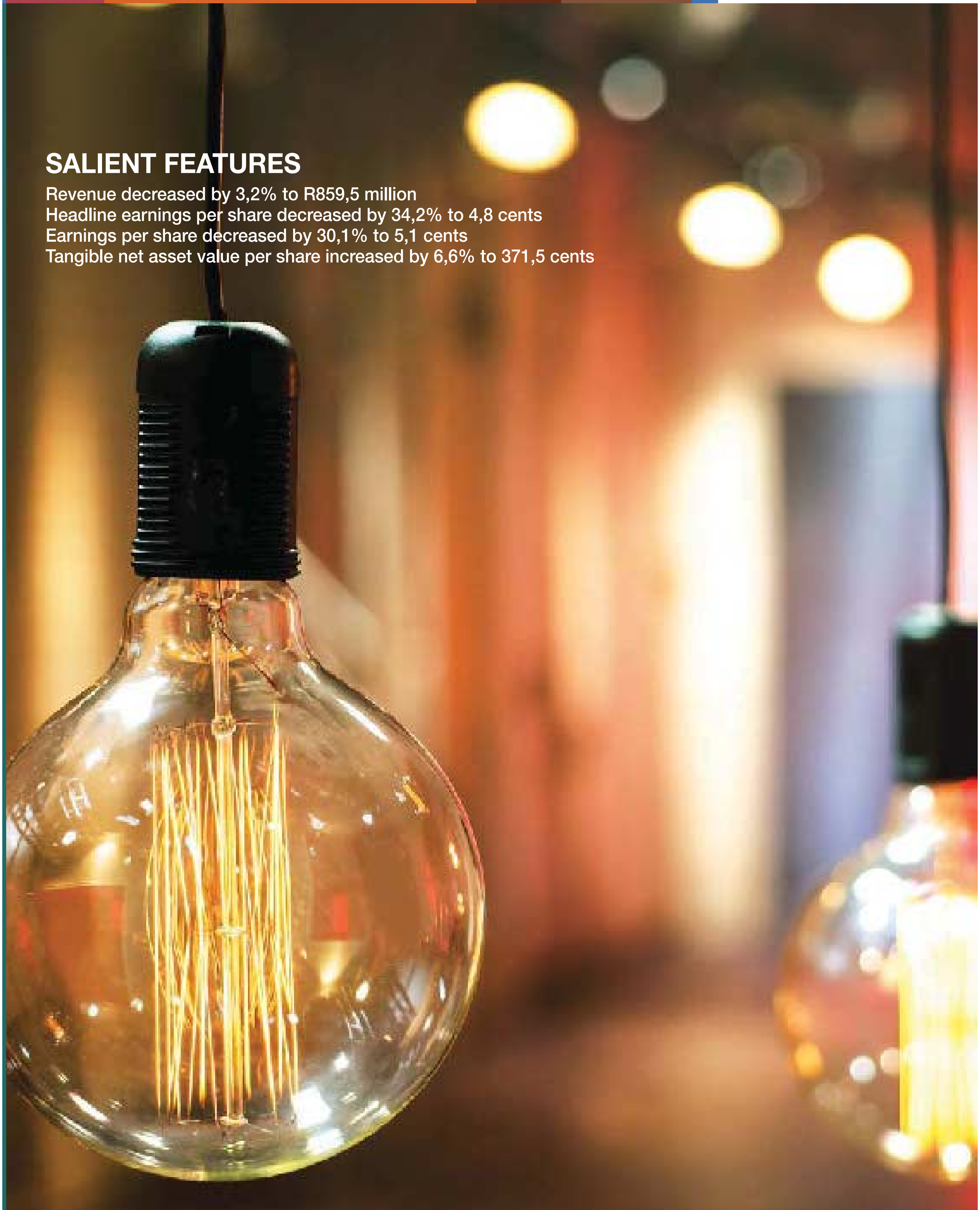
Group summarised consolidated interim financial results announcement

for the six months ended 30 June 2015

South Ocean HOLDINGS



SALIENT FEATURES

Revenue decreased by 3,2% to R859,5 million
Headline earnings per share decreased by 34,2% to 4,8 cents
Earnings per share decreased by 30,1% to 5,1 cents
Tangible net asset value per share increased by 6,6% to 371,5 cents

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2015 (Unaudited) R'000	As at 30 June 2014 (Unaudited) R'000	As at 31 December 2014 (Audited) R'000
Assets				
Non-current assets		**332 994**	315 928	330 088
Property, plant and equipment	4	**316 786**	302 658	315 993
Intangible assets	4	**9 516**	10 789	9 994
Deferred tax		**6 692**	2 481	4 101
Current assets		**779 532**	738 135	674 503
Inventories		**383 417**	318 531	379 527
Trade and other receivables		**358 306**	388 911	255 625
Derivative financial instruments		**–**	–	1
Taxation receivable		**1 891**	5 282	2 960
Cash and cash equivalents		**35 918**	25 411	36 390
Total assets		**1 112 526**	1 054 063	1 004 591
Equity and liabilities				
Equity				
Share capital and share premium	5	**441 645**	441 645	441 645
Reserves		**1 309**	611	1 027
Retained earnings		**147 469**	113 314	139 486
Total equity		**590 423**	555 570	582 158
Liabilities				
Non-current liabilities		**114 198**	88 142	120 464
Interest-bearing borrowings	6	**72 647**	50 287	80 267
Deferred taxation		**39 309**	35 982	37 306
Share-based payments		**2 242**	1 873	2 891
Current liabilities		**407 905**	410 351	301 969
Trade and other payables		**208 811**	203 473	127 445
Interest-bearing borrowings	6	**22 691**	21 149	22 070
Taxation payable		**216**	2 716	4 634
Share-based payments		**–**	150	1 772
Bank overdraft		**176 187**	182 863	146 048
Total liabilities		**522 103**	498 493	422 433
Total equity and liabilities		**1 112 526**	1 054 063	1 004 591

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2015 (Unaudited) R'000	Six months ended 30 June 2014 (Unaudited) R'000	Change %	Year ended 31 December 2014 (Audited) R'000
Revenue		**859 497**	888 203	(3,2)	1 715 240
Cost of sales		**(754 590)**	(776 610)		(1 453 059)
Gross profit		**104 907**	111 593	(6,0)	262 181
Other operating income		**2 364**	2 277		3 255
Administration expenses		**(26 413)**	(32 716)		(65 987)
Distribution expenses		**(14 587)**	(15 162)		(29 124)
Operating expenses		**(44 947)**	(40 061)		(90 679)
Operating profit		**21 324**	25 931	(17,8)	79 646
Finance income		**598**	421		1 090
Finance costs		**(10 678)**	(10 207)		(22 036)
Profit before taxation		**11 244**	16 145	(30,4)	58 700
Taxation	7	**(3 261)**	(4 799)		(21 182)
Profit for the period		**7 983**	11 346	(29,6)	37 518
Other comprehensive income					
Exchange differences on translating foreign operation		**282**	(22)		394
Total comprehensive income attributable to equity holders of the Company		**8 265**	11 324	(27,0)	37 912
		Cents per share	Cents per share		Cents per share
Earnings per share – basic and diluted		**5,1**	7,3	(30,1)	24,0
Headline earnings per share – basic and diluted		**4,8**	7,3	(34,2)	24,0

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Six months ended 30 June 2015 (Unaudited) R'000	Six months ended 30 June 2014 (Unaudited) R'000	Year ended 31 December 2014 (Audited) R'000
Share capital				
Opening and closing balance	5	**1 274**	1 274	1 274
Share premium				
Opening and closing balance	5	**440 371**	440 371	440 371
Foreign currency translation reserve				
Opening balance		**1 027**	633	633
Exchange differences on translation of foreign operations		**282**	(22)	394
Closing balance		**1 309**	611	1 027
Retained earnings				
Opening balance		**139 486**	101 968	101 968
Total comprehensive income for the period		**7 983**	11 346	37 518
Closing balance		**147 469**	113 314	139 486

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2015 (Unaudited) R'000	Six months ended 30 June 2014 (Unaudited) R'000	Year ended 31 December 2014 (Audited) R'000
Cash (utilised) generated in operating activities	**(14 510)**	6 542	43 021
Cash utilised in investing activities	**(9 384)**	(29 839)	(49 841)
Cash (utilised) generated in financing activities	**(6 999)**	3 273	34 174
Net (decrease) increase in cash and cash equivalents	**(30 893)**	(20 024)	27 354
Cash and cash equivalents at the beginning of period	**(109 658)**	(137 406)	(137 406)
Effects of exchange rate movement on cash balances	**282**	(22)	394
Cash and cash equivalents at the end of period	**(140 269)**	(157 452)	(109 658)

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

South Ocean Holdings and its subsidiary companies manufacture and distribute electrical cables, import and distribute light fittings, lamps, electrical accessories, audio visual hardware and accessories and have property investments. South Ocean Holdings is a public company listed on the JSE and is incorporated and domiciled in the Republic of South Africa.

The unaudited summarised consolidated interim financial information was prepared by JP Bekker CA (SA) and was approved for issue by the directors on 5 August 2015.

2. Basis of preparation

The summarised consolidated interim financial statements of South Ocean Holdings are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The summarised consolidated interim financial statements should be read with the audited financial statements for the year ended 31 December 2014. The JSE 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 financial statements from which the summarised financial statements were derived are in terms of IFRS.

3. Accounting policies

The accounting policies adopted are consistent with those applied in the audited financial statements for the year ended 31 December 2014, except where indicated. There were no new standards or amendments that were issued since the last annual report, that are applicable to the Group or that is expected to have a material impact on the reported results or future results of the Group.

4. Property, plant and equipment and intangible assets

During the six months, the Group invested R10,2 million (2014: R29,8 million) in capital expenditure mainly relating to the acquisition of manufacturing plant at SOEW as well as the replacement of vehicles for SOEW and Radiant. The details of changes in tangible and intangible assets are as follows:

	Tangible assets (Unaudited) R'000	Intangible assets (Unaudited) R'000
Six months ended 30 June 2015		
Opening net carrying amount	**315 993**	**9 994**
Additions	**9 419**	**737**
Disposals and write-offs	**(333)**	**–**
Depreciation/amortisation	**(8 293)**	**(1 215)**
Closing net carrying amount	**316 786**	**9 516**
Six months ended 30 June 2014		
Opening net carrying amount	284 015	10 482
Additions	28 652	1 186
Disposals and write-offs	(1)	–
Depreciation/amortisation	(10 008)	(879)
Closing net carrying amount	302 658	10 789
Year ended 31 December 2014	**(Audited)**	**(Audited)**
Opening net carrying amount	284 015	10 482
Additions	48 427	1 496
Disposals and write-offs	(78)	–
Depreciation/amortisation	(16 371)	(1 984)
Closing net carrying amount	315 993	9 994

5. Share capital and share premium

	Number of shares issued	Ordinary shares R'000	Share premium R'000	Total R'000
At 30 June 2015 (Unaudited)				
Opening and closing balance	**156 378 794**	**1 274**	**440 371**	**441 645**
At 30 June 2014 (Unaudited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 31 December 2014 (Audited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645

6. Interest-bearing borrowings

Secured loans	As at 30 June 2015 (Unaudited) R'000	As at 30 June 2014 (Unaudited) R'000	As at 31 December 2014 (Audited) R'000
Non-current	**72 647**	50 287	80 267
Current	**22 691**	21 149	22 070
	95 338	71 436	102 337
The movement in borrowings is analysed as follows:			
Opening balance	**102 337**	68 162	68 163
Additional loans raised	**5 137**	17 478	63 450
Finance costs	**4 147**	2 935	7 499
Repayments	**(16 283)**	(17 139)	(36 775)
Closing balance	**95 338**	71 436	102 337

7. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate calculated is 29,0% (2014: 29,7%).

8. Reconciliation of headline earnings

	Six months ended		Year ended
	30 June 2015 (Unaudited) R'000	30 June 2014 (Unaudited) R'000	31 December 2014 (Audited) R'000
Income attributable to the equity holders of the Company for the period	**7 983**	11 346	37 518
(Profit) loss on disposal of property, plant and equipment	**(441)**	1	(4)
Headline earnings for the period	**7 542**	11 347	37 514
Headline earnings per share (cents)	**4,8**	7,3	24,0

9. Weighted average number of shares

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)	Year ended 31 December 2014 R'000
Number of shares in issue	**156 378 794**	156 378 794	156 378 794
Weighted average number of shares in issue at the beginning and end of the period	**156 378 794**	156 378 794	156 378 794
Weighted average number of shares in issue for diluted earnings per share	**156 378 794**	156 378 794	156 378 794

10. Net asset value

	As at 30 June 2015 (Unaudited)	As at 30 June 2014 (Unaudited)	As at 31 December 2014 (Audited)
Net asset value per share (cents)	**377,6**	355,3	372,3
Tangible net asset value per share (cents)	**371,5**	348,4	365,9

11. Interim dividend declaration

The Company's policy is to consider the declaration of a final dividend after its financial year-end.

12. Segment reporting

The chief operating decision makers review the Group's internal reporting in order to assess performance and have 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, are 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 (excluding inter company management fees expenses) based upon internal accounting presentation.

The segment revenue and EBITDA generated by the Group's reportable segments are summarised as follows:

	Six months ended			
	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
30 June 2015 (Unaudited)				
Electrical cables manufacturing	**709 240**	**36 448**	**655 449**	**343 879**
Lighting and electrical accessories	**155 083**	**(2 950)**	**256 234**	**65 134**
Property investments	**10 440**	**7 722**	**188 977**	**66 125**
	874 763	**41 220**	**1 100 660**	**475 138**
30 June 2014 (Unaudited)				
Electrical cables manufacturing	744 756	42 432	578 097	318 586
Lighting and electrical accessories	146 087	(2 247)	278 187	100 068
Property investments	7 828	5 738	182 413	39 594
	898 671	45 923	1 038 697	458 248
Year ended 31 December 2014 (Audited)				
Electrical cables 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

12. Segment reporting continued

A reconciliation of the total segment report to the statement of financial position and statement of comprehensive income is provided as follows:	Six months ended 30 June 2015 (Unaudited) R'000	Six months ended 30 June 2014 (Unaudited) R'000	Year ended 31 December 2014 (Audited) R'000
Revenue			
Reportable segment revenue	**874 763**	898 671	1 743 368
Inter-segment revenue (property rentals)	**(10 440)**	(7 828)	(17 891)
Inter-segment revenue – other	**(4 826)**	(2 640)	(10 237)
Revenue per consolidated statement of comprehensive income	**859 497**	888 203	1 715 240
Profit before tax			
Adjusted EBITDA	**41 220**	45 923	115 127
Corporate and other overheads	**(10 388)**	(9 105)	(17 125)
Depreciation	**(8 293)**	(10 008)	(16 371)
Amortisation of intangible assets – lighting and electrical accessories	**(1 215)**	(879)	(1 985)
Operating profit	**21 324**	25 931	79 646
Finance income	**598**	421	1 090
Finance cost	**(10 678)**	(10 207)	(22 036)
Profit before income tax per consolidated statement of comprehensive income	**11 244**	16 145	58 700
Assets			
Reportable segment assets	**1 100 660**	1 038 697	993 498
Corporate and other assets	**3 283**	7 603	4 032
Deferred taxation	**6 692**	2 481	4 101
Taxation receivable	**1 891**	5 282	2 960
Total assets per statement of financial position	**1 112 526**	1 054 063	1 004 591
Liabilities			
Reportable segment liabilities	**475 138**	458 248	374 996
Corporate and other liabilities	**7 440**	1 547	5 497
Deferred taxation	**39 309**	35 982	37 306
Taxation payable	**216**	2 716	4 634
Total liabilities per statement of financial position	**522 103**	498 493	422 433

13. Restatement of comparative figures

Certain co current mparative figures have been reclassified to ensure consistent allocation between the current year and the prior year.

The effect of the reclassification is as follows:

	Six months ended 30 June 2015 (Unaudited) R'000	Six months ended 30 June 2014 (Unaudited) R'000	Year ended 31 December 2014 (Audited) R'000
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Deferred taxation	**–**	2 481	–
Non-current liabilities			
Deferred taxation	**–**	(2 481)	–

14. Director changes

There have been no changes in the directors of the company since the financial year-end.

15. Competition Commission

On 13 November 2014, the Competition Commission referred a complaint to the Competition Tribunal ("the 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 not exceeding 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.

16. Subsequent events

Notwithstanding the above, the directors are not aware of any other significant events arising since the end of the financial period, 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 hereby announces its summarised consolidated results for the six months ended 30 June 2015 ("the period").

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, 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 period ended 30 June 2015 decreased by 3,2% (2014: 15,5 %, increased) to R859,5 million (2014: R888,2 million). The Group's gross profit decreased by 6,0% (2014: 17,8%, increased) to R104,9 million (2014: R111,6 million) and operating profit decreased by 17,8% (2014: 62,9%, increased) to R21,3 million (2014: R25,9 million, increased) compared to the prior period.

Group profit before tax decreased by 30,4% (2014: 102,8%, increased) to R11,2 million (2014: R16,1 million) compared to the prior period. The basic earnings per share decreased by 30,1% (2014: 108,6%, increased) to 5,1 cents (2014: 7,3 cents) with the headline earnings per share decreasing by 34,2% (2014: 114,7%, increased) to 4,8 cents (2014: 7,3 cents) compared to the prior period. Headline earnings for the period amounted to R7,5 million (2014: R11,3 million).

Cash flow and working capital management

Cash utilised in operations amounted to R14,5 million (2014: R6,5 million, generated) during the period. Working capital increased by R28,9 million (2014: R61,3 million) primarily due to an increase in inventory, as stock levels in the prior period were low due to an increase in sales ahead of the industrial strike at the cable plant, which was partially offset by a decrease in accounts receivable due to debtors collections improving.

The Group invested R10,2 million (2014: R29,8 million) in capital expenditure which was mainly financed by long term borrowings during this period and utilised R16,3 million (2014: R17,1 million) to repay its long-term interest-bearing borrowings.

The Group's net cash utilised during the period amounted to R30,9 million (2014: R20,0 million). The net overdraft decreased from R157,5 million reported at June 2014 to R140,3 million at the end of the current period.

Segment results

Electrical cables manufacturing – SOEW

SOEW's revenue decreased by 4,8% (2014: 23,6% increased) to R709,2 million (2014: R744,7 million). The decrease in SOEW revenue is mainly attributed to power supply problems that were experienced during the April and May period. The local Council's transformers supplying electricity to the factory were faulty, which led to a limited supply of electricity during the day and no supply during the night, resulting in a decrease in production levels. The Rand Copper Price (RCP) was volatile during the period, fluctuating between increases of 8,2% and decreases of 8,8%. The net increase for the six months was 1,6%.

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

Additional working capital funding was required to finance the increase in inventory and trade payables and which was funded from normal credit facilities.

Lighting and electrical accessories – Radiant

Radiant reported revenue of R155,1 million (2014: R146,0 million), which is an increase of 6,2% (2014: 16,5%, decrease) when compared to the same period in the prior year. The general business sentiment remains subdued with the impending interest rate hikes and current power cuts. Both local and international confidence in the economy remains low with consumers being quite cautious. However, there has been an improvement in revenue and decreased expenditures, when compared to the same period in the prior year. The new warehouse management system and ERP system upgrade problems experienced last year has been bedded down and has led to improved efficiencies and client services.

The margins continue to be under pressure due to competing with certain inferior quality products in the market. Intensified competition and a change in consumer spending patterns are also factors that are eroding margins.

Property investments – Anchor Park

Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries. 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 historic seasonal trend to continue in future.

Prospects

The South African economic conditions are not expected to improve significantly in the near future, household disposable income is expected to decrease and inflation is on the increase. These economic conditions, together with competitive markets and a weakening Rand, are expected to adversely affect our trading subsidiaries results.

The focus by management is to strategically improve efficiencies and reduce overhead costs, and therefore improve profitability.

Revenue and margins will continue to be affected by tough market conditions and stringent competition.

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, shareholders and stakeholders for their continued support.

The above information, including any projections, included in this announcement have not been reviewed or reported on by South Ocean Holdings' independent external auditors.

On behalf of the Board

Henry Pon
Chairman

Paul Ferreira
Chief Executive Officer

5 August 2015

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:
K H Pon# *(Chairman)*
E H T Pan√@ *(Deputy-Vice Chairman)*
P J M Ferreira* *(Chief Executive Officer)*
J P Bekker* *(Chief Financial Officer)*
M Chong#
N Lalla#
H L Li√Q
W P Li√QA
C H Pan√QA
DJC Pan√@A
L Stephens#
C Y Wu√Q
* *Executive*
\# *Independent Non-Executive*
√ *Non-Executive*
Q *Taiwanese*
@ *Brazilian*
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