



## Group condensed consolidated interim financial results announcement

for the six months ended 30 June 2011

### HIGHLIGHTS

Revenue increased by  
**12,5% to R618,6 million**

Headline earnings per share decreased by  
**32,1% to 10,8 cents**

Earnings per share decreased by  
**32,9% to 10,8 cents**

Net asset value per share increased by  
**6,1% to 482,0 cents**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	As at		As at
		30 June 2011 (Unaudited) R'000	30 June 2010 (Unaudited) R'000	31 December 2010 (Audited) R'000
<b>Assets</b>				
<b>Non-current assets</b>		<b>633 549</b>	585 545	603 633
Property, plant and equipment	4	291 678	239 477	259 642
Intangible assets	4	341 871	346 068	343 991
<b>Current assets</b>		<b>504 279</b>	417 450	366 008
Inventories		227 577	161 124	188 579
Trade and other receivables		256 245	232 563	131 476
Taxation receivable		5 064	1 049	1 353
Cash and cash equivalents		15 393	22 714	44 600
<b>Total assets</b>		<b>1 137 828</b>	1 002 995	969 641
<b>Equity and liabilities</b>				
<b>Capital and reserves attributable to equity holders of the company</b>				
Share capital and premium	5	441 645	441 645	441 645
Reserves		(720)	–	(706)
Retained earnings		312 868	268 569	295 912
<b>Total equity</b>		<b>753 793</b>	710 214	736 851
<b>Liabilities</b>				
<b>Non-current liabilities</b>		<b>109 853</b>	114 518	102 449
Interest bearing borrowings	6	77 490	87 793	71 513
Deferred taxation		30 047	26 725	28 566
Share-based payments		2 316	–	2 370
<b>Current liabilities</b>		<b>274 182</b>	178 263	130 341
Trade and other payables		104 784	69 635	77 446
Interest bearing borrowings	6	38 731	33 968	35 526
Taxation payable		1 292	4 404	1 848
Shareholders for dividends		4	4	4
Derivative financial instruments		36	–	680
Share-based payments		1 076	–	5 010
Bank overdraft		128 259	70 252	9 827
<b>Total liabilities</b>		<b>384 035</b>	292 781	232 790
<b>Total equity and liabilities</b>		<b>1 137 828</b>	1 002 995	969 641

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Six months ended		Change %	Year ended
		30 June 2011 (Unaudited) R'000	30 June 2010 (Unaudited) R'000		31 December 2010 (Audited) R'000
<b>Revenue</b>		<b>618 627</b>	549 725	12,5	1 138 130
Cost of sales		(512 366)	(431 114)		(900 285)
<b>Gross profit</b>		<b>106 261</b>	118 611	(10,4)	237 845
Other operating income		870	1 214		7 344
Administration expenses		(34 430)	(31 230)		(64 370)
Distribution expenses		(13 430)	(12 091)		(27 927)
Operating expenses		(29 047)	(34 782)		(64 395)
<b>Operating profit</b>		<b>30 224</b>	41 722	(27,6)	88 497
Finance income		520	1 274		1 701
Finance costs		(5 989)	(6 823)		(13 455)
<b>Profit before taxation</b>		<b>24 755</b>	36 173	(31,6)	76 743
Taxation	7	(7 799)	(11 040)		(24 267)
<b>Profit for the period</b>		<b>16 956</b>	25 133	(32,5)	52 476
Other comprehensive income		–	–		–
Exchange differences on translating foreign operation		(14)	–		(706)
<b>Total comprehensive income for the period</b>		<b>16 942</b>	25 133	(32,6)	51 770
		<b>Cents per share</b>	Cents per share		Cents per share
Earnings per share – basic and diluted		<b>10,8</b>	16,1	(32,9)	33,6
Dividend per share (cents)		–	3,0	(100,0)	–

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Notes	Six months ended		Year ended
		30 June 2011 (Unaudited) R'000	30 June 2010 (Unaudited) R'000	31 December 2010 (Audited) R'000
<b>Share capital</b>				
Opening and closing balance	5	1 274	1 274	1 274
<b>Share premium</b>				
Opening and closing balance	5	440 371	440 371	440 371
<b>Foreign currency translation reserve</b>				
Opening balance		(706)	–	–
Exchange differences on translation of foreign operation		(14)	–	(706)
Closing balance		(720)	–	(706)
<b>Retained earnings</b>				
Opening balance		295 912	248 127	248 127
Comprehensive income for the period		16 956	25 133	52 476
Dividend paid		–	(4 691)	(4 691)
<b>Closing balance</b>		<b>312 868</b>	<b>268 569</b>	<b>295 912</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six months ended		Year ended
	30 June 2011 (Unaudited) R'000	30 June 2010 (Unaudited) R'000	31 December 2010 (Audited) R'000
<b>Cash (utilised in)/generated from operating activities</b>	(117 047)	(82 396)	47 553
<b>Cash utilised in investing activities</b>	(39 759)	(7 328)	(34 847)
<b>Cash generated from/(utilising in) financing activities</b>	9 181	(16 594)	(36 007)
<b>Net decrease in cash and cash equivalents</b>	<b>(147 625)</b>	<b>(106 318)</b>	<b>(23 301)</b>
Cash and cash equivalents at the beginning of period	34 773	58 780	58 780
Effects of exchange rate movement on cash balances	(14)	–	(706)
<b>Cash and cash equivalents at the end of period</b>	<b>(112 866)</b>	<b>(47 538)</b>	<b>34 773</b>

**SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**
**1. General information**

South Ocean Holdings Limited ('the company') and its subsidiaries (together 'the Group') manufacture and distribute electrical cables, import and distribute light fixtures, lamps and electrical accessories and lets its properties. The company is a public company listed on the Johannesburg Stock Exchange (JSE) and is incorporated and domiciled in the Republic of South Africa.

The unaudited condensed consolidated interim financial results were approved for issue by the directors on 26 July 2011.

**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 2010. 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 2010, 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 R40,0 million in capital expenditure mainly relating to the expansion programme at SOEW. The Group has committed capital expenditure of R6,0 million. The details of changes in tangible and intangible assets are as follows:

	Tangible assets (Unaudited) R'000	Intangible assets (Unaudited) R'000
<b>Six months ended 30 June 2011</b>		
Opening net carrying amount	259 642	343 991
Additions	39 594	413
Disposals and write-offs	(181)	–
Depreciation/amortisation and other movements	(7 377)	(2 533)
Closing net carrying amount	<b>291 678</b>	<b>341 871</b>

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

	Tangible assets (Unaudited) R'000	Intangible assets (Unaudited) R'000
<b>Six months ended 30 June 2010</b>		
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
	(Audited)	(Audited)
<b>Year ended 31 December 2010</b>		
Opening net carrying amount	240 499	346 430
Additions	33 210	2 086
Disposals and write-offs	(204)	–
Depreciation/amortisation and other movements	(13 863)	(4 525)
Closing net carrying amount	259 642	343 991

5. **Share capital and share premium**

	Number of shares issued	Ordinary shares (R'000)	Share premium (R'000)	Total (R'000)
<b>At 30 June 2011 (Unaudited)</b>				
Opening and closing balance	156 378 794	1 274	440 371	441 645
<b>At 30 June 2010 (Unaudited)</b>				
Opening and closing balance	156 378 794	1 274	440 371	441 645
<b>At 31 December 2010 (Audited)</b>				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. **Interest bearing borrowings**

	As at 30 June 2011 (Unaudited) R'000	As at 30 June 2010 (Unaudited) R'000	As at 31 December 2010 (Audited) R'000
<b>Secured borrowings</b>			
Non-current	77 490	87 793	71 513
Current	38 731	33 968	35 526
	116 221	121 761	107 039
<b>The movement in borrowings is analysed as follows:</b>			
Opening balance	107 039	138 355	138 355
Additional loans raised	35 594	–	–
Finance costs	4 191	5 657	9 640
Repayments	(30 603)	(22 251)	(40 956)
Closing balance	116 221	121 761	107 039

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 31,5% (2010: 29,2%).

8. **Reconciliation of headline earnings**

	Six months ended 30 June 2011 (Unaudited) R'000	30 June 2010 (Unaudited) R'000	Year ended 31 December 2010 (Audited) R'000
Comprehensive income attributable to the equity holders of the company for the period	16 956	25 133	52 476
Profit on disposal of property, plant and equipment	(67)	(220)	(176)
Headline earnings for the period	16 889	24 913	52 300
Headline earnings per share (cents)	10,8	15,9	33,4

## 9. Weighted average number of shares

	Six months ended 30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	Year ended 31 December 2010 (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 2011 (Unaudited)	30 June 2010 (Unaudited)	As at 31 December 2010 (Audited)
Net asset value per share (cents)	482,0	454,2	471,2

## 11. Interim dividend declaration

The company policy is to consider the declaration of a final dividend after the year end.

## 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 business performance of the operating segments: electrical cables manufacturing, lighting and electrical accessories, and property investments are evaluated 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, and impairments.

Total assets and liabilities exclude deferred and income tax liabilities, intergroup balances and available-for-sale financial assets.

The details of the business segments are reported as follows:

Six months ended	Revenue (R'000)	Adjusted EBITDA (R'000)	Segment assets (R'000)	Segment liabilities (R'000)
<b>30 June 2011 (Unaudited)</b>				
Electrical cables manufacturing	447 911	22 941	387 652	189 371
Lighting and electrical accessories	170 716	19 316	553 015	85 300
Property investments	9 208	8 014	191 387	69 746
	<b>627 835</b>	<b>50 271</b>	<b>1 132 054</b>	<b>344 417</b>
<b>30 June 2010 (Unaudited)</b>				
Electrical cables manufacturing	375 632	29 148	317 575	116 451
Lighting 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
<b>Year ended (Audited) 31 December 2010</b>				
Electrical cables manufacturing	777 133	62 412	233 846	23 066
Lighting and electrical accessories	360 998	44 845	549 920	100 087
Property investments	17 550	15 477	182 804	70 101
	1 155 681	122 734	966 570	193 254

## 12. Segment reporting (continued)

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

	Six months ended 30 June 2011 (Unaudited) R'000	30 June 2010 (Unaudited) R'000	Year ended 31 December 2010 (Audited) R'000
<b>Revenue</b>			
Reportable segment revenue	627 835	558 609	1 155 681
Inter-group revenue (property rentals)	(8 706)	(8 041)	(16 041)
Property revenue reported in other operating income	(502)	(843)	(1 510)
<b>Revenue per consolidated statement of comprehensive income</b>	<b>618 627</b>	<b>549 725</b>	<b>1 138 130</b>
<b>Profit before tax</b>			
Adjusted EBITDA	50 271	57 495	122 734
Corporate and other overheads	(10 137)	(6 841)	(15 849)
Depreciation	(7 377)	(6 703)	(13 863)
Amortisation of intangible assets	(2 533)	(2 229)	(4 525)
<b>Operating profit</b>	<b>30 224</b>	<b>41 722</b>	<b>88 497</b>
Finance income	520	1 274	1 701
Finance cost	(5 989)	(6 823)	(13 455)
<b>Profit before income tax</b>	<b>24 755</b>	<b>36 173</b>	<b>76 743</b>
<b>Assets</b>			
Reportable segment assets	1 132 054	996 133	966 570
Corporate and other assets	710	5 813	1 718
Taxation receivable	5 064	1 049	1 353
<b>Total assets per statement of financial position</b>	<b>1 137 828</b>	<b>1 002 995</b>	<b>969 641</b>
<b>Liabilities</b>			
Reportable segment liabilities	344 417	256 545	193 254
Corporate and other liabilities	8 279	5 107	9 122
Deferred taxation	30 047	26 725	28 566
Taxation payable	1 292	4 404	1 848
<b>Total liabilities per statement of financial position</b>	<b>384 035</b>	<b>292 781</b>	<b>232 790</b>

## 13. Director changes

There were no changes to directors during the period under review.

## 14. Subsequent events

As reported on SENS on 2 June 2011, Mr PJM Ferreira was appointed as Executive Director and Chief Executive Officer (CEO) of South Ocean Holdings Limited with effect from 1 July 2011, taking over from Mr EHT Pan who will retire at the end of September 2011. During the period 1 July 2011 to 30 September 2011, Mr Pan will remain as an Executive Director handing over his responsibilities to Mr Ferreira. From 1 October 2011, Mr Pan will remain on the Board as Non-Executive Deputy Vice Chairman.

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 Holdings) is pleased to announce its condensed consolidated results for the six months ended 30 June 2011.

South Ocean Holdings is an investment holding company, comprising two 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 fixtures, lamps and electrical accessories and a property holding company, Anchor Park Investments 48 (Proprietary) Limited (Anchor Park).

Adverse economic conditions which continue to impact the construction and related sectors affected the Group's performance. The Group's operating margins for the period was 4,9% (2010: 7,6%), a decline of 35,5% compared to the same period in the prior year.

SOEW revenue increased compared to the prior period, but gross margins decreased mainly as a result of the current economic climate. The fluctuation in the Rand Copper Price (RCP) during this period also impacted performance. Radiant's results were affected by the competitive market conditions compared to the same period in the prior year.

### Financial overview

#### Earnings

Group revenue for the six month period to 30 June 2011 increased by 12,5% (2010: 21,8%) to R618,6 million (2010: R549,7 million). The Group's gross profit decreased 10,4% to R106,3 million (2010: R118,6 million) and operating profit decreased 27,6% to R30,2 million (2010: R41,7 million) compared to the prior period.

Group profit before tax is 31,6% lower at R24,8 million (2010: R36,2 million) compared to the prior period. Earnings and headline earnings per share have as a result, decreased compared to the prior period. The basic earnings per share decreased 32,9% to 10,8 cents (2010: 16,1 cents) compared to the prior year with the headline earnings per share also declining 32,1% to 10,8 cents (2010: 15,9 cents) compared to the prior period. Headline earnings decreased 32,1% to R16,9 million (2010: R24,9 million) compared to the prior period.

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

#### Cash flow and working capital management

A large investment in working capital contributed to cash utilisation in operations of R117,0 million (2010: R82,1 million) being reported during the period. Working capital primarily increased through accounts receivable, as is traditional for this period, combined with the increase in revenue compared to 31 December 2010. Certain customers have paid late and this contributed to the negative cash flow for the Group. Inventory levels increased due to higher copper prices, additional investment in inventory for the new plant at the Group's Alrode facility, as well as an increase in light fixtures, lamps, and electrical accessories inventory to improve stock availability.

The Group invested R40 million (2010: R7,6 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R30,6 million (2010: R22,3 million) to repay its long-term interest bearing borrowings.

The Group's net cash utilised during the period of R147,6 million (2010: R106,3 million) resulted in an overdraft at the end of the period of R112,9 million (2010: R47,5 million).

#### Segment results

##### Electrical cables – SOEW

SOEW's revenue increased by 19,3% to R447,9 million (2010: R375,6 million). This was mainly attributable to the increase in the Rand Copper Price (RCP) and a marginal increase in volumes. The current depressed economic climate and the fluctuations in the copper prices, however, had a negative effect on gross margins.

Operational expenses were well controlled and increased below the annual inflation rate during the period.

Additional capital investment in the new manufacturing plant at the Group's Alrode facility was made during the period and will be fully operational in the second half of the year. Additional working capital was required for inventory for the new manufacturing operation, and will be increasing further to finance the debtors book in the months ahead, utilising normal credit facilities.

##### Lighting and electrical accessories – Radiant

Radiant reported revenue of R170,7 million (2010: R174,1 million), 2% lower when compared to the same period in the prior year. Operational costs reduced compared to the same period last year. The margins were lower due to the current economic climate.

Cash on hand decreased from a positive cash balance of R13,9 million at the end of December 2010 to a net overdraft of R17,5 million as at the end of June 2011. The funds were utilised to increase inventory to improve availability.

##### Property investment – 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 repayment of loan balances and lower effective interest rates. During the period a further R11,8 million capital investment was made for the new SOEW factory building.

#### 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

In line with its strategic plan, the Group has invested in a new manufacturing plant to grow the business organically. Radiant's growth is expected to be driven by the provision of energy saving solutions to corporate and industrial clients looking to reduce their electricity consumption. This trend is expected to continue whereby more industries move to support Government and Eskom's initiatives to ease demand on the national grid.

The Group will focus on increasing its market share, which will require a combined effort by the production and marketing teams. Product quality and client service remain a high priority within the Group.

The outlook for the second half of the year remains challenging. The Group strategy is to maximise the opportunities in the current environment that will enhance shareholders' value.

The above information has not been reviewed or reported on by South Ocean Holdings' external auditors.

On behalf of the Board

**Ethan Dube**

*Chairman*

26 July 2011

**Paul Ferreira**

*Chief Executive Officer*

## Directors:

EG Dube\* (Chairman), PJM Ferreira\* (Chief Executive Officer)  
EHT Pan\*<sup>o</sup>, JP Bekker\* (Chief Financial Officer), CY Wu<sup>o</sup>, KH Pon\*  
M Chong<sup>o</sup>, D Tam<sup>o</sup>, HL Li<sup>o</sup>, CH Pan<sup>o</sup> (Alternate)

\* Executive

# Independent Non-Executive

√ Non-Executive

<sup>o</sup> Taiwanese

<sup>o</sup> Brazilian

## Company Secretary:

WT Green

## Corporate Information

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### Company Secretary:

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## Sponsor:

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Second floor, 100 Grayston Drive, Sandown, Sandton, 2196

## Share Transfer Secretary:

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Telephone: +27(11) 370 5000  
Telefax: +27(11) 688 5200  
Website: [www.computershare.com](http://www.computershare.com)

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