South Ocean HOLDINGS

ABRIDGED INTERIM FINANCIAL RESULTS ANNOUNCEMENT

for the six months ended 30 June 2010



// HIGHLIGHTS

Revenue up 21,8% to R549,7 million
Headline earnings per share up 87,1% to 15,9 cents
Earnings per share up 242,6% to 16,1 cents
Profit for the period up 245,6% to R25,1 million

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2010 (Unaudited) R'000	30 June 2009 (Unaudited) R'000	31 December 2009 (Audited) R'000
Assets				
Non-current assets		**585 545**	583 627	586 929
Property, plant and equipment	4	**239 477**	235 329	240 499
Intangible assets	4	**346 068**	348 298	346 430
Current assets		**417 450**	381 719	337 250
Inventories		**161 124**	155 586	146 664
Trade and other receivables		**232 563**	187 037	124 003
Taxation receivable		**1 049**	1 301	1 948
Cash and cash equivalents		**22 714**	37 795	64 635
Total assets		**1 002 995**	965 346	924 179
Equity and liabilities				
Capital and reserves attributable to equity holders of the company				
Share capital	5	**1 274**	1 274	1 274
Share premium	5	**440 371**	440 371	440 371
Retained earnings		**268 569**	223 742	248 127
Total equity		**710 214**	665 387	689 772
Liabilities				
Non-current liabilities		**114 518**	149 024	129 336
Interest bearing borrowings	6	**87 793**	123 362	102 518
Deferred taxation		**26 725**	25 662	26 818
Current liabilities		**178 263**	150 935	105 071
Trade and other payables		**69 635**	85 451	58 995
Interest bearing borrowings	6	**33 968**	47 749	35 837
Taxation payable		**4 404**	5 196	4 380
Shareholders for dividends		**4**	4	4
Bank overdraft		**70 252**	12 535	5 855
Total liabilities		**292 781**	299 959	234 407
Total equity and liabilities		**1 002 995**	965 346	924 179

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2010 (Unaudited) R'000	30 June 2009 (Unaudited) R'000	Change %	Year ended 31 December 2009 (Audited) R'000
Revenue		**549 725**	451 234	21,8	957 972
Cost of sales		**(431 114)**	(353 260)		(745 756)
Gross profit		**118 611**	97 974	21,1	212 216
Other operating income		**1 214**	3 567		12 098
Administration expenses		**(31 230)**	(30 913)		(54 953)
Distribution expenses		**(12 091)**	(11 776)		(21 410)
Operating expenses		**(34 782)**	(38 519)		(87 792)
Operating profit		**41 722**	20 333	105,2	60 159
Finance income		**1 274**	1 629		2 843
Finance costs		**(6 823)**	(11 141)		(18 531)
Profit before taxation		**36 173**	10 821	234,3	44 471
Taxation	7	**(11 039)**	(3 549)		(12 814)
Profit for the period		**25 134**	7 272	245,6	31 657
Other comprehensive income		**–**	–		–
Total comprehensive income attributable to equity holders of the company		**25 134**	7 272	245,6	31 657
		Cents per share	Cents per share		Cents per share
Earnings per share – basic and diluted		**16,1**	4,7	242,6	20,2
Dividend per share (cents)		**3,0**	–	100,0	–

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended 30 June 2010 (Unaudited) R'000	30 June 2009 (Unaudited) R'000	Year ended 31 December 2009 (Audited) R'000
Share capital				
Opening and closing balance	5	**1 274**	1 274	1 274
Share premium				
Opening and closing balance	5	**440 371**	440 371	440 371
Retained earnings				
Opening balance		**248 127**	216 470	216 470
Comprehensive income for the period		**25 134**	7 272	31 657
Dividend paid		**(4 692)**	–	–
Closing balance		**268 569**	223 742	248 127

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 June 2010 (Unaudited) R'000	30 June 2009 (Unaudited) R'000	Year ended 31 December 2009 (Audited) R'000
Cash (utilised in)/generated from operating activities	**(82 396)**	35 715	115 004
Cash utilised in investing activities	**(7 328)**	(749)	(13 130)
Cash utilised in financing activities	**(16 594)**	(3 476)	(36 864)
Net (decrease)/increase in cash and cash equivalents	**(106 318)**	31 490	65 010
Cash and cash equivalents at the beginning of period	**58 780**	(6 230)	(6 230)
Cash and cash equivalents at the end of period	**(47 538)**	25 260	58 780

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

1. General information

South Ocean Holdings Limited ('the Company') and its subsidiaries (together 'the Group') manufacture and distribute electrical wires, import and distribute light fittings, lamps, and electrical accessories and rent its properties. The Company is a public limited company with its principal place of business and registered address at 12 Botha Street, Alrode, Alberton, 1451. South Ocean Holdings Limited ("SOH") was incorporated in the Republic of South Africa and is listed on the Johannesburg Stock Exchange ("JSE").

The unaudited condensed interim financial information was approved for issue by the directors on 3 August 2010.

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"), IFRIC Interpretations, IAS 34 'Interim Financial Reporting' 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 2009. 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.

3. Accounting policies

The accounting policies adopted are consistent with those applied in the audited financial statements for the year ended 31 December 2009, except where indicated. There were no new standards or amendments that were issued since the last annual report that are applicable to the Group or that will result in a material impact in the reported results of the Group.

4. Property, plant and equipment and intangible assets

During the six months, the Group invested a further R5,7 million in capital and a further R1,9 million in intangible assets relating to the implementation of a new warehouse management system. The details of changes in tangible and intangible assets are as follows:

	Tangible assets (Unaudited) R'000	Intangible assets (Unaudited) R'000
Six months ended 30 June 2010		
Opening net carrying amount	**240 499**	**346 430**
Additions	**5 749**	**1 867**
Disposals and write-offs	**(68)**	**–**
Depreciation, amortisation and other movements	**(6 703)**	**(2 229)**
Closing net carrying amount	**239 477**	**346 068**
Six months ended 30 June 2009		
Opening net carrying amount	248 187	349 848
Additions	13 860	647
Disposals and write-offs	(19 760)	–
Depreciation, amortisation and other movements	(6 958)	(2 197)
Closing net carrying amount	235 329	348 298

4. Property, plant and equipment and intangible assets (continued)

	Tangible assets (Unaudited) R'000	Intangible assets (Unaudited) R'000
	(Audited)	(Audited)
Year ended 31 December 2009		
Opening net carrying amount	248 187	349 848
Additions	27 045	845
Disposals and write-offs	(20 839)	–
Depreciation, amortisation and other movements	(13 894)	(4 263)
Closing net carrying amount	240 499	346 430

5. Share capital and share premium

	Number of shares issued	Ordinary shares (R'000)	Share premium (R'000)	Total (R'000)
At 30 June 2010 (Unaudited)				
Opening and closing balance	**156 378 794**	**1 274**	**440 371**	**441 645**
At 30 June 2009 (Unaudited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 31 December 2009 (Audited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest bearing borrowings

	As at		
	30 June 2010 (Unaudited) R'000	30 June 2009 (Unaudited) R'000	As at 31 December 2009 (Audited) R'000
Secured loans			
Non-current	**87 793**	123 362	102 518
Current	**33 968**	47 749	35 837
	121 761	171 111	138 355
The movement in borrowings is analysed as follows:			
Opening balance	**138 355**	176 238	176 238
Additional loans raised	**–**	17 000	22 565
Finance expense	**5 657**	9 978	16 788
Repayments	**(22 250)**	(32 105)	(77 236)
Closing balance	**121 761**	171 111	138 355

7. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate calculated before taking into account STC is 29,2% (2009: 29,4%).

8. Reconciliation of headline earnings

	Six months ended		Year ended
	30 June 2010 (Unaudited) R'000	30 June 2009 (Unaudited) R'000	31 December 2009 (Audited) R'000
Reconciliation of headline earnings			
Comprehensive income attributable to the equity holders of the Company for the period	**25 134**	7 272	31 657
(Surplus)/loss on disposal of property, plant and equipment	**(220)**	6 001	6 079
Headline earnings for the period	**24 914**	13 273	37 736
Headline earnings per share (cents)	**15,9**	8,5	24,1

9. Weighted average number of shares

	Six months ended		Year ended
	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)	31 December 2009 (Audited)
Number of shares in issue	**156 378 794**	156 378 794	156 378 794
Weighted average number of shares in issue at the beginning and end of the period	**156 378 794**	156 378 794	156 378 794
Weighted average number of shares in issue for diluted earnings per share	**156 378 794**	156 378 794	156 378 794

10. Net asset value

	As at		
	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)	As at 31 December 2009 (Audited)
Net asset value per share (cents)	**454,2**	425,5	441,1

11. Interim dividend declaration

The board of directors ("board") has changed the dividend policy and will in future only declare a final dividend when the final results for the year are available.

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 chief operating decision maker, who has been identified as the Group Executive Committee, assessed the business performance of the operating segments: electrical wire manufacturing, light fittings, lamps and electrical accessories, and property investments 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, impairments, etc.

Reportable 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 reported as follows:

Six months ended (Unaudited)	**Revenue (R'000)**	**Adjusted EBITDA (R'000)**	**Segment assets (R'000)**	**Segment liabilities (R'000)**
30 June 2010				
Electrical wire manufacturing	**375 632**	**29 148**	**317 575**	**116 451**
Light fittings, lamps and electrical accessories	**174 093**	**20 299**	**511 113**	**63 530**
Property investments	**8 884**	**8 048**	**167 445**	**76 564**
	558 609	**57 495**	**996 133**	**256 545**
30 June 2009				
Electrical wire manufacturing	279 401	10 401	247 619	54 446
Light fittings, lamps and electrical accessories	171 833	24 131	559 931	121 060
Property investments	8 597	1 706	155 801	89 218
	459 831	36 238	963 351	264 724
Year ended (Audited)				
31 December 2009				
Electrical wire manufacturing	591 939	35 975	227 059	34 976
Light fittings, lamps 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

12. Segment reporting (continued)

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

	Six months ended		Year ended
	30 June 2010 (Unaudited) R'000	30 June 2009 (Unaudited) R'000	31 December 2009 (Audited) R'000
Revenue			
Reportable segment revenue	**558 609**	459 831	975 185
Inter-group revenue (property rentals)	**(8 041)**	(8 000)	(16 000)
Property revenue reported in other operating income	**(843)**	(597)	(1 213)
Revenue per statement of comprehensive income	**549 725**	451 234	957 972
Profit before tax			
Adjusted EBITDA	**57 495**	36 238	91 224
Corporate overheads	**(6 841)**	(6 750)	(12 908)
Depreciation	**(6 703)**	(6 958)	(13 894)
Amortisation of intangible assets	**(2 229)**	(2 197)	(4 263)
Operating profit	**41 722**	20 333	60 159
Finance income	**1 274**	1 629	2 843
Finance cost	**(6 823)**	(11 141)	(18 531)
Profit before income tax	**36 173**	10 821	44 471
Assets			
Reportable segment assets	**996 133**	963 351	920 749
Corporate assets	**5 813**	694	1 482
Taxation receivable	**1 049**	1 301	1 948
Total assets per statement of financial position	**1 002 995**	965 346	924 179
Liabilities			
Reportable segment liabilities	**256 545**	264 724	199 390
Corporate liabilities	**5 107**	4 377	3 819
Deferred taxation	**26 725**	25 662	26 818
Taxation payable	**4 404**	5 196	4 380
Total liabilities per statement of financial position	**292 781**	299 959	234 407

13. Director changes

As announced in the 2009 annual report, Ms Melanie Chong was appointed an independent non-executive director to the board with effect from 1 April 2010 while Ms Jennifer Law resigned at the end of February 2010.

14. Subsequent events

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

COMMENTARY

Introduction

South Ocean Holdings Limited ("South Ocean") is pleased to announce its results for the six months ended 30 June 2010.

South Ocean is an investment holding company, comprising two operating subsidiaries South Ocean Electric Wire Company (Proprietary) Limited ("SOEW"), a manufacturer of low voltage electrical wire; Radiant Group (Proprietary) Limited ("Radiant'), an importer and distributor of light fittings, lamps and electrical accessories; and Anchor Park Investments 48 (Proprietary) Limited (Anchor Park), a property holding company.

Adverse economic conditions continued to affect the Group, although a slight recovery was evident by the end of the period. The Group's operating margin for the period was 7,6% (2009: 4,5%) an improvement of 68,9% compared to the same period in the prior year.

SOEW saw a significant improvement in revenue compared to the prior period, with a resultant positive impact on margins. The Rand Copper Price ("RCP") also impacted performance, with a decline during May and June resulting in customers holding back on orders. The lighting and electrical accessories segment on the other hand managed to maintain its trading position compared to the same period in the prior year despite difficult trading conditions in the market.

During the period, SOEW was subject to a Competition Commission investigation. Management is not aware of any alleged contravention of competition regulations the Commission has alleged in its search warrant and media statements, and will co-operate fully with the Commission during its investigation.

Financial overview

Earnings

Group revenue for the six month period to June 2010 increased by 21,8% (2009: 21,5% decrease) to R549,7 million (2009: R451,2 million). The Group gross profit increased 21,1% to R118,6 million (2009: R98,0 million) and operating profit increased 105,2% to R41,7 million (2009: R20,3 million) compared to the prior period.

Other operating income reduced from R3,6 million to R1,2 million due to lower foreign exchange profits recorded during this six month period.

Group profit before tax is 234,3% higher at R36,2 million (2009: R10,8 million) compared to the prior period. Earnings and headline earnings per share have, as a result, shown significant improvement compared to the prior period. The basic earnings per share is up 242,6% to 16,1 cents (2009: 4,7 cents) compared to the prior year while the headline earnings per share grew 87,1% to 15,9 cents (2009: 8,5 cents) compared to the prior period. Headline earnings is 87,7% up to R24,9 million (2009: R13,3 million) compared to the prior period.

The reduction in interest bearing borrowings balances coupled with lower interest rates resulted in decreased finance costs compared to the prior period.

Cash flow and working capital management

Despite the improved profitability compared to the prior period, the Group's cash flow was negatively affected by a large investment in working capital. Accordingly, a negative cash flow from operations of R82,1 million (2009: R35,7 million cash generated) was reported in the current period. This large working capital movement was primarily in accounts receivable as a result of increased volumes and sales levels compared to 31 December 2009. Cash from some of our major debtors was received after the end of the period resulting in a marked improvement in the cash position for the Group after 30 June 2010. Inventory holdings are at acceptable levels. An increase in stock was experienced as a result of the import of copper due to supply problems and an increase in light fittings, lamps, and electrical accessories due to low stock levels at year end.

The Group invested R7,6 million in capital expenditure during this period and utilised R22,3 million (2009: R32,1 million) to repay its long-term interest bearing borrowings.

The Group net cash utilised during the period of R106,3 million (2009: R31,5 million generated) resulted in an adverse cash flow position at the end of the period of R47,5 million overdraft.

Segment results

Electrical wire manufacturing – SOEW

Revenue increased by 34,4% to R375,6 million (2009: R279,4 million). This was mainly due to the increase in Rand Copper Price ("RCP") resulting in higher sales prices.

Profit before tax increased 584,8% (2009: 95,4% decrease) to R22,6 million (2009: R3,3 million) for the six months ended 30 June 2010. This was as a result of increased volumes coupled with a 46,0% increase in moving average RCP for the six months compared to the same period in the prior year, which resulted in a 34,4% increase in turnover and an increase in gross margin. Although the gross profit margin improved compared to prior period, the market remains highly competitive.

The operating profit for the period is R22,3 million (2009: R2,9 million) while the operating profit after tax is reported at R16,3 million (2009: R2,4 million). The operating expenses are in line compared to the prior period with a marginal inflationary increase.

The segment invested cash in working capital to finance increased buffer stock. This was necessary to address supply problems and accounts receivable resulting from an increase in selling prices due to the increased RCP combined with delayed payments by some customers.

This trading period has seen SOEW continuing to grow in volumes, utilising the production capacity that had been added during the previous year. The operating environment showed some improvement and although there is competition for market share and pricing is still aggressive, the entity strategy has changed from survival to positioning it for growth.

Light fittings, lamps and electrical accessories – Radiant

Revenue of R174,1 million (2009: R171,8 million) is 1,3% higher compared to the same period in the prior year. The operating profit decreased by 28,3% (2009: 48,9% decrease) to R13,4 million (2009: R18,7 million). Margins declined due to significantly higher foreign exchange gains realised in the prior year compared to the current period. Radiant anticipated an increase in revenue during the period and operating costs increased marginally by 3,9%. The segment reports a profit before tax of R14,1 million (2009: R14,3 million).

Financing costs incurred decreased to R2,0 million (2009: R4,7 million) due to lower interest rates and lower balances on interest bearing borrowings that were obtained to finance the capital expansion during the previous year. Although cash generated from operations of R0,1 million (2009: R4,3 million) is positive, the net cash flow position from operations after paying taxation, interest and dividends, was negative. Capital expenditure of R5,1 million was incurred of which R1,9 million was spent on a new warehouse management system. Interest bearing borrowings of R5,7 million were repaid during the period. The cash position of R17,2 million is an improvement on prior period's R12,0 million although it does represent a reduction since the beginning of the year.

Property investment – Anchor Park
Anchor Park's revenue is derived mainly from Group companies, as it leases its properties to fellow subsidiaries. The reduction in interest expense is due to the repayment of loan balances and lower effective interest rates.

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 with an improvement in performance during the second half of the year.

Prospects
Group earnings for the next six months will be influenced by the copper price, the performance of the construction and building industry, infrastructure development, interest rates and the value of the Rand.

The Group will continue to focus on maintaining and growing the market share, by providing excellent products and service to customers. The Group's model of extracting value from operations has been successful and it will continue to improve operating efficiencies. Further investment in operating capacity will enhance the Group's ability to maintain production at optimal levels.

During the reporting period, the Group experienced an increase in export sales and this trend is expected to continue throughout the second half. Although, the economy has shown signs of recovery, the outlook for steady improvement in operating conditions remains less certain. SOEW and Radiant will continue to pursue opportunities to increase volumes, improve efficiencies, control expenditure and manage working capital closely.

On behalf of the board

EG Dube *Chairman* **EHT Pan** *Chief Executive Officer*
3 August 2010

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

Directors:
EG Dube# (Chairman), EHT Pan*@ (Chief Executive Officer), JP Bekker*(Chief Financial Officer)
CY Wu√°, KH Pon#, M Chong#, HL Li√°, CH Pan√° (Alternate)
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