net impact on the Consolidated Entity's result following receipt of the determination issued by the independent expert in connection with the dispute over the Signature completion date adjustment statements. The effect of the determination has been recognised notwithstanding that the Sellers are still reviewing the determination and considering next steps.

The comparative period results included:

- a profit after tax contribution from Signature Security Group of $2.0 million; and
- an unrealised loss of $25.5 million arising from the reassessment of the fair value of the shares, convertible notes and warrants held in iSOFT Group Limited at 31 December 2010.

Please refer to the accompanying results announcement and 31 December 2011 Half Year Financial Report for further information.

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Dividends for half year ended 31 December 2011

No interim dividend has been declared (2010 – nil).

Net Tangible Assets per Share at 31 December 2011

	31/12/2011 $A per share[1]	31/12/2010 $A per share[1]
Net Assets per Share[2]	2.35	2.20
Less intangible assets (mainly comprising goodwill arising from the acquisition of Signature Security Group (SSG), monitoring contracts acquired by SSG and deferred tax assets)	-	(1.57)
Net Tangible Assets per Share[2]	2.35	0.63

1 based on 91,921,295 issued shares at 31 December 2011.
2 after providing at 31 December 2011 for the 30.0 cents per share pro-rata return of capital that was paid on 5 January 2012 and providing for the expert's determination in connection with the Signature completion date adjustment statements dispute.

Pro forma net assets per share following completion of capital management initiatives

On 6 February 2012, the number of issued shares reduced to 25,677,757 following completion of the equal access off-market buy-back and cancellation of 66,243,538 shares. On a pro-forma basis the net assets per share would be approximately $2.85, after allowing for $170.0m of cash reserves used to pay for both the return of capital and the share buy-back.

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The remainder of the information requiring disclosure to comply with ASX Listing Rule 4.3A is contained in the accompanying results announcement and 31 December 2011 Half Year Financial Report.

29 February 2012

Half Year Results Announcement

- Reported net profit after tax of $0.8 million
- Completion of capital management initiatives
- Independent expert determination of Signature completion date adjustment dispute received
- Net assets per share of approximately $2.85 after completion of share buy-back and providing for the Signature determination
- New director appointments confirmed

Financial result and position

Oceania Capital Partners Limited ("OCP") today announced a net profit after tax of $0.8 million for the six months ended 31 December 2011. This profit was driven by investment returns in the period as well as interest income on the cash holdings of the company through the period offset by providing for the determination on the Signature completion date adjustment dispute detailed below.

The half year was characterised by a number of significant one-off transactions, including the realisation of our investment in iSOFT Group Limited and the approval by shareholders of a significant capital management plan and clarification of the strategic direction of the company.

The capital management initiatives approved by shareholders on 16 December 2011 utilising $170.0 million of cash reserves were completed after the closing of the half year, with the pro-rata return of capital ($0.30 per share) paid to eligible shareholders on 5 January 2012 and the proceeds of the off-market equal access share buy-back ($2.15 per share) paid to participating shareholders on 9 February 2012.

No interim dividend has been declared in respect of the half year.

Signature Completion Date Adjustments

As announced on 27 February 2012, the independent expert has issued a determination on the dispute over the completion date adjustment statements for Signature Security Group. The determination is for an amount payable by the Sellers to the Buyer as an adjustment to the contract purchase price of $4.2 million. OCP is still reviewing the expert's determination. Under the terms of the Share Sale Agreement, the determination of the independent expert is final and binding on the parties. OCP has included a provision in the half year financial statements for the amount assessed as payable by the expert in accordance with accounting standards requirements.

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Pro forma net asset position

Following completion of the capital management initiatives on 9 February 2012 and after providing for the amount determined by the independent expert in the Signature completion date adjustment statements dispute, pro forma net assets were approximately $2.85 per OCP share based on 31 December 2011 reported carrying values as adjusted. This is summarised in the following table:

	Pro forma carrying amount at 9 February 2012[1]		Basis for Carrying amount
	$m	$ / share [3]	
Baycorp	53.9	2.10	Equity accounted
Cash and cash equivalents	16.5	0.64	Actual
Restricted cash held in escrow[2]	10.0	0.39	Actual
Other net assets (liabilities)	(7.1)	(0.28)	Actual
Pro Forma Net Assets[1]	73.3	2.85	

1: 31 December 2011 reported balances adjusted for payment of the return of capital on 5 January 2012 and the share buy-back on 9 February 2012 utilising in aggregate $170.0m of cash reserves.
2: Proceeds from the sale of Signature Security Group held in escrow for up to 2 years pursuant to the terms of the share sale agreement.
3: Based on 25,677,757 ordinary shares on issue.

Baycorp

Despite making a number of very positive business improvements and winning new customers in new segments, Baycorp had a disappointing financial result in 1H12, falling short of its growth expectations. The major contributing factors were:

- the continuing sluggish performance of the New Zealand economy being reflected in reduced debt load and revenues into the New Zealand contingency business (with Baycorp being affected in its New Zealand contingency business by both falling market size and falling market share);
- delayed and variable debt load from a number of its major Australian contingency clients (despite the Australian contingency market being more robust than its New Zealand counterpart); and
- an intentional increase in the operating expense base as the business increases human resource capacity in anticipation of growth in the forthcoming periods.

The resulting EBIT for the 6 months of $6.12 million was down on the previous half year (2H11 EBIT $7.44 million) and significantly down on the previous corresponding period (1H11 EBIT of $8.86 million).

While this has been disappointing, Baycorp is experiencing strong growth opportunities in the Government sector for outsourced debt recovery and credit management solutions. Given its proven track record with State and Federal Governments, Baycorp sees this as an important and emerging area.

The half-on-half comparisons of profitability are shown in the following table:

Baycorp profit and loss summary data

$ millions *6 months ending*	1H12 31-Dec-11	2H11 30-Jun-11	1H11 31-Dec-10	2H10 30-Jun-10	1H10 31-Dec-09
Total revenue	**29.37**	**28.55**	**30.98**	**27.55**	**29.87**
PDL net revenue	17.84	15.94	18.20	14.17	17.07
Contingency, FFS, legal and other	11.53	12.61	12.78	13.38	12.79
Operating expenditure	-22.74	-20.64	-21.63	-19.76	-19.14
EBITDA	**6.63**	**7.91**	**9.35**	**7.79**	**10.73**
Depreciation	-0.51	-0.47	-0.49	-0.50	-0.50
EBIT	**6.12**	**7.44**	**8.86**	**7.29**	**10.22**
EBIT margin	*20.82%*	*26.05%*	*28.60%*	*26.47%*	*34.23%*

Notes:
1. PDL net revenue includes PDL interest income, over/under collect, PDL sales and PDL fair value movments
2. EBIT does not include dividend income from CLH shares or mark to market movements in CLH shares through the period

Source: Baycorp management accounts (1H12 not audited)

As can be seen, the operating expenses have increased at a faster rate than revenue and, consequently, the EBIT margin has declined in the half year. While operating expenditure is closely managed by the business, there has been a conscious decision by Baycorp to resource for growth and for the purpose of pursuing some specific new collection strategies. It is expected that the benefit of a number of these initiatives will begin to show in increased revenue and improving margins in the second half although this aspect of the business will continue to be closely managed. Headcount (FTE) has increased from 395 at the beginning of July to 467 as at the end of December. This aggressive resourcing increase is an intentional strategy to build collection capacity within the business to support the future growth aspirations of the business. These new positions have all been created in Australian and New Zealand contact centres.

The cashflow performance of the business is summarised on a half-on-half basis below. The cash collected in the PDL business in Australia and New Zealand is performing at a higher level than both the previous corresponding period (1H11) and the previous 6 month period (2H11). Cash expended on PDL purchasing ($22.7 million) in the half is consistent with both previous periods and expectation. Importantly, the business secured PDLs from both long standing clients and new debt sellers entering the market.

Baycorp cashflow summary data

$ millions 6 months ending	1H12 31-Dec-11	2H11 30-Jun-11	1H11 31-Dec-10	2H10 30-Jun-10	1H10 31-Dec-09
Total cash receipts	**47.70**	**47.70**	**51.70**	**42.10**	**45.20**
Cash receipts from PDLs	38.20	35.70	37.80	30.60	32.10
Cash receipts from contingency etc	9.50	12.00	13.90	11.50	13.10
Total cash payments	-23.70	-20.50	-22.90	-18.40	-19.40
Operating cashflow before int and tax	**24.00**	**27.20**	**28.80**	**23.70**	**25.80**
Capital expenditure - PDL	-22.70	-16.70	-21.80	-20.40	-17.30
Capital expenditure - Fixed Assets	-0.70	-0.50	-0.20	-0.50	-0.50

Source: Baycorp management accounts (1H12 not audited)

Baycorp had a healthy purchasing profile in the PDL business in the half with the PDL purchasing opportunity being strong. However, as has been commented on elsewhere, the price trend in the half was on the rise, with a number of PDL transactions completing at prices which Baycorp did not consider as meeting its investment return hurdles. Baycorp will continue to exercise discipline in the tendering and pricing of PDL acquisitions, an approach which has held it in good stead through the challenging economic times of the past years. An approach of "following the market" in PDL pricing is not seen as prudent or sustainable. While Baycorp has already secured 50% of 2H12 budgeted PDL investment, Baycorp's management identify that the current PDL pricing trend is a risk factor for the business for the second half and beyond, especially as the business has invested heavily to increase collection capacity.

One of the specific initiatives successfully pursued by Baycorp management in the half has been the creation of a dedicated collection team to pursue older debt. This initiative is a companion initiative to the continued assessment of the PDL book and opportunistic sales out of the book to take advantage of what seems to Baycorp to be strong appetite from other debt buyers.

Baycorp's balance sheet remains very strong, as is seen in the summarised figures below:

Baycorp balance sheet summary data

$ millions Position as at	31-Dec-11	30-Jun-11	31-Dec-10	30-Jun-10	31-Dec-09
PDL asset balance (carrying value)	88.10	85.30	87.80	86.80	80.40
Net debt	39.10	38.70	41.90	46.70	48.50
Net assets	107.30	105.50	105.10	101.80	97.30
Net debt/Equity	36.44%	36.68%	39.87%	45.87%	49.85%
Net debt/(Net debt plus Equity)	26.71%	26.84%	28.50%	31.45%	33.26%
PDL cash collected/Ending PDL carrying value	43.36%	41.85%	43.05%	35.25%	39.93%

Source: Baycorp management accounts (1H12 not audited)

Reflecting this balance sheet strength and to facilitate future growth and development, Baycorp has entered into a facility agreement with the ANZ Banking Group that provides revolving and term debt facilities aggregating to approximately $A78 million (**Facilities**). The term debt facilities are for 3 years from the date of first utilisation. The Facilities have been used by Baycorp to repay borrowings under its previous facilities and will fund further PDL acquisitions by the business. Refinancing was completed in January 2012.

The summarised balance sheet data above shows that the business has de-levered considerably over the last 2 years and is well placed to pursue further PDL investment activity should market conditions allow.

Baycorp continues to hold over 10 million shares in Collection House Limited (ASX:CLH) which are currently trading around $0.85 per share.

The market conditions, notably those associated with the PDL market, are not new to Baycorp. In the past, Baycorp's commitment to value-based pricing, supported by continuing investment in improved business efficiency through technology, people and processes, has delivered sustainable and consistent results over a long period.

Appointment of new directors

As advised in the Explanatory Statement to shareholders accompanying the capital management initiatives, Michael Jacobson and Brian Scheiner, executives of HCI Australian Operations Pty Limited (**HCI**), the Company's largest shareholder, will join the Board on 1 March 2012. Biographies for Michael and Brian were set out in the Explanatory Statement.

HCI is majority owned by Hosken Consolidated Investments Limited, an investment company listed on the Johannesburg Stock Exchange (JSE: HCI).

Future investment activities

Following the approval of the Revised Continuation Alternative at the Company's reconvened Annual General Meeting on 16 December 2011, the company is mandated to re-commence its investing activities with the support of its major shareholder. The investment strategy is intended to continue to be to invest in operating businesses, whether owned privately or through a listed company, with no pre-determined emphasis on any particular sector or geographical focus.

Shareholders should note that the Company's flexibility to undertake new investment activity is likely to be constrained because of the reduced available cash reserves following payments made for the return of capital and the share buy-back. This situation is likely to remain until such time as further cash reserves are available.

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Further information on the financial results and performance is contained in the Appendix 4D and Half Year Financial Report released today.

For further information, please contact:

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