



**AUDITED
SUMMARY
CONSOLIDATED
FINANCIAL
RESULTS
ANNOUNCEMENT**

for the year ended
31 December

2016

("Financial Statements")

SALIENT FEATURES

Revenue increased by 7,2% to R1,777 billion

Loss per share of 25,0 cents

Headline loss per share of 13,1 cents

Tangible net asset value per share decreased by 6,9%
to 333,9 cents

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 (Audited) R'000	As at 31 December 2015 (Audited) R'000
Assets			
Non-current assets			
Property, plant and equipment	4	289 699	313 633
Intangible assets	4	7 783	8 780
Deferred tax		21 787	8 977
Current assets		623 873	578 274
Inventories		326 407	321 305
Trade and other receivables		275 130	229 596
Current tax receivable		–	5 556
Cash and cash equivalents		22 336	21 817
Total assets		943 142	909 664
Equity and liabilities			
Equity			
Share capital	5	441 645	441 645
Reserves		1 799	2 513
Retained earnings		86 428	125 567
Total equity		529 872	569 725
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	6	52 025	63 899
Share-based payments		492	–
Deferred taxation		35 026	37 183
Current liabilities		325 727	238 857
Trade and other payables		128 677	122 163
Interest-bearing borrowings	6	197 012	116 694
Derivative financial instruments		38	–
Total liabilities		413 270	339 939
Total equity and liabilities		943 142	909 664

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended		
		31 December 2016 (Audited) R'000	Change %	31 December 2015 (Audited) R'000
Revenue		1 777 190		1 657 358
Cost of sales		(1 623 447)	7,2	(1 499 277)
Gross profit		153 743	(2,7)	158 081
Other operating income		6 181		11 647
Administration expenses		(68 765)		(75 038)
Distribution expenses		(25 653)		(25 822)
Operating expenses		(97 344)		(68 430)
Operating (loss)/profit		(31 838)		438
Finance income		1 005		1 037
Finance costs		(23 273)		(20 397)
Loss before taxation		(54 106)	(185,9)	(18 922)
Taxation	7	14 967		5 003
Loss for the year		(39 139)	(181,2)	(13 919)
Other comprehensive (loss)/income				
Exchange differences on translation of foreign operations		(714)		1 486
Total comprehensive loss attributable to equity holders of the Group		(39 853)	(220,5)	(12 433)
		Cents per share		Cents per share
Loss per share – basic and diluted		(25,0)	(180,9)	(8,9)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the year ended	
	31 December 2016 (Audited) R'000	31 December 2015 (Audited) R'000
Share capital		
Opening and closing balance	1 274	1 274
Share premium		
Opening and closing balance	440 371	440 371
Foreign currency translation reserve		
Opening balance	2 513	1 027
Exchange differences on translation of foreign operations	(714)	1 486
Closing balance	1 799	2 513
Retained earnings		
Opening balance	125 567	139 486
Total comprehensive loss for the year	(39 139)	(13 919)
Closing balance	86 428	125 567

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW

	For the year ended	
	31 December 2016 (Audited) R'000	31 December 2015 (Audited) R'000
Cash flows from operating activities	(55 747)	67 539
Cash flows from investing activities	(11 504)	(15 806)
Cash flows from financing activities	68 484	(67 792)
Net increase/(decrease) in cash and cash equivalents	1 233	(16 059)
Cash and cash equivalents at the beginning of year	21 817	36 390
Effects of exchange rate movement on cash balances	(714)	1 486
Total cash and cash equivalents at the end of year	22 336	21 817

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL INFORMATION

1. General information

South Ocean Holdings and its subsidiaries manufacture and distribute electrical cables, import and distribute light fittings, lamps, electrical accessories and audio visual hardware and accessories, and hold investments in a light fittings assembly operation and property investment company. South Ocean Holdings is a public company listed on the JSE Limited ("JSE") and is incorporated and domiciled in the Republic of South Africa.

The audited summary consolidated financial information was prepared by MK Lehloeny CA(SA) and was approved for issue by the directors on 10 March 2017.

2. Basis of preparation

The summary consolidated Financial Statements of South Ocean Holdings have been prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa applicable to summary Financial Statements. This should be read with the audited Financial Statements for the year ended 31 December 2016. The Listings Requirements require provisional reports to be prepared in accordance with the framework concept and the measurement and recognition requirements of the 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 accounting policies applied in the preparation of the consolidated Financial Statements from which the summary consolidated Financial Statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated Financial Statements.

3. Accounting policies

The accounting policies adopted are consistent with those applied in the Financial Statements for the year ended 31 December 2016, except where indicated. There are no new standards or amendments that were issued since the last annual report that will result in a material impact in the reported or future results of the Group.

4. Property, plant and equipment and intangible assets

During the year, the Group invested R13,3 million (2015: R16,7 million) in capital expenditure. An impairment charge of R18,7 million (2015: Rnil) was raised against the manufacturing plant and machinery at South Ocean Electric Wire Company Proprietary Limited ("SOEW") due to the value in use of the subsidiary being lower than the enterprise value. The details of changes in tangible and intangible assets are as follows:

	Tangible assets (Audited) R'000	Intangible assets (Audited) R'000
Year ended 31 December 2016		
Opening net carrying amount	313 633	8 780
Additions	12 318	997
Disposals	(1 638)	(64)
Impairment	(18 743)	–
Depreciation/amortisation	(15 871)	(1 930)
Closing net carrying amount	289 699	7 783
Year ended 31 December 2015		
Opening net carrying amount	315 993	9 994
Additions	15 002	1 697
Disposals	(587)	–
Depreciation/amortisation	(16 775)	(2 911)
Closing net carrying amount	313 633	8 780

5. Share capital and share premium

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
At 31 December 2016				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 31 December 2015				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

	31 December 2016 (Audited) R'000	31 December 2015 (Audited) R'000
Secured loans		
Non-current	52 025	63 899
Current	197 012	116 694
	249 037	180 593
The movement in borrowings is analysed as follows:		
Opening balance	180 593	248 385
Additional loans raised	83 620	5 888
Finance costs	23 141	20 298
Repayments	(38 317)	(93 978)
Closing balance	249 037	180 593

7. Taxation

The effective tax rate is 27,7% (2015: 26,4%).

8. Reconciliation of headline loss

	31 December 2016 (Audited) R'000	31 December 2015 (Audited) R'000
Loss attributable to equity holders of the Group	(39 139)	(13 919)
Profit on disposal of property, plant and equipment	(108)	(306)
Impairment of plant and machinery	18 743	–
Headline loss	(20 504)	(14 225)
Headline loss per share (cents)	(13,1)	(9,1)

9. Weighted average number of shares

	31 December 2016 (Audited) R'000	31 December 2015 (Audited) R'000
Number of shares in issue	156 378 794	156 378 794
Weighted average number of shares in issue at beginning and end of the year	156 378 794	156 378 794

10. Net asset value

	31 December 2016 (Audited)	31 December 2015 (Audited)
Net asset value per share (cents)	338,8	364,3
Tangible net asset value per share (cents)	333,9	358,7

11. Derivative financial instruments

The notational principal amount of the outstanding forward exchange contract at 31 December 2016 was R6 961 070 (2015: Rnil). Trading derivatives are classified as a current asset or current liability. The fair value of the derivatives is determined with reference to observable market data and rely as little as possible on entity specific estimates. The maximum exposure to credit risk at the reporting date is the fair value of the derivative liability in the statement of financial position. The fair values are within level 2 of the fair value hierarchy.

12. Final dividend declaration

No final dividend has been declared.

13. Audit opinion

These summary consolidated Financial Statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the Financial Statements from which these summary consolidated Financial Statements were derived.

A copy of the auditor's report on the summary consolidated Financial Statements and of the auditor's report on the Consolidated Financial Statements are available for inspection at the Company's registered office, together with the Financial Statements identified in the respective auditor's reports.

14. 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, 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 adjusted EBITDA generated by the Group's reportable segments are summarised as follows:

	Year ended			
	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
31 December 2016				
Electrical cables manufacturing	1 437 154	15 881	473 164	239 216
Lighting and electrical accessories	344 987	(14 028)	259 106	77 091
Property investments	21 798	17 486	187 648	56 588
	1 803 939	19 339	919 918	372 895
31 December 2015				
Electrical cables manufacturing	1 342 336	26 654	431 881	148 535
Lighting and electrical accessories	326 094	(7 906)	275 982	89 784
Property investments	19 280	15 664	185 749	61 490
	1 687 710	34 412	893 612	299 809

14. Segment reporting (continued)

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

	31 December 2016 (Audited) R'000	31 December 2015 (Audited) R'000
Revenue		
Reportable segment revenue	1 803 939	1 687 710
Inter-segment revenue (property rentals)	(21 068)	(19 280)
Inter-segment revenue – other	(5 681)	(11 072)
Revenue per consolidated statement of comprehensive income	1 777 190	1 657 358
(Loss)/profit before tax		
Adjusted EBITDA	19 339	34 412
Corporate and other overheads	(14 633)	(14 288)
Depreciation	(15 870)	(16 775)
Impairment of plant and machinery	(18 743)	–
Amortisation of intangible assets – lighting and electrical accessories	(1 931)	(2 911)
Operating (loss)/profit	(31 838)	438
Finance income	1 005	1 037
Finance cost	(23 273)	(20 397)
Loss before tax per consolidated statement of comprehensive income	(54 106)	(18 922)
Assets		
Reportable segment assets	919 918	893 612
Corporate and other assets	1 437	1 519
Deferred taxation	21 787	8 977
Taxation receivable	–	5 556
Total assets per statement of financial position	943 142	909 664
Liabilities		
Reportable segment liabilities	372 895	299 809
Corporate and other liabilities	5 349	2 947
Deferred taxation	35 026	37 183
Total liabilities per statement of financial position	413 270	339 939

15. Director changes

Mr JH Yeh was appointed an independent non-executive director on 18 February 2016. Mr JP Bekker was appointed Chief Executive Officer on 4 August 2016. Ms MK Lehloenyia was appointed Chief Financial Officer on 4 August 2016. Ms L Stephens resigned as an independent non-executive director on 10 August 2016. Mr EHT Pan resigned as a director and Deputy-Vice Chairman on 18 February 2016 and was replaced by Mr HL Li as Deputy-Vice Chairman effective 18 February 2016. Ms DJC Pan replaced Mr CH Pan, who resigned as a director effective 18 February 2016, as alternate director to Mr HL Li.

16. Competition Commission

As noted in the previous financial statements, the case arises from a complaint that the Competition Commission ("Commission") first initiated on 16 March 2010 and which was referred to in the South Ocean Holdings' SENS announcement dated 6 May 2010. SOEW has engaged the services of specialist competition lawyers and economists to advise SOEW in respect of the Commission's referral. SOEW has cooperated with the Commission during its investigation of the complaint and continues to do so now that the complaint has been referred to the Tribunal. In terms of IAS 37 no further disclosures are made as this would unfairly prejudice SOEW in its current dealings with the Commission.

17. Subsequent events

Notwithstanding the above, the directors are not aware of any other significant events arising since the end of the financial year, which would materially affect the operations of the Group or its operating segments.

COMMENTARY

Introduction

The Board of South Ocean Holdings announced its summary consolidated results for the year ended 31 December 2016 ("the year").

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

Financial overview

Earnings

Group revenue for the year ending 31 December 2016 increased by 7,2% (2015: 3,4%, decrease) to R1,777 billion (2015: R1,657 billion). The Group's gross profit decreased by 2,7% (2015: 39,7%, decrease) to R153,7 million (2015: R158,1 million) and operating profit decreased from R438 000 to a loss of R31,8 million for the current year.

Group loss before tax increased by 185,9% (2015: 132,2%, decrease in profit) resulting in a loss of R54,1 million (2015: R18,9 million, decrease). The basic loss per share increased by 180,9% (2015: 137,1%, decrease) to a loss per share of 25,0 cents (2015: 8,9 cents) compared to the prior period 2015. Headline loss per share increased by 44,0% (2015: 137,9%, decrease in headline earnings) to a headline loss of 13,1 cents (2015: 9,1 cents).

The increase in the loss was partly a result of the net impairment charge of R13,5 million to the plant and machinery of SOEW due to the subsidiary's value in use being lower than the enterprise value and an additional net provision against Radiant's inventory to the value of R6,4 million. The impairment and the additional provision were performed to comply with IFRS. Furthermore, SOEW undertook a section 189 retrenchment process in the 4th quarter of 2016 to save costs. The after tax cost amounted to R2,4 million. The benefits of the cost savings will be realised in 2017.

The above expenses contributed R22,3 million to the Group's loss after tax, which negatively impacted the Group's profitability. Management is confident that the upside benefit of the cost saving will be realised in 2017 and in succeeding years. Management is of the view that these once-off extraordinary items which will not re-occur in the near future as management remains committed to maximising the returns and benefits to its shareholders.

The electrical cable segment saw production volumes increase due to a stable power supply in 2016, however, the decline in economic environment led to gross profit margins being under pressure and this negatively affected the Company's profitability.

The lighting and electrical accessories segment has increased revenues for the first time in three years. Subdued market conditions and increased competition have resulted in lower gross profits, this in turn had a direct effect on the overall profitability of the Company.

Cash flow and working capital management

The cash utilised from operations amounted to R55,7 million (2015: R67,5 million, cash generated), declining by R123,2 million compared to the prior year. Working capital increased by R44,1 million, primarily due to an increase in inventory, and an increase in trade receivables. Working capital investment is currently at 26,6% (2015: 25,8%) of revenue.

The Group invested R13,3 million (2015: R16,7 million) in capital expenditure which was mainly financed through long-term borrowings. The Group utilised R38,3 million (2015: R94,0 million) to repay its interest-bearing borrowings.

The Group generated a new cash increase during 2016 of R1,2 million (2015: R16,1 million, net cash outflow) increasing the bank balance to R22,3 million (2015: R21,8 million, decrease) as at year-end.

Segment results

Electrical cables manufacturing – SOEW

Revenue increased by 7,1% (2015: 3,4%, decrease) to R1,437 billion (2015: R1,342 billion). The increase in SOEW revenue was mainly attributable to increased production volumes. In 2015 SOEW experienced power outages which affected production in that year. There was stable power supply in 2016. Aggressive pricing by competitors put gross profit margins under severe pressure. The volatility in the Rand Copper Price ("RCP") exacerbated the negative impact on gross profit margins as customers held back orders when RCP declines were anticipated and placed orders ahead of RCP increases.

Working capital increased by R29,9 million for the year compared to a decrease of R64,3 million for the prior year. A section 189 retrenchment process was undertaken during the 4th quarter of the year to reduce costs. The effect of cost saving will only be seen in the 2017 year.

Lighting and electrical accessories – Radiant

Radiant reported revenue of R345,0 million (2015: R326,1 million) which is an increase of 5,8% (2015: 2,8%, decrease) when compared to the prior year. Radiant has turned the corner into a positive revenue growth trajectory. Revenue has grown for the first time in three years. However, Radiant faced challenging economic factors in 2016, the weakening Rand and volatility impacted on the gross profit margins significantly.

A general negative business sentiment that persisted, market pressure and stringent competition put Radiant's gross profit margins under severe pressure. Changing market trends led to an additional provision of inventory of R8,9 million before tax which further negatively impacted company profitability.

Radiant is confident that the Company is well positioned for growth. It has seen an improvement in customer confidence and loyalty from the implementation of its turnaround strategy.

Property investments – Anchor Park

Anchor Park's revenue is derived mainly from Group companies, as it leases its properties to fellow subsidiaries. The increase in revenue of 13,1% in rental income was due to increased rental premiums and from renting out additional space to third parties.

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 in future. However, in 2016, earnings in the second half were lower due to subdued market conditions.

Prospects

The International Monetary Fund has forecasted a growth of 0,8% in the South African economy, while the South African Reserve Bank has forecasted a growth of 1,1%. These forecasts signal an improvement in South Africa's economic environment and the Group is planning to take full advantage of the improved trading conditions.

During 2016 the Group enhanced its effort on improving its Black Economic Empowerment ("BEE") rating for 2017. The Group plans to utilise the improved BEE rating to grow its business in the Public and Private Sector focusing on State Owned Entities and Municipalities, while maximising on existing market opportunities. The Group is reinforcing its sales strategy and strengthening its sales teams in order to gain new markets and increase revenue. In line with this, the Group will be aggressive in implementing its Africa growth strategy to increase its footprint in Sub-Saharan Africa to further grow revenue.

Improving operational efficiencies remains a focal point for management. In 2014, the Group implemented a Warehouse Management System at Radiant. The benefits of this system were realised in 2016 through increased operational efficiencies and cost savings. Radiant is also in the process of implementing a master stock planning tool which will ensure that optimal stock levels are maintained. This will assist in managing working capital requirements of the subsidiary. SOEW has streamlined its processes and procedures to improve operational efficiencies and reduce costs in order to provide products at competitive prices to customers.

Management is confident that the above actions will return the Group to profitability.

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, stakeholders and shareholders for their continued support.

Forward-looking information included in this announcement has not been reviewed and reported on by the Group's independent auditors.

On behalf of the Board

KH Pon CA(SA)

Chairman

10 March 2017

JP Bekker CA(SA)

Chief Executive Officer

CORPORATE INFORMATION

South Ocean Holdings Limited

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

Directors

KH Pon* (Chairman)
HL Li^o (Deputy-Vice Chairman)
JP Bekker* (Chief Executive Officer)
MK Lehloenyana* (Chief Financial Officer)
M Chong[#]
N Lalla[#]
WP Lj^j^{oA}
DJC Pan^j^{oA}
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