South Ocean HOLDINGS

Audited abridged results announcement

for the year ended 31 December 2012

HIGHLIGHTS

Turnover increased by	Earnings per share decreased by
11,5% to R1 406,3 million	358,0% to a loss of 75,6 cents
Headline earnings increased by	**Tangible net asset value per share increased by**
18,6% to 36,3 cents	13,7% to 324,2 cents

Condensed consolidated statement of financial position

	Notes	As at 31 December 2012 (Audited) R'000	As at 31 December 2011 (Audited) R'000
Assets			
Non-current assets		**479 060**	643 151
Property, plant and equipment	4	**321 122**	305 929
Intangible assets	4	**157 938**	337 222
Current assets		**546 755**	438 551
Inventories		**283 166**	244 966
Trade and other receivables		**226 698**	165 296
Taxation receivable		**4 127**	574
Cash and cash equivalents		**32 764**	27 715
Total assets		**1 025 815**	1 081 702
Equity and liabilities			
Equity			
Share capital and premium	5	**441 645**	441 645
Reserves		**(191)**	(352)
Retained earnings		**223 416**	341 701
Total equity		**664 870**	782 994
Liabilities			
Non-current liabilities		**81 785**	105 653
Interest-bearing borrowings	6	**46 059**	70 055
Share-based payments		**2 301**	1 756
Deferred taxation		**33 425**	33 842
Current liabilities		**279 160**	193 055
Trade and other payables		**94 413**	139 496
Share-based payment		**465**	–
Derivative financial instrument		**219**	30
Interest-bearing borrowings	6	**28 834**	38 226
Taxation payable		**252**	1 401
Dividends payable		**–**	4
Bank overdraft		**154 977**	13 898
Total liabilities		**360 945**	298 708
Total equity and liabilities		**1 025 815**	1 081 702

Condensed consolidated statement of comprehensive income

	Note	For the year ended 31 December 2012 (Audited) R'000	Change %	31 December 2011 (Audited) R'000
Revenue		**1 406 317**	11,5	1 261 019
Cost of sales		**(1 179 536)**		(1 036 271)
Gross profit		**226 781**	0,9	224 748
Other operating income		**8 050**		2 871
Administration expenses		**(65 235)**		(66 200)
Distribution expenses		**(23 866)**		(24 378)
Operating expenses		**(236 816)**		(61 335)
Operating (loss)/profit		**(91 086)**	(220,3)	75 706
Finance income		**512**		310
Finance costs		**(14 788)**		(10 976)
(Loss)/profit before taxation		**(105 362)**	(262,0)	65 040
Taxation	7	**(12 923)**		(19 251)
(Loss)/profit for the year		**(118 285)**	(358,3)	45 789
Other comprehensive (loss)/income				
Exchange differences on translating foreign operations		**161**		354
Total comprehensive (loss)/income attributable to equity holders of the Company		**(118 124)**	(356,0)	46 143
		Cents		Cents
Earnings per share – basic and diluted		**(75,6)**	(358,0)	29,3

Condensed consolidated statement of changes in equity

	For the year ended 31 December 2012 (Audited) R'000	31 December 2011 (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	**(352)**	(706)
Exchange differences on translation of foreign operations	**161**	354
Closing balance	**(191)**	(352)
Retained earnings		
Opening balance	**341 701**	295 912
Total comprehensive (loss)/income for the year	**(118 285)**	45 789
Closing balance	**223 416**	341 701

Condensed consolidated statement of cash flow

	For the year ended 31 December 2012 (Audited) R'000	31 December 2011 (Audited) R'000
Cash (utilised in)/generated from operating activities	**(71 271)**	39 526
Cash utilised in investing activities	**(31 528)**	(62 078)
Cash (utilised in)/generated from financing activities	**(33 392)**	1 242
Net decrease in cash and cash equivalents	**(136 191)**	(21 310)
Cash and cash equivalents at the beginning of year	**13 817**	34 773
Effects of exchange rate movement on cash balances	**161**	354
Cash and cash equivalents at the end of year	**(122 213)**	13 817

Selected notes to the condensed consolidated financial information

1. General information

South Ocean Holdings and its subsidiaries ("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 2013.

2. Basis of preparation

The condensed consolidated financial information of South Ocean Holdings has been prepared in accordance with International Financial Reporting Standards (IFRS) on interim financial reporting, IAS 34 'Interim financial reporting' and the Companies Act and the JSE Listings Requirements and should be read with the audited annual financial statements for the year ended 31 December 2012. 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 2011, 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 R32,7 million (2011: R62,3 million) in capital expenditure, related mainly to the investment in plant and machinery at South Ocean Electric Wire Company Proprietary Limited and expanding the warehouse and assembly facility at Radiant. 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 2012		
Opening net carrying amount	**305 929**	**337 222**
Additions	**32 748**	**–**
Disposals	**(1 207)**	**–**
Foreign exchange movements	**3**	**–**
Impairment of goodwill	**–**	**(175 000)**
Depreciation/amortisation	**(16 351)**	**(4 284)**
Closing net carrying amount	**321 122**	**157 938**
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

5. Share capital and share premium

	Number of shares issued	Ordinary shares R'000	Share premium R'000	Total R'000
At 31 December 2012				
Opening and closing balance	**156 378 794**	**1 274**	**440 371**	**441 645**
At 31 December 2011				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

Secured loans

	31 December 2012 (Audited) R'000	31 December 2011 (Audited) R'000
Non-current	**46 059**	70 055
Current	**28 834**	38 226
	74 893	108 281
The movement in borrowings is analysed as follows:		
Opening balance	**108 281**	107 039
Additional loans raised	**5 817**	47 297
Finance costs	**7 091**	7 688
Repayments	**(46 296)**	(53 743)
Closing balance	**74 893**	108 281

7. Taxation

The effective tax rate for 2012 is 12,3% (2011: 29,6%). The lower tax rate for 2012 is mainly due to an overprovision of taxes for the dormant subsidiaries of Radiant Group Proprietary Limited in prior years and the recognition of unrealised tax losses at one of the subsidiaries. The impairment charge of R175 million is not tax deductable.

8. Reconciliation of headline earnings

	31 December 2012 (Audited) R'000	31 December 2011 (Audited) R'000
(Loss)/earnings attributable to equity holders of the Company	**(118 285)**	45 789
Profit on disposal of property, plant and equipment	**(13)**	(59)
Goodwill impairment	**175 000**	–
Impairment on intangible assets	**–**	2 117
Headline earnings	**56 702**	47 847
Headline earnings per share (cents)	**36,3**	30,6

9. Weighted average number of shares

	31 December 2012 (Audited)	31 December 2011 (Audited)
Number of shares in issue	**156 378 794**	156 378 794
Weighted average number of shares in issue at the beginning and end of year	**156 378 794**	156 378 794

10. Net asset value

	31 December 2012 (Audited)	31 December 2011 (Audited)
Net asset value per share (cents)	**425,2**	500,7
Tangible net asset value per share (cents)	**324,2**	285,1

11. Final dividend declaration

Funds have been utilised in the expansion plan 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 segment information has been prepared in accordance with 'IFRS – 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	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
Year ended 31 December 2012				
Electrical cables manufacturing	**1 058 277**	**72 657**	**425 596**	**177 622**
Lighting and electrical accessories	**354 321**	**29 285**	**391 237**	**92 919**
Property investments	**21 360**	**18 749**	**202 725**	**51 284**
	1 433 958	**120 691**	**1 019 558**	**384 012**
Year ended 31 December 2011 (audited)				
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	358 536

13. Segment reporting continued

	31 December 2012 (Audited) R'000	31 December 2011 (Audited) R'000
Reconciliation of total segment report to the statement of financial position and statement of comprehensive income is provided as follows:		
Revenue		
Reportable segment revenue	**1 433 958**	1 280 476
Inter-segment revenue (property rentals)	**(21 360)**	(18 680)
Inter-segment revenue – other	**(6 281)**	–
Property revenue reported in other operating income	**–**	(777)
Revenue per consolidated statement of comprehensive income	**1 406 317**	1 261 019
Profit before tax		
Adjusted EBITDA	**120 691**	114 472
Corporate and other overheads	**(16 142)**	(16 124)
Depreciation	**(16 351)**	(15 460)
Impairment of intangible assets – lighting and electrical accessories segment	**(175 000)**	(2 117)
Amortisation of intangible assets – lighting and electrical accessories segment	**(4 284)**	(5 065)
Operating (loss)/profit	**(91 086)**	75 706
Finance income	**512**	310
Finance cost	**(14 788)**	(10 976)
(Loss)/profit before tax	**(105 362)**	65 040
Assets		
Reportable segment assets	**1 019 558**	1 076 748
Corporate and other assets	**2 130**	4 380
Taxation receivable	**4 127**	574
Total assets per statement of financial position	**1 025 815**	1 081 702
Liabilities		
Reportable segment liabilities	**321 825**	258 536
Corporate and other liabilities	**5 443**	4 929
Deferred taxation	**33 425**	33 842
Taxation payable	**252**	1 401
Total liabilities per statement of financial position	**360 945**	298 708

14. Director changes

Mr WP Li and Mr CC Wu were appointed as alternate non-executive directors to Mr CY Wu and Mr EHT Pan during February and March 2012, respectively. Mr WP Li resigned as an alternate director on 22 November 2012 and was replaced by Ms MH Lee, who was appointed as an alternate director on 27 November 2012.

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 2012.

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

The Group made capital investments at SOEW during the year to improve efficiencies and increase capacity towards the end of the year which will only come on stream in the second quarter of 2013. The revenue at the electrical cable subsidiary increased compared to the prior year, resulting in gross margins increasing mainly as a result of an increase in production, and a marginal increase in the Rand Copper Price ("RCP"). Radiant's results were negatively affected by competitive market conditions, the changes in consumer buying trends and the national transport strike which delayed both the receipt and despatch of inventory compared to the same period in the prior year.

SOH Calibre's objectives are to continue the procurement of quality imported products as well as increasing the level of communication between suppliers and Radiant. SOH calibre also strives to grow the diversification of the product range.

Financial overview

Earnings

Group revenue for the year to 31 December 2012 increased by 11,5% (2011: 10,8%) to R1 406 million (2011: R1 261 million). The Group's gross profit increased by 0,9% (2011: 5,5% decrease) to R226,8 million (2011: R224,7 million) and operating profit decreased by 220,3% (2011: 14,5% increase) to a loss of R91,1 million (2011: R75,7 million profit) compared to the prior year.

Group profit before tax decreased by 262,0% (2011: 15,3%) to a loss of R105,3 million (2011: R65,0 million profit) compared to the prior year. The basic earnings per share decreased by 358,0% (2011: 12,8% increase) to a loss of 75,6 cents (2011: 29,3 cents profit) compared to the prior year with the headline earnings per share increasing by 18,6% (2011: 8,4% decrease) to 36,3 cents (2011: 30,6 cents) compared to the prior year. Headline earnings increased by 18,5% (2011: 8,6% decrease) to R56,7 million (2011: R47,8 million) compared to the prior year.

The main reason for the decrease in earnings is an impairment charge amounting to R175,0 million against the goodwill which arose through the acquisition of Radiant Group Proprietary Limited ("Radiant") in 2007. This charge was necessitated by a decrease in the earnings of Radiant Group during the year and the further disruption to business because of the national transport sector strike in September 2012. Steps have already been taken by management to improve the profitability of this segment which will materialise during the 2013 financial year. The earnings per share before accounting for the impairment charge of R175,0 million would have been 36.3 cents representing an increase of 23,9% compared to prior year.

The continued efforts by management to control costs have again resulted in lower operational costs compared to the prior year.

Cash flow and working capital management

The cash utilisation of R71,3 million (2011: R39,5 million generation) was mainly as a result of an increased investment in working capital, which was financed from short-term borrowings. Inventory levels increased due to inventory received late as a result of the national transport strike. This was also a contributing factor which led to a decline in sales of Radiant for October and November 2012 when compared to the same period last year. The increase in trade receivables is due to an increase in revenue during the last month of the year as a consequence of the strike. Creditors reduced by R45,1 million (2011: R62,1 million increase).

The Group invested R32,7 million (2011: R62,3 million) in capital expenditure which was mainly financed by long-term borrowings during the year and utilised R46,3 million (2011: R53,7 million) to repay its long-term interest-bearing borrowings.

The Group's net cash utilised during the period of R136,2 million (2011: R21,3 million) reduced the cash balance as at the beginning of the year from R13,8 million to an overdraft balance of R122,2 million.

Segment results

Electrical cables manufacturers – SOEW

Revenue increased by 17,9% (2011: 15,4%) to R1 058,3 million (2011: R897,3 million). This was mainly attributable to an increase in production volumes and marginal increase in the average Rand Copper Price.

Operational expenses increased during the year mainly due to the increase in production.

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

Lighting and electrical accessories – Radiant

Revenue decreased from R363,7 million in 2011 to R354,3 million. The national transport strike was one of the contributing factors that negatively affected revenues resulting in a decrease of 2,6% (2011: 0,7% increase) when compared to the prior year. Operational costs decreased by 4,1% compared to the prior year. Lower margins were due to supplier price increases and the volatile exchange rate, which was partially absorbed by the Company. There has been a noticeable change in consumer spending trends and overall resilience in market conditions.

Cash on hand decreased from R9,8 million at the end of December 2011 to an overdraft position of R20,9 million as at the end of December 2012. The funds were utilised to finance working capital.

Property investments – 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 year a further R5,3 million (2011: R19,2 million) capital investment was made.

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

Based on the trading history and exogenous market factors going forward, the 2013 year's results are expected to show an improvement, and the Group continues to strive for increased market share and expansion of its product range.

The Group remains committed to ensuring earnings enhancement, whilst improving the return on equity on a sustainable basis by diversifying its revenue streams and promoting internal efficiencies. Management's focus on cost control and improving working capital management will continue.

The Group has for the first time entered the tender market and has submitted a number of tenders which will increase revenues if successful.

Any 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

PJM Ferreira
Chief Executive Officer

27 February 2013

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:

EG Dube# (Chairman)
EHT Pan√@ (Deputy Vice-Chairman)
PJM Ferreira* (Chief Executive Officer)
JP Bekker* (Chief Financial Officer)
CY Wu√Q
M Chong#
DL Tam#
HL Li√Q
KH Pon#
CH Pan√Q (Alternate)
MH Lee√ (Alternate)
CC Wu√ (Alternate)
* Executive
# Independent Non-Executive
√ Non-Executive
Q Taiwanese
@ Brazilian

Company Secretary:

WT Green

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Company Secretary:

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Sponsor:

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Share Transfer Secretary:

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