



Audited abridged results announcement

for the year ended 31 December 2011

HIGHLIGHTS

Turnover increased by
10,8% to R1 261 million

Earnings per share decreased by
12,8% to 29,3 cents

Headline earnings per share decreased by
8,4% to 30,6 cents

Net asset value per share increased by
6,3% to 500 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		31 December 2011 (Audited) R'000	31 December 2010 (Audited) R'000
	Notes		
ASSETS			
Non-current assets		643 151	603 633
Property, plant and equipment	4	305 929	259 642
Intangible assets	4	337 222	343 991
Current assets		438 551	366 008
Inventories		244 966	188 579
Trade and other receivables		165 296	131 476
Taxation receivable		574	1 353
Cash and cash equivalents		27 715	44 600
Total assets		1 081 702	969 641
EQUITY AND LIABILITIES			
Equity			
Share capital and premium	5	441 645	441 645
Reserves		(352)	(706)
Retained earnings		341 700	295 912
Total equity		782 993	736 851
Liabilities			
Non-current liabilities		105 653	102 449
Interest-bearing borrowings	6	70 055	71 513
Share-based payments		1 756	2 370
Deferred taxation		33 842	28 566
Current liabilities		193 056	130 341
Trade and other payables		139 497	77 446
Share-based payments		–	5 010
Derivative financial instrument		30	680
Interest-bearing borrowings	6	38 226	35 526
Taxation payable		1 401	1 848
Dividends payable		4	4
Bank overdraft		13 898	9 827
Total liabilities		298 709	232 790
Total equity and liabilities		1 081 702	969 641

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended	
		31 December 2011 (Audited) R'000	31 December 2010 (Audited) R'000
Revenue		1 261 019	1 138 130
Cost of sales		(1 036 271)	(900 285)
Gross profit		224 748	237 845
Other operating income		2 871	7 344
Administration expenses		(66 200)	(64 370)
Distribution expenses		(24 378)	(27 927)
Operating expenses		(61 335)	(64 395)
Operating profit		75 706	88 497
Finance income		310	1 701
Finance cost		(10 977)	(13 455)
Profit before taxation		65 039	76 743
Taxation	7	(19 251)	(24 267)
Profit for the year		45 788	52 476
Other comprehensive income			
Exchange differences on translation of foreign operations		354	(706)
Total comprehensive income attributable to equity holders of the company		46 142	51 770
Earnings per share – basic and diluted (cents)		29,3	33,6
Dividends per share (cents)		–	–

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the year ended	
	31 December 2011 (Audited) R'000	31 December 2010 (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	(706)	–
Exchange differences on translation of foreign operation	354	(706)
Closing balance	(352)	(706)
Retained earnings		
Opening balance	295 912	248 127
Total comprehensive income for the year	45 788	52 476
Dividends paid	–	(4 691)
Closing balance	341 700	295 912

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the year ended	
	31 December 2011 (Audited) R'000	31 December 2010 (Audited) R'000
Cash generated from operating activities	39 526	47 553
Cash utilised in investing activities	(62 078)	(34 847)
Cash generated/(utilised) in financing activities	1 242	(36 007)
Net decrease in cash and cash equivalents	(21 310)	(23 301)
Cash and cash equivalents at the beginning of year	34 773	58 780
Effects of exchange rate movement on cash balances	354	(706)
Cash and cash equivalents at the end of year	13 817	34 773

SELECTED NOTES THE TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

South Ocean Holdings and its subsidiaries, together ("the group"), manufacture and distribute electrical cables, import and distribute light fittings, lamps and electrical accessories and has property investments. South Ocean Holdings is listed on the Johannesburg Stock Exchange ("JSE") and is incorporated and domiciled in the Republic of South Africa.

The audited condensed consolidated financial information was prepared by JP Bekker, CA(SA), and was approved for issue by the directors on 27 February 2012.

2. Basis of preparation

The condensed consolidated financial information of South Ocean Holdings has been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC Interpretations, IAS 34 'Interim financial reporting' and the Companies Act, 2008, 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 2011. 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 financial statements for the year ended 31 December 2010, 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 results of the group.

4. Property, plant and equipment and intangible assets

During the year, the group invested R61,9 million in capital expenditure, related to the expansion programme at South Ocean Electric Wire Company (Pty) Limited ("SOEW") and further investment in plant and machinery. 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 2011		
Opening net carrying amount	259 642	343 991
Additions	61 936	413
Disposals	(189)	–
Depreciation/amortisation/impairment	(15 460)	(7 182)
Closing net carrying amount	305 929	337 222
Year ended 31 December 2010		
Opening net carrying amount	240 499	346 430
Additions	33 210	2 086
Disposals	(204)	–
Depreciation/amortisation	(13 863)	(4 525)
Closing net carrying amount	259 642	343 991

5. Share capital and share premium

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
At 31 December 2011				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 31 December 2010				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

	31 December 2011 (Audited) R'000	31 December 2010 (Audited) R'000
Secured loans		
Non-current	70 055	71 513
Current	38 226	35 526
	108 281	107 039
The movement in borrowings is analysed as follows:		
Opening balance	107 039	138 355
Additional loans raised	47 297	–
Finance costs	7 688	9 640
Repayments	(53 743)	(40 956)
Closing balance	108 281	107 039

7. Taxation

The effective tax rate for 2011 is 29,6% (2010: 31,6%).

8. Reconciliation of headline earnings

	31 December 2011 (Audited) R'000	31 December 2010 (Audited) R'000
Earnings attributable to equity holders of the company	45 788	52 476
Profit on disposal of property, plant and equipment	(59)	(176)
Impairment	2 117	–
Headline earnings	47 846	52 300
Headline earnings per share (cents)	30,6	33,4

9. Weighted average number of shares

	31 December 2011	31 December 2010
Number of shares in issue	156 378 794	156 378 794
Weighted average number of shares in issue at the beginning and end of the year	156 378 794	156 378 794

10. Net asset value

	31 December 2011 (Audited)	31 December 2010 (Audited)
Net asset value per share (cents)	500,7	471,2

11. Final dividend declaration

Funds have been utilised in the expansion programme to increase production capacity during the year, hence the directors have agreed not to recommend a final dividend.

12. 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.

13. 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 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, inter-group balances and available-for-sale financial assets.

The details of the business segments are as follows:

Year ended	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
31 December 2011				
Electrical cables manufacturing	897 338	50 259	336 080	108 794
Lighting and electrical accessories	363 681	47 114	540 137	79 431
Property investments	19 457	17 099	200 531	70 311
	1 280 476	114 472	1 076 748	258 536
31 December 2010				
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

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

	31 December 2011 (Audited) R'000	31 December 2010 (Audited) R'000
Revenue		
Reportable segment revenue	1 280 476	1 155 681
Inter-group revenue – property rentals	(18 680)	(16 041)
Property revenue reported in other operating income	(777)	(1 510)
Revenue per consolidated statement of comprehensive income	1 261 019	1 138 130
Profit before tax		
Adjusted EBITDA	114 472	122 734
Corporate overheads	(16 124)	(15 849)
Depreciation	(15 460)	(13 863)
Impairment of intangible assets	(2 117)	–
Amortisation of intangible assets	(5 065)	(4 525)
Operating profit	75 706	88 497
Finance income	310	1 701
Finance cost	(10 977)	(13 455)
Profit before tax	65 039	76 743
Assets		
Reportable segment assets	1 076 748	966 570
Corporate and other assets	4 380	1 718
Taxation receivable	574	1 353
Total assets per statement of financial position	1 081 702	969 641
Liabilities		
Reportable segment liabilities	258 536	193 254
Corporate and other liabilities	4 930	9 122
Deferred taxation	33 842	28 566
Taxation payable	1 401	1 848
Total liabilities per statement of financial position	298 709	232 790

14. Director changes

Mr PJM Ferreira was appointed as an Executive Director and Chief Executive Officer (CEO) of South Ocean Holdings with effect from 1 July 2011 taking over from Mr EHT Pan who retired at the end of September 2011. Mr Pan remains on the Board as Non-Executive Deputy-Vice Chairman with effect from 1 October 2011.

15. 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 its operating segments.

COMMENTARY

Introduction

South Ocean Holdings is pleased to announce its condensed consolidated results for the year ended 31 December 2011.

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 and electrical accessories and a property holding company, Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), and SOH Calibre International Limited, a buying house based in Hong Kong on behalf of the group companies.

The subdued economic conditions are still affecting the group's performance and had a negative impact on the results. However, the group focused on organic expansion and made capital investments during the year to increase capacity. The revenue at the electrical cable subsidiary increased compared to the prior period, but the gross margins decreased mainly as a result of the current economic climate and fluctuation in the Rand Copper Price (RCP) which also impacted performance during this period. Radiant's results were affected by the competitive market conditions compared to the same period in the prior year.

SOH Calibre International was established in 2011 and is based in Hong Kong. The objectives for SOH Calibre is to improve quality on all imported products as well as increasing the level of communication between suppliers and Radiant. SOH Calibre also strives to bring new fashionable trends to the South African lighting market.

Financial overview

Earnings

Group revenue for the year to 31 December 2011 increased by 10,8% (2010: 18,8%) to R1 261 million (2010: R1 138.1 million). The group's gross profit decreased by 5,5% (2010: 12,1% increase) to R224,7 million (2010: R237,8 million) and operating profit decreased by 14,5% (2010: 47,1% increase) to R75,7 million (2010: R88,5 million) compared to the prior year.

Group profit before tax decreased by 15,3% (2010: 72,6% increase) to R65,0 million (2010: R76,7 million) compared to the prior year. Earnings and headline earnings per share have, as a result, decreased compared to the prior year. The basic earnings per share decreased by 12,8% (2010: 66,3% increased) to 29,3 cents (2010: 33,6 cents) compared to the prior year with the headline earnings per share also declining by 8,4% (2010: 38,6% increased) to 30,6 cents (2010: 33,4 cents) compared to the prior year. Headline earnings decreased by 8,6% (2010: 66,3% increased) to R47,8 million (2010: R52,3 million) compared to the prior year.

Operational costs were contained during the period and decreased which was as a result of management's commitment to control costs.

Cash flow and working capital management

The cash generated from operations of R39,5 million (2010: R47,6 million) was lower than the prior period, as a result of additional investments in working capital. Inventory levels increased due to higher copper prices and the additional investment in inventory and trade receivables for the new plant at the group's Alrode facility.

The group invested R62,3 million (2010: R35,2 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R53,7 million (2010: R41,0 million) to repay its long-term interest-bearing borrowings.

The group's net cash utilised during the period of R21,3 million (2010: R23,3 million) reduced the cash balance as at the beginning of the year from R34,8 million to R13,8 million.

Segment results

Electrical cables – SOEW

Revenue increased by 15,4% (2010: 31,3%) to R897,3 million (2010: R777,1 million). This was mainly attributable to the increase in the RCP and a marginal increase in volumes. Volumes were negatively affected by the industry strike during July 2011.

Operational expenses increased during the year mainly due to the increase in production capacity and increased spending on training, social responsibility and enterprise development.

The current economic climate and the fluctuations in the copper price, however, had a negative effect on gross margins.

The capital investment was made to increase capacity in the new manufacturing plant at the group's Alrode facility during the period under review. The plant commenced production during the second half of the year. Additional working capital was required to finance the increase in inventory and trade receivables relating to the expansion, which was funded from normal credit facilities.

Lighting and electrical accessories – Radiant

Revenue increased from R361,0 million in 2010 to R363,7 million which is an increase of 0,7% (2010: 1,4%) when compared to the prior year. Operational costs, including the intangible assets impairment of R2,1 million, reduced compared to the prior year. The margins were lower due to an increase in prices from suppliers, which was partially absorbed by the company, and overall market conditions.

Cash on hand decreased from R13,9 million at the end of December 2010 to R9,8 million as at the end of December 2011. The funds were utilised to finance working capital.

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 cost is due to the reduction in the loan balances. During the period a further R19,2 million capital investment was made to complete the new factory building for SOEW.

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.

Prospects

Government and Eskom's commitment to increase spending on infrastructure will create opportunities within the group. The expansion completed last year to increase production capacity will contribute to an increase in volumes and revenue.

The market recovery is slower than anticipated, but the group is well-positioned to take full advantage of any improvements in the economy.

The group remains committed to ensuring earnings enhancement through both organic and acquisitive growth, whilst improving the return on equity on a sustainable basis.

Any forecast or 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

EG Dube

Chairman

27 February 2012

PJM Ferreira

Chief Executive Officer

CORPORATE INFORMATION

(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:

EG Dube[#] (Chairman)
EHT Pan[∞] (Deputy Vice-Chairman)
PJM Ferreira* (Chief Executive Officer)
JP Bekker* (Chief Financial Officer)
CY Wu[∞]

M Chong[#]

DL Tam[#]

HL Li[∞]

KH Pon[#]

CH Pan[∞] (Alternate)

* Executive

Independent Non-executive

√ Non-executive

∞ Taiwanese

∞ Brazilian

Company Secretary:

WT Green

Registered Office:

12 Botha Street, Alrode, 1451
(PO Box 123738, Alrode, 1451)

Company Secretary:

WT Green, 21 West Street, Houghton, 2198
(PO Box 123738, Alrode, 1451)

Sponsor:

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

Share Transfer Secretary:

Computershare Investor Services (Pty) Ltd
Ground Floor, 70 Marshall Street, Johannesburg, 2001
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Telephone: +27(11) 370 5000
Telefax: +27(11) 688 5200
Website: www.computershare.com

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