



**GROUP
SUMMARY
CONSOLIDATED
INTERIM
FINANCIAL
RESULTS
ANNOUNCEMENT**

for the six months ended
30 June

2016

SALIENT FEATURES

- Revenue increased by 4,9% to R901,6 million
- Headline earnings per share decreased by 9,1 cents to a loss of 4,3 cents
- Earnings per share decreased by 9,3 cents to a loss of 4,2 cents
- Tangible net asset value per share decreased by 4,5% to 354,6 cents

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	As at	As at	As at
	30 June 2016 (Unaudited) R'000	30 June 2015 (Unaudited) R'000	31 December 2015 (Audited) R'000
Assets			
Non-current assets			
	334 047	332 994	331 390
Property, plant and equipment	4	313 096	316 786
Intangible assets	4	8 483	9 516
Deferred tax		12 468	6 692
Current assets			
	792 417	779 532	578 274
Inventories		431 129	383 417
Trade and other receivables		332 587	358 306
Derivative financial instruments		-	-
Taxation receivable		5 497	1 891
Cash and cash equivalents		23 204	35 918
Total assets			
	1 126 464	1 112 526	909 664
Equity and liabilities			
Equity			
Share capital and share premium	5	441 645	441 645
Reserves		2 323	1 309
Retained earnings		119 059	147 469
Total equity			
	563 027	590 423	569 725
Liabilities			
Non-current liabilities			
	93 157	114 198	101 082
Interest-bearing borrowings	6	55 679	72 647
Deferred taxation		37 028	39 309
Share-based payments		450	2 242
Current liabilities			
	470 280	407 905	238 857
Trade and other payables		287 460	208 811
Interest-bearing borrowings	6	19 009	22 691
Taxation payable		251	216
Share-based payments		-	-
Bank overdraft		163 560	176 187
Total liabilities			
	563 437	522 103	339 939
Total equity and liabilities			
	1 126 464	1 112 526	909 664

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	Six months ended			Year ended
	30 June 2016 (Unaudited) R'000	30 June 2015 (Unaudited) R'000	Change %	31 December 2015 (Audited) R'000
Revenue				
	901 560	859 497	4,9	1 657 358
Cost of sales	(815 025)	(754 590)		(1 499 277)
Gross profit				
	86 535	104 907	(17,5)	158 081
Other operating income	1 880	2 364		11 647
Administration expenses	(27 148)	(26 413)		(75 038)
Distribution expenses	(17 398)	(14 587)		(25 822)
Operating expenses	(44 454)	(44 947)		(68 430)
Operating (loss)/profit				
	(585)	21 324	(102,7)	438
Finance income	395	598		1 037
Finance costs	(9 730)	(10 678)		(20 397)
(Loss)/profit before taxation				
	(9 920)	11 244	(188,2)	(18 922)
Taxation	7	3 412		5 003
(Loss)/profit for the period				
	(6 508)	7 983	(181,5)	(13 919)
Other comprehensive income				
Exchange differences on translating foreign operation	(190)	282		1 486
Total comprehensive income attributable to equity holders of the Company				
	(6 698)	8 265	(181,0)	(12 433)
	Cents per share	Cents per share		Cents per share
(Loss)/earnings per share – basic and diluted	(4,2)	5,1	(182,4)	(8,9)
Headline (loss)/earnings per share – basic and diluted	(4,3)	4,8	(189,6)	(9,1)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Six months ended		Year ended
		30 June 2016 (Unaudited) R'000	30 June 2015 (Unaudited) R'000	31 December 2015 (Audited) R'000
Share capital				
Opening and closing balance	5	1 274	1 274	1 274
Share premium				
Opening and closing balance	5	440 371	440 371	440 371
Foreign currency translation reserve				
Opening balance		2 513	1 027	1 027
Exchange differences on translation of foreign operations		(190)	282	1 486
Closing balance		2 323	1 309	2 513
Retained earnings				
Opening balance		125 567	139 486	139 486
Total comprehensive income for the period		(6 508)	7 983	(13 919)
Closing balance		119 059	147 469	125 567

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2016 (Unaudited) R'000	30 June 2015 (Unaudited) R'000	31 December 2015 (Audited) R'000
Cash (utilised)/generated in operating activities	(47 806)	(14 510)	67 539
Cash utilised in investing activities	(8 274)	(9 384)	(15 806)
Cash utilised in financing activities	(9 368)	(6 999)	(18 279)
Net (decrease)/increase in cash and cash equivalents	(65 448)	(30 893)	33 454
Cash and cash equivalents at the beginning of period	(74 718)	(109 658)	(109 658)
Effects of exchange rate movement on cash balances	(190)	282	1 486
Cash and cash equivalents at the end of period	(140 356)	(140 269)	(74 718)

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 have property investments. South Ocean Holdings is a public company listed on the JSE and is incorporated and domiciled in the Republic of South Africa.

The unaudited summary consolidated interim financial information was prepared by JP Bekker CA (SA) and was approved for issue by the directors on 12 August 2016.

2. Basis of preparation

The summary consolidated interim Financial Statements of South Ocean Holdings are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa applicable to summary Financial Statements. The summary consolidated interim Financial Statements should be read with the audited financial statements for the year ended 31 December 2015. 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 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 summary consolidated Financial Statements.

3. Accounting policies

The accounting policies adopted are consistent with those applied in the audited financial statements for the year ended 31 December 2015, 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 R8,6 million (2015: R10,2 million) in capital expenditure mainly relating to the acquisition of manufacturing plant at SOEW as well as the replacement of vehicles at SOEW and infrastructure enhancements to the ERP system at Radiant. The details of changes in tangible and intangible assets are as follows:

	Tangible assets (Unaudited) R'000	Intangible assets (Unaudited) R'000
Six months ended 30 June 2016		
Opening net carrying amount	313 633	8 780
Additions	7 541	1 068
Disposals and write-offs	(147)	-
Depreciation/amortisation	(7 931)	(1 365)
Closing net carrying amount	313 096	8 483
Six months ended 30 June 2015		
Opening net carrying amount	315 993	9 994
Additions	9 419	737
Disposals and write-offs	(333)	-
Depreciation/amortisation	(8 293)	(1 215)
Closing net carrying amount	316 786	9 516
Year ended 31 December 2015	(Audited)	(Audited)
Opening net carrying amount	315 993	9 994
Additions	15 002	1 697
Disposals and write-offs	(587)	-
Depreciation/amortisation	(16 775)	(2 911)
Closing net carrying amount	313 633	8 780

5. Share capital and share premium

	Number of shares issued	Ordinary shares R'000	Share premium R'000	Total R'000
At 30 June 2016 (Unaudited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 30 June 2015 (Unaudited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 31 December 2015 (Audited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

	As at 30 June 2016 (Unaudited) R'000	As at 30 June 2015 (Unaudited) R'000	As at 31 December 2015 (Audited) R'000
Secured loans			
Non-current	55 679	72 647	63 899
Current	19 009	22 691	20 159
	74 688	95 338	84 058
The movement in borrowings is analysed as follows:			
Opening balance	84 058	102 337	102 337
Additional loans raised	1 579	5 137	5 888
Finance costs	3 681	4 147	8 145
Repayments	(14 630)	(16 283)	(32 312)
Closing balance	74 688	95 338	84 058

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 effective tax rate calculated is 34,4% (2015: 29,0%).

8. Reconciliation of headline earnings

	Six months ended		Year ended
	30 June 2016 (Unaudited) R'000	30 June 2015 (Unaudited) R'000	31 December 2015 (Audited) R'000
(Loss)/income attributable to the equity holders of the Company for the period	(6 508)	7 983	(13 919)
Loss/(profit) on disposal of property, plant and equipment	(188)	(441)	(306)
Headline (loss)/earnings for the period	(6 696)	7 542	(14 225)
Headline (loss)/earnings per share (cents)	(4,3)	4,8	(9,1)

9. Weighted average number of shares

	Six months ended		Year ended
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	31 December 2015 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 2016 (Unaudited)	As at 30 June 2015 (Unaudited)	As at 31 December 2015 (Audited)
Net asset value per share (cents)	360,0	377,6	364,3
Tangible net asset value per share (cents)	354,6	371,5	358,7

11. Interim dividend declaration

The Company's policy is to consider the declaration of a final dividend after its financial year-end.

12. 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 cables manufacturing, lighting and electrical accessories and property investments, are 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:

	Revenue R'000	Six months ended Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
30 June 2016 (Unaudited)				
Electrical cables manufacturing	743 945	13 278	604 435	339 507
Lighting and electrical accessories	163 596	(3 891)	309 671	121 005
Property investments	10 639	8 165	186 454	59 654
	918 180	17 552	1 100 560	520 166
30 June 2015 (Unaudited)				
Electrical cables manufacturing	709 240	36 448	655 449	343 879
Lighting and electrical accessories	155 083	(2 950)	256 234	65 134
Property investments	10 440	7 722	188 977	66 125
	874 763	41 220	1 100 660	475 138
Year ended 31 December 2015 (Audited)				
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

12. Segment reporting continued

A 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 2016 (Unaudited) R'000	30 June 2015 (Unaudited) R'000	31 December 2015 (Audited) R'000
Revenue			
Reportable segment revenue	918 180	874 763	1 687 710
Inter-segment revenue (property rentals)	(10 376)	(10 440)	(19 280)
Inter-segment revenue – other	(6 244)	(4 826)	(11 072)
Revenue per consolidated statement of comprehensive income	901 560	859 497	1 657 358
Profit before tax			
Adjusted EBITDA	17 552	41 220	34 412
Corporate and other overheads	(8 841)	(10 388)	(14 288)
Depreciation	(7 931)	(8 293)	(16 775)
Amortisation of intangible assets – lighting and electrical accessories	(1 365)	(1 215)	(2 911)
Operating (loss)/profit	(585)	21 324	438
Finance income	395	598	1 037
Finance cost	(9 730)	(10 678)	(20 397)
(Loss)/profit before income tax per consolidated statement of comprehensive income	(9 920)	11 244	(18 922)
Assets			
Reportable segment assets	1 100 560	1 100 660	893 612
Corporate and other assets	7 939	3 283	1 519
Deferred taxation	12 468	6 692	8 977
Taxation receivable	5 497	1 891	5 556
Total assets per statement of financial position	1 126 464	1 112 526	909 664
Liabilities			
Reportable segment liabilities	520 166	475 138	299 809
Corporate and other liabilities	5 992	7 440	2 947
Deferred taxation	37 028	39 309	37 183
Taxation payable	251	216	–
Total liabilities per statement of financial position	563 437	522 103	339 939

13. Director changes

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. Mr JH Yeh was appointed as an independent non-executive director effective 18 February 2016. Ms DJC Pan replaced Mr CH Pan, who resigned as an alternate director effective 18 February 2016, as alternate director to Mr HL Li. Mr JP Bekker was appointed Chief Executive Officer and Ms K Lehloenywa was appointed Chief Financial Officer effective 4 August 2016. Ms L Stephens resigned as non-executive director effective 10 August 2016.

14. Competition Commission

On 13 November 2014, the Competition Commission referred a complaint to the Competition Tribunal ("the Tribunal") in which it alleged that SOEW, 11 other companies and the Association of Electric Cable Manufacturers of South Africa (AECMSA) had contravened the Competition Act by fixing the prices of power cables, alternatively the trading conditions relating to the sale of power cables. The Commission asked the Tribunal to impose an administrative penalty on AECMSA and each company (except Aberdare Cables which had been granted conditional immunity) not exceeding 10% of their respective turnovers. The Commission subsequently withdrew its referral against one of the respondents. This referral is related to the Commission's earlier referral of a complaint to the Tribunal on 19 March 2014 in which the Commission alleged that SOEW and three other companies had fixed prices and allocated markets in contravention of the Competition Act. In this complaint the Commission also asked the Tribunal to impose an administrative penalty not exceeding 10% of the annual turnover of each of the companies except Aberdare Cables which had been granted conditional immunity. These referrals arise from a complaint that the Commission first initiated on 16 March 2010 and which was referred to in the SENS announcement dated 6 May 2010. SOEW has engaged the services of specialist competition lawyers and economists to advise the Company 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.

15. Subsequent events

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

The Board of South Ocean Holdings hereby announces its summarised consolidated results for the six months ended 30 June 2016 ("the period").

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, 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 period ended 30 June 2016 increased by 4.9% (2015: 3,2 %, decreased) to R901,6 million (2015: R859,5 million). The Group's gross profit decreased by 17,5% (2015: 6,0%, decreased) to R86,6 million (2015: R104,9 million) and operating profit decreased by 102,7% (2015: 17,8%, decreased) to a loss of R0,6 million (2015: R21,3 million, profit) compared to the prior period.

Group profit before tax decreased by 188,2% (2015: 30,4%, decreased) to a loss of R9,9 million (2015: R11,2 million, profit) compared to the prior period. The basic earnings per share decreased by 182,4% (2015: 30,1%, decreased) to a loss of 4,2 cents (2015: 5,1 cents, earnings) with the headline earnings per share decreasing by 189,6% (2015: 34,2%, decreased) to a loss of 4,3 cents (2015: 4,8 cents, earning) compared to the prior period. Headline loss for the period amounted to R6,7 million (2015: R7,5 million, profit).

Cash flow and working capital management

Cash utilised in operations amounted to R47,8 million (2015: R14,5 million, utilised) during the period. Working capital increased by R47,5 million (2015: R28,9 million, increased) primarily due to an increase in inventory and accounts receivable of both the electrical cables manufacturing and lighting and electrical accessories segments. The trade receivables book continues to be well managed in an increasingly challenging credit environment. Working capital investment is currently at 26,4% (2015: 31,0%) of revenue.

The Group invested R8,6 million (2015: R10,2 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R14,6 million (2015: R16,3 million) to repay its long-term interest bearing borrowings.

The Group's net cash utilised during the period amounted to R65,4 million (2015: R30,9 million). The net overdraft increased from R140,3 million reported at June 2015 to R140,4 million at the end of the current period.

Segment results

Electrical cables manufacturing – SOEW

SOEW's revenue increased by 4,9% (2014: 4,8%, decreased) to R743,9 million (2014: R709,2 million). The increase in SOEW's revenue is attributed to an increase in production levels. The production levels increased compared to the previous period, mainly due to no electricity interruptions experienced during the current period. The Rand Copper Price (RCP) was volatile during the period, fluctuating between increases of 5,4% and decreases of 7,1%. The net increase for the six months was 6,6% compared to an increase of 1,6% in the previous period.

The market conditions were very weak during the first six months of the year and margins were under pressure due to the competitive market.

Additional working capital funding was required to finance the increase in inventory and trade payables, which was funded from normal credit facilities.

Lighting and electrical accessories – Radiant

Radiant reported revenue of R163,6 million (2015: R155,1 million), which is an increase of 5,5% (2015: 6,2%, increased) when compared to the same period in the prior year. The first half of 2016 continued to see growth in volumes of LED products, and overall increase in revenues. However, the increase on volumes are from products yielding lower margins.

The margins are under pressure by competing with products of lower quality, there is subdued appetite for high end products as consumers have lower disposable income and are extremely cost conscience.

The company has managed to curtail expenditure reflecting an increase of only 0,5% when compared to the same period in the prior year.

Property investments – Anchor Park

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

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 prospect for the South African economy's growth rate for the next year is lower with a decline in mining, agriculture and manufacturing activities, an abnormal volatile exchange rate and limited infrastructure spending.

The Lighting and Electrical Division is expected to continue its revenue growth but the margins will still be under pressure.

The Electrical Cable Manufacturing Division's revenue is expected to be under pressure mainly due to a decrease in demand and continued price pressures.

Taking the current weak market conditions into account it is imperative that the Group maintains its disciplined approach to reduce costs as far as possible and improve working capital management, leveraging on operational efficiencies and increasing margins where possible.

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 projections, included in this announcement have not been reviewed or reported on by South Ocean Holdings' independent external auditors.

On behalf of the Board

KH Pon

Chairman

12 August 2016

JH Bekker

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* (Chairman)
HL Li^o (Deputy-Vice Chairman)
J P Bekker* (Chief Executive Officer)
K Lehloenyana* (Chief Financial Officer)
M Chong#

N Lalla[‡]
CY Wu^o
JH Yeh[‡]
WP Li^o (Alternate)
DJC Pan^v® (Alternate)

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Independent Non-executive

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