



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

**AUDITED SUMMARY CONSOLIDATED FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR
ENDED 31 DECEMBER 2018 ("FINANCIAL STATEMENTS")**

SALIENT FEATURES

Group revenue increased by 16.2% to R2.009 billion.
 Loss per share of 1.9 cents.
 Headline earnings per share of 3.6 cents.
 Tangible net asset value per share decreased by 20.2% to 240.5 cents per share.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	NOTES	(Audited) 31 December 2018	(Audited) 31 December 2017
Assets			
Non-current assets		191 650	297 500
Property, plant and equipment	4	191 650	293 035
Deferred tax asset		-	4 465
Current assets		427 545	389 370
Inventories		181 003	162 879
Trade and other receivables		230 942	214 971
Cash and cash equivalents		15 600	11 520
Disposal Group held for sale	7	239 666	198 024
Total assets		858 861	884 894
Equity and Liabilities			
Equity			
Share capital	5	461 343	441 645
Reserves		2 063	1 230
Retained earnings		25 414	29 078
Total equity		488 820	471 953
Liabilities			
Non-current liabilities		73 382	84 648
Interest bearing borrowings	6	39 005	50 294
Share-based payments		8 406	492
Deferred tax liabilities		25 971	33 862
Current liabilities		240 057	250 813
Trade and other payables		171 209	195 448
Interest bearing borrowings	6	66 490	55 365
Current tax payable		1 468	-
Share-based payments		890	-
Disposal Group held for sale	7	56 602	77 480
Total liabilities		370 041	412 941
Total Equity and Liabilities		858 861	884 894

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	NOTES	(Audited) For the year ended 31 December 2018	Change %	(Audited) 31 December 2017
Continuing operations				
Revenue		1 727 792	21.2%	1 425 777
Cost of sales		(1 584 314)		(1 359 186)
Gross profit		143 478		66 591
Other operating income		6 923		6 795
Administration expenses		(55 183)		(38 438)
Distribution expenses		(2 116)		(2 532)
Operating expenses		(32 114)		(13 117)
Operating profit		60 988		19 299
Finance income		902		828
Finance costs		(21 972)		(23 946)
Profit/(loss) before taxation		39 918	1 145.3%	(3 819)
Taxation	8	(14 250)		(2 404)
Profit/(loss) for the year from continuing operations		25 668	512.5%	(6 223)
Loss for the year from discontinuing operations	7	(29 332)	42.6%	(51 127)
Loss for the year		(3 664)		(57 350)
Other comprehensive profit (loss)				
Exchange differences on translation of foreign operations		833		(569)
Total comprehensive loss attributable to equity holders of the Group		(2 831)	95.1%	(57 919)
		Cents per share		Cents per share
Loss per share - basic and diluted		(1.9)	94.8%	(36.7)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	(Audited) For the year ended 31 December 2018	(Audited) 31 December 2017
Share capital		
Opening balance	1 274	1 274
Rights issue	469	-
Closing balance	1 743	1 274
Share premium		
Opening balance	440 371	440 371
Rights issue	19 229	-
Closing balance	459 600	440 371
Foreign currency translation reserve		
Opening balance	1 230	1 799
Exchange differences on translation of foreign operations	833	(569)
Closing balance	2 063	1 230

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**Retained earnings**

Opening balance	29 078	86 428
Total comprehensive loss for the year	(3 664)	(57 350)
Closing balance	25 414	29 078

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	For the year ended	
	(Audited) 31 December 2018	(Audited) 31 December 2017
Cash flows from operating activities		
Cash generated from operations	46 490	146 931
Finance income	1 035	996
Finance costs	(24 551)	(26 988)
Taxation paid	(15 105)	-
Net cash from operating activities	7 869	120 939
Cash flows used in investing activities		
Purchase of property, plant and equipment	(9 385)	(6 770)
Proceeds from sale of property, plant and equipment	938	383
Purchase of intangible assets	-	(1 040)
Net cash used in investing activities	(8 447)	(7 427)
Cash flows from/(used in) financing activities		
Proceeds from rights offer	19 698	-
Proceeds from interest bearing borrowings	1 697	10 699
Repayment of interest bearing borrowings	(14 462)	(115 703)
Net cash from/(used in) financing activities	6 933	(105 004)
Total cash and cash equivalents movement for the year	6 355	8 508
Cash and cash equivalents at the beginning of the year	11 520	22 336
Cash and cash equivalents at the beginning of the year from disposal group	18 755	-
Effect of exchange rate movement on foreign entity balances	833	(569)
Total cash and cash equivalents from disposal group at end of year	(21 863)	(18 755)
Total cash and cash equivalents at end of the year	15 600	11 520
Total cash and cash equivalents from continuing operations	15 600	11 520
Total cash and cash equivalents from discontinuing operations	21 863	18 755
	37 463	30 275

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL INFORMATION

1. General information

South Ocean Holdings Limited and its subsidiaries ("SOH") 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 fittings assembly operation and property investment company. South Ocean Holdings Limited is a public company listed on the JSE Limited ("JSE") and is incorporated and domiciled in the Republic of South Africa.

The audited summary consolidated financial information was externally compiled under supervision of MK Zack and was approved for issue by the directors on 25 March 2019.

2. Basis of preparation

The audited summary consolidated Financial Statements of South Ocean Holdings Limited have been prepared in accordance with the JSE Listing 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 2018 from which these results have been extracted. The JSE Listing 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 directors take full responsibility for the preparation of the provisional report and that the financial information has been correctly extracted from the underlying annual financial statements.

3. Accounting policies

The accounting policies applied in the preparation of the 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 Consolidated Financial Statements used in the prior year, except where indicated. In the current year, the Group has applied IFRS 9 and 15 with an initial date of application of 1 January 2018. The application of these standards has not had a material impact on the Group's results. There are no other 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 R8.6 million (2017: R7.8 million) in capital expenditure. An impairment charge of R8.5 million (2017: R18.7 million impairment reversal) before tax was raised against the properties at Anchor Park Investments 48 Proprietary Limited ("Anchor Park") due to the carrying value of the properties being higher than the net realisable value. The details of changes in tangible and intangible assets are as follows:

R'000	(Audited) Tangible assets	(Audited) Intangible assets
Year ended 31 December 2018		
Opening net carrying amount	293 035	-
Additions	8 629	-
Disposals	(1 363)	-
Depreciation	(14 169)	-
Property classified as held for sale	(86 000)	-
Impairment of property classified as held for sale	(8 482)	-
Closing net carrying amount	191 650	-

Property, plant and equipment and intangible assets (continued)

R'000	(Audited) Tangible assets	(Audited) Intangible assets
Year ended 31 December 2017		
Opening net carrying amount	289 699	7 783
Additions	6 770	1 040
Disposals	(341)	(1 339)
Impairment reversed	18 743	-
Depreciation / amortisation	(15 450)	-
Classified as held for sale - impairment	(6 386)	(7 484)
Closing net carrying amount	<u>293 035</u>	<u>-</u>

5. Share capital and share premium

	Number of Shares issued	Ordinary shares (R'000)	Share premium (R'000)	Total (R'000)
At 1 January 2018				
Opening balance	156 378 794	1 274	440 371	441 645
Issue of ordinary shares during the year through the exercise of options issued under the non-renounceable rights offer	46 898 000	469	19 229	19 698
Closing balance	<u>203 276 794</u>	<u>1 743</u>	<u>459 600</u>	<u>461 343</u>
At 31 December 2017				
Opening and closing balance	156 378 794	1 274	440 371	441 645

SOH concluded a Rights Offer to Shareholders recorded in the register at the close of trade on Friday, 20 April 2018, to subscribe for Rights Offer Shares on the basis of 29.99000 Rights Offer Shares for every 100 SOH shares held on such date at a Rights Offer Price of 42 cents per Rights Offer Share. The Rights Offer Price represented a premium of approximately 92.73% to the 30-day VWAP share price of SOH of 21.79236 cents per share as at Wednesday, 7 March 2018. The Rights Offer was underwritten by Macrovest 147 Proprietary Limited ("Macrovest"). The Group successfully raised R19 697 160 cash through the issue of 46 898 000 shares. The proceeds of this Rights Offer were applied to reduce borrowings.

6. Interest bearing borrowings

R'000	(Audited) 31 December 2018	(Audited) 31 December 2017
Secured loans		
Non-current liabilities	39 005	50 294
Current liabilities	66 490	55 365
	<u>105 495</u>	<u>105 659</u>

The movement in borrowings is analysed as follows:

Opening balance	105 659	249 037
Additional loans raised	1 697	10 699
Finance costs	20 773	5 851
Repayments	(22 634)	(121 555)
Liabilities held for sale	-	(38 373)
Closing balance	<u>105 495</u>	<u>105 659</u>

7. Discontinuing operation and Non-current assets held for sale

In a general meeting held on 29 November 2018, the shareholders approved the disposal by SOH of 100% of the issued share capital in and claims against Radiant Group and the disposal of the properties from which Radiant Group operates, to Eurolux Proprietary Limited. The effective date of the disposal and loss of control was 1 January 2019. The selling price of Radiant Group is R96.8 million, of which R77.0 million was received on 18 January 2019 with the balance of R19.8 million to be received by 31 March 2019. The properties will be derecognised on date of transfer, which is expected to take place by June 2019. The properties were sold for R86 million.

The disposal group consists of the assets and liabilities of Radiant Group, as well as the properties from which Radiant Group operates and which are owned by Anchor Park. These are classified as held for sale in terms of IFRS 5 in the Annual Financial Statements and are set out below:

R'000	(Audited) 31 December 2018	(Audited) 31 December 2017
Assets and Liabilities		
Assets of disposal Group		
Property, plant and equipment	86 000	-
Inventories	100 928	136 227
Trade and other receivables	30 853	43 042
Derivative financial instrument	22	-
Cash and cash equivalents	21 863	18 755
	239 666	198 024
Liabilities of disposal Group		
Interest bearing borrowings	25 773	38 374
Derivative financial instrument	-	4 348
Trade and other payables	30 829	34 758
	56 602	77 480

R'000	(Audited) 31 December 2018	(Audited) 31 December 2017
Financial performance of discontinuing operations		
Revenue	281 076	303 017
Cost of sales	(198 458)	(229 666)
Gross profit	82 618	73 351
Other operating income	6 421	644
Total expenses	(103 224)	(100 198)
Impairment of non-current assets	(13 804)	(8 295)
Operating loss	(27 989)	(34 498)
Finance income	133	167
Finance expenses	(2 579)	(3 042)
Loss before taxation	(30 435)	(37 373)
Taxation	1 103	(13 754)
Loss for the year	(29 332)	(51 127)
Cash flow information		
Net cash inflow from operating activities	4 295	40 566
Net cash inflow/(outflow) from investing activities	10 753	(1 139)
Net cash outflow from financing activities	(90)	(18 194)
Net increase in cash generated by disposal group	14 958	21 233

8. Taxation

The effective tax rate is 35.7% (2017: 62.9%) which is greater than the corporate tax rate of 28% due to legal and professional fees in respect of disposal and rights issue which are not tax deductible.

9. Reconciliation of headline earnings/(loss)

R'000	(Audited) 31 December 2018	(Audited) 31 December 2017
Loss attributable to equity holders of the Group	(3 664)	(57 350)
Adjustment for:		
Loss/(profit) on disposal of property, plant and equipment	440	(30)
Net impairment of non-current assets	9 938	1 187
Headline earnings/(loss)	6 714	(56 193)
Headline earnings/(loss) per share (cents)	3.6	(35.9)

10. Weighted average number of shares

	(Audited) 31 December 2018	(Audited) 31 December 2017
Number of shares in issue	203 276 794	156 378 794
Weighted average number of shares in issue at beginning of the year	156 378 794	156 378 794
Weighted average number of shares in issue at end of the year	187 858 273	156 378 794

11. Net asset value

	(Audited) 31 December 2018	(Audited) 31 December 2017
Net asset value per share (cents)	240.5	301.8
Tangible net asset value per share (cents)	240.5	301.8

12. Final dividend declaration

No final dividend has been declared.

13. Audit opinion

These summary Consolidated Financial Statements for the year ended 31 December 2018 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 Consolidated Audited Financial Statements are available for inspection at the Company's registered office, together with the Audited Financial Statements identified in the respective auditor's reports.

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 adjusted EBITDA generated by the Group's reportable segments are summarised as follows:

R'000	Revenue	Adjusted EBITDA	Segment assets	Segment liabilities
Year ended				
31 December 2018				
Electrical cable manufacturing	1 728 365	85 878	517 806	230 127
Lighting and electrical accessories (discontinued operations)	290 111	(12 604)	153 667	56 602
Property investments	23 767	17 257	179 761	44 030
	2 042 243	90 531	851 234	330 759
31 December 2017				
Electrical cable manufacturing	1 427 627	29 267	487 432	243 748
Lighting and electrical accessories (discontinuing operations)	304 977	(34 325)	198 024	77 480
Property investments	22 794	17 924	189 800	50 208
	1 755 398	12 866	875 256	371 436

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

R'000	(Audited) 31 December 2018	(Audited) 31 December 2017
Revenue		
Reportable segment revenue	2 042 243	1 755 398
Inter-segment revenue (property rentals)	(21 385)	(20 784)
Inter-segment revenue – other	(11 990)	(5 820)
Discontinuing operations	(281 076)	(303 017)
Revenue per consolidated statement of comprehensive income	1 727 792	1 425 777

Segment reporting (continued)

R'000	(Audited) 31 December 2018	(Audited) 31 December 2017
Profit/(loss) before tax		
Adjusted EBITDA	90 531	12 866
Corporate and other overheads	(25 590)	(16 152)
Depreciation	(15 524)	(15 450)
Impairment of intangible assets - lighting and electrical accessories segment	(2 015)	(5 573)
Reversal impairments of plant and machinery – electrical cable manufacturing segment	-	18 743
Amortisation of intangible assets – lighting and electrical accessories segment	(218)	(1 339)
Impairment of non-current assets – lighting and electrical accessories segment	-	(8 294)
Impairment of current assets – lighting and electrical accessories segment	(5 450)	-
Impairment of non-current assets – property investments segment	(8 482)	-
Impairment of investment in subsidiaries	(253)	
Discontinuing operations	27 989	34 498
Operating profit per consolidated statement of comprehensive income	60 988	19 299
Finance income	1 035	995
Finance costs	(24 551)	(26 988)
Discontinuing operations	2 446	2 875
Profit/(loss) before tax per consolidated statement of comprehensive Income	39 918	(3 819)
Assets		
Reportable segment assets	851 234	875 256
Corporate and other assets	7 627	5 173
Deferred tax	-	4 465
Total assets per statement of financial position	858 861	884 894
Liabilities		
Reportable segment liabilities	330 759	371 436
Corporate and other liabilities	11 843	7 643
Taxation payable	1 468	-
Deferred tax	25 971	33 862
Total liabilities per statement of financial position	370 041	412 941

15. Related party transactions

There were no related party transactions during the period ended 31 December 2018, save for various intercompany transactions in the ordinary course of business.

16. Director changes

Ms MK Lehloenyia who was the Chief Financial Officer resigned as director on 31 January 2018. Mr B Petersen was appointed as Non-Executive Director on 11 June 2018. Mr MK Zack was appointed as Chief Financial Officer on 7 August 2018.

17. Subsequent events

In a general meeting held on 29 November 2018, the shareholders approved the disposal by SOH of 100% of the issued share capital in and claims against Radiant Group and the disposal of the properties from which Radiant Group operates, to Eurolux Proprietary Limited. The effective date of the disposal and loss of control was 1 January 2019. The selling price of Radiant Group is R96.8 million, of which R77.0 million was received on 18 January 2019 with the balance of R19.8 million to be received by 31 March 2019. The properties will be derecognised on date of transfer, which is expected to take place by June 2019. The properties were sold for R86 million.

The disposal group consists of the assets and liabilities of Radiant Group, as well as the properties from which Radiant Group operates and which are owned by Anchor Park. These are classified as held for sale in terms of IFRS 5 in the Annual Financial Statements. Refer to note 7.

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.

18. 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.

The Group had short-term borrowings to the value of R92.3 million (2017: R81.2 million) as disclosed in notes 11 and 13 of the Annual Financial Statements. South Ocean Electric Wire Company Proprietary Limited ("SOEW") has an overdraft facility with First National Bank of R214.3 million (2017: R214.3 million). The facility is due for review during March 2019.

The directors perform a property valuation every three years with the previous valuation having been performed at the end of 2017. The market valuation of the properties was in excess of the carrying value by R3.5 million at the time. The properties are stated at historical cost less accumulated depreciation and impairment losses, in line with the Group's accounting policy.

COMMENTARY

Introduction

The Board of South Ocean Holdings Limited announced its summary consolidated results for the year ended 31 December 2018 ("the year").

South Ocean Holdings Limited 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 Group"), 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

The results as per the Statement of Comprehensive Income is split between continuing operations and discontinuing operations. The loss for the year for the Group is R3.7 million compared to the loss of R57.4 million for the 2017 financial year. The segment results are discussed below.

Segment results

Electrical cable manufacturing – SOEW

Revenue increased by 21.1% (2017: 0.7%, decreased) to R1.728 billion (2017: R1.426 billion). The increase in SOEW revenue was mainly attributable to reduced market supply enabling increased volumes and improved pricing.

The volatility in the Rand Copper Price ("RCP") again negatively impacted on gross profit margins as customers placed orders depending on the movement of the RCP price which resulted in lower margins.

Working capital increased during the year from R189.4 million in 2017 to the current working capital of R235.6 million due to the timing of certain supplier payments over year-end. The overdraft balance increased from R42.9 million to R53.9 million.

Management continues to focus on improving efficiencies in the factory and cost containment to ensure that the company will remain profitable.

Lighting and electrical accessories – Radiant Group

Radiant Group reported revenues of R285.5 million (2017: R304.9 million) which is a decrease of 6.4% (2017: 11.6%, decrease) when compared to the prior year.

Radiant Group's turnaround strategy has seen the company make progress in managing working capital. The tough economic conditions and stiff competition has hindered the implementation of the turnaround strategy. Inventory management has seen reduction in stock holding by R29.8 million, the clearance of excess and slow-moving stock affected margins significantly. The stock provision has increased to R27.8 million as provision was made for all slow-moving stock.

Cash management has improved significantly as interest expense has decreased by R1.8 million or 38.5% for the year if compared to the previous year.

The Radiant Group was sold on 1 January 2019 for R96.8 million.

Property investment – Anchor Park

Anchor Park's revenue is derived mainly from Group companies, as it leases its properties to fellow subsidiaries. The increase in revenue of 4.3% in rental income was due to increased rental premiums and from renting out additional space to third parties.

The properties from which the Radiant Group operates and which are owned by Anchor Park were sold as part of the Radiant Group transaction on 1 January 2019. Transfer of ownership is expected to take place during the first half of 2019.

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 Group's focus for the year is to improve profitability and the first step was to finalise the sale of Radiant Group and the sale of the properties occupied by Radiant Group.

The cash generated from the sale will be utilised to reduce the overdraft facility and spent on capex to increase SOEW's production capacity.

The Group increased its BEE shareholding and is working on increasing the BEE shareholding to at least 25%, which will create opportunities in increasing revenue as new markets can be targeted. The drivers for growth are global and local economic growth, increasing customer base, improving BEE shareholding and improvement in efficiencies.

Management is confident that the above actions will improve the Group's profitability.

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, stakeholders and shareholders for their continued support.

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

25 March 2019

KH Pon CA(SA)
Chairman

JP Bekker CA(SA)
Chief Executive Officer

Directors: K H Pon[#] (Chairman), H L Li^{# Q} Deputy-Vice Chairman), J P Bekker^{*} (Chief Executive Officer), M K Zack^{*} (Chief Financial Officer), N Lalla[#], D J C Pan^{@A}, B Petersen[√], C Y Wu^{√Q},
* Executive # Independent Non-Executive √ Non-Executive Q Taiwanese @ Brazilian AAlternate

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: Arbor Capital Sponsors Proprietary Limited, 20 Stirrup Lane, Woodmead Office Park, corner Woodmead Drive and Van Reenens Avenue, Woodmead, 2191 (Suite #439, Private Bag X29, Gallo Manor, 2052)

Share Transfer Secretary: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Ground Floor, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), Telephone: +27(11) 370 5000, Telefax: +27(11) 688 5200, Website: www.computershare.com

Auditors: PricewaterhouseCoopers Inc. 4 Lisbon Lane, Waterfall City, Jukskeiview, Johannesburg, 2090. Telephone: +27(12) 797 4000 Telefax +27(12) 797 5800, Website: www.pwc.co.za