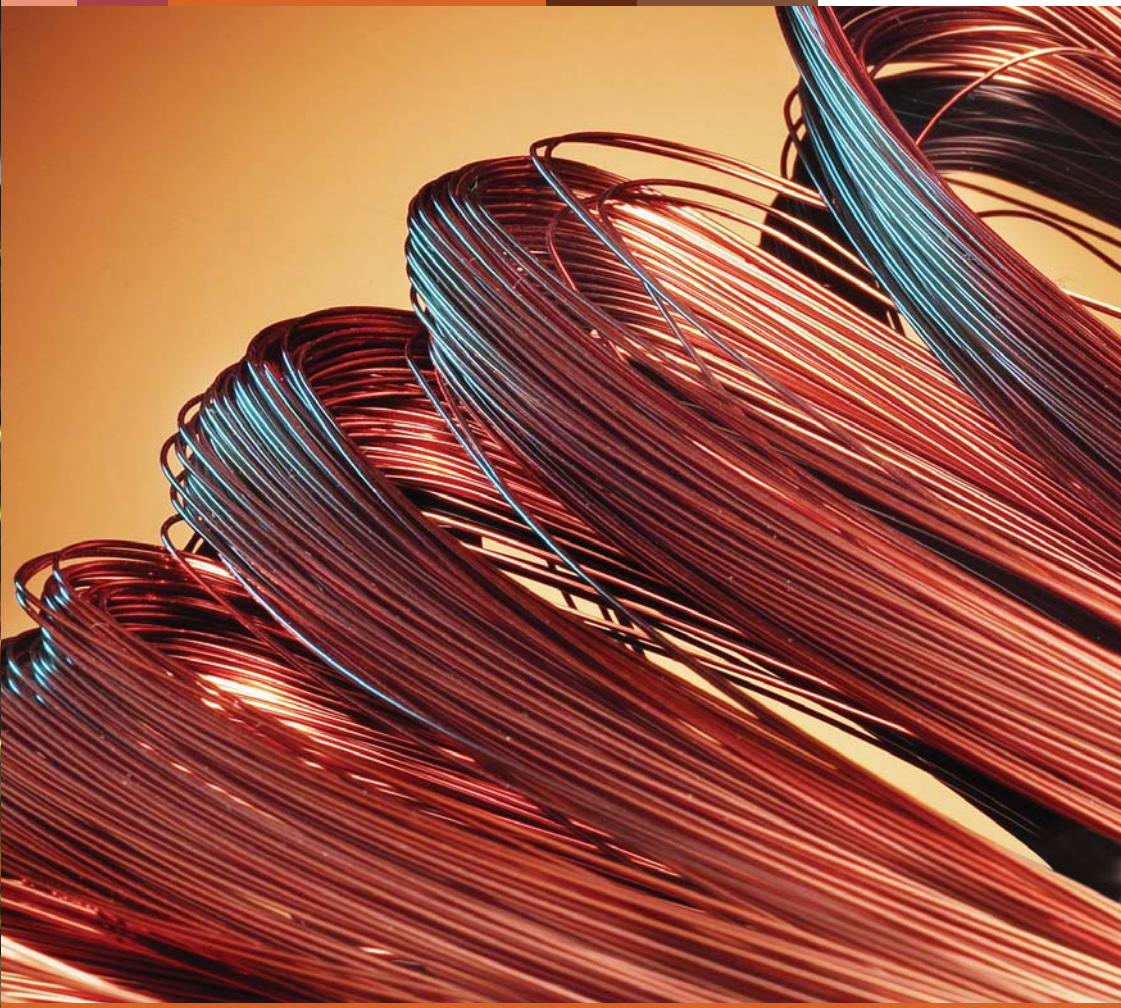
# Group condensed consolidated interim financial results announcement

for the six months ended 30 June 2013

South Ocean HOLDINGS



## HIGHLIGHTS

Revenue increased by 17,8% to R769,2 million
Headline earnings per share decreased by 70,9% to 3,4 cents
Earnings per share decreased by 70,1% to 3,5 cents
Tangible net asset value per share increased by 10,0% to 328,2 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 30 June 2013 (Unaudited) R'000 | As at 30 June 2012 (Unaudited) R'000 | As at 31 December 2012 (Audited) R'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | **485 143** | 645 725 | 479 060 |
| Property, plant and equipment | 4 | **327 639** | 310 878 | 321 122 |
| Intangible assets | 4 | **157 504** | 334 847 | 157 938 |
| **Current assets** | | **709 273** | 581 776 | 546 755 |
| Inventories | | **316 714** | 287 885 | 283 166 |
| Trade and other receivables | | **358 939** | 272 861 | 226 698 |
| Taxation receivable | | **7 829** | 3 213 | 4 127 |
| Cash and cash equivalents | | **25 791** | 17 817 | 32 764 |
| **Total assets** | | **1 194 416** | 1 227 501 | 1 025 815 |
| **Equity and liabilities** | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | |
| Share capital and share premium | 5 | **441 645** | 441 645 | 441 645 |
| Reserves | | **236** | (301) | (191) |
| Retained earnings | | **228 860** | 360 032 | 223 416 |
| **Total equity** | | **670 741** | 801 376 | 664 870 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | **75 533** | 96 415 | 81 785 |
| Interest-bearing borrowings | 6 | **39 177** | 59 135 | 46 059 |
| Deferred taxation | | **34 116** | 34 649 | 33 425 |
| Share-based payments | | **2 240** | 2 631 | 2 301 |
| **Current liabilities** | | **448 142** | 329 710 | 279 160 |
| Trade and other payables | | **232 995** | 188 684 | 94 413 |
| Interest-bearing borrowings | 6 | **27 141** | 35 694 | 28 834 |
| Taxation payable | | **273** | 1 481 | 252 |
| Shareholders for dividends | | **–** | 4 | – |
| Derivative financial instruments | | **–** | 169 | 219 |
| Share-based payments | | **8** | 450 | 465 |
| Bank overdraft | | **187 725** | 103 228 | 154 977 |
| **Total liabilities** | | **523 675** | 426 125 | 360 945 |
| **Total equity and liabilities** | | **1 194 416** | 1 227 501 | 1 025 815 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended | | | Year ended |
|---|---|---|---|---|---|
| | Note | 30 June 2013 (Unaudited) R'000 | 30 June 2012 (Unaudited) R'000 | Change % | 31 December 2012 (Audited) R'000 |
| **Revenue** | | **769 152** | 652 854 | 17,8 | 1 406 317 |
| Cost of sales | | **(674 422)** | (541 924) | | (1 179 536) |
| **Gross profit** | | **94 730** | 110 930 | (14,6) | 226 781 |
| Other operating income | | **357** | 868 | | 8 050 |
| Administration expenses | | **(31 748)** | (33 864) | | (65 235) |
| Distribution expenses | | **(14 429)** | (12 246) | | (23 866) |
| Operating expenses | | **(32 988)** | (33 538) | | (236 816) |
| **Operating profit/(loss)** | | **15 922** | 32 150 | (50,5) | (91 086) |
| Finance income | | **221** | 139 | | 512 |
| Finance costs | | **(8 179)** | (6 272) | | (14 788) |
| **Profit/(loss) before taxation** | | **7 964** | 26 017 | (69,4) | (105 362) |
| Taxation | 7 | **(2 520)** | (7 686) | | (12 923) |
| **Profit/(loss) for the period** | | **5 444** | 18 331 | (70,3) | (118 285) |
| **Other comprehensive income** | | | | | |
| Exchange differences on translating foreign operation | | **427** | 51 | | 161 |
| **Total comprehensive income/(loss) for the period** | | **5 871** | 18 382 | (68,1) | (118 124) |
| | | **Cents per share** | Cents per share | | Cents per share |
| Earnings per share – basic and diluted | | **3,5** | 11,7 | (70,1) | (75,6) |
| Dividend per share | | **–** | – | | – |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Notes | Six months ended 30 June 2013 (Unaudited) R'000 | Six months ended 30 June 2012 (Unaudited) R'000 | Year ended 31 December 2012 (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 |
| **Foreign currency translation reserve** | | | | |
| Opening balance | | **(191)** | (352) | (352) |
| Exchange differences on translation of foreign operations | | **427** | 51 | 161 |
| Closing balance | | **236** | (301) | (191) |
| **Retained earnings** | | | | |
| Opening balance | | **223 416** | 341 701 | 341 701 |
| Comprehensive income/(loss) for the period | | **5 444** | 18 331 | (118 285) |
| **Closing balance** | | **228 860** | 360 032 | 223 416 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June 2013 (Unaudited) R'000 | Six months ended 30 June 2012 (Unaudited) R'000 | Year ended 31 December 2012 (Audited) R'000 |
|---|---|---|---|
| **Cash utilised in operating activities** | **(15 283)** | (71 806) | (71 271) |
| **Cash utilised in investing activities** | **(16 290)** | (14 021) | (31 528) |
| **Cash utilised in financing activities** | **(8 575)** | (13 452) | (33 392) |
| **Net decrease in cash and cash equivalents** | **(40 148)** | (99 279) | (136 191) |
| Cash and cash equivalents at the beginning of the period | **(122 213)** | 13 817 | 13 817 |
| Effects of exchange rate movement on cash balances | **427** | 51 | 161 |
| **Cash and cash equivalents at the end of the period** | **(161 934)** | (85 411) | (122 213) |

## SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. General information

South Ocean Holdings Limited ("South Ocean Holdings" or "the Group") and its subsidiary companies manufacture and distribute electrical cables, import and distribute light fittings, lamps, electrical accessories and corporate gifts and have property investments. The Company is a public company listed on the Johannesburg Stock Exchange ("JSE") and is incorporated and domiciled in the Republic of South Africa.

### 2. Basis of preparation

The condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC Interpretations, IAS 34 'Interim Financial Reporting', the Companies Act, 2008, as well as the JSE Listings Requirements. This should be read with the audited annual financial statements for the year ended 31 December 2012. 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 unaudited condensed consolidated interim financial results were compiled by J P Bekker (CA) SA (Group Chief Financial Officer) and approved for issue by the Board of Directors on 31 July 2013.

### 3. Accounting policies

The accounting policies adopted are consistent with those applied in the audited financial statements for the year ended 31 December 2012, 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. These accounting policies comply with IFRS.

## 4. Property, plant and equipment and intangible assets

During the six months, the Group invested R16,7 million (2012: R14,1 million) in capital expenditure mainly relating to the manufacturing plant at South Ocean Electric Wire Company Proprietary Limited. 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 2013** | | |
| Opening net carrying amount | **321 122** | **157 938** |
| Additions | **15 897** | **822** |
| Disposals and write-offs | **(295)** | **–** |
| Foreign exchange movements | **(6)** | **–** |
| Depreciation/amortisation and other movements | **(9 079)** | **(1 256)** |
| Closing net carrying amount | **327 639** | **157 504** |
| **Six months ended 30 June 2012** | | |
| Opening net carrying amount | 305 929 | 337 222 |
| Additions | 14 070 | – |
| Disposals and write-offs | (64) | – |
| Depreciation/amortisation and other movements | (9 057) | (2 375) |
| Closing net carrying amount | 310 878 | 334 847 |
| **Year ended 31 December 2012** | (Audited) | (Audited) |
| Opening net carrying amount | 305 929 | 337 222 |
| Additions | 32 748 | – |
| Disposals and write-offs | (1 207) | – |
| Foreign exchange movements | 3 | – |
| Impairment of goodwill | – | (175 000) |
| Depreciation/amortisation and other movements | (16 351) | (4 284) |
| Closing net carrying amount | 321 122 | 157 938 |

## 5. Share capital and share premium

| | Number of shares issued | Ordinary shares R'000 | Share premium R'000 | Total R'000 |
|---|---|---|---|---|
| **At 30 June 2013 (Unaudited)** | | | | |
| Opening and closing balance | **156 378 794** | **1 274** | **440 371** | **441 645** |
| At 30 June 2012 (Unaudited) | | | | |
| Opening and closing balance | 156 378 794 | 1 274 | 440 371 | 441 645 |
| At 31 December 2012 (Audited) | | | | |
| Opening and closing balance | 156 378 794 | 1 274 | 440 371 | 441 645 |

## 6. Interest-bearing borrowings

| | As at 30 June 2013 (Unaudited) R'000 | As at 30 June 2012 (Unaudited) R'000 | As at 31 December 2012 (Audited) R'000 |
|---|---|---|---|
| Non-current | **39 177** | 59 135 | 46 059 |
| Current | **27 141** | 35 694 | 28 834 |
| | **66 318** | 94 829 | 74 893 |
| **The movement in borrowings is analysed as follows:** | | | |
| Opening balance | **74 893** | 108 281 | 108 281 |
| Additional loans raised | **7 775** | 5 818 | 5 817 |
| Finance costs | **2 522** | 3 976 | 7 091 |
| Repayments | **(18 872)** | (23 246) | (46 296) |
| Closing balance | **66 318** | 94 829 | 74 893 |

## 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 is 31,6% (2012: 29,5%).

## 8. Reconciliation of headline earnings

| | Six months ended 30 June 2013 (Unaudited) R'000 | Six months ended 30 June 2012 (Unaudited) R'000 | Year ended 31 December 2012 (Audited) R'000 |
|---|---|---|---|
| Comprehensive income attributable to the equity holders of the Company for the period | **5 444** | 18 331 | (118 285) |
| (Profit)/loss on disposal of property, plant and equipment – net of taxes | **(126)** | 15 | (13) |
| Goodwill impairment | **–** | – | 175 000 |
| Headline earnings for the period | **5 318** | 18 346 | 56 702 |
| Headline earnings per share (cents) | **3,4** | 11,7 | 36,3 |

## 9. Weighted average number of shares

| | Six months ended 30 June 2013 (Unaudited) | Six months ended 30 June 2012 (Unaudited) | Year ended 31 December 2012 (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 2013 (Unaudited) | As at 30 June 2012 (Unaudited) | As at 31 December 2012 (Audited) |
|---|---|---|---|
| Net asset value per share (cents) | **428,9** | 512,5 | 425,2 |
| Tangible net asset value per share (cents) | **328,2** | 298,3 | 324,2 |

## 11. Interim dividend declaration

The Company policy is to consider the declaration of a final dividend after its financial year-end.

## 12. Segment reporting

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

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

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

| Six months ended | Revenue R'000 | Adjusted EBITDA R'000 | Segment assets R'000 | Segment liabilities R'000 |
|---|---|---|---|---|
| **30 June 2013 (Unaudited)** | | | | |
| Electrical cables manufacturing | **602 293** | **16 892** | **566 874** | **343 196** |
| Lighting and electrical accessories | **174 884** | **11 364** | **411 594** | **94 738** |
| Property investments | **8 735** | **7 254** | **206 746** | **44 223** |
| | **785 912** | **35 510** | **1 185 214** | **482 157** |
| 30 June 2012 (Unaudited) | | | | |
| Electrical cables manufacturing | 494 438 | 31 611 | 451 653 | 215 207 |
| Lighting and electrical accessories | 158 416 | 10 793 | 566 786 | 107 858 |
| Property investments | 10 680 | 9 371 | 203 167 | 60 947 |
| | 663 534 | 51 775 | 1 221 606 | 384 012 |
| Year ended 31 December 2012 (Audited) | | | | |
| Electrical cables manufacturing | 1 058 277 | 72 657 | 425 596 | 177 622 |
| Lighting and electrical accessories | 354 321 | 29 285 | 391 237 | 92 919 |
| Property investments | 21 360 | 18 749 | 202 725 | 51 284 |
| | 1 433 958 | 120 691 | 1 019 558 | 321 825 |

## 12. Segment reporting continued

| | Six months ended 30 June 2013 (Unaudited) R'000 | Six months ended 30 June 2012 (Unaudited) R'000 | Year ended 31 December 2012 (Audited) R'000 |
|---|---|---|---|
| Reconciliation of total segment report to the statement of financial position and statement of comprehensive income is provided as follows: | | | |
| **Revenue** | | | |
| Reportable segment revenue | **785 912** | 663 534 | 1 433 958 |
| Inter-segment revenue (property rentals) | **(8 735)** | (10 680) | (21 360) |
| Inter-segment revenue – other | **(8 025)** | – | (6 281) |
| **Revenue per consolidated statement of comprehensive income** | 769 152 | 652 854 | 1 406 317 |
| **Profit before tax** | | | |
| Adjusted EBITDA | **35 510** | 51 775 | 120 691 |
| Corporate and other overheads | **(9 253)** | (8 193) | (16 142) |
| Depreciation | **(9 079)** | (9 057) | (16 351) |
| Impairment of intangible assets – lighting and electrical accessories segment | **–** | – | (175 000) |
| Amortisation of intangible assets | **(1 256)** | (2 375) | (4 284) |
| **Operating profit/(loss)** | **15 922** | 32 150 | (91 086) |
| Finance income | **221** | 139 | 512 |
| Finance cost | **(8 179)** | (6 272) | (14 788) |
| **Profit/(loss) before income tax per statement of comprehensive income** | **7 964** | 26 017 | (105 362) |
| **Assets** | | | |
| Reportable segment assets | **1 185 214** | 1 221 606 | 1 019 558 |
| Corporate and other assets | **1 373** | 2 682 | 2 130 |
| Taxation receivable | **7 829** | 3 213 | 4 127 |
| **Total assets per statement of financial position** | **1 194 416** | 1 227 501 | 1 025 815 |
| **Liabilities** | | | |
| Reportable segment liabilities | **482 157** | 384 012 | 321 825 |
| Corporate and other liabilities | **7 129** | 5 983 | 5 443 |
| Deferred taxation | **34 116** | 34 649 | 33 425 |
| Taxation payable | **273** | 1 481 | 252 |
| **Total liabilities per statement of financial position** | **523 675** | 426 125 | 360 945 |

## 13. Director changes

There were no director changes during the period under review.

## 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 is pleased to announce its condensed consolidated results for the six months ended 30 June 2013.

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 Group"), an importer and distributor of light fittings, lamps, electrical accessories and corporate gifts; a property holding company, Anchor Park Investments 48 Proprietary Limited ("Anchor Park"); and SOH Calibre International Limited ("SOH Calibre"), a procurement agency of the Group, based in Hong Kong.

## Financial overview

### Earnings

Group revenue for the six-month period to 30 June 2013 increased by 17,8% (2012: 5,5 %) to R769,2 million (2012: R652,8 million). The Group's gross profit decreased by 14,6% (2012: 4,4% increase) to R94,7 million (2012: R110,9 million) and operating profit decreased by 50,5% (2012: 6,4% increase) to R15,9 million (2012: R32,2 million) compared to the prior period.

Group profit before tax decreased by 69,4% (2012: 5,1% increase) to R8,0 million (2012: R26,0 million) compared to the prior period. The basic earnings per share decreased by 70,1% (2012: 8,3% increase) to 3,5 cents (2012: 11,7 cents) with the headline earnings per share deceasing by 70,9% (2012: 8,3% increase) to 3,4 cents (2012: 11,7 cents) compared to the prior period. Headline earnings for the period were R5,3 million (2012: R18,3 million).

The Group's results were materially negatively affected by the electricity supply problem experienced by SOEW as pointed out in the SENS announcement released on 25 April 2013.

### Cash flow and working capital management

Cash utilised in operations amounted to R15,3 million (2012: R71,8 million) during the period. Working capital increased by R28,2 million (2012: R101,3 million) primarily due to an increase in accounts receivable, as a result of an increase in revenue, and an increase in inventory. Certain significant customers paid at the beginning of the month following this period, which contributed to the negative cash flow for the period. Inventory levels increased due to higher copper prices, an increase in cable stock levels compared to year-end, which is traditionally lower, as well as an increase in light fittings, lamps and electrical accessories inventory to improve stock availability.

The Group invested R16,7 million (2012: R14,0 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R18,9 million (2012: R23,2 million) to repay its long-term interest-bearing borrowings.

The Group's net cash utilised during the period of R40,1 million (2012: R99,3 million) resulted in the net overdraft increase from R85,4 million reported at June 2012 to R161,9 million at the end of the current period.

### Segment results

***Electrical cables – SOEW***

SOEW's revenue increased by 21,8% (2012: 10,4% increase) to R602,3 million (2012: R494,4 million). This was mainly attributable to an increase of 8,8% in the moving average Rand Copper Price ("RCP"), diversification of product range and an increase in production due to increased capacity with new machinery installed.

SOEW's production was affected by the electrical supply problems experienced during the months of February to the beginning of April. This has materially affected the results of SOEW resulting in lower production than budgeted, increased production costs, increased scrap rates and decreased production efficiencies. The electrical supply problem has been resolved by the municipality replacing the electrical cables supplying the transformer.

The margins during this period were materially affected as the cost of products escalated.

Production for the months from April to June 2013 was as budgeted. The focus for the rest of the year remains to streamline the production process and improve operational efficiencies in order to contain costs and increase production.

***Lighting and electrical accessories – Radiant Group***

Radiant Group reported revenue of R174,9 million (2012: R158,4 million), which is a 10,4% increase (2012: 7,2% decrease) when compared to the same period in the prior year. The margins are still under pressure due to the subdued market conditions and external competition with changes in customer spending patterns. Costs were again successfully reduced during the period in line with management's strategy to improve profitability. This was achieved through a number of management interventions resulting in a cost reduction of 5,8% (2012: 1,7% increase) compared to the same period last year.

Certain strategic changes are being implemented to reduce costs and refocus the business. These are expected to improve results.

***Property investments – Anchor Park***

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

### Seasonality

The Group's earnings are affected by seasonality as earnings for the second half of the year are historically higher than the first half. Management expects the historic seasonal trend to continue.

### Prospects

The prospects for the South African economy remain mixed with muted growth rates expected for the year.

The highly competitive environment is also expected to continue for the rest of the year.

The Group has entered the tender market as previously indicated. Tenders to Eskom have been submitted by SOEW and Radiant Group but the awarding of the tenders has been delayed. The positive outcome of any tender business will increase the revenue and results of the Group.

The Cable segment will be able to take advantage of the improved capacity for the rest of the year and the strategic changes implemented at the Lighting and Electrical segment will contribute to improving results.

The above information, including any projections, included in this announcement has not been reviewed or reported on by South Ocean Holdings independent external auditors.

On behalf of the board

**E G Dube**
*Chairman*

**P J M Ferreira**
*Chief Executive Officer*

31 July 2013

# CORPORATE INFORMATION

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

**Directors:**
E G Dube[#] (Chairman)
E H T Pan[√@] (Deputy Vice-Chairman)
P J M Ferreira* (Chief Executive Officer)
J P Bekker* (Chief Financial Officer)
M Chong[#]
M H Lee[√A]
H L Li[√Q]
C H Pan[√QA]
K H Pon[#]
D L Tam[#]
C C Wu[√A]
C Y Wu[√Q]
* Executive
[#] Independent Non-Executive
[√] Non-Executive
[Q] Taiwanese
[@] Brazilian
[A] Alternate

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