Audited summary consolidated financial results announcement

for the year ended 31 December 2015
("Financial Statements")

South Ocean HOLDINGS



SALIENT FEATURES

Revenue decreased by 3,4% to R1,657 billion
Loss per share of 8,9 cents
Headline loss per share of 9,1 cents
Tangible net asset value per share decreased by 2,0% to 358,7 cents

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

	Notes	31 December 2015 (Audited) R'000	31 December 2014 (Audited) R'000
Assets			
Non-current assets		**331 390**	330 088
Property, plant and equipment	4	**313 633**	315 993
Intangible assets	4	**8 780**	9 994
Deferred tax		**8 977**	4 101
Current assets		**578 274**	674 503
Inventories		**321 305**	379 527
Trade and other receivables		**229 596**	255 625
Derivative financial instruments		**–**	1
Current tax receivable		**5 556**	2 960
Cash and cash equivalents		**21 817**	36 390
Total assets		**909 664**	1 004 591
Equity and liabilities			
Equity			
Share capital	5	**441 645**	441 645
Reserves		**2 513**	1 027
Retained earnings		**125 567**	139 486
Total equity		**569 725**	582 158
Liabilities			
Non-current liabilities		**101 082**	120 464
Interest-bearing borrowings	6	**63 899**	80 267
Share-based payments		**–**	2 891
Deferred taxation		**37 183**	37 306
Current liabilities		**238 857**	301 969
Trade and other payables		**122 163**	127 445
Share-based payments		**–**	1 772
Interest-bearing borrowings	6	**20 159**	22 070
Current tax payable		**–**	4 634
Bank overdraft		**96 535**	146 048
Total liabilities		**339 939**	422 433
Total equity and liabilities		**909 664**	1 004 591

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended		
	Note	31 December 2015 (Audited) R'000	Change %	31 December 2014 (Audited) R'000
Revenue		**1 657 358**	(3,4)	1 715 240
Cost of sales		**(1 499 277)**		(1 453 059)
Gross profit		**158 081**	(39,7)	262 181
Other operating income		**11 647**		3 255
Administration expenses		**(75 038)**		(89 644)
Distribution expenses		**(25 822)**		(29 124)
Operating expenses		**(68 430)**		(67 022)
Operating profit		**438**	(99,5)	79 646
Finance income		**1 037**		1 090
Finance costs		**(20 397)**		(22 036)
(Loss) profit before taxation		**(18 922)**	(132,2)	58 700
Taxation	7	**5 003**		(21 182)
(Loss) profit for the year		**(13 919)**	(137,1)	37 518
Other comprehensive (loss) income				
Exchange differences on translation of foreign operations		**1 486**		394
Total comprehensive (loss) income attributable to equity holders of the Group		**(12 433)**	(132,8)	37 912
		Cents per share		Cents per share
(Loss) earnings per share – basic and diluted		**(8,9)**	(137,1)	24,0

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the year ended 31 December 2015 (Audited)	31 December 2014 (Audited)
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	**1 027**	633
Exchange differences on translation of foreign operations	**1 486**	394
Closing balance	**2 513**	1 027
Retained earnings		
Opening balance	**139 486**	101 968
Total comprehensive (loss) profit for the year	**(13 919)**	37 518
Closing balance	**125 567**	139 486

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW

	For the year ended 31 December 2015 (Audited) R'000	31 December 2014 (Audited) R'000
Cash flows from operating activities	**67 539**	43 021
Cash flows from investing activities	**(15 806)**	(49 841)
Cash flows from financing activities	**(18 279)**	34 174
Net increase in cash, cash equivalents and bank overdrafts	**33 454**	27 354
Cash, cash equivalents and bank overdrafts at the beginning of year	**(109 658)**	(137 406)
Effects of exchange rate movement on cash balances	**1 486**	394
Total cash, cash equivalents and bank overdrafts at the end of year	**(74 718)**	(109 658)

SELECTED NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

1. General information

South Ocean Holdings and its subsidiaries manufacture and distribute electrical cables, import and distribute light fittings, lamps, electrical accessories and audio visual hardware and accessories, and hold investments in a light fittings assembly operation and property investment company. South Ocean Holdings is a public company listed on the JSE Limited ("JSE") and is incorporated and domiciled in the Republic of South Africa.

The audited summary consolidated financial information was prepared by JP Bekker CA(SA) and was approved for issue by the directors on 8 March 2016.

2. Basis of preparation

The summary consolidated Financial Statements of South Ocean Holdings have been prepared in accordance with the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa applicable to summary Financial Statements. This should be read with the audited Financial Statements for the year ended 31 December 2015. The Listings Requirements require provisional reports to be prepared in accordance with the framework concept and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the 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 IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated Financial Statements.

3. Accounting policies

The accounting policies adopted are consistent with those applied in the Financial Statements for the year ended 31 December 2015, except where indicated. There are no new standards or amendments that were issued since the last annual report that will result in a material impact in the reported or future results of the Group.

4. Property, plant and equipment and intangible assets

During the year, the Group invested R16,7 million (2014: R49,9 million) in capital expenditure, related mainly to the manufacturing plant and machinery at South Ocean Electric Wire Company Proprietary Limited. 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 2015		
Opening net carrying amount	**315 993**	**9 994**
Additions	**15 002**	**1 697**
Disposals	**(587)**	**–**
Depreciation amortisation	**(16 775)**	**(2 911)**
Closing net carrying amount	**313 633**	**8 780**
Year ended 31 December 2014		
Opening net carrying amount	284 015	10 482
Additions	48 427	1 496
Disposals	(78)	–
Depreciation/amortisation	(16 371)	(1 984)
Closing net carrying amount	315 993	9 994

5. Share capital and share premium

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
At 31 December 2015				
Opening and closing balance	**156 378 794**	**1 274**	**440 371**	**441 645**
At 31 December 2014				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

Secured loans	31 December 2015 (Audited) R'000	31 December 2014 (Audited) R'000
Non-current	**63 899**	80 267
Current	**20 159**	22 070
	84 058	102 337
The movement in borrowings is analysed as follows:		
Opening balance	**102 337**	68 163
Additional loans raised	**5 888**	63 450
Finance costs	**8 145**	7 499
Repayments	**(32 312)**	(36 775)
Closing balance	**84 058**	102 337

7. Taxation

The effective tax rate is 26,4% (2014: 36,1%). The effective tax rate for 2015 is calculated after tax adjustments amounting to R1,1 million, while the effective tax rate for 2014 was calculated after tax adjustments of R14,2 million.

8. Reconciliation of headline (loss) earnings

	31 December 2015 R'000	31 December 2014 R'000
(Loss) earnings attributable to equity holders of the Group	**(13 919)**	37 518
Profit on disposal of property, plant and equipment	**(306)**	(4)
Headline (loss) earnings	**(14 225)**	37 514
Headline (loss) earnings per share (cents)	**(9,1)**	24,0

9. Weighted average number of shares

	31 December 2015 R'000	31 December 2014 R'000
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

10. Net asset value

Net asset value per share (cents)	**364,3**	372,3
Tangible net asset value per share (cents)	**358,7**	365,9

11. Derivative financial instruments

Movement on forward exchange contract	**–**	1

11. Derivative financial instruments continued

The notational principal amount of the outstanding forward exchange contract at 31 December 2015 was Rnil (2014: R5 188 105). Trading derivatives are classified as a current asset or current liability. The fair value of the derivatives is determined with reference to observable market data and rely as little as possible on entity specific estimates. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position. The fair values are within level 2 of the fair value hierarchy.

12. Final dividend declaration

No final dividend has been declared.

13. Audit opinion

These summary consolidated Financial Statements for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the Financial Statements from which these summary consolidated Annual Financial Statements were derived.

A copy of the auditor's report on the summary consolidated Financial Statements and of the auditor's report on the consolidated annual Financial Statements are available for inspection at the company's registered office, together with the Financial Statements identified in the respective auditor's report.

14. 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 cables manufacturing, lighting and electrical accessories, and property investments, is evaluated from the market and product performance perspective.

The segment information has been prepared in accordance with IFRS 8 – 'Operating Segments', which defines the requirements for the disclosure of financial information of an entity's segments.

The standard requires segmentation on the Group's internal organisation and reporting of revenue and adjusted EBITDA based upon internal accounting presentation.

The segment revenue and adjusted EBITDA generated by the Group's reportable segments are summarised as follows:

Year ended 31 December 2015	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
Electrical cable manufacturing	**1 342 336**	**26 654**	**431 881**	**148 535**
Lighting and electrical accessories	**326 094**	**(7 906)**	**275 982**	**89 784**
Property investments	**19 280**	**15 664**	**185 749**	**61 490**
	1 687 710	**34 412**	**893 612**	**299 809**
31 December 2014				
Electrical cable manufacturing	1 389 997	99 180	518 068	223 077
Lighting and electrical accessories	335 480	1 475	290 217	83 149
Property investments	17 891	14 472	185 213	68 770
	1 743 368	115 127	993 498	374 996

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

	31 December 2015 Audited R'000	31 December 2014 Audited R'000
Revenue		
Reportable segment revenue	**1 687 710**	1 743 368
Inter-segment revenue (property rentals)	**(19 280)**	(17 891)
Inter-segment revenue – other	**(11 072)**	(10 237)
Revenue per consolidated statement of comprehensive income	**1 657 358**	1 715 240
(Loss) profit before tax		
Adjusted EBITDA	**34 412**	115 127
Corporate and other overheads	**(14 288)**	(17 126)
Depreciation	**(16 775)**	(16 371)
Amortisation of intangible assets – lighting and electrical accessories	**(2 911)**	(1 984)
Operating profit	**438**	79 646
Finance income	**1 037**	1 090
Finance costs	**(20 397)**	(22 036)
(Loss) profit before tax per consolidated statement of comprehensive income	**(18 922)**	58 700
Assets		
Reportable segment assets	**893 612**	993 498
Corporate and other assets	**1 519**	4 032
Deferred taxation	**8 977**	4 101
Taxation receivable	**5 556**	2 960
Total assets per statement of financial position	**909 664**	1 004 591
Liabilities		
Reportable segment liabilities	**299 809**	374 996
Corporate and other liabilities	**2 947**	5 497
Deferred taxation	**37 183**	37 306
Taxation payable	**–**	4 634
Total liabilities per statement of financial position	**339 939**	422 433

15. Director changes

Mr PJM Ferreira resigned as Chief Executive Officer on 31 August 2015 and was replaced by Mr JP Bekker, in an acting capacity. Mr EHT Pan resigned as a director and Deputy-Vice Chairman on 18 February 2016 and was replaced by Mr HL Li as Deputy-Vice Chairman effective 18 February 2016. Mr JH Yeh was appointed as a non-executive director effective 18 February 2016. Ms DJC Pan replaced Mr CH Pan, who resigned as director effective 18 February 2016, as alternate director to Mr HL Li.

16. Competition Commission

On 13 November 2014, the Competition Commission referred a complaint to the Competition Tribunal in which it alleged that South Ocean Electric Wire Company Proprietary Limited ("SOEW"), 11 other companies and the Association of Electric Cable Manufacturers of South Africa (AECMSA) had contravened the Competition Act by fixing the prices of power cables, alternatively the trading conditions relating to the sale of power cables. The Commission asked the Tribunal to impose an administrative penalty on AECMSA and each company (except Aberdare Cables which had been granted conditional immunity) not exceeding 10% of their respective turnovers. The Commission subsequently withdrew its referral against one of the respondents. This referral is related to the Commission's earlier referral of a complaint to the Tribunal on 19 March 2014 in which the Commission alleged that SOEW and three other companies had fixed prices and allocated markets in contravention of the Competition Act. In this complaint the Commission also asked the Tribunal to impose an administrative penalty of 10% of the annual turnover of each of the companies except Aberdare Cables which had been granted conditional immunity. These referrals arise from a complaint that the Commission first initiated on 16 March 2010 and which was referred to in the South Ocean Holdings' SENS announcement dated 6 May 2010. SOEW has engaged the services of specialist competition lawyers and economists to advise SOEW in respect of the Commission's referral. SOEW has cooperated with the Commission during its investigation of the complaint and continues to do so now that the complaint has been referred to the Tribunal. In terms of IAS 37 no further disclosures are made as this would unfairly prejudice SOEW in its current dealings with the Commission.

17. Subsequent events

Notwithstanding the above, the directors are not aware of any other significant events arising since the end of the financial year, which would materially affect the operations of the Group or its operating segments, not dealt with in the financial results.

COMMENTARY

Introduction

The Board of South Ocean Holdings announced its summary consolidated results for the year ended 31 December 2015 ("the year").

South Ocean Holdings is an investment holding company, comprising four operating subsidiaries namely: South Ocean Electric Wire Company Proprietary Limited ("SOEW"), a manufacturer of low voltage electrical cables; Radiant Group Proprietary Limited ("Radiant"), an importer and distributor of light fittings, lamps, electrical accessories and audio visual hardware and accessories; Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), a property holding company; and Icembu Services Proprietary Limited ("Icembu"), a light fittings assembly company.

Financial overview

Earnings

Group revenue for the year ending 31 December 2015 decreased by 3,4% (2014: 1,4%, increase) to R1,657 billion (2014: R1,715 billion). The Group's gross profit decreased by 39,7% (2014: 21,9%, increase) to R158,1 million (2014: R262,2 million) and operating profit decreased by 99,5% (2014: 185,9%, increase) to a profit of R438 thousand (2014: R79,6 million) compared to the prior year.

Group profit before tax decreased by 132,2% (2014: 152,8%, increase) resulting in a loss of R18,9 million (2014: R58,7 million, profit). The basic earnings per share decreased by 137,1% (2014: 130,9%, increase) to a loss of 8,9 cents (2014: 24,0 cents, earnings) compared to the prior period with the headline earnings per share decreasing by 137,9% (2014: 14,3%, increase) to a loss of 9,1 cents (2014: 24,0 cents, earnings).

The electrical cable segment saw production volumes decrease due to power supply problems and felt the brunt of the decline in the economic environment.

The lighting and electrical accessories segment experienced another challenging year. The warehouse management system and ERP system upgrade problems experienced last year have been resolved and have contributed to improved efficiencies and client services during the year. Improvement in management, structural changes and ERP implementation within the organisation have been bedded down and are poised for growth and is in a position to regain lost market share and increase customer and stakeholder confidence.

Cash flow and working capital management

The cash generated from operations amounted to R67,5 million (2014: R43,0 million), improving by R24,5 million compared to the prior year. Working capital decreased by R79,0 million, primarily due to a decrease in inventory, and a decrease in trade receivables due to an improvement in collections. Working capital investment is currently at 25,8% (2014: 29,6%) of revenue.

The Group invested R16,7 million (2014: R49,9 million) in capital expenditure which was mainly financed through long-term borrowings. The Group utilised R32,3 million (2014: R36,8 million) to repay its long-term interest-bearing borrowings.

The Group generated net cash during the year of R33,5 million (2014: R27,4 million) decreasing the net overdraft balance from R109,7 million, as at the beginning of the year to an overdraft balance of R74,7 million at year end.

Segment results

Electrical cable manufacturing – SOEW

Revenue decreased by 3,4% (2014: 4,0%, increase) to R1,342 billion (2014: R1,389 billion). The decrease in SOEW revenue was mainly attributed to power supply problems that were experienced during the April and May period. The local Council's

transformers supplying electricity to the factory were faulty, which led to a limited supply of electricity during the day and no supply during the night, resulting in a decrease in production levels.

Subdued market conditions led to decreases in sales levels during August. The company implemented short time in September, in order to reduce the stock levels build-up. The market improved thereafter, resulting in an improved order book but neither was significantly enough to regain lost revenue and profits. Margins were under pressure in a bid to compete in a very competitive market.

Working capital improved as inventories and trade receivables decreased. The bank overdraft decreased due to the improved management of working capital.

Lighting and electrical accessories – Radiant
Radiant reported revenue of R326,1 million (2014: R335,5 million) which is a decrease of 2,8% (2014: 10,1%, decrease) when compared to the prior year. Radiant faced many challenging economic factors in the current year, the weakened Rand impacted on the profit line significantly. Together with general business sentiment remaining subdued, the interest rate hikes, power cuts, market pressure and competition, margins have been under pressure. Both local and international confidence in the economy remains low with consumers being quite cautious. The warehouse management system and ERP system upgrade problems experienced last year have been bedded down and have led to improved efficiencies and client services.

Property investment – Anchor Park
Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries. The decrease in interest expense is due to the decrease in interest-bearing debt relating to the properties.

Seasonality
The Group's earnings are affected by seasonality as earnings for the second half of the year are historically higher than the first six months. Management expects the traditional seasonality trend to continue in future. In 2015 earnings in the second half was lower due to short time implemented.

Prospects
The market conditions will remain challenging during the 2016 financial year, however the results are expected to show an improvement compared to the 2015 financial year.

The volatility of the Rand is expected to continue in 2016. In addition, increase in interest rates are affecting the building industry, which will impact on our segmental sectors.

The World Bank has forecasted lower growth, and although it does not forecast a recession for the South African economy, lower levels of growth would lead to further declines in per capita incomes. The South African Reserve Bank is forecasting a high inflation rate averaging 6% and disposable income is expected to decline. The electricity and water supply constraints will slow growth by interrupting production and discouraging investments. The weakened commodity markets will continue to affect the Rand Copper Price, and thereby affecting revenue in the Electrical Cable Manufacturing segment.

Against the background of a depreciating currency, rising inflation rates and rising interest rates, the Group has re-analysed its strategic approach on gaining market share and is capitalising on existing market opportunities. Cost control and improving working capital will continue to be a focal point, leveraging on operational efficiencies.

Appreciation
The directors would like to express their appreciation towards the management and staff as well as all our valued customers, suppliers, advisors, business partners, shareholders and stakeholders for their continued support.

Forward-looking information included in this announcement has not been reviewed and reported on by the Group's independent auditors.

On behalf of the board

KH Pon
Chairman

JP Bekker
Chief Executive Officer (acting) and Chief Financial Officer

8 March 2016

CORPORATE INFORMATION

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

Directors:
K H Pon[#] *(Chairman)*
H L Li[√Q] *(Deputy-Vice Chairman)*
JP Bekker* *(Chief Executive Officer (acting) and Chief Financial Officer)*
M Chong[#]
N Lalla[#]
L Stephens[#]
C Y Wu[√Q]
JH Yeh[#]
WP Li[√] *(alternate)*
DJC Pan[√@] *(alternate)*
* *Executive*
[#] *Independent Non-executive*
[√] *Non-executive*
[Q] *Taiwanese*
[@] *Brazilian*

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 Proprietary 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.
32 Ida Street, Menlyn, 0102
Telephone: +27(12) 429 0000
Telefax: +27(12) 429 0100
Website: www.pwc.co.za

WWW.SOUTHOCEANHOLDINGS.CO.ZA