South Ocean HOLDINGS

AUDITED ABRIDGED RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010



// HIGHLIGHTS

Turnover increased by 18,8% to R1 138,1 million
Gross profit increased by 12,1% to R237,8 million
Earnings per share increased by 66,3% to 33,6 cents
Headline earnings increased by 38,6% to 33,4 cents
Net asset value per share increased by 6,8% to 471,2 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
Assets			
Non-current assets		**603 633**	586 929
Property, plant and equipment	3	**259 642**	240 499
Intangible assets	3	**343 991**	346 430
Current assets		**366 008**	337 250
Inventories		**188 579**	146 664
Trade and other receivables		**131 476**	124 003
Taxation receivable		**1 353**	1 948
Cash and cash equivalents		**44 600**	64 635
Total assets		**969 641**	924 179
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital and premium	4	**441 645**	441 645
Reserves		**(706)**	–
Retained earnings		**295 912**	248 127
Total equity		**736 851**	689 772
Liabilities			
Non-current liabilities		**102 449**	129 336
Interest bearing borrowings	5	**71 513**	102 518
Share based payments		**2 370**	–
Deferred taxation		**28 566**	26 818
Current liabilities		**130 341**	105 071
Trade and other payables		**77 446**	58 995
Share based payments		**5 010**	–
Derivative financial instrument		**680**	–
Interest bearing borrowings	5	**35 526**	35 837
Taxation payable		**1 848**	4 380
Dividends payable		**4**	4
Bank overdraft		**9 827**	5 855
Total liabilities		**232 790**	234 407
Total equity and liabilities		**969 641**	924 179

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2010 (Audited) R'000	Change %	31 December 2009 (Audited) R'000
Revenue		**1 138 130**	18,8	957 972
Cost of sales		**(900 285)**		(745 756)
Gross profit		**237 845**	12,1	212 216
Other operating income		**7 344**		12 098
Administration expenses		**(64 370)**		(54 953)
Distribution expenses		**(27 927)**		(21 410)
Operating expenses		**(64 395)**		(87 792)
Operating profit		**88 497**	47,1	60 159
Finance income		**1 701**		2 843
Finance cost		**(13 455)**		(18 531)
Profit before taxation		**76 743**	72,6	44 471
Taxation	6	**(24 267)**		(12 814)
Profit for the year		**52 476**	65,8	31 657
Other comprehensive income				
Exchange differences on translation of foreign operation		**(706)**		–
Total comprehensive income attributable to equity holders of the company		**51 770**	63,5	31 657
Earnings per share – basic and diluted (cents)		**33,6**	66,3	20,2
Dividends per share (cents)		**–**	–	3,0

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the year ended 31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
Share capital		
Opening and closing balance	**1 274**	1 274
Share premium		
Opening and closing balance	**440 371**	440 371
Foreign currency translation reserve		
Opening balance	**–**	–
Exchange differences on translation of foreign operation	**(706)**	–
Closing balance	**(706)**	–
Retained earnings		
Opening balance	**248 127**	216 470
Total comprehensive income for the year	**52 476**	31 657
Dividends paid	**(4 691)**	–
	295 912	248 127

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the year ended 31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
Cash generated from operating activities	**47 553**	115 004
Cash utilised in investing activities	**(34 847)**	(13 130)
Cash utilised in financing activities	**(36 007)**	(36 864)
Net (decrease)/increase in cash and cash equivalents	**(23 301)**	65 010
Cash and cash equivalents at the beginning of year	**58 780**	(6 230)
Effects of exchange rate movement on cash balances	**(706)**	–
Cash and cash equivalents at the end of year	**34 773**	58 780

SELECTED NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. **General information**
   South Ocean Holdings Limited ("the company") and its subsidiaries (together "the group") manufacture and distribute electrical wires, import and distribute lighting and electrical accessories and rent its properties. The company is a public limited company which is listed on the Johannesburg Stock Exchange and is incorporated and domiciled in South Africa.
   The audited condensed consolidated financial information was approved for issue by the directors on 28 February 2011.

2. **Basis of preparation**
   The condensed consolidated financial information of South Ocean Holdings Limited has been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting Standards, IFRIC Interpretations and the Companies Act, applicable to companies reporting under IFRS and the JSE Listings Requirements and should be read with the audited annual financial statements for the year ended 31 December 2010. The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
   The accounting policies adopted are consistent with those applied in the financial statements for the year ended 31 December 2009.

3. **Capital expenditure**
   During the year, the group invested R35,3 million in capital expenditure, related to the expansion programme at SOEW and further investment in plant and machinery. The details of changes in tangible and intangible assets are as follows:

	Tangible assets (Audited) R'000	Intangible assets (Audited) R'000
Year ended 31 December 2010		
Opening net carrying amount	**240 499**	**346 430**
Additions	**33 210**	**2 086**
Disposals	**(204)**	**–**
Depreciation/amortisation	**(13 863)**	**(4 525)**
Closing net carrying amount	**259 642**	**343 991**
Year ended 31 December 2009		
Opening net carrying amount	248 187	349 848
Additions	27 045	845
Disposals	(20 839)	–
Depreciation/amortisation	(13 894)	(4 263)
Closing net carrying amount	240 499	346 430

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
4. Share capital and share premium				
At 31 December 2010				
Opening and closing balance	**156 378 794**	**1 274**	**440 371**	**441 645**
At 31 December 2009				
Opening and closing balance	156 378 794	1 274	440 371	441 645

	31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
5. Interest bearing borrowings		
Secured loans		
Non-current	**71 513**	102 518
Current	**35 526**	35 837
	107 039	138 355
The movement in borrowings is analysed as follows:		
Opening balance	**138 355**	176 238
Additional loans raised	**–**	22 565
Finance costs	**9 640**	16 788
Repayments	**(40 956)**	(77 236)
Closing balance	**107 039**	138 355

6. Taxation

The effective tax rate for 2010 is 31,6% (2009: 28,8%). The current year's effective tax rate is higher due to non-provision of a deferred tax asset relating to a subsidiary's tax losses.

	31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
7. Reconciliation of headline earnings		
Earnings attributable to equity holders of the company	**52 476**	31 657
(Profit)/loss on disposal of property, plant and equipment	**(176)**	6 079
Headline earnings	**52 300**	37 736
Headline earnings per share (cents)	**33,4**	24,1

	31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
8. Weighted average number of shares		
Number of shares in issue	**156 378 794**	156 378 794
Weighted average number of shares in issue at beginning and end of the year	**156 378 794**	156 378 794

	31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
9. Net asset value		
Net asset value per share (cents)	**471,2**	**441,1**

10. Final dividend declaration

Due to the funding requirements for the expansion programme in 2011 financial year, the directors have agreed not to recommend a final dividend.

11. Audit opinion

These results have been extracted from the group's audited annual financial statements. The unqualified report of PricewaterhouseCoopers Inc. on the financial statements is available for inspection at the registered office of the company.

12. Segment reporting

The chief operating decision maker reviews the group's internal reporting in order to assess performance and has determined the operating segments based on these reports.

The business performance of the operating segments: electrical wires, lighting and electrical accessories, and property investments, is assessed from the market and product performance perspective.

The assessment of the performance of the operating segments is based on operating profit before interest, tax, depreciation and amortisation (EBITDA) and investment in working capital. This measurement basis excludes the effect of non-recurring expenditure from the operating segments, such as restructuring costs, profit on disposal of property, plant and equipment and impairments. Interest income and expenditure are included in the results of the operating segments.

Total assets and liabilities exclude deferred and income tax liabilities, inter-group balances and available-for-sale financial assets. The details of the business segments are as follows:

Year ended	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
31 December 2010				
Electrical wires	**777 133**	**62 412**	**233 846**	**23 066**
Lighting and electrical accessories	**360 998**	**44 845**	**549 920**	**100 087**
Property investments	**17 550**	**15 477**	**182 804**	**70 101**
	1 155 681	**122 734**	**966 570**	**193 254**
31 December 2009				
Electrical wires	591 939	35 975	227 059	34 976
Lighting and electrical accessories	366 033	46 234	530 874	78 261
Property investments	17 213	9 015	162 816	86 153
	975 185	91 224	920 749	199 390

Reconciliation of total segment report to the statement of financial position and statement of comprehensive income is provided as follows:

	31 December 2010 (Audited) R'000	31 December 2009 (Audited) R'000
Revenue		
Reportable segment revenue	**1 155 681**	975 185
Inter-group revenue (property rentals)	**(16 041)**	(16 000)
Property revenue reported in other operating income	**(1 510)**	(1 213)
Revenue per consolidated statement of comprehensive income	**1 138 130**	957 972
Profit before tax		
Adjusted EBITDA	**122 734**	91 224
Corporate overheads	**(15 849)**	(12 908)
Depreciation	**(13 863)**	(13 894)
Amortisation of intangible assets	**(4 525)**	(4 263)
Operating profit	**88 497**	60 159
Finance income	**1 701**	2 843
Finance cost	**(13 455)**	(18 531)
Profit before tax	**76 743**	44 471
Assets		
Reportable segment assets	**966 570**	920 749
Corporate assets	**1 718**	1 482
Taxation receivable	**1 353**	1 948
Total assets per statement of financial position	**969 641**	924 179
Liabilities		
Reportable segment liabilities	**193 254**	199 390
Corporate liabilities	**9 122**	3 819
Deferred taxation	**28 566**	26 818
Taxation payable	**1 848**	4 380
Total liabilities per statement of financial position	**232 790**	234 407

13. Director changes

Ms M Chong and Ms D Tam were appointed to the board as independent non-executive directors on 1 April 2010 and 25 November 2010 respectively. Mr PJM Ferreira was appointed an alternate director from 4 August 2010. Ms JL Law resigned from the board on 28 February 2010.

14. Subsequent events

The directors are not aware of any significant events arising since the end of the financial year, which would materially affect the operations of the group or its operating segments.

COMMENTARY

Introduction

South Ocean Holdings Limited (SOH) is pleased to announce its results for the year ended 31 December 2010.

The group consists of two trading companies South Ocean Electric Wire Company (Proprietary) Limited (SOEW), manufacturer of low voltage electrical wire, and Radiant Group (Proprietary) Limited (Radiant), importer and distributor of light fittings, lamps and electrical accessories, and a property holding company, Anchor Park Investments 48 (Proprietary) Limited (Anchor Park).

The group experienced a favourable trading year compared to prior year, though trading conditions remain challenging. Results improved compared to the prior year mainly due to the improved performance at SOEW year-on-year. There has been a marginal improvement in the trading volumes of electric wire during the year, together with a 29,5% increase in the moving average Rand Copper Price (RCP), which had a positive impact on the results for the group. Radiant was also affected by the depressed economic climate. Some relief was felt as interest rates and inflation improved, but past recessionary effects still continue to dampen consumer spending.

Financial overview

Earnings

The group reports R52,5 million profit after tax for the 12 months ended 31 December 2010, which is 65,8% higher than the R31,7 million previously reported. The group's gross profit increased 12,1% to R237,8 million (2009: R212,2 million) and operating profit increased by 47,1% to R88,5 million (2009: R60,2 million).

Other operating income of R7,3 million (2009: R12,1 million) is R4,8 million lower than the amount reported in 2009 mainly due to the foreign exchange gains of R4,5 million compared to the R10,5 million reported in the prior year.

Group management continued to place emphasis on finding value within the operations of the companies. This resulted in the cost savings as indicated by a 4,6% reduction in the group's operating expenses and this was achieved despite the increased activity at SOEW. The combined group operating expenses was R156,7 million compared to the prior year's R164,2 million. Further details are discussed within the operating division overviews.

The group has benefited from the reduction in interest rates. Finance costs reduced by 27,4% to R13,5 million compared to the prior year of R18,5 million. A reduced level of interest bearing borrowings was also instrumental in the lower reported finance costs.

The effective tax rate for 2010 is 31,6% compared to the prior year of 28,8%. The tax rate was affected by deferred tax asset relating to tax losses in one of the subsidiaries not being provided for.

Cash flow and cash position

The cash generated by the group during the year was R47,6 million, which was R67,4 million lower than the R115,0 million generated during the prior year. The main contributor to this variance was the investments in inventory, and accounts receivable, as a result of improved trading conditions and increased turnover at the end of the year compared to the prior year. An amount of R19,5 million was spent on capital expenditure relating to offices and factory building, of which the financing loan will be received in the 2011 financial year. The group further reduced its debt position by R31,3 million (2009: R37,9 million).

Operational overview

Electrical wires (SOEW)

Revenue increased by 31,3% to R777,1 million from R591,9 million in the prior year. The increase in the moving average Rand Copper Price (RCP) of 29,5% and volumes contributed to the improved revenue performance. The increased volumes were mainly achieved through additional capacity added in the prior year.

Customers continue to trade cautiously due to the volatility in the RCP and uncertain demand in the local market.

Due to the challenging market conditions and the competitive environment, focus continues to be on cost containment and management of working capital. The reduction in the net cash position is due to an increase in working capital resulting from the increased RCP and increase in accounts receivable.

Operating expenses increased by 3,2% for the current year. The sustainable reduction of expenses during the prior year, set a good foundation to take advantage of trading improvements in the current year. The net result is an improvement in the operating profit from a very difficult prior year.

Lighting and electrical accessories (Radiant)
Revenue has decreased by 1,4% to R361,0 million (2009: R366,0 million) compared to the prior year. Gross profits remained fairly static. Notwithstanding the decrease in revenue, a reduction of R6 million in foreign exchange gains and inflationary increases in expenditure, net income before tax has increased by R0,2 million.

Other operating income was negatively affected by the profit on foreign exchange of R4,4 million (2009: R9,8 million) which has reduced compared to the prior year. Operating expenditure reduced by R5,0 million when compared to the prior year. Finance costs have reduced to R3,7 million (2009: R7,5 million) as a result of decrease in interest rates, effective cash management and a reduction of interest bearing borrowings.

Cash on hand of R13,9 million at year end has reduced by R20,3 million when compared to prior year. The reduction in cash on hand is as a result of repayment of interest bearing borrowings and an increase in inventories of R31,2 million.

Property investments (Anchor Park)
Anchor Park owns the properties that are leased by the operating subsidiaries. The increase in the adjusted EBITDA at Anchor Park is due to the loss on sale of buildings recorded in the prior year. Interests bearing borrowings and finance costs have reduced as a result of lower interest rates. The increase in the segment assets is as a result of the factory being built at Alrode to house a new SOEW plant as well as the South Ocean Holdings head office. The group spent R19,5 million on this project during the year.

Prospects
The group expects trading conditions to continue to improve. The operating units will continue to extract value out of their operations to ensure the group continues to increase value for the shareholders.

Although there are signs of improvement in the economy, trading conditions remain challenging. Our businesses are affected by the volatility of the RCP, copper supply and the foreign exchange fluctuations. Despite the trading conditions, management endeavours to grow the businesses and be competitive within its economic environment.

The operating segments are well positioned to take advantage of any improvement in the economy. SOEW is currently constructing an additional manufacturing plant at its current facility to diversify its product range. The plant will be completed by the end of the first half of 2011 and will increase volumes from the second half of the year.

The group is committed to deliver sustainable earnings and growth to its shareholders.

On behalf of the board

EG Dube
Chairman

EHT Pan
Chief Executive Officer

28 February 2011

CORPORATE INFORMATION

South Ocean Holdings
(Registration number 2007/002381/06)
Incorporated in the Republic of South Africa
("South Ocean", "the group")
Share code: SOH ISIN: ZAE000092748

Directors
EG Dube[#] *(Chairman)*, EHT Pan[*@] *(Chief Executive Officer)*, JP Bekker[*] *(Chief Financial Officer)*
PJM Ferreira[*] *(Chief Operating Officer)* (Alternate), CY Wu[√o], M Chong[#]
D Tam[#], HL Li[√o], KH Pon[#], CH Pan[√o] (Alternate)
*Executive [#]Independent Non-executive [√]Non-executive [o]Taiwanese [@]Brazilian

Company Secretary
WT Green

Registered Office
12 Botha Street, Alrode 1451 (PO Box 123738, Alrode, 1451)

Company Secretary
WT Green 21 West Street, Houghton, 2198 (PO Box 123738, Alrode, 1451)

Sponsor
Investec Bank Limited (Registration no: 1969/004763/06)
Second floor, 100 Grayston Drive, Sandown, Sandton, 2196

Share Transfer Secretary
Computershare Investor Services (Pty) Limited
70 Marshall Street, Ground Floor, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, South Africa,
Telephone: +27(11) 370 5000, Telefax: +27(11) 688 5200, Website: www.computershare.com

Auditors
PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill, 2157
Telephone: +27(11) 797 4000, Telefax: +27(11) 797 5800

Investor Relations:
Craig Whittle Investor Relations
Website: www.cwir.co.za, Postnet suite #52, Private Bag X16, Constantia,
Telephone: +27(76) 456 3270, Email: cdwhittle@mweb.co.za