Audited Group summarised consolidated financial results announcement

for the year ended 31 December 2014

South Ocean HOLDINGS

HIGHLIGHTS

Revenue increased by 1.4% to R1.715 billion

Earnings per share increased by 130.9% to 24.0 cents

Headline earnings per share increased by 14.3% to 24.0 cents

Tangible net asset value per share increased by 7.2% to 365.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

	Notes	31 December 2014 (Audited) R'000	31 December 2013 (Audited) R'000
Assets			
Non-current assets		**330 088**	294 497
Property, plant and equipment	4	**315 993**	284 015
Intangible assets	4	**9 994**	10 482
Deferred tax		**4 101**	–
Current assets		**674 503**	653 160
Inventories		**379 527**	289 247
Trade and other receivables		**255 625**	331 927
Derivative financial instruments		**1**	143
Taxation receivable		**2 960**	3 166
Cash and cash equivalents		**36 390**	28 677
Total assets		**1 004 591**	947 657
Equity and liabilities			
Equity			
Share capital	5	**441 645**	441 645
Reserves		**1 027**	633
Retained earnings		**139 486**	101 968
Total equity		**582 158**	544 246
Liabilities			
Non-current liabilities		**120 464**	77 436
Interest-bearing borrowings	6	**80 267**	42 033
Share-based payments		**2 891**	1 774
Deferred taxation		**37 306**	33 629
Current liabilities		**301 969**	325 975
Trade and other payables		**127 445**	133 762
Share-based payments		**1 772**	–
Interest-bearing borrowings	6	**22 070**	26 130
Taxation payable		**4 634**	–
Bank overdraft		**146 048**	166 083
Total liabilities		**422 433**	403 411
Total equity and liabilities		**1 004 591**	947 657

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended		
	Note	31 December 2014 (Audited) R'000	Change %	31 December 2013 (Audited) R'000
Revenue		**1 715 240**	1.4	1 690 921
Cost of sales		**(1 453 059)**		(1 475 875)
Gross profit		**262 181**	21.9	215 046
Other operating income		**3 255**		6 446
Administration expenses		**(65 987)**		(66 638)
Distribution expenses		**(29 124)**		(26 567)
Operating expenses		**(90 679)**		(221 026)
Operating profit (loss)		**79 646**	185.9	(92 739)
Finance income		**1 090**		533
Finance costs		**(22 036)**		(18 885)
Profit (loss) before taxation		**58 700**	152.8	(111 091)
Taxation	7	**(21 182)**		(10 357)
Profit (loss) for the year		**37 518**	130.9	(121 448)
Other comprehensive income (loss)				
Exchange differences on translation of foreign operations		**394**		824
Total comprehensive income (loss) attributable to equity holders of the Company		**37 912**	131.4	(120 624)
		Cents per share		Cents per share
Earnings (loss) per share – basic and diluted		**24.0**	130.9	(77.7)
Headline earnings per share – basic and diluted		**24.0**	14.3	21.0

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the year ended 31 December 2014 (Audited) R'000	31 December 2013 (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	**633**	(191)
Exchange differences on translation of foreign operations	**394**	824
Closing balance	**1 027**	633
Retained earnings		
Opening balance	**101 968**	223 416
Total comprehensive profit (loss) for the year	**37 518**	(121 448)
Closing balance	**139 486**	101 968

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the year ended 31 December 2014 (Audited) R'000	31 December 2013 (Audited) R'000
Cash generated from operating activities	**43 021**	16 025
Cash utilised in investing activities	**(49 841)**	(25 312)
Cash generated from (utilised in) financing activities	**34 174**	(6 730)
Net increase (decrease) in cash and cash equivalents	**27 354**	(16 017)
Cash and cash equivalents at the beginning of the year	**(137 406)**	(122 213)
Effects of exchange rate movement on cash balances	**394**	824
Cash and cash equivalents at the end of the year	**(109 658)**	(137 406)

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 fitting assembly operation and property investment company. South Ocean Holdings is a public company 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 18 March 2015.

2. **Basis of preparation**

   The summary consolidated financial information of South Ocean Holdings has 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 2014. 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 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 2014, 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 R49.9 million (2013: R26.1 million) in capital expenditure, related mainly to the manufacturing 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 2014		
Opening net carrying amount	**284 015**	**10 482**
Additions	**48 427**	**1 496**
Disposals	**(78)**	**–**
Depreciation/amortisation	**(16 371)**	**(1 984)**
Closing net carrying amount	**315 993**	**9 994**
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/impairment	(18 717)	(2 094)
Closing net carrying amount	284 015	10 482

Impairment of goodwill

During the 2013 financial year, goodwill amounting to R148.1 million was impaired by recognising an expense in operating expenses. The impairments arose as a result of the market conditions affecting the Radiant Group Proprietary Limited earnings. Goodwill attributable to the Radiant Group was fully impaired in the prior year.

5. Share capital and share premium

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
At 31 December 2014				
Opening and closing balance	**156 378 794**	**1 274**	**440 371**	**441 645**
At 31 December 2013				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

Secured loans	31 December 2014 (Audited) R'000	31 December 2013 (Audited) R'000
Non-current	**80 267**	42 033
Current	**22 070**	26 130
	102 337	68 163
The movement in borrowings is analysed as follows:		
Opening balance	**68 163**	74 893
Additional loans raised	**63 450**	22 049
Finance costs	**7 499**	5 169
Repayments	**(36 775)**	(33 948)
Closing balance	**102 337**	68 163

7. Taxation

The effective tax rate is 28.0% (2013: 28.0%). The effective tax rate for 2014 is calculated after adjusting for non-tax deductible expenses amounting to R14.2 million, while the effective tax rate for 2013 was calculated after adjusting for the non-tax deductible goodwill impairment of R148.1 million.

8. Reconciliation of headline earnings

	31 December 2014 R'000	31 December 2013 R'000
Earnings (loss) attributable to equity holders of the Group	**37 518**	(121 448)
Goodwill impairment	**–**	148 108
(Profit) loss on disposal of property, plant and equipment	**(4)**	6 117
Headline earnings for the year	**37 514**	32 777
Headline earnings per share (cents)	**24.0**	21.0

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 the beginning and end of the year	**156 378 794**	156 378 794
10. Net asset value		
Net asset value per share (cents)	**372.3**	348.0
Tangible net asset value per share (cents)	**365.9**	341.3
11. Derivative financial instruments		
Movement on forward exchange contract	**1**	(143)

The notational principal amount of the outstanding forward exchange contract at 31 December 2014 was R5 188 105 (2013: R4 428 000). 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 agreed not to recommend a final dividend.

13. Audit opinion

These summary Consolidated Financial Statements for the year ended 31 December 2014 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 Financial Statements are available for inspection at the Company's registered office, together with the Financial Statements identified in the respective auditors' 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 2014				
Electrical cable manufacturing	**1 389 997**	**99 180**	**518 068**	**223 077**
Lighting and electrical accessories	**335 480**	**1 475**	**290 217**	**83 149**
Property investments	**17 891**	**14 472**	**185 213**	**68 770**
	1 743 368	**115 127**	**993 498**	**374 996**
31 December 2013				
Electrical cable 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

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

	31 December 2014 (Audited) R'000	31 December 2013 (Audited) R'000
Revenue		
Reportable segment revenue	**1 743 368**	1 725 388
Inter-segment revenue (property rentals)	**(17 891)**	(15 995)
Inter-segment revenue – other	**(10 237)**	(18 472)
Revenue per consolidated statement of comprehensive income	**1 715 240**	1 690 921
Profit (loss) before tax		
Adjusted EBITDA	**115 127**	93 409
Corporate and other overheads	**(17 125)**	(17 229)
Depreciation	**(16 371)**	(18 717)
Impairment of intangible assets – lighting and electrical accessories	**–**	(148 108)
Amortisation of intangible assets – lighting and electrical accessories	**(1 985)**	(2 094)
Operating profit (loss)	**79 646**	(92 739)
Finance income	**1 090**	533
Finance costs	**(22 036)**	(18 885)
Profit (loss) before tax per consolidated statement of comprehensive income	**58 700**	(111 091)
Assets		
Reportable segment assets	**993 498**	942 777
Corporate and other assets	**4 032**	1 714
Deferred taxation	**4 101**	–
Taxation receivable	**2 960**	3 166
Total assets per statement of financial position	**1 004 591**	947 657
Liabilities		
Reportable segment liabilities	**374 996**	363 875
Corporate and other liabilities	**5 497**	5 907
Deferred taxation	**37 306**	33 629
Taxation payable	**4 634**	–
Total liabilities per statement of financial position	**422 433**	403 411

15. Director changes

Mr EG Dube resigned as Chairman on 31 March 2014 and was replaced by Mr KH Pon. Ms M Chong was appointed as Chairperson of the Audit and Risk Management Committee from 1 April 2014. Ms M Chong also replaced Mr H Pon as Chairperson of the Remuneration Committee as from 1 April 2014. Ms L Stephens and Ms N Lalla were appointed as independent non-executive directors on 23 June 2014. Ms DL Pan, alternate non-executive director to Mr EHT Pan, resigned on 29 August 2014 and Ms DJC Pan was appointed as alternate non-executive director to Mr EHT Pan on 29 August 2014.

16. Competition Commission

On 13 November 2014, the Competition Commission referred a complaint to the Competition 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 of 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.

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, not dealt with in the financial results.

COMMENTARY

Introduction

The Board of South Ocean Holdings is pleased to announce its condensed consolidated results for the year ended 31 December 2014 ("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 2014 increased by 1.4% (2013: 20.2%) to R1.715 billion (2013: R1.691 billion). The Group's gross profit increased by 21.9% (2013: 5.2% decrease) to R262.2 million (2013: R215.0 million) and operating profit increased by 185.9% (2013: 1.8% decrease) to a profit of R79.6 million (2013: R92.7 million loss) compared to the prior year.

Group profit before tax increased by 152.8% (2013: 5.4%, decrease) to a profit of R58.7 million (2013: R111.1 million, loss) compared to the prior year. The basic earnings per share increased by 130.9% (2013: 2.8%, decrease) to a profit of 24.0 cents (2013: 77.7 cents, loss) compared to the prior period with the headline earnings per share increasing by 14.3% (2013: 42.1%, decrease) to 24.0 cents (2013: 21.0 cents) compared to the prior year.

The electrical cable division saw volumes decreased due to the four-week industrial strike. However, profitability improved as efficiencies improved together with better and tighter controls. The prior year was negatively impacted by electrical supply problems experienced, which had a severe impact on profitability.

The lighting and electrical accessories segment experienced an extremely challenging year, with problems experienced with the upgrading of the ERP system and implementation issues with the new warehouse management system leading to supply chain difficulties, this in turn led to a decrease in customer confidence and a decrease in revenue. The situation has improved significantly towards the end of the year. Margins were further affected by the increase in competition and more aggressive pricing in the market.

Cash flow and working capital management

The cash generated during the year amounted to R43.0 million (2013: R16.0 million), improving by R27.0 million compared to the prior year. The trade receivables book continues to be well managed in an increasingly challenging credit environment. The net working capital investment is currently at 29.6% (2013: 28.8%) of revenue.

The Group invested R49.9 million (2013: R26.1 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 R36.8 million (2013: R33.9 million) to repay its long-term interest-bearing borrowings.

The Group's net cash generated during the year of R27.4 million (2013: R16.0 million, utilised) decreased the net overdraft balance as at the beginning of the year from R137.4 million to an overdraft balance of R109.7 million at year end.

Segment results

Electrical cable manufacturing – SOEW

Revenue increased by 4.0% (2013: 26.3%) to R1.389 billion (2013: R1.336 billion). The revenue increase is as a result of an increase in the moving average Rand Copper Price (RCP) of 6.5% (2013: 8.7%) which was partially offset by a decline in production volumes due to the month-long industrial wage strike. The earnings before interest, tax, depreciation and amortisation have increased by 66.6% to R 99.1 million (2013: R 59.5 million). The increase was also impacted by lower EBITDA in 2013 due to electrical supply problems.

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

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 RCP, and was funded from normal credit facilities.

Lighting and electrical accessories – Radiant

Radiant reported revenue of R335.5 million (2013: R373.1 million) which is a decrease of 10.1% (2013: 5.3%, increase) when compared to the prior year. Implementation difficulties of the warehouse management system together with the ERP system upgrade had affected the supply chain capabilities, which contributed to the decline in revenues. Market pressure and competition has continued to erode margins.

We are confident that the investment and strategic initiatives, made to both the warehouse management system and ERP upgrade, will see a turnaround in revenues and profitability.

Property investment – Anchor Park

Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries. Anchor Park has invested in a property for expansion purposes at the cable plant at a cost of R 22.2 million, which was financed by long-term borrowings. The increase in interest expense is due to the increase in interest-bearing debt.

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 2015 financial year, however, the results are expected to show an improvement compared to the 2014 financial year.

Management are in the process of refocusing on the lighting and electrical accessories segment to regain lost market share and improve customer service delivery expectations. 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.

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

KH Pon
Chairman

PJM Ferreira
Chief executive officer

18 March 2015

CORPORATE INFORMATION

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

Directors:
KH Pon[#] (Chairman)
EHT Pan[v@] (Deputy Vice-Chairman)
PJM Ferreira* (Chief Executive Officer)
JP Bekker* (Chief Financial Officer)
M Chong[#]
N Lalla[#]
HL Li[vo]
L Stephens[#], CY Wu[vo]
WP Li[vo] (Alternate)
CH Pan[vo] (Alternate)
DJC Pan [v@] (Alternate)

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[v] *Non-executive*
[o] *Taiwanese*
[@] *Brazilian*

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