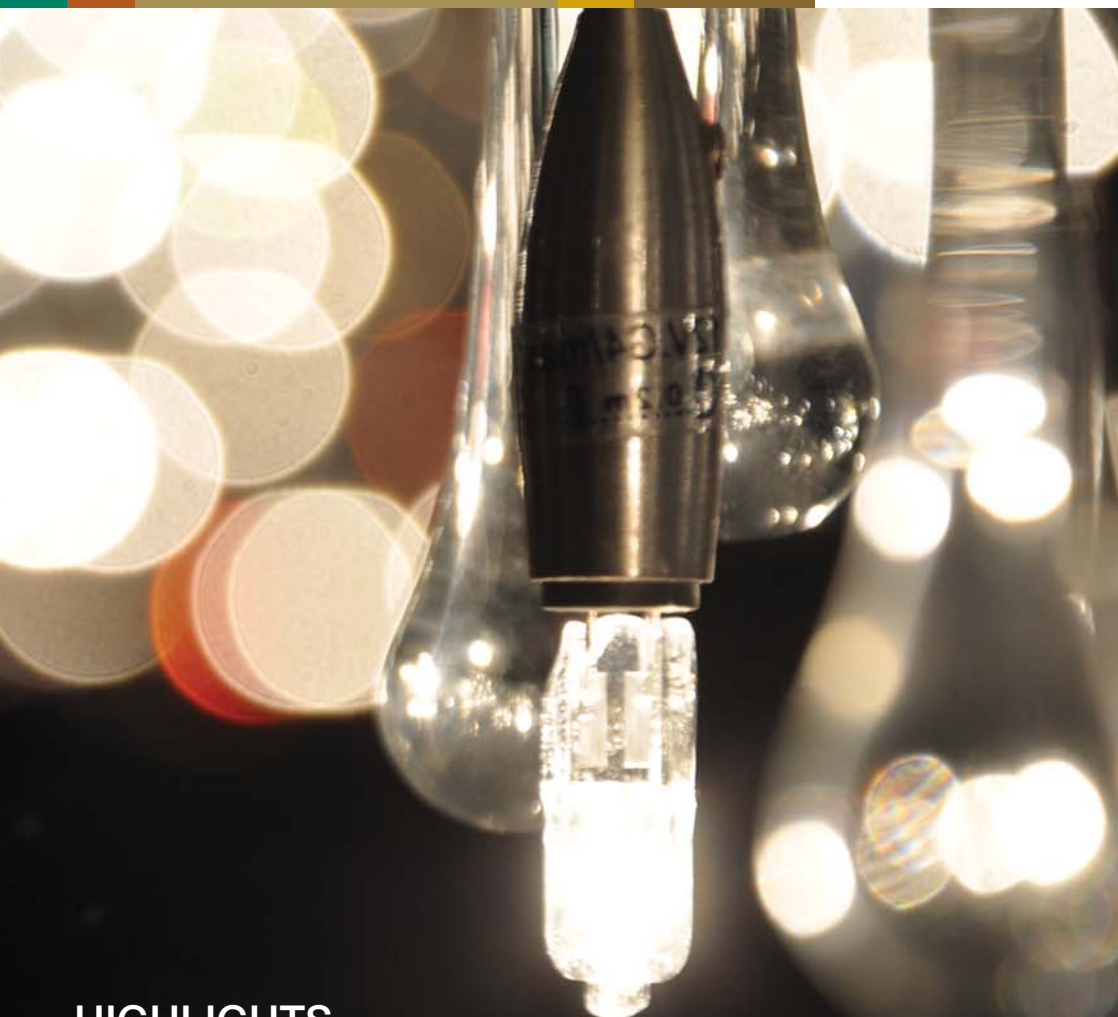


# Group summarised consolidated interim financial results announcement

for the six months ended 30 June 2014



## HIGHLIGHTS

Revenue increased by 15,5% to R888,2 million

Headline earnings per share increased by 114,7% to 7,3 cents

Earnings per share increased by 108,6% to 7,3 cents

Tangible net asset value per share increased by 6,2% to 348,4 cents

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2014 (Unaudited) R'000	As at 30 June 2013 (Unaudited) R'000	As at 31 December 2013 (Audited) R'000
<b>Assets</b>				
<b>Non-current assets</b>		<b>313 447</b>	485 143	294 497
Property, plant and equipment	4	302 658	327 639	284 015
Intangible assets	4	10 789	157 504	10 482
<b>Current assets</b>		<b>738 135</b>	709 273	653 160
Inventories		318 531	316 714	289 247
Trade and other receivables		388 911	358 939	331 927
Derivative financial instruments		–	–	143
Taxation receivable		5 282	7 829	3 166
Cash and cash equivalents		25 411	25 791	28 677
<b>Total assets</b>		<b>1 051 582</b>	1 194 416	947 657
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital and share premium	5	441 645	441 645	441 645
Reserves		611	236	633
Retained earnings		113 314	228 860	101 968
<b>Total equity</b>		<b>555 570</b>	670 741	544 246
<b>Liabilities</b>				
<b>Non-current liabilities</b>		<b>85 661</b>	75 533	77 436
Interest-bearing borrowings	6	50 287	39 177	42 033
Deferred taxation		33 501	34 116	33 629
Share-based payments		1 873	2 240	1 774
<b>Current liabilities</b>		<b>410 351</b>	448 142	325 975
Trade and other payables		203 473	232 995	133 762
Interest-bearing borrowings	6	21 149	27 141	26 130
Taxation payable		2 716	273	–
Share-based payments		150	8	–
Bank overdraft		182 863	187 725	166 083
<b>Total liabilities</b>		<b>496 012</b>	523 675	403 411
<b>Total equity and liabilities</b>		<b>1 051 582</b>	1 194 416	947 657

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended			Year ended
		30 June 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	Change %	31 December 2013 (Audited) R'000
<b>Revenue</b>		<b>888 203</b>	769 152	15,5	1 690 921
Cost of sales		(776 610)	(674 422)		(1 475 875)
<b>Gross profit</b>		<b>111 593</b>	94 730	17,8	215 046
Other operating income		2 277	357		6 446
Administration expenses		(32 716)	(31 748)		(66 638)
Distribution expenses		(15 162)	(14 429)		(26 567)
Operating expenses		(40 061)	(32 988)		(221 026)
<b>Operating profit/(loss)</b>		<b>25 931</b>	15 922	62,9	(92 739)
Finance income		421	221		533
Finance costs		(10 207)	(8 179)		(18 885)
<b>Profit/(loss) before taxation</b>		<b>16 145</b>	7 964	102,8	(111 091)
Taxation	7	(4 799)	(2 520)		(10 357)
<b>Profit/(loss) for the period</b>		<b>11 346</b>	5 444	108,4	(121 448)
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operation		(22)	427		824
<b>Total comprehensive income/(loss) attributable to equity holders of the company</b>		<b>11 324</b>	5 871	92,9	(120 624)
		<b>Cents per share</b>	Cents per share		Cents per share
Earnings/(loss) per share – basic and diluted		<b>7,3</b>	3,5	108,6	(77,7)

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Six months ended		Year ended
		30 June 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	31 December 2013 (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		633	(191)	(191)
Exchange differences on translation of foreign operations		(22)	427	824
Closing balance		611	236	633
<b>Retained earnings</b>				
Opening balance		101 968	223 416	223 416
Comprehensive income for the period		11 346	5 444	(121 448)
<b>Closing balance</b>		<b>113 314</b>	<b>228 860</b>	<b>101 968</b>

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	31 December 2013 (Audited) R'000
Cash generated/(utilised) in operating activities	6 542	(15 283)	16 025
Cash utilised in investing activities	(29 839)	(16 290)	(25 312)
Cash generated/(utilised) in financing activities	3 273	(8 575)	(6 730)
<b>Net decrease in cash and cash equivalents</b>	<b>(20 024)</b>	<b>(40 148)</b>	<b>(16 017)</b>
Cash and cash equivalents at the beginning of period	(137 406)	(122 213)	(122 213)
Effects of exchange rate movement on cash balances	(22)	427	824
<b>Cash and cash equivalents at the end of period</b>	<b>(157 452)</b>	<b>(161 934)</b>	<b>(137 406)</b>

## SELECTED NOTES TO THE SUMMARISED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. General information

South Ocean Holdings and its subsidiary companies manufacture and distribute electrical cables, import and distribute light fittings, lamps, electrical accessories, audio visual hardware and accessories and property investments. South Ocean Holdings is a public company listed on the Johannesburg Stock Exchange (JSE) and is incorporated and domiciled in the Republic of South Africa.

The unaudited summarised consolidated interim financial information was prepared by JP Bekker CA (SA) and was approved for issue by the directors on 6 August 2014.

### 2. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. This should be read with the audited annual financial statements for the year ended 31 December 2013. The Listings 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 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, contained the information required by IAS 34 "Interim Financial Reporting". The accounting policies applied in the preparation of the consolidated interim financial statements from which the summary financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

### 3. Accounting policies

The accounting policies adopted are consistent with those applied in the audited annual financial statements for the year ended 31 December 2013, 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 are expected to have a material impact on the reported results or future results of the Group.

4. Property, plant and equipment and intangible assets

During the six months, the Group invested R29,8 million (2013: R16,7 million) in capital expenditure mainly relating to the manufacturing plant at South Ocean Electric Wire Company Proprietary Limited ("SOEW"). The expenditure consists of machinery and a property bought to expand the operation, amounting to R18,5 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 2014</b>		
Opening net carrying amount	284 015	10 482
Additions	28 652	1 186
Disposals and write-offs	(1)	-
Depreciation/amortisation and other movements	(10 008)	(879)
Closing net carrying amount	302 658	10 789
<b>Six months ended 30 June 2013</b>		
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
<b>Year ended 31 December 2013</b>	<b>(Audited)</b>	<b>(Audited)</b>
Opening net carrying amount	321 122	157 938
Additions	23 333	2 746
Disposals and write-offs	(41 734)	-
Foreign exchange movements	11	-
Impairment of goodwill	-	(148 108)
Depreciation/amortisation and other movements	(18 717)	(2 094)
Closing net carrying amount	284 015	10 482

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 2014 (Unaudited)</b>				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 30 June 2013 (Unaudited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 31 December 2013 (Audited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

	As at		
	30 June 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	31 December 2013 (Audited) R'000
<b>Secured loans</b>			
Non-current	50 287	39 177	42 033
Current	21 149	27 141	26 130
	71 436	66 318	68 163
<b>The movement in borrowings is analysed as follows:</b>			
Opening balance	68 162	74 893	74 893
Additional loans raised	17 478	7 775	22 049
Finance costs	2 935	2 522	5 169
Repayments	(17 139)	(18 872)	(33 948)
Closing balance	71 436	66 318	68 163

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 29,7% (2013: 31,6%).

8. Reconciliation of headline earnings

	Six months ended		Year ended
	30 June 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	31 December 2013 (Audited) R'000
Comprehensive income attributable to the equity holders of the Company for the period	11 346	5 444	(121 448)
Profit/(loss) on disposal of property, plant and equipment	1	(126)	6 117
Goodwill Impairment	-	-	148 108
Headline earnings for the period	11 347	5 318	32 777
Headline earnings per share (cents)	7,3	3,4	21,0

9. Weighted average number of shares

	Six months ended		Year ended
	30 June 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	31 December 2013 (Audited) R'000
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 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	31 December 2013 (Audited) R'000
Net asset value per share (cents)	355,3	428,9	348,0
Tangible net asset value per share (cents)	348,4	328,2	341,3

11. Dividend declaration

The Company's 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
<b>30 June 2014 (Unaudited)</b>				
Electrical cables manufacturing	744 756	42 432	578 097	318 586
Lighting and electrical accessories	146 087	(2 247)	278 187	100 068
Property investments	7 828	5 738	182 413	39 594
	<b>898 671</b>	<b>45 923</b>	<b>1 038 697</b>	<b>458 248</b>
<b>30 June 2013 (Unaudited)</b>				
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
<b>Year ended</b>				
<b>31 December 2013 (Audited)</b>				
Electrical cables manufacturing	1 336 285	59 533	489 307	249 134
Lighting and electrical accessories	373 108	28 430	251 022	79 669
Property investments	15 995	5 446	202 448	35 072
	1 725 388	93 409	942 777	363 875

## 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		Year ended
	30 June 2014 (Unaudited) R'000	30 June 2013 (Unaudited) R'000	31 December 2013 (Audited) R'000
<b>Revenue</b>			
Reportable segment revenue	898 671	785 912	1 725 388
Inter-segment revenue (property rentals)	(7 828)	(8 735)	(15 995)
Inter-segment revenue – other	(2 640)	(8 025)	(18 472)
<b>Revenue per consolidated statement of comprehensive income</b>	<b>888 203</b>	<b>769 152</b>	<b>1 690 921</b>
<b>Profit before tax</b>			
Adjusted EBITDA	45 923	35 510	93 409
Corporate and other overheads	(9 105)	(9 253)	(17 229)
Depreciation	(10 008)	(9 079)	(18 717)
Impairment of intangible assets – lighting and electrical accessories segment	–	–	(148 108)
Amortisation of intangible assets	(879)	(1 256)	(2 094)
<b>Operating profit/(loss)</b>	<b>25 931</b>	<b>15 922</b>	<b>(92 739)</b>
Finance income	421	221	533
Finance cost	(10 207)	(8 179)	(18 885)
<b>Profit/(loss) before income tax per statement of comprehensive income</b>	<b>16 145</b>	<b>7 964</b>	<b>(111 091)</b>
<b>Assets</b>			
Reportable segment assets	1 038 697	1 185 214	942 777
Corporate and other assets	7 603	1 373	1 714
Taxation receivable	5 282	7 829	3 166
<b>Total assets per statement of financial position</b>	<b>1 051 582</b>	<b>1 194 416</b>	<b>947 657</b>
<b>Liabilities</b>			
Reportable segment liabilities	458 248	482 157	363 875
Corporate and other liabilities	1 547	7 129	5 907
Deferred taxation	33 501	34 116	33 629
Taxation payable	2 716	273	–
<b>Total liabilities per statement of financial position</b>	<b>496 012</b>	<b>523 675</b>	<b>403 411</b>

## 13. Director changes

Mr Ethan Dube resigned on the 31 March 2014. Mr Henry Pon was appointed Chairman of the Board from 1 April 2014. Ms Melanie Chong was appointed Chairperson of the Audit and Risk Management Committee from 1 April 2014. Ms Natasha Lalla and Ms Louisa Stephens were appointed independent non-executive directors on 23 June 2014.

## 14. Subsequent events

The four week strike action at SOEW will affect the results materially during the second six months of the financial year.

The Competition Commission announced on 19 March 2014 that it referred a complaint against SOEW and three other competitors to the Competition Tribunal for possible price fixing and market allocation in contravention of the Competition Act. The Commission asked the Tribunal to impose an administrative penalty of 10% of annual turnover on each of the entities involved, except for Aberdare Cables, which has been granted conditional leniency. The referral arises from a complaint that the Commission initiated on 16 March 2010 against SOEW, Aberdare Cables, Alvern Cables and Tulusa Cables, which was referred to in the SENS announcement, dated 6 May 2010.

Notwithstanding the above, the directors are not aware of any other 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 2014.

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, audio visual hardware and accessories, a property holding company, Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), and Icembu Services Proprietary Limited ("Icembu"), an assembly line of light fittings, lights and electrical accessories.

### Financial overview

#### Earnings

Group revenue for the six-month period to 30 June 2014 increased by 15,5% (2013: 17,8%) to R888,2 million (2013: R769,2 million). The Group's gross profit increased by 17,8% (2013: 14,6% decreased) to R111,6 million (2013: R94,7 million) and operating profit increased by 62,9% (2013: 50,5% decreased) to R25,9 million (2013: R15,9 million decrease) compared to the prior period.

Group net profit before tax increased by 102,8% (2013: 69,4% decreased) to R16,1 million (2013: R8,0 million) compared to the prior period. The basic earnings per share increased by 108,6% (2013: 70,1% decreased) to 7,3 cents (2013: 3,5 cents) with the headline earnings per share increasing by 114,7% (2013: 70,9% decreased) to 7,3 cents (2013: 3,4 cents) compared to the prior period. Headline earnings for the period was R11,3 million (2013: R5,3 million).

The results for the period increased overall when compared to the corresponding period in the previous financial year, which was mainly due to increase in production at SOEW, due to no electrical interruptions experienced as was the case in the previous period and the decrease in results from Radiant Group which was as a result of logistical constraints caused by the upgrade of the ERPS system and the implementation of the warehouse stock control system.

#### **Cash flow and working capital management**

Cash generated in operating activities amounted to R6,5 million (2013: R15,3 million, utilised) during the period. Working capital increased by R61,3 million (2013: R28,2 million) primarily due to an increase in accounts receivable, as a result of an increase in revenue, and a decrease in accounts payable.

The Group invested R29,8 million (2013: R16,7 million) in capital expenditure, which was mainly financed by long-term borrowings, during this period and utilised R17,1 million (2013: R18,9 million) to repay its long-term interest-bearing borrowings.

The Group's net cash utilised during the period amounted to R20,0 million (2013: R40,1 million). The net overdraft decreased from R161,9 million reported at June 2013 to R157,5 million at the end of the current period.

#### **Segment results**

##### **Electrical cables – SOEW**

SOEW's revenue increased by 23,6% (2013: 21,8% increased) to R744,7 million (2013: R602,3 million). This was mainly attributable to an increase of 7,5% in the moving average Rand Copper Price (RCP), diversification of product range and an increase in production, (the previous period's production was affected by the electrical supply problem).

The market conditions were still subdued during the period and margins were under pressure due to the competitive market.

Operational expenses increased during the year as a result of an increase in production volumes.

Capital investment was made to improve efficiencies and to increase capacity at the Group's Alrode facility during the period. Additional working capital funding was required to finance the increase in trade receivables relating to the increase in volumes and was funded from normal credit facilities.

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

Radiant Group reported revenue of R146,0 million (2013: R174,9 million), which is a decrease of 16,5% (2013: 10,4%, increased) when compared to the same period in the prior year. New market entrants, stringent competition and competing with certain inferior quality products have resulted in margins being eroded. Margins were also impacted by the change in the mix of products sold and a contraction in customers demand and buying patterns.

The warehouse management system implementation together with an ERP upgrade had a significant impact on the processes within the supply chain environment. This had an impact on the ability to despatch stock to customers which directly impacted revenues and profitability.

##### **Property investments – Anchor Park**

Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries. Anchor Park has invested in a property for expansion purposes at the cable plant at a cost of R18,5 million, which was financed by long-term borrowings. The increase in interest expense is due to the increase 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 Group foresees a competitive market that will continue to weigh heavily on expected economic growth.

The NUMSA strike halted operations in the Cable segment for four weeks. The strike will have a material affect on the revenue and margins during the second half of the year.

The Cable segment will be able to take advantage of the improved capacity for the rest of the year, due to the capax expansion.

The investment in improving supply chain abilities in line with Radiant Group's strategic objectives are expected to contribute to improving revenues and profitability in the second half of the year.

#### **Appreciation**

The directors would like to express their appreciation towards management and staff as well as all our valued customers, suppliers, advisors, business partners and shareholders for their continued support.

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

**Henry Pon**

*Chairman*

6 August 2014

**Paul Ferreira**

*Chief Executive Officer*

## CORPORATE INFORMATION

### South Ocean Holdings Limited

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

### Directors:

K H Pon<sup>#</sup> (Chairman)  
E H T Pan<sup>√</sup><sup>®</sup> (Deputy-Vice Chairman)  
P J M Ferreira\* (Chief Executive Officer)  
J P Bekker<sup>^</sup> (Chief Financial Officer)

M Chong<sup>#</sup>  
N Lalla<sup>#</sup>  
H L Li<sup>√</sup><sup>◊</sup>  
W P Li<sup>√</sup><sup>◊</sup>  
C H Pan<sup>√</sup><sup>◊</sup><sup>A</sup>  
DL Pan<sup>√</sup><sup>◊</sup><sup>A</sup>  
L Stephens<sup>#</sup>  
C Y Wu<sup>√</sup><sup>◊</sup>

\* Executive

<sup>#</sup> Independent Non-Executive

<sup>√</sup> Non-Executive

<sup>◊</sup> Taiwanese

<sup>®</sup> Brazilian

<sup>^</sup> Alternate

### Registered Office:

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Telephone: +27(11) 864 1606  
Telefax: +27(86) 628 9523

### Company Secretary:

W T Green, 21 West Street, Houghton, 2198  
PO Box 123738, Alrode, 1451

### Sponsor:

Investec Bank Limited  
(Registration number 1969/004763/06)  
Second Floor, 100 Grayston Drive, Sandown, Sandton, 2196

### Share Transfer Secretary:

Computershare Investor Services Proprietary Limited  
Ground Floor, 70 Marshall Street, Johannesburg, 2001  
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Telephone: +27(11) 370 5000  
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### Auditors:

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