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

GROUP SUMMARISED CONSOLIDATED INTERIM FINANCIAL RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

SALIENT FEATURES

Earnings per share of 15.89 cents
Headline earnings per share of 15.80 cents
Tangible net asset value per share improved by 10.1% to 285.9 cents

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2022 (Unaudited) R'000**	30 June 2021 (Unaudited) R'000	31 December 2021 (Audited) R'000
Assets				
Non-current assets		**210 294**	219 314	207 532
Property, plant and equipment	**4**	**203 440**	211 306	200 645
Right-of-use assets		**6 271**	7 503	6 304
Deferred tax asset		**583**	505	583
Current assets		**694 417**	716 246	547 926
Inventories		**249 476**	300 153	209 500
Trade and other receivables		**418 458**	391 526	198 452
Current tax receivable		**8 067**	11 915	-
Cash and cash equivalents		**18 416**	12 652	139 974
Total Assets		**904 711**	935 560	755 458
Equity and Liabilities				
Total equity		**581 186**	527 870	567 254
Share capital	**5**	**461 343**	461 343	461 343
Reserves		**467**	428	451
Retained earnings		**119 376**	66 099	105 460
Liabilities				
Non-current liabilities		**69 137**	50 020	75 215
Interest bearing borrowings	**6**	**35 312**	21 075	33 814
Lease liabilities		**2 228**	5 225	4 574
Deferred tax liability		**26 008**	21 618	25 165
Share-based payment liabilities		**5 589**	2 102	11 662
Current liabilities		**254 388**	357 670	112 989
Trade and other payables		**205 630**	234 540	94 509
Interest-bearing borrowings	**6**	**14 122**	12 465	13 529
Lease liabilities		**1 273**	2 417	1 944
Current tax payable		**1 014**	619	3 007
Share-based payment liabilities		**625**	2 742	-
Bank overdraft		**31 724**	104 887	-
Total liabilities		**323 525**	407 690	188 204
Total Equity and Liabilities		**904 711**	935 560	755 458

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2022 (Unaudited) R'000	30 June 2021 (Unaudited) R'000	Change %	Year ended 31 December 2021 (Audited) R'000
Revenue	**14**	**979 511**	1 105 738	(11)	2 001 546
Cost of sales		**(897 957)**	(1 018 300)		(1 826 053)
Gross profit		**81 554**	87 438	(7)	175 493
Other operating income		**8 756**	5 157		6 591
Other operating profit		**262**	83		342
Administration expenses		**(24 200)**	(24 249)		(53 562)
Distribution expenses		**(941)**	(716)		(2 627)
Operating expenses		**(18 098)**	(13 911)		(13 289)
Movement in credit loss allowance		**(900)**	(995)		(754)
Operating profit		**46 433**	52 807	(12)	112 194
Finance income		**442**	88		224
Finance costs		**(2 003)**	(3 728)		(6 333)
Profit before taxation		**44 872**	49 167	(9)	106 085
Taxation	**7**	**(12 564)**	(13 463)		(31 020)
Profit for the period		**32 308**	35 704	(10)	75 065
Other comprehensive profit					
Exchange differences on translation of foreign operation		**16**	(6)		17
Total items that may be reclassified to profit or loss net of taxation		**16**	(6)		17
Total comprehensive profit attributable to equity holders of the Group		**32 324**	35 698		75 082

PER SHARE INFORMATION

	Cents per Share	Cents per Share		Cents per share
Earnings per share – basic and diluted	**15.89**	17.56	(10)	36.93
Dividend per share	**-**	-		9.00

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	**Six months ended 30 June 2022 (Unaudited) R'000**	30 June 2021 (Unaudited) R'000	Year ended 31 December 2021 (Audited) R'000
Share capital				
Opening balance	**5**	**1 743**	1 743	1 743
Closing balance		**1 743**	1 743	1 743
Share premium				
Opening balance	**5**	**459 600**	459 600	459 600
Closing balance		**459 600**	459 600	459 600
Foreign currency translation reserve				
Opening balance		**451**	434	434
Exchange differences on translation of foreign operation		**16**	(6)	17
Closing balance		**467**	428	451
Retained earnings				
Opening balance		**105 460**	36 493	36 493
Total comprehensive profit for the period		**32 308**	35 704	75 065
Dividends		**(18 392)**	(6 098)	(6 098)
Closing balance		**119 376**	66 099	105 460

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2022 (Unaudited) R'000	30 June 2021 (Unaudited) R'000	31 December 2021 (Audited) R'000
Cash flows (used in) / generated from operating activities			
Cash (utilised in) / generated from operations	**(104 487)**	(83 109)	152 452
Finance income	**442**	88	224
Finance costs	**(2 003)**	(3 728)	(6 333)
Taxation paid	**(14 557)**	(6 380)	(20 031)
Net cash (used in) / generated from operating activities	**(120 605)**	(93 129)	126 312
Cash flows (used in) / generated from investing activities			
Purchase of property, plant and equipment	**(13 905)**	(2 008)	(2 250)
Proceeds from sale of property, plant and equipment	**530**	215	523
Net cash used in investing activities	**(13 375)**	(1 793)	(1 727)
Cash flows (used in) / generated from financing activities			
Repayment of interest bearing borrowings	**(3 859)**	(10 325)	(16 722)
Proceeds from interest bearing borrowings	**5 950**	-	20 200
Repayment of lease liabilities	**(3 017)**	(1 629)	(2 753)
Dividends paid	**(18 392)**	(6 098)	(6 098)
Net cash used in financing activities	**(19 318)**	(18 052)	(5 373)
Total cash and cash equivalents movements for the period	**(153 298)**	(112 974)	119 212
Cash and cash equivalents at the beginning of the period	**139 974**	20 745	20 745
Effect of exchange rate movement on cash balances	**16**	(6)	17
Total cash and cash equivalents at end of the period	**(13 308)**	(92 235)	139 974

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

South Ocean Holdings Limited and its subsidiaries ("SOH" or "Company" or "the Group") manufacture and distribute electrical cables and holds property investments in a property investment company. SOH is a public company listed on the JSE Limited ("JSE") and is incorporated and domiciled in the Republic of South Africa.

The unaudited summarised consolidated interim financial information was prepared by Mr WP Basson and was approved for issue by the directors on 3 August 2022.

2. Basis of preparation

The summary consolidated interim Financial Statements of SOH have been prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act, 2008 of South Africa applicable to summary Financial Statements. The summary consolidated interim Financial Statements should be read with the audited Annual Financial Statements for the year ended 31 December 2021. The JSE Listing Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of 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 directors take full responsibility for the preparation of the financial information.

3. Accounting policies

The accounting policies applied in the preparation of the summary Consolidated Financial Statements are in terms of IFRS and are consistent with those applied in the preparation of the audited Annual Financial Statements for the year ended 31 December 2021.

4. Property, plant and equipment

As a result of the general economic decline in recent years, an impairment test was performed on the carrying of assets held by the Group. Assets were allocated to the cash-generating unit ("CGU"). As a result of the impairment test was performed on South Ocean Electric Wire Company Proprietary Limited ("SOEW") CGU, no impairment was recognised in 2022 (2021: Rnil).

During the first six months, the Group invested R13.9 million in capital expenditure relating to the acquisition of plant and machinery at SOEW as well as the alternative energy solution. The details of the changes in tangible assets are as follows:

	30 June 2022 (Unaudited) R'000	30 June 2021 (Unaudited) R'000	31 December 2021 (Audited) R'000
Opening net carrying amount	**200 645**	220 358	220 358
Additions	**13 905**	2 008	2 402
Disposals	**(268)**	(132)	(133)
Depreciation	**(10 842)**	(10 928)	(21 982)
Closing net carrying amount	**203 440**	211 306	200 645

5. Share capital and share premium

	Number of Shares issued	Ordinary shares R'000	Share premium R'000	Total R'000
At 30 June 2022 (Unaudited)				
Opening balance	**203 276 794**	**1 743**	**459 600**	**461 343**
Closing balance	**203 276 794**	**1 743**	**459 600**	**461 343**
At 30 June 2021 (Unaudited)				
Opening balance	203 276 794	1 743	459 600	461 343
Closing Balance	203 276 794	1 743	459 600	461 343
At 31 December 2021 (Audited)				
Opening balance	203 276 794	1 743	459 600	461 343
Closing Balance	203 276 794	1 743	459 600	461 343

6. Interest bearing borrowings

The details of the total interest bearing borrowings balance are as follows:

Secured loans	**As at 30 June 2022 (Unaudited) R'000**	As at 30 June 2021 (Unaudited) R'000	As at 31 December 2021 (Audited) R'000
Non-current liabilities	**35 312**	21 075	33 814
Current liabilities	**14 122**	12 465	13 529
Total secured loans	**49 434**	33 540	47 343

	As at 30 June 2022 (Unaudited) R'000	As at 30 June 2021 (Unaudited) R'000	As at 31 December 2021 (Audited) R'000
The movement in borrowings is analysed as follows:			
Opening balance	**47 343**	43 865	43 865
Additional loans raised	**5 950**	-	20 200
Finance costs	**1 565**	1 299	3 093
Repayments	**(5 424)**	(11 624)	(19 815)
Closing balance	**49 434**	33 540	47 343

The Group's bankers, First National Bank Limited ("FNB"), is in the process of renewing the bank overdraft facility of R250.0 million (2021: R250.0 million). The facility is reviewed annually.

7. Taxation

Income tax expense is recognised on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate calculated is 28.0% (2021: 27.4%). The effective tax rate is lower than the corporate tax rate due to deferred tax assets raised.

8. Reconciliation of headline earnings

	Six months ended 30 June 2022 (Unaudited) R'000	30 June 2021 (Unaudited) R'000	**Year ended** 31 December 2021 (Audited) R'000
Profit attributable to the equity holders of the Group for the period	**32 308**	35 704	75 065
Adjustment for:			
Profit on disposal of property, plant and equipment	**(262)**	(83)	(342)
Tax effect on adjustments	**73**	23	96
Headline earnings for the period	**32 119**	35 644	74 819
Headline earnings per share	**15.80**	17.53	36.81

9. Weighted average number of shares

	Six months ended 30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	Year ended 31 December 2021 (Audited)
Number of shares in issue	**203 276 794**	203 276 794	203 276 794
Weighted average number of shares in issue at the beginning of the period	**203 276 794**	203 276 794	203 276 794
Weighted average number of shares in issue at the end of the period.	**203 276 794**	203 276 794	203 276 794

There are no dilutionary instruments in issue and therefore the diluted weighted average number of shares are similar to that disclosed above.

10. Net asset value

	As at 30 June 2022 (Unaudited)	As at 30 June 2021 (Unaudited)	As at 31 December 2021 (Audited)
Net asset value per share (cents)	**285.9**	259.7	279.1
Tangible net asset value per share (cents)	**285.9**	259.7	279.1

11. Impairment of assets in subsidiaries

To comply with IAS 36, the Group performed an impairment test of its assets in subsidiaries, as a result no impairment was recognised in the current period (2021: Rnil) in the Statement of Comprehensive Income.

No impairment of current and non-current assets was recognised (2021: Rnil) which relates to a reduction in the net realisable value of the assets held for sale.

12. Interim dividend declaration

The Company's policy is to consider the declaration of a final dividend after its financial year-end and no interim dividend is declared.

13. Segment reporting

The chief operating decision makers review the Group's internal reporting in order to assess performance and have determined the operating segments based on these reports.

The business performance of the operating segments: electrical cable manufacture 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 EBITDA generated by 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 2022 (Unaudited)				
Electrical cables manufacturing	**979 164**	**58 363**	**766 991**	**247 782**
Property investments	**10 672**	**8 629**	**133 437**	**34 144**
	989 836	**66 992**	**900 428**	**281 926**
30 June 2021 (Unaudited)				
Electrical cables manufacturing	1 105 510	67 665	889 457	433 474
Property investments	10 661	8 818	114 707	27 655
	1 116 171	76 483	1 004 164	461 129
Year ended 31 December 2021 (Audited)				
Electrical cables manufacturing	2 001 091	140 303	702 034	192 080
Property investments	21 321	22 502	133 251	37 588
	2 022 412	162 805	835 285	229 668

Segment reporting (continued)
Reconciliation of the total segment report to the statement of financial position and statement of comprehensive income is provided as follows:

	Six months ended		Year ended
	30 June 2022 (Unaudited) R'000	30 June 2021 (Unaudited) R'000	31 December 2021 (Audited) R'000
Revenue			
Reportable segment revenue	**989 836**	1 116 171	2 022 412
Inter-segment revenue (property rentals)	**(10 325)**	(10 433)	(20 866)
Revenue per consolidated statement of comprehensive income	**979 511**	1 105 738	2 001 546
EBITDA			
Adjusted EBITDA	**66 992**	76 483	162 805
Corporate and other overheads	**(4 062)**	(5 580)	(4 792)
Depreciation	**(10 842)**	(10 928)	(24 381)
Inter-segment expenses	**(5 655)**	(7 168)	(21 438)
Operating profit per consolidated statement of comprehensive income	**46 433**	52 807	112 194
Finance income	**442**	88	224
Finance costs	**(2 003)**	(3 728)	(6 333)
Profit before taxation per consolidated statement of comprehensive income	**44 872**	49 167	106 085
Assets			
Reportable segment assets	**976 292**	1 004 164	835 285
Corporate and other assets	**12 440**	14 583	12 319
Current tax receivable	**8 067**	11 915	-
Deferred tax asset	**583**	505	583
Inter-segment right-of-use asset	**(75 864)**	(95 607)	(92 729)
Total assets per statement of financial position	**921 518**	935 560	755 458
Liabilities			
Reportable segment liabilities	**357 604**	461 129	229 668
Corporate and other liabilities	**14 574**	18 739	16 001
Deferred tax liability	**26 007**	22 618	25 165
Taxation payable	**1 014**	619	3 007
Inter-segment lease liability	**(75 675)**	(95 415)	(85 637)
Total liabilities per statement of financial position	**323 524**	407 690	188 204

14. Related party information
There have been no transactions with related parties during the period ended 30 June 2022, save for various intercompany transactions in the ordinary course of business.

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

16. Going Concern
The summary consolidated Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities, contingent obligations and commitments will occur in the ordinary course of the business.

At 30 June 2022, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of twelve months. Various scenarios have been considered to test the Group's resilience against operational risks.

Management has concluded that the Group's ability to continue to meet its financial obligations as they fall due is dependent on the Group's ability to continue to improve its performance, and the Group's bankers, FNB, renewing the Group's working capital facilities (refer note 6). Each of these matters present a risk to the Group to remain a going concern.

The directors perform a property valuation every three years with the previous valuation having been performed at the end of 2020. The market valuation of the properties was in excess of the carrying value by R43.1 million at the time. The properties are stated at historical cost less accumulated depreciation and impairment losses, in line with the Group's accounting policy.

COMMENTARY

Introduction
The Board of SOH hereby announces its summary consolidated results for the six months ended 30 June 2022 ("the period").

SOH is an investment holding company, comprising of two operational subsidiaries, namely SOEW, a manufacturer of low voltage electrical cables, and Anchor Park, a property holding company.

Financial overview

Earnings
Group revenue for the period ended 30 June 2022 decreased by 11.4% (2021: 67.3% increase) to R979.5 million (2021: R1 105.7 million). The Group's gross profit decreased by 6.7% (2021: 298.8% increase) to R81.6 million (2021: R87.4 million) and operating profit decreased by R6.4 million (2021: R67.4 million increase) to a profit of R46.4 million (2021: R52.8 million) compared to the prior period.

Group profit before tax decreased by 8.7% (2021: 360.3%, increase in earnings before tax) to a profit of R44.9 million (2021: R49.2 million) compared to the prior period. Basic earnings per share decreased by 9.7% (2021: 370.1%, increase in earnings) to a profit of 15.9 cents (2021: 17.6 cents) with headline earnings per share decreasing by 10.1% (2021: 369.7%, increase in headline earnings) to a profit of 15.8 cents (2021: 17.5 cents) compared to the prior period. Headline earnings for the period amounted to R32.1 million (2021: R35.7 million, headline earnings).

Cash flow and working capital management
Cash utilised in operations amounted to R104.6 million (2021: R83.1 million) during the period. Working capital increased by R5.2 million (2021: R125.7 million) primarily due to the increase in trade receivables. The stock and trade receivables continue to be well managed in an increasingly challenging credit environment. Working capital investment is currently at 47.2% (2021: 41.3%) of revenue.

The Group invested R13.9 million (2021: R2.0 million) in capital expenditure which was mainly financed by cash and cash equivalents during this period and utilised R5.4 million (2021: R11.6 million) to repay its interest-bearing borrowings.

The Group's net cash utilised during the period amounted to R153.4 million (2021: R112.9 million, generated) reducing the bank balance to a negative R13.4 million (2021: R92.2 million) as at end of the reporting period.

Segment results

Electrical cables manufacturing – SOEW
SOEW reported revenue of R979.7 million (2021: R1 105.7 million), which is a decrease of 11.4% (2021: 67.3% increase) when compared to the same period in the prior year. The decrease in SOEW's revenue is attributed mainly due the current economic conditions in which it trade.

Property investments – Anchor Park
Anchor Park's revenue is mainly derived from Group companies, as it leases its properties to fellow subsidiaries.

COVID-19 Pandemic
The Group is adhering to the best practice measures published by both the World Health Organisation and the National Institute for Communicable Diseases. We believe that curbing the spread of the virus is a collective responsibility and, as a committed corporate citizen, the Group will actively play its part in doing so.

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 historic seasonal trend to continue in future.

Prospects
The macro-economic environment in which the Group operates is not expected to improve soon, with fundamental political and fiscal uncertainties remaining key drivers of economic reality. The Group is therefore focussing on customer service, on reducing costs and using technology to drive growth, productivity and greater efficiencies in a more sustainable manner, which will improve the profitability of the operating entities.

The Board will continue its journey towards improving B-BBEE, recognising the importance of transformation required by the market in which the Group operates. The current B-BBEE status of the Group is not reflective of its view on transformation and this process is receiving heightened attention from the Board.

Management is confident that the above actions will improve the Group's profitability.

Acquisitions / Disposals
No acquisitions or disposals other than property, plant, and equipment (refer to note 4) took place under the period of review.

Director changes
CF Chen and his alternate CC Liu has resigned as director of the Company with effect 27 January 2022.

LL Chen and his alternate SN Yeh was appointed as non-executive director with effect 1 March 2022.

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.

The above information, including any forward-looking information, included in this announcement have not been reviewed or reported on by SOH's independent auditors.

On behalf of the Board

KH Pon CA(SA)
Chairperson

A Smith
Chief Executive Officer

3 August 2022

Directors: Henry KH Pon# (Chairperson), HL Li#º (Deputy Vice-Chairperson), A Smith* (Chief Executive Officer), WP Basson*(Chief Financial Officer), N Lalla#, J van Rensburg√, LL Chen√^, M Chong#, JH Yeh#, DJC Pan √@ (Alternate), SN Yeh √º (Alternate)

Company Secretary: WT Green
* Executive # Independent Non-executive √ Non-executive º Taiwanese @ Brazilian ^Hong Kong

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Corporate Information

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