



Audited results

for the year ended 31 December 2008



Salient information

Revenue increases to R1 137 million

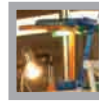
Net asset value per share increases to 420,8 cents

Capital expenditure of R76,9 million

Headline earnings return on equity of 15,6%



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



CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	For the year ended	
		31 December 2008 (Audited) R'000	31 December 2007 (Audited) R'000
Revenue		1 136 617	852 594
Cost of sales		(826 061)	(611 522)
Gross profit		310 556	241 072
Other operating income		1 609	4 200
Administration expenses		(47 324)	(41 375)
Distribution expenses		(17 976)	(5 315)
Operating expenses		(114 128)	(13 204)
Operating profit		132 737	185 378
Finance income		2 762	4 317
Finance cost		(27 630)	(10 028)
Profit before income tax		107 869	179 667
Taxation	5	(46 768)	(53 875)
Earnings attributable to ordinary shareholders		61 101	125 792
Earnings per share – basic and diluted (cents)	7	39,1	97,0
Dividends per share (cents)		7,0	26,0*

* Includes a dividend of 20 cents declared after year-end.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	For the year ended	
	31 December 2008 (Audited) R'000	31 December 2007 (Audited) R'000
Share capital		
Opening balance	1 274	710
Shares issued	–	564
Closing balance	1 274	1 274
Share premium		
Opening balance	440 371	34 236
Share premium on shares issued	–	410 586
Share issue expenses written off	–	(4 451)
Closing balance	440 371	440 371
Retained earnings		
Opening balance	197 591	81 182
Profit for the year	61 101	125 792
Dividend paid	(42 222)	(9 383)
Closing balance	216 470	197 591



CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 December 2008 (Audited) R'000	As at 31 December 2007 (Audited) R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	248 187	186 990
Intangible assets	2	349 848	388 868
Interest free loans receivable		–	1 121
Current assets			
Inventories		189 806	177 884
Trade and other receivables		175 201	136 020
Interest free loans receivable		–	326
Taxation receivable		179	350
Cash resources		24 155	45 401
Total assets		987 376	936 960
Equity			
Capital and reserves			
Share capital	3	1 274	1 274
Share premium	3	440 371	440 371
Retained earnings		216 470	197 591
Total equity		658 115	639 236
Liabilities			
Non-current liabilities			
Interest bearing borrowings	4	138 740	142 712
Deferred taxation		29 497	29 837
Current liabilities			
Trade and other payables		86 088	76 856
Interest bearing borrowings	4	37 498	34 816
Taxation payable		7 049	13 430
Shareholders for dividends		4	4
Bank overdraft		30 385	69
Total liabilities		329 261	297 724
Total equity and liabilities		987 376	936 960

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	For the year ended 31 December 2008 (Audited) R'000	31 December 2007 (Audited) R'000
Cash generated from operating activities	27 139	59 739
Cash utilised in investing activities	(77 983)	(298 900)
Cash (utilised in)/generated from financing activities	(718)	343 807
Net (decrease)/increase in cash and cash equivalents	(51 562)	104 646
Cash and cash equivalents at the beginning of year	45 332	(59 314)
Cash and cash equivalents at the end of year	(6 230)	45 332



SELECTED NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The audited financial statements for the year ended 31 December 2008 have been prepared in accordance with the accounting policies which fully comply with International Financial Reporting Standards and IAS 34 Interim Financial Reporting and are consistent with those applied in the previous year.

2. Capital expenditure

The details of the changes in tangible and intangible assets are as follows:

	Tangible assets R'000	Intangible assets R'000
Year ended 31 December 2008		
Opening net carrying amount	186 990	388 868
Additions	73 171	3 688
Disposals	(52)	-
Impairment	-	(39 000)
Depreciation	(11 922)	(3 708)
Closing net carrying amount	248 187	349 848
Year ended 31 December 2007		
Opening net carrying amount	64 308	-
Additions	32 996	1 957
Acquisition of subsidiary	98 302	387 828
Disposals	(117)	-
Depreciation	(8 499)	(917)
Closing net carrying amount	186 990	388 868

3. Share capital and share premium

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
Balance at 1 January 2008	156 378 794	1 274	440 371	441 645
Movement	-	-	-	-
Balance at 31 December 2008	156 378 794	1 274	440 371	441 645
Balance at 1 January 2007	100 000 000	710	34 236	34 946
Proceeds from shares issued	31 687 013	317	230 583	230 900
Shares issued to vendors for subsidiary acquired	24 691 781	247	180 003	180 250
Share issue expenses written off	-	-	(4 451)	(4 451)
Balance at 31 December 2007	156 378 794	1 274	440 371	441 645

4. Interest bearing borrowings

	For the year ended	
	31 December 2008 R'000	31 December 2007 R'000
Secured loans		
Non-current	138 740	142 712
Current	37 498	34 816
	176 238	177 528

The movement in borrowings is analysed as follows:

	31 December 2008 R'000	31 December 2007 R'000
Opening balance	177 528	10 257
Acquisition of subsidiary	-	48 231
Additional loans raised	38 786	134 839
Finance expense	23 187	7 834
Repayments	(63 263)	(23 633)
Closing balance	176 238	177 528

5. Income tax expense

The effective tax rate for 2008 has increased to 43,4% (2007: 30,0%) as a result of the impairment of assets.

6. Reconciliation of headline earnings

	For the year ended	
	31 December 2008 (Audited) R'000	31 December 2007 (Audited) R'000
	%	
Earnings attributable to ordinary shareholders	61 101	125 792
Impairment of intangible assets	39 000	-
Impairment of investment and loans receivable	2 652	-
Profit on disposal of property, plant and equipment	(29)	(429)
Headline earnings	102 724	125 363
Headline earnings per share	(32) 65,7	96,6

Comparative headline earnings per share has been restated for amortisation of intangible assets.



7. Weighted average number of shares

	31 December 2008 (Audited)	For the year ended 31 December 2007 (Audited)
Number of shares in issue	156 378 794	156 378 794
Weighted average number of shares in issue at beginning of the year	156 378 794	100 000 000
Weighted number of shares issued during the period to February 2007	–	15 583 333
Weighted number of shares issued during the period to August 2007	–	14 129 548
Weighted average number of shares in issue at end of the year	156 378 794	129 712 881

8. Net asset value

	31 December 2008 (Audited)	31 December 2007 (Audited)
Net asset value per share (cents)	420,8	408,8

9. Final dividend declaration

Due to the cash flow constraints the directors have agreed not to recommend a final dividend.

10. Segment reporting

The group's primary reporting format is business segments, and its secondary format is geographical segments.

	Revenue R'000	Segment results R'000	Total assets R'000	Total liabilities R'000	Capital expenditure R'000	Deprecia- tion and amortisation R'000
31 December 2008						
Electric wire manufacturing	747 994	70 013	242 367	41 158	12 241	7 624
Light fittings, lamps and electrical accessories	388 623	*16 503	569 296	150 718	14 058	7 035
Property investment	–	(15 843)	175 475	98 640	50 560	971
Other	–	(9 572)	59	2 199	–	–
	1 136 617	61 101	987 197	292 715	76 859	15 630

* Includes goodwill impairment of R39 million.

31 December 2007

Electrical wire manufacturing	673 390	97 293	246 631	46 767	2 675	6 933
Light fittings, lamps and electrical accessories	178 785	36 536	567 568	84 583	21 975	1 932
Property investment	419	(6 044)	122 383	121 859	10 303	551
Other	–	(1 993)	28	1 248	–	–
	852 594	125 792	936 610	254 457	34 953	9 416

11. Audit opinion

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

12. Subsequent events

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

COMMENTARY

Introduction

South Ocean Holdings Limited (SOH) today announced results for the year ended 31 December 2008.

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

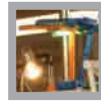
The acquisition of Radiant took effect in August 2007 and therefore, the results for the prior year include Radiant for only five months. As a consequence, the current year's results are not comparable to the prior year.

The group experienced a year of two halves, where a strong start to the year was followed by a progressively weaker second half as market conditions grew tougher. The impact of the global financial crisis filtered through to the local economy. High interest rates, fuel hikes and inflation all added to the increased cost of living, declining disposable income and general slowdown in the infrastructure, construction, building and housing industries.

Financial overview

Earnings

The worsening economic and trading environment had an adverse impact on the business. In particular, from August 2008, the fluctuation in copper prices resulted in a 41% decline in the Rand Copper Price (RCP). The decrease during November and December was 29%, resulting in electric wire manufacturers decreasing their prices. This also led to wholesalers and distributors decreasing orders in anticipation of lower prices in the new year.



With the inclusion of Radiant for the full year, revenue increased by 33,3% to R1,137 billion (2007: R852,6 million). Profit after tax decreased by 51,4% to R61,1 million (2007: R125,8 million) and headline earnings decreased by 18,1% to R102,7 million (2007: R125,4 million). Headline earnings per share decreased by 32% from 96,6 cents to 65,7 cents per share, while earnings per share decreased by 59,7% from 97,0 cents to 39,1 cents per share.

Operating profit decreased by 28,4% from R185,4 million to R132,7 million after charges for impairment amounting to R41,7 million.

Cash flow

The finance expense pertains largely to the financing of machinery and buildings. The majority of the finance expense relates to the loan of R120 million obtained in 2007 which was utilised to finance the properties acquired and an additional loan of R33 million to finance the new warehouse, offices, and showroom for Radiant in Cape Town, the new warehouse in Johannesburg, and upgrading of the showroom in Johannesburg. The total amount spent on buildings during the year was R50,6 million.

Inventory holding levels have increased since December 2007. The inventory value at SOEW decreased by R23,2 million due to lower inventory holdings and the lower copper price at year end. Due to the weaker Rand/Dollar exchange rate, product prices increased which contributed to Radiant's inventory value increasing by R35,2 million.

Trade and other receivables increased due to a significant portion of customers paying after year end. The quality of the debtors' book at year end remains sound despite the economic pressures.

Operational overview

Electrical wire manufacturing

Revenue increased by 11,1% to R748 million (2007: R673,4 million) and gross profit decreased by 25,8% to R120,9 million (2007: R162,9 million) mainly due to declining sales prices and devaluing inventory. This resulted in a 33,1% decrease in the average gross profit percentage to 16,2% (2007: 24,2%).

The decrease in the Rand Copper Price during the last three months of the year resulted in customers delaying their purchasing decision. This was exacerbated by a slowdown in demand, putting selling prices under pressure and contributing to a reduction in margins. During November and December, the selling prices dropped to record lows for the year under review. An inventory loss of around R8 million was recorded, a result of the lower RCP in December 2008 of R37 610 per ton, (2007: R47 479), which was last seen in May 2006.

Production volumes have reduced in response to lower sales volumes, however, the volumes are marginally higher compared to the previous year. The company completed its second expansion programme during the year with the acquisition of machinery valued at R9,3 million. This increased capacity by a further 15% as reported previously, however the capacity has not been fully utilised during the year.

Light fittings, lamps and electrical accessories

Radiant reported a 3,6% growth in revenue to R388,6 million (2007: R375,2 million). These results were achieved despite lower volumes, adverse economic conditions and the worsening exchange rate in the second half of the year resulting in higher cost of imported goods. We continue to manage exchange rate fluctuations closely.

The upgrading of Radiant's computer system which is a crucial element for effective customer service and sales has been completed and this has been fully operational since the middle of the year.

The new state of the art showroom in Cape Town was completed. The warehouse in Johannesburg is nearing completion. Once the warehouse in Johannesburg is completed improvements are expected with regards to inventory management, including efficiencies and inventory handling.

Property investment

Anchor Park houses the properties that are used by the operating companies. During the year, the showroom in Johannesburg was upgraded at a cost of R7 million and the new building in Cape Town housing the offices, warehouse and the showroom has been completed at a cost in the current year of R25 million. In the year under review, we began construction of the Radiant warehouse in Wynberg. This will be completed during the first half of 2009 and currently amounts to R19 million.

Most of the capital expenditure was financed through the additional loans the group raised during the year.

Seasonality

The group is affected by seasonality. The second half of the year is traditionally significantly more profitable for SOH than the first six months. However, given the adverse trading conditions experienced in the latter part of the year, the results in the second half are lower than the first half.

Prospects

The group remains steadfast in its strategy of building a solid foundation for future growth.

The depth and duration of the global economic crisis remains uncertain. Under such circumstances, the difficult trading conditions that we are experiencing in both divisions will continue until economic stability returns. The recent cut in the interest rate will relieve pressure on consumers; however we don't believe that a recovery in the industry will occur in the near future.

In light of the above, we expect 2009 to be a challenging year.

Our immediate priority is to look for opportunities to maintain and grow market share and improve on efficiencies in all the aspects of our businesses. We will continue to concentrate on effective management of working capital and costs. We are pleased with the performance of Radiant for the first full year with the group. This acquisition has bedded down well.

The group remains convinced of the inherent potential of the market and will be well positioned when market stability returns.

On behalf of the board

JB Magwaza

Chairman

9 March 2009

EHT Pan

Chief Executive Officer

Directors: JB Magwaza* (Chairman), EHT Pan*** (Chief Executive Officer), JP Bekker* (Chief Financial Officer), PIM Ferreira*, EG Dube*, J Law*, CY Wu*, E Li* (Alternate), CH Pan†, H Schwartz*, G Stein*, KH Pon*.

*Executive †Independent non-executive ‡Non-executive †Taiwanese ** Brazilian

CORPORATE INFORMATION

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