South Ocean Holdings Limited

(Registration number 2007/002381/06)

Incorporated in the Republic of South Africa

("South Ocean Holdings")

Share code: SOH ISIN: ZAE000092748

Audited summarised consolidated results announcement for the year ended 31 December 2013

HIGHLIGHTS

Turnover increased by 20.2% to R1 690.9 m

Loss per share increased by 2.8% to 77.7 cents

Headline earnings decreased by 42.1% to 21.0 cents

Tangible net asset value per share increased by 5.3% to 341.3 cents

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

	NOTES	31 December 2013 (Audited) R'000	31 December 2012 (Audited) R'000
Assets			
Non-current assets		**294 497**	479 060
Property, plant and equipment	4	**284 015**	321 122
Intangible assets	4	**10 482**	157 938
Current assets		**653 160**	546 755
Inventories		**289 247**	283 166
Trade and other receivables		**331 927**	226 698
Derivative financial instruments	11	**143**	-
Taxation receivable		**3 166**	4 127
Cash and cash equivalents		**28 677**	32 764
Total assets		**947 657**	1 025 815
Equity and liabilities			
Equity			
Share capital	5	**441 645**	441 645
Reserves		**633**	(191)
Retained earnings		**101 968**	223 416
Total equity		**544 246**	664 870
Liabilities			
Non-current liabilities		**77 436**	81 785
Interest-bearing borrowings	6	**42 033**	46 059
Share-based payments		**1 774**	2 301
Deferred taxation		**33 629**	33 425
Current liabilities		**325 975**	279 160
Trade and other payables		**133 762**	94 413
Share-based payments		**-**	465
Derivative financial instrument		**-**	219
Interest-bearing borrowings	6	**26 130**	28 834
Taxation payable		**-**	252
Bank overdraft		**166 083**	154 977
Total liabilities		**403 411**	360 945
Total equity and liabilities		**947 657**	1 025 815

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	For the year ended 31 December 2013 (Audited) R'000	Change %	31 December 2012 (Audited) R'000
Revenue		**1 690 921**	20.2	1 406 317
Cost of sales		**(1 475 875)**		(1 179 536)
Gross profit		**215 046**	(5.2)	226 781
Other operating income		**6 446**		8 050
Administration expenses		**(66 638)**		(65 235)
Distribution expenses		**(26 567)**		(23 866)
Operating expenses		**(221 026)**		(236 816)
Operating loss		**(92 739)**	1.8	(91 086)
Finance income		**533**		512
Finance costs		**(18 885)**		(14 788)
Loss before taxation		**(111 091)**	5.4	(105 362)
Taxation	**7**	**(10 357)**		(12 923)
Loss for the year		**(121 448)**	2.7	(118 285)
Other comprehensive income loss				
Exchange differences on translation of foreign operations		**824**		161
Total comprehensive loss attributable to equity holders of the Company		**(120 624)**	2.1	(118 124)
		Cents per share		Cents per share
Loss per share - basic and diluted		**(77.7)**	2.8	(75.6)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the year ended 31 December 2013 (Audited) R'000	31 December 2012 (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	**(191)**	**(352)**
Exchange differences on translation of foreign operations	**824**	**161**
Closing balance	**633**	**(191)**
Retained earnings		
Opening balance	**223 416**	**341 701**
Total comprehensive loss for the year	**(121 448)**	**(118 285)**
Closing balance	**101 968**	**223 416**

South Ocean HOLDINGS

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW

	For the year ended	
	31 December 2013	**31 December 2012**
	(Audited)	**(Audited)**
	R'000	R'000
Cash generated from/ (utilised in) operating activities	**16 025**	(71 271)
Cash utilised in investing activities	**(25 312)**	(31 528)
Cash utilised in financing activities	**(6 730)**	(33 392)
Net decrease in cash and cash equivalents	**(16 017)**	(136 191)
Cash and cash equivalents at the beginning of year	**(122 213)**	13 817
Effects of exchange rate movements on cash balances	**824**	161
Cash and cash equivalents at the end of year	**(137 406)**	(122 213)

SELECTED NOTES TO THE SUMMARY 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, owns a light fittings assembly operation, 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 7 March 2014.

2. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. 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 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 Annual 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 financial statements for the year ended 31 December 2012, except where indicated. There are no new standards or amendments that were issued since the last annual report that had or is expected to have a material impact on the reported or future results of the Group.

4. Property, plant and equipment and intangible assets

During the year, the Group invested R26.1 million (2012: R32.7 million) in capital expenditure, related mainly to the investment in plant and machinery at South Ocean Electric Wire Company Proprietary Limited. 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 2013		
Opening net carrying amount	**321 122**	**157 938**
Additions	**23 333**	**2 746**
Disposals	**(41 734)**	**-**
Foreign exchange movements	**11**	**-**
Impairment of goodwill	**-**	**(148 108)**
Depreciation / amortisation	**(18 717)**	**(2 094)**
Closing net carrying amount	**284 015**	**10 482**
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 / impairment	(16 351)	(4 284)
Closing net carrying amount	321 122	157 938

Impairment of Goodwill

The impairment charge arose as a result of the current and future market conditions affecting Radiant Group Proprietary Limited's earnings. The balance of the goodwill amounting to R148.1 million (2012: R175.0 million) was impaired during the year by recognising an expense in operating expenses.

5. Share capital

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
At 31 December 2013				
Opening and closing balance	**156 378 794**	**1 274**	**440 371**	**441 645**
At 31 December 2012				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest bearing borrowings

Secured loans	31 December 2013 (Audited) R'000	31 December 2012 (Audited) R'000
Non-current	**42 033**	46 059
Current	**26 130**	28 834
	68 163	74 893

The movement in borrowings is analysed as follows:		
Opening balance	**74 893**	108 281
Additional loans raised	**22 049**	5 817
Finance costs	**5 169**	7 091
Repayments	**(33 948)**	(46 296)
Closing balance	**68 163**	74 893

7. Taxation

The effective tax rate after adjusting for the non- tax deductable goodwill impairment of R148.1 million (2012: R175.0 million) is 28.0% (2012: 18.6%).

8. Reconciliation of headline earnings

	31 December 2013 R'000	31 December 2012 R'000
Earnings/(loss) attributable to equity holders of the Company	**(121 448)**	(118 285)
Loss/(profit) on disposal of property, plant and equipment	**6 117**	(13)
Goodwill impairment	**148 108**	175 000
Headline earnings for the year	**32 777**	56 702
Headline earnings per share (cents)	**21.0**	36.3

9. Weighted average number of shares

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

Net asset value per share (cents)	**348.0**	425.2
Tangible net asset value per share (cents)	**341.3**	324.2

11. Derivative financial instruments

Movement on forward exchange contracts	**(143)**	219

The notional principal amount of the outstanding forward exchange contracts at 31 December 2013 was R4 428 000 (2012: R6 851 000). 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 assets in the statement of financial position. The fair values are within level 2 of the fair value hierarchy.

12. Final dividend declaration

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

13. Audit opinion

These summary consolidated financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the Annual 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 Annual Financial Statements are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's report.

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 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 2013				
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**
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	321 825

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

	31 December 2013 (Audited) R'000	31 December 2012 (Audited) R'000
Revenue		
Reportable segment revenue	**1 725 388**	1 433 958
Inter-segment revenue (property rentals)	**(15 995)**	(21 360)
Inter-segment revenue – other	**(18 472)**	(6 281)
Revenue per consolidated statement of comprehensive income	**1 690 921**	1 406 317
Loss before tax		
Adjusted EBITDA	**93 409**	120 691
Corporate and other overheads	**(17 229)**	(16 142)
Depreciation	**(18 717)**	(16 351)
Impairment of intangible assets – lighting and electrical accessories	**(148 108)**	(175 000)
Amortisation of intangible assets– lighting and electrical accessories	**(2 094)**	(4 284)
Operating loss profit	**(92 739)**	(91 086)
Finance income	**533**	512
Finance costs	**(18 885)**	(14 788)
Loss before tax	**(111 091)**	(105 362)
Assets		
Reportable segment assets	**942 777**	1 019 558
Corporate and other assets	**1 714**	2 130
Taxation receivable	**3 166**	4 127
Total assets per statement of financial position	**947 657**	1 025 815
Liabilities		
Reportable segment liabilities	**363 875**	321 825
Corporate and other liabilities	**5 907**	5 443
Deferred taxation	**33 629**	33 425
Taxation payable	**-**	252
Total liabilities per statement of financial position	**403 411**	360 945

15. Director changes

Mr CC Wu, and Ms MH Lee resigned as alternate directors on 16 October 2013 and 7 March 2014 respectively and were replaced by Ms DL Pan and Mr WP Li as alternate directors on 16 October 2013 and 7 March 2014 respectively. Ms. DL Tam resigned as a director on the 31 December 2013.

16. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

17. 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

The Board of South Ocean Holdings is pleased to announce its condensed consolidated results for the year ended 31 December 2013 (“the year”).

South Ocean Holdings is an investment holding company, comprising five 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, Anchor Park Investments 48 Proprietary Limited (“Anchor Park”) a property holding company, SOH Calibre International Limited (“SOH Calibre”), procurement agency, based in Hong Kong, and Icembu Services Proprietary Limited (“Icembu”) a light fittings assembly company.

The Group has increased production volumes at the electrical cable manufacturing segment, during the year, but still experienced margin pressures due to competitive market conditions and slow down in the building industry. The electrical supply problem from council due to the cable failure experienced at the Alrode factory during February and March 2013, as referred to in the SENS announcement dated 26 April 2013, materially affected the segment’s results.

Revenue of the lighting and electrical accessories segment increased during the year. The focus was on restructuring the segment during the year which has resulted in an increase in revenue. However margins decreased in an attempt to gain market share. Margins were further affected by the increase in competition and aggressive pricing in the market by our competitors.

Based on the results of discounted cashflow valuation, the Board of directors impaired the balance of the goodwill amounting to R148.1 million during the year.

The Cape Town property was sold during the year and the operation was relocated to improve logistics to customers, implementing better controls and reduce staff and overheads. The Cape Town building was sold for R34.8 million resulting in a capital loss of R6.5 million, which negatively affected the results.

Financial overview

Earnings

Group revenue for the year ending 31 December 2013 increased by 20.2% (2012: 11.5%) to R1 690.9 million (2012: R1 406.3 million). The Group’s gross profit decreased by 5.2% (2012: 0.9% increase) to R215.0 million (2012: R226.8 million) and the operating loss increased by 1.8% (2012: 220.3%) to a loss of R92.7 million (2012: R91.1 million).

Group loss before tax increased by 5.4% (2012: 262.0%) to R111.1 million (2012: R105.4 million) compared to the prior period. The basic loss per share increased by 2.8% (2012: 358.0%) to a loss of 77.7 cents (2012: 75.6 cents) with the headline earnings per share decreasing by 42.1% (2012: 18.6%: increase) to 21.0 cents (2012: 36.3 cents).

The main reason for the decrease in earnings is an impairment charge amounting to R148.1 million (2012: R175.0 million) against the goodwill, which arose through the acquisition of Radiant Group Proprietary Limited in 2007. The balance of the goodwill was impaired during the year, as approved by the Directors, based on current and future market conditions affecting the earnings of Radiant. Steps have been implemented by management to improve the profitability of this segment which should materialise during the next few years.

The operating cost includes a loss of R6.5 million on the sale of the Cape Town property. Management is constantly evaluating all costs and reducing where possible.

Cash flow and working capital management

The cash generated from operating activities during the year amounting to R16.0 million (2012: R71.3 million; utilised) improved compared to the prior period. Inventory levels have increased at Radiant compared to prior period to accommodate suppliers closing during the Chinese New year. The biggest increase in working capital amounting to R105.1 million was the increase in trade receivables as a result of the increase in revenue during the last quarter of the year. The trade receivables book continues to be well managed in an increasingly challenging credit environment. During the year the Group disposed of Cape Town property to the value of R34.8 million, for which funds were only received after year end. This amount was included in other receivables. The funds will be used to reduce the debt levels of the Group. The net working capital investment is currently at 28.8% of revenue.

The Group invested R26.1 million (2012: R32.7 million) in capital expenditure which was mainly for capital expenditure at the electrical cable manufacturing segment which was financed by long-term borrowings. The Group utilised R33.9 million (2012: R46.3 million) to repay its long-term interest-bearing borrowings.

The Group’s net cash utilised during the year of R16.0 million (2012: R136.2 million) increased the net overdraft balance as at the beginning of the year from R122.2 million to an overdraft balance of R137.4 million at year end.

Segment results

Electrical cables manufacturers - SOEW

Revenue increased by 26.3% (2012: 17.9%) to R1 336.3 million (2012: R1 058.3 million). The revenue increase is as a result of an increase in production volumes and an 8.7% increase in the moving average Rand Copper Price during the year. During the first quarter of the year production volumes decreased due to the electricity supply problem experienced at the Alrode plant. The margins were also materially affected by the lower production volumes during the first quarter of the year. Production volumes increased during the rest of the year.

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

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

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

Lighting and electrical accessories - Radiant

Revenue increased by R18.8 million to R373.1 million from R354.3 million in 2012 representing an increase of 5.3% (2012: 2.6% decrease) compared to prior period. This is despite subdued economic growth and testing trading conditions with intensified pressure on consumer disposable income. There has been a clear shift in consumer spending which is reflective of waning consumer confidence. Cost containment remained one of the primary focuses during the year and good progress was made as operating costs reduced by R1.9 million or 1.6% (2012: 4.1%) even with inflationary increases.

The ERP solution was upgraded, during the year. In addition, a warehouse management system was implemented at year end which will enhance stock control, despatching of deliveries and services to customers.

Radiant has acquired a new business, distributing audio visual and electronic accessories under the brand name “What 4 Electronics”.

Radiant implemented a new organisational structure during the year to streamline processes and improve customer services which focuses on our core business model. Radiant relocated its operations in Cape Town to improve customers centricity by moving to a location which is more accessible to its customers.

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 year the property in the Western Cape was disposed for R34.8 million resulting in a capital loss of R6.5 million.

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

The market conditions will remain challenging during the 2014 financial year, however the results are expected to show a significant improvement compared to the 2013 financial year.

Management are in the process of refocusing the lighting and electrical accessories segment and regaining lost market share. Cost control and improving working capital will continue to be a focal point during the year, leveraging on operational efficiencies and capitalising on existing marketing opportunities.

The Group has submitted a number of tenders to Parastatals (Government, Eskom) since the previous period, which has not yet been awarded. Any successful tenders will increase revenues.

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 and shareholders for their continued support.

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

E G Dube	PJM Ferreira
Chairman	Chief executive officer

7 March 2014

Directors: EG Dube# (Chairman), EHT Pan√@ (Deputy Vice-Chairman), PJM Ferreira* (Chief Executive Officer), JP Bekker* (Chief Financial Officer), CY Wu√o, M Chong#, HL Li√o, KH Pon#,
WP Li√o (Alternate), CH Pan√o (Alternate), DL Pan√o (Alternate)

Company Secretary: W T Green

* Executive # Independent Non-executive √ Non-executive
o Taiwanese @ Brazilian

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