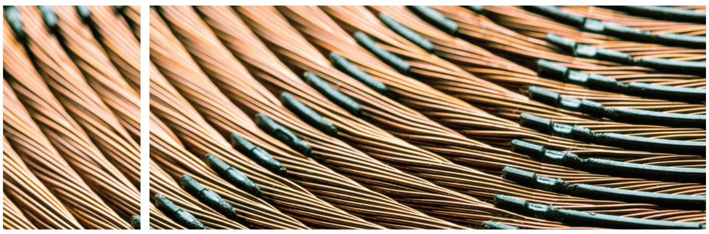

SALIENT FEATURES

Group revenue increased by 26.7% to R969.0 million

Headline loss per share improved by 9.5 cents to headline loss of 0.7 cents

Loss per share decreased by 12.9 cents to 6.6 cents

Tangible net asset value per share decreased by 24.6% to 236.7 cents

GROUP SUMMARY CONSOLIDATED INTERIM FINANCIAL RESULTS ANNOUNCEMENT

for the six months ended 30 June 2018

Summarised consolidated statement of financial position

	Notes	30 June 2018 (Unaudited) R'000	30 June 2017 (Unaudited) R'000	31 December 2017 (Audited) R'000
Assets				
Non-current assets		**203 866**	313 976	297 500
Property, plant and equipment	4	**194 083**	273 538	293 035
Intangible assets	4	**–**	8 212	–
Deferred tax assets		**9 783**	32 226	4 465
Current assets		**597 750**	694 405	389 370
Inventories		**175 726**	340 932	162 879
Trade and other receivables		**407 543**	333 897	214 971
Cash and cash equivalents		**14 481**	19 576	11 520
Disposal group and assets held for sale		**235 521**	–	198 024
Total assets		**1 055 137**	1 008 381	884 894
Equity and liabilities				
Equity		**481 111**	499 425	471 953
Share capital and share premium	5	**461 342**	441 645	441 645
Reserves		**2 052**	1 793	1 230
Retained earnings		**17 717**	55 987	29 078
Liabilities				
Non-current liabilities		**72 370**	81 291	84 648
Interest-bearing borrowings	6	**43 338**	47 920	50 294
Deferred tax liabilities		**28 028**	32 879	33 862
Share-based payments		**1 004**	492	492
Current liabilities		**448 906**	427 665	250 813
Trade and other payables		**248 951**	238 789	195 448
Interest-bearing borrowings	6	**197 016**	188 820	55 365
Taxation payable		**2 939**	56	–
Disposal group and liabilities held for sale		**52 750**	–	77 480
Total liabilities		**574 026**	508 956	412 941
Total equity and liabilities		**1 055 137**	1 008 381	884 894

Summarised consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2018 (Unaudited) R'000	Six months ended 30 June 2017 Restated^ (Unaudited) R'000	Change %	Year ended 31 December 2017 (Audited) R'000
Continuing operations					
Revenue		**831 266**	622 558	33.5	1 425 777
Cost of sales		**(772 574)**	(599 878)	28.8	(1 359 186)
Gross profit		**58 692**	22 680	158.8	66 591
Other operating income		**2**	4 764		6 795
Administration expenses		**(18 814)**	(15 616)		(38 438)
Distribution expenses		**(6 494)**	(6 368)		(2 532)
Operating expenses		**(18 857)**	(20 066)		(13 117)
Operating profit/(loss)		**14 529**	(14 606)	199.5	19 299
Finance income		**478**	316		828
Finance costs		**(11 211)**	(10 828)		(23 946)
Profit/(loss) before taxation		**3 796**	(25 118)	115.1	(3 819)
Taxation	8	**(2 601)**	5 188		(2 404)
Profit/(loss) for the period from continuing operations		**1 195**	(19 930)	106.0	(6 223)
Loss for the period from discontinuing operations	7	**(12 556)**	(10 511)		(51 127)
Loss for the period		**(11 361)**	(30 441)	62.7	(57 350)
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations of continuing operations		**516**	(6)		(135)
Exchange differences on translating foreign operations of discontinuing operations		**306**	–		(434)
Total items that may be reclassified to profit or loss net of taxation		**822**	(6)		(569)
Total comprehensive loss attributable to equity holders of the Group		**(10 539)**	(30 447)		(57 919)

^*Refer to note 16 on restatement*

Per share information

	Cents per share	Cents per share		Cents per share
Earnings/(loss) per share – basic and diluted – continuing operations	**0.7**	(12.8)		(4.0)
Loss per share – basic and diluted – discontinuing operations	**(7.3)**	(6.7)		(32.7)
Loss per share – basic and diluted	**(6.6)**	(19.5)	(66.2)	(36.7)

Summarised consolidated statement of changes in equity

	Notes	Six months ended 30 June 2018 (Unaudited) R'000	Six months ended 30 June 2017 (Unaudited) R'000	Year ended 31 December 2017 (Audited) R'000
Share capital				
Opening balance	5	**1 274**	1 274	1 274
Issue of ordinary shares during the six months through the exercise of option under the non-renounceable rights offer		**469**	–	–
Closing balance		**1 743**	1 274	1 274
Share premium				
Opening balance	5	**440 371**	440 371	440 371
Issue of ordinary shares during the six months – exercise of option under the non-renounceable rights offer		**19 228**	–	–
Closing balance		**459 599**	440 371	440 371
Foreign currency translation reserve				
Opening balance		**1 230**	1 799	1 799
Exchange differences on translation of foreign operation		**822**	(6)	(569)
Closing balance		**2 052**	1 793	1 230
Retained earnings				
Opening balance		**29 078**	86 428	86 428
Total comprehensive loss for the period		**(11 361)**	(30 441)	(57 350)
Closing balance		**17 717**	55 987	29 078

Summarised consolidated statement of cash flows

	Six months ended		Year ended
	30 June 2018 (Unaudited) R'000	30 June 2017 (Unaudited) R'000	31 December 2017 (Audited) R'000
Cash flows from operating activities			
Cash (utilised in)/generated from operations	**(123 100)**	24 375	146 931
Finance income	**534**	413	996
Finance costs	**(12 683)**	(12 400)	(26 988)
Net cash (utilised in)/from operating activities	**(135 249)**	12 388	120 939
Cash flow from investing activities			
Purchase of property, plant and equipment	**(5 207)**	(2 228)	(6 770)
Proceeds from sale of property, plant and equipment	**274**	379	383
Purchase of intangible assets	**(807)**	(996)	(1 040)
Net cash from investing activities	**(5 740)**	(2 845)	(7 427)
Cash flows from financing activities			
Shares issued	**19 697**	–	–
Proceeds from interest-bearing borrowings	**148 866**	676	10 699
Repayment of interest-bearing borrowings	**(25 507)**	(12 973)	(115 703)
Net cash from/(used in) financing activities	**143 056**	(12 297)	(105 004)
Total cash and cash equivalents movements for the period	**(2 069)**	(2 754)	8 508
Cash and cash equivalents at the beginning of the period	**30 275**	22 336	22 336
Effect of exchange rate movement on foreign entity balances	**822**	(6)	(569)
Total cash and cash equivalents at end of the period	**29 028**	19 576	30 275
Cash and cash equivalents from continuing operations	**14 481**	8 556	11 520
Cash and cash equivalents from discontinuing operations	**14 547**	11 020	18 755

Selected notes to the summarised consolidated interim financial information

1. General information

South Ocean Holdings ("SOH") 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. SOH is a public company listed on the JSE Limited ("JSE") and is incorporated and domiciled in the Republic of South Africa.

The unaudited summarised consolidated interim financial information was prepared by Mr JP Bekker CA(SA) and was approved for issue by the directors on 7 August 2018.

2. Basis of preparation

The summary consolidated interim Financial Statements of SOH have been prepared in accordance with the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act, 2008 of South Africa applicable to summary Financial Statements. The summary consolidated interim Financial Statements should be read with the audited Financial Statements for the year ended 31 December 2017. 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 summary Consolidated Financial Statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous summary Consolidated Financial Statements.

The directors take full responsibility for the preparation of the financial information.

3. Accounting policies

The accounting policies adopted in the preparation of the summary Consolidated Financial Statements are in terms of IFRS and are consistent with those applied in the audited Financial Statements for the year ended 31 December 2017, except where indicated. IFRS 9 and IFRS 15 are the new standards or amendments that were issued since the last Annual Report that are applicable to the Group and has not had a material impact on the reported results.

4. Property, plant and equipment and intangible assets

During the first six months, the Group invested R6.0 million (2017: R3.2 million) in capital expenditure mainly relating to the acquisition of plant and machinery at South Ocean Electric Wire Company Proprietary Limited ("SOEW") as well as the replacement of vehicles at SOEW and infrastructure improvements at Anchor Park Investments 48 Proprietary Limited ("Anchor Park"). An impairment charge of R8.4 million (2017: R10.3 million due to the value in use of the subsidiary being lower than the enterprise value) was raised against the tangible assets at Radiant Group Proprietary Limited ("Radiant") and the properties held for sale in Anchor Park to record the assets at net realisable value subsequent to it being reclassified to 'held for sale' (refer note 12). 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 2018		
Opening net carrying amount	293 035	–
Additions	5 208	807
Disposals	(668)	(534)
Depreciation and amortisation	(7 775)	–
Non-current assets reclassified to held for sale	(95 717)^	(273)
Closing net carrying amount	194 083	–
Six months ended 30 June 2017		
Opening net carrying amount	289 699	7 783
Additions	2 226	997
Disposals	(342)	–
Impairment	(10 326)	–
Depreciation and amortisation	(7 719)	(568)
Closing net carrying amount	273 538	8 212
Year ended 31 December 2017	(Audited)	(Audited)
Opening net carrying amount	289 699	7 783
Additions	6 770	1 040
Disposals	(341)	(1 339)
Impairments reversed	18 743	–
Depreciation and amortisation	(15 450)	–
Non-current assets reclassified to held for sale	(6 386)	(7 484)
Closing net carrying amount	293 035	–

^Amount reclassified to assets held for sale prior to R8.4 million write-down to net realisable value less cost to sell

5. Share capital and share premium

	Number of shares issued	Ordinary shares (R'000)	Share premium (R'000)	Total (R'000)
At 30 June 2018 (Unaudited)				
Opening balance	**156 378 794**	**1 274**	**440 371**	**441 645**
Issue of ordinary shares during the six months through the exercise of options issued under the non-renounceable rights offer	**46 898 000**	**469**	**19 228**	**19 679**
Closing balance	**203 276 794**	**1 743**	**459 599**	**461 342**
At 30 June 2017 (Unaudited)				
Opening and closing balance	156 378 794	1 274	440 371	441 645
At 31 December 2017 (Audited)				
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 ("Marcrovest"). 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

The current portion of the interest-bearing borrowings includes the bank overdraft balance of R209.4 million (2017: R177.4 million).

The details of the total interest-bearing borrowings balance are as follows:

	As at		As at
Secured loans	**30 June 2018 (Unaudited) R'000**	30 June 2017 (Unaudited) R'000	31 December 2017 (Audited) R'000
Non-current liabilities	**43 338**	47 920	50 294
Current liabilities	**197 016**	188 820	55 365
Total secured loans	**240 354**	236 740	105 659
The movement in borrowings is analysed as follows:			
Opening balance	**105 659**	249 037	249 037
Additional loans utilised	**135 533**	19 363	10 699
Finance costs	**11 336**	10 677	21 705
Repayments	**(25 507)**	(42 337)	(137 409)
Movement in non-current assets/(liabilities) held for sale	**13 333**	–	(38 373)
Closing balance	**240 354**	236 740	105 659

The Group's bankers, First National Bank Limited ("FNB") had renewed the bank overdraft facility of R254.0 million in May 2018 for a period of four months. Due to the negative financial performance of the Group, FNB had indicated that they will review the facilities every three months with the next review being at the end of August 2018 based on the June 2018 results.

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

Radiant Group has not been profitable for the past few years. The Board has taken a decision to find a suitable buyer for this Company together with the properties from which it operates. The Board has appointed a consultant to assist with this process. The expected time of the completion of the sale of this Company and the properties is by end of 2018. The assets and liabilities of the Company held for sale, as well as the properties, are set out below:

	30 June 2018 (Unaudited) R'000	30 June 2017 (Unaudited) R'000	31 December 2017 (Audited) R'000
Assets and liabilities			
Assets of disposal group			
Property	**88 000**	–	–
Inventories	**111 072**	–	136 227
Trade and other receivables	**39 902**	–	43 042
Cash and cash equivalents	**14 547**	–	18 755
Total assets	**253 521**	–	198 024
Liabilities of disposal group			
Interest-bearing borrowings	**25 040**	–	38 374
Derivative financial instrument	**–**	–	4 348
Accounts payable	**27 710**	–	34 758
Total liabilities	**52 750**	–	77 480

	30 June 2018 (Unaudited) R'000	30 June 2017 (Unaudited) R'000	31 December 2017 (Audited) R'000
Financial performance of discontinuing operation			
Revenue	**137 766**	142 355	303 017
Cost of sales	**(88 150)**	(101 606)	(229 666)
Gross profit	**49 616**	40 749	73 351
Other operating income	**1 379**	843	644
Operating expenses	**(52 461)**	(47 644)	(100 198)
Impairment of current and non-current assets	**(21 607)**	(10 326)	(8 295)
Operating loss	**(23 073)**	(16 378)	(34 498)
Finance income	**56**	97	167
Finance expenses	**(1 473)**	(1 572)	(3 042)
Loss before taxation	**(24 490)**	(17 853)	(37 373)
Taxation	**11 934**	7 342	(13 754)
Loss for the period	**(12 556)**	(10 511)	(51 127)
Cash flow information		–	
Net cash inflow from operating activities	**(10 849)**	15 104	40 566
Net cash outflow from investing activities	**(544)**	(1 057)	(1 139)
Net cash outflow from financial activities	**8 280**	9 473	(18 194)
Net increase in cash generated by subsidiaries	**(3 113)**	23 520	21 233

8. Taxation

Income tax expense is recognised 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 45.1% (2017: 29.2%). The high effective tax rate is due to deferred tax not provided on loss making subsidiaries.

9. Reconciliation of headline loss

	Six months ended		Year ended
	30 June 2018 (Unaudited) R'000	30 June 2017 (Unaudited) R'000	31 December 2017 (Audited) R'000
Loss attributable to the equity holders of the Group for the period	**(11 361)**	(30 441)	(57 350)
Profit on disposal of property, plant and equipment	**–**	(38)	(30)
Net impairment of property, plant and machinery	**–**	–	1 187
Net impairment loss of investment in assets held for sale	**10 217**	14 491	–
Headline loss for the period	**(1 144)**	(15 988)	(56 193)
Headline loss per share	**(0.7)**	(10.2)	(40.1)
Headline earnings/(loss) per share (cents) of continuing operations – basic and diluted	**0.7**	(12.8)	(2.1)
Headline (loss)/earnings per share (cents) of discontinuing operations – basic and diluted	**(1.4)**	2.6	(38.0)

10. Weighted average number of shares

	Six months ended		Year ended
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)	31 December 2017 (Audited)
Number of shares in issue	**203 276 794**	156 378 794	156 378 794
Weighted average number of shares in issue for basic and diluted earnings per share at the beginning of the period	**156 378 794**	156 378 794	156 378 794
Issue of ordinary shares during the six months			
Shares issued at 30 April 2018	**15 805 403**	–	–
Weighted average number of shares in issue for basic and diluted earnings per share at the end of the period.	**172 184 197**	156 378 794	156 378 794

There are no dilutionary instruments in issue and therefore the diluted weighted average number of shares are similar to that disclosed above.

11. Net asset value

	As at 30 June 2018 (Unaudited)	As at 30 June 2017 (Unaudited)	31 December 2017 (Audited)
Net asset value per share (cents)	**236.7**	319.4	301.8
Tangible net asset value per share (cents)	**236.7**	314.1	301.8

12. Impairment of assets in subsidiaries

To comply with IAS 36, the Group performed an impairment test of its assets in subsidiaries, as a result no impairment was recognised in the current period (2017: R14.5 million) in the Statement of Comprehensive Income for assets owned by Anchor Park.

A impairment of current and non-current assets of R21.6 million was recognised which relates to a reduction in the net realisable value of the assets held for sale.

13. Going concern

The summary consolidated 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 liabilities, contingent obligations and commitments will occur in the ordinary course of the business.

At 30 June 2018, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of 12 months. Various scenarios have been considered to test the Group's resilience against operational risks.

Management has concluded that the Group's ability to continue to meet its financial obligations as they fall due is dependent on the Group's ability to continue to improve its performance, and/or the Group's bankers, FNB, renewing the Group's working capital facilities (refer note 6) at the end of August 2018. Each of these matters present a material risk to the Group remaining as a going concern.

14. Interim dividend declaration

The Company's policy is to consider the declaration of a final dividend after its financial year-end and no interim dividend is declared.

15. 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 cable 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 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 2018 (Unaudited)				
Electrical cables manufacturing	**832 195**	**28 480**	**662 844**	**431 368**
Lighting and electrical accessories (discontinuing operations)	**139 243**	**(4 690)**	**168 883**	**50 226**
Property investments	**11 956**	**(8 039)**	**200 910**	**50 909**
	983 394	**15 751**	**1 032 637**	**532 503**
30 June 2017 (Unaudited)				
Electrical cables manufacturing	622 729	8 042	577 796	344 904
Lighting and electrical accessories	142 424	(10 196)	225 519	69 229
Property investments	11 425	9 467	170 108	53 696
	776 578	7 313	973 423	467 829
Year ended 31 December 2017 (Audited)				
Electrical cables 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

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 2018 (Unaudited) R'000	Six months ended 30 June 2017 (Unaudited) (Restated) R'000	Year ended 31 December 2017 (Audited) R'000
Revenue			
Reportable segment revenue	**983 394**	776 578	1 755 398
Inter-segment revenue (property rentals)	**(10 692)**	(10 692)	(20 784)
Inter-segment revenue – other	**(3 670)**	(973)	(5 820)
Discontinuing operations	**(137 766)**	(142 355)	(303 017)
Revenue per consolidated statement of comprehensive income	**831 266**	622 558	1 425 777
Loss before tax			
Adjusted EBITDA	**15 751**	7 313	12 866
Corporate and other overheads	**(15 609)**	(9 883)	(16 151)
Depreciation	**(7 775)**	(7 719)	(15 450)
Impairment of intangible assets – lighting and electrical accessories segment	**(378)**	–	(5 573)
Reversal of impairment of plant and machinery – electrical cable manufacturing segment	**–**	–	18 743
Amortisation of intangible assets – lighting and electrical accessories segment	**(534)**	(568)	(1 339)
Impairment of non-current assets – lighting and electrical accessories segment	**–**	–	(8 295)
Impairment of investment in subsidiaries	**–**	(20 127)	–
Discontinuing operations	**23 074**	16 378	34 498
Operating profit/(loss)	**14 529**	(14 606)	19 299
Finance income	**478**	316	828
Finance cost	**(11 211)**	(10 828)	(23 946)
Profit/(loss) before taxation	**3 796**	(25 118)	(3 819)
Taxation	**(2 601)**	5 188	(2 404)
Loss for the period from discontinuing operations	**(12 556)**	(10 511)	(51 127)
Loss for the period	**(11 361)**	(30 441)	(57 350)
Assets			
Reportable segment assets	**1 032 637**	973 423	875 256
Corporate and other assets	**12 717**	2 732	5 173
Deferred taxation	**9 783**	32 226	4 465
Total assets per statement of financial position	**1 055 137**	1 008 381	884 894
Liabilities			
Reportable segment liabilities	**532 503**	467 829	371 436
Corporate and other liabilities	**10 555**	8 192	7 643
Deferred taxation	**28 028**	32 879	33 862
Taxation payable	**2 939**	56	–
Total liabilities per statement of financial position	**574 026**	508 956	412 941

16. Restatement

Disposal Group held-for-sale disclosed as discontinuing operations on 30 June 2018.

The Board of SOH took the decision to dispose of its 100% interest in Radiant, together with the properties from which the business operates (together referred to as the "Disposal Group").

The effect of this decision is that the Disposal Group is accounted for as assets and liabilities held for sale.

In line with the requirements of IFRS 5 par. 38, the consolidated Statement of Comprehensive Income for the comparative period ended 30 June 2017 has been restated to account for Radiant and the properties from which it operates as a Disposal Group held for sale. In terms of IFRS 5 par. 40, the consolidated Statement of Financial Position for 30 June 2017 was not restated to reflect the held for sale classification.

Impact on consolidated Statement of Comprehensive Income

	Six months ended		
	30 June 2017 As previously reported R'000	30 June 2017 Restated ^ R'000	Increase/ (Decrease) 30 June 2017 R'000
Revenue	**764 913**	622 558	(142 355)
Cost of sales	**(701 485)**	(599 878)	101 607
Gross profit	**63 428**	22 680	(40 748)
Other operating income	**5 606**	4 764	(842)
Administration expenses	**(23 191)**	(15 616)	7 575
Distribution expenses	**(15 858)**	(6 368)	9 490
Operating expenses	**(60 969)**	(20 066)	40 903
Operating loss	**(30 984)**	(14 606)	16 378
Finance income	**413**	316	(97)
Finance costs	**(12 400)**	(10 828)	1 572
Loss before taxation	**(42 971)**	(25 118)	17 853
Taxation	**12 530**	5 188	7 342
Profit/(loss) for the period from continuing operations	**(30 441)**	(19 930)	10 511
Loss for the period from discontinuing operations	**–**	(10 511)	(10 511)
Loss for the period	**(30 441)**	(30 441)	–

^ Restatement in terms of IFRS 5

There has been no impact on previously reported earnings per share and attributable earnings to equity holders of the Company.

17. Related party information

There have been no transactions with related parties that are material to the interpretation of these results.

18. 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 SOH hereby announces its summary consolidated results for the six months ended 30 June 2018 ("the period").

SOH is an investment holding company, comprising four operating subsidiaries namely: SOEW, a manufacturer of low voltage electrical cables; Radiant, an importer and distributor of light fittings, lamps, electrical accessories, audio visual hardware and accessories; Anchor Park, a property holding company and Icembu Services Proprietary Limited, a light fittings assembly company.

Financial overview

Earnings

Group revenue for the period ended 30 June 2018 increased by 26.7% (2017: 15.2 %, decreased) to R969.0 million (2017: R764.9 million). The Group's gross profit increased by 70.8% (2017: 26.7%, decreased) to R108.3 million (2017: R63.4 million) and operating loss decreased by R22.4 million to a loss of R8.5 million (2017: R31.0 million) compared to the prior period.

Group loss before tax decreased by 51.8% (2017: 333.2%, decrease in profit before tax) to a loss of R20.7 million (2017: R43.0 million) compared to the prior period. Basic loss per share decreased by 66.2% (2017: 364.3%, decrease in earnings) to a loss of 6.6 cents (2017: 19.5 cents, loss) with headline loss per share decreasing by 93.1% (2017: 137.2%, decrease in headline earnings) to earnings of 0.7 cents (2017:10.2 cents, loss) compared to the prior period. Headline earnings for the period amounted to R1.1 million (2017: R16.0 million, loss).

Group's earnings were negatively impacted by its low B-BBEE rating. Management is working hard to improve this situation, which will enable the Group to do business in the Public Sector with a specific focus on State Owned Entities and Municipalities.

Cash flow and working capital management

Cash utilised in operations amounted to R126.8 million (2017: R12.4 million, generated) during the period. Working capital increased by R21.6 million (2017: R27 million, increased) primarily due to increases in accounts receivable. The trade receivables book continues to be well managed in an increasingly challenging credit environment. Working capital investment is currently at 47.2% (2017: 29.1%) of revenue.

The Group invested R6.0 million (2017: R3.2 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R25.5 million (2017: R42.3 million) to repay its interest-bearing borrowings.

The Group's net cash utilised during the period amounted to R1.6 million (2017: R2.8 million, cash utilised), decreasing the bank balance to R29.0 million (2017: R19.6 million) as at end of the financial period.

Segment results

Electrical cables manufacturing – SOEW

SOEW reported revenue of R832.2 million (2017: R622.7 million), which is an increase of 33.6% (2017: 16.3%, decrease in revenue) when compared to the same period in the prior year. The increase in SOEW's revenue is attributed mainly to an improvement in demand due to lower supply from competitors and a volatile Rand Copper Price (RCP) even though the market demand and economic conditions have not improved. Production levels increased in line with the increased demand by 6.2% in the first six months of the year. The Rand Copper Price (RCP) was volatile during the period, fluctuating between increases of 3.4% and decreases of 6.9%.

The increase in market demand for the first six months of the year has resulted in an increase in margins.

Lighting and electrical accessories – Radiant

Radiant reported revenue of R139.2 million (2017: R142.4 million), which is a decrease of 2.2% (2017: 13.0%, decrease in revenue) when compared to the same period in the prior year. Revenue was under severe pressure in the first half of 2018 due to low demand and tough trading conditions. This situation is expected to abate in the second half of the year.

Gross profit margins have improved during the period when compared to the same period in the prior period, due to better price negotiations.

Radiant has managed to curtail expenditure reflecting no increase in expenses when compared to the same period in the prior year.

Radiant is confident that the Company is well positioned for growth. It has seen an improvement in customer confidence and loyalty from the implementation of its turnaround strategy.

Property investments – Anchor Park

Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries.

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 macroeconomic environment in which the Group operates is not expected to improve during the next six months. With fundamental political and fiscal uncertainties remaining a key driver of economic reality, the group will be looking internally for opportunities to improve the profitability of the operating entities.

SOEW is expected to maintain its focus on productivity and efficiency improvements on its current turnover levels. Besides intervening on the cost of manufacturing electrical wire, the revised sales strategy through strengthening of the sales teams is starting to show some improvement. The in-bound supply chain has, however, been disrupted during July and August this year with one of its key suppliers announcing *force majeure,* on its ability to supply raw materials after fatalities at its mining operation. The impact of this event may cause disruptions in SOEW's ability to service its customers for as long as the supply chain disruption persists.

The Radiant transaction, as announced on SENS on 3 July 2018, is expected to be concluded by the end of the current financial year. The Group will be applying the cash inflows to reduce its short-term borrowings with its bankers, First National Bank. This transaction will initiate the needed correction to the Group's capital structure.

The Board will continue its journey towards having better black ownership, also recognising the importance of racial transformation required by the market in which the Group operates. The current BEE status of the Group is not reflective of its view on transformation and this process will be receiving heightened attention from the Board.

The drivers for growth are local economic growth, increasing the customer base, improving the BEE shareholding and improvement in efficiencies.

Management is confident that the above actions will return the Group to profitability.

Director changes

Ms MK Lehloenya resigned as Director and Chief Financial Officer on 31 January 2018. Mr B Petersen was appointed as Non-Executive Director on 11 June 2018.

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 SOH's independent auditors.

7 August 2018

On behalf of the Board

KH Pon CA(SA)
Chairman

JP Bekker CA(SA)
Chief Executive Officer and acting Chief Financial Officer

Directors: KH Pon# (Chairman), HL Li#° (Deputy Vice-Chairman), JP Bekker* (Chief Executive Officer and acting Chief Financial Officer), N Lalla#, B Petersen√, CY Wu√°, DJC Pan √@ (Alternate)
Company Secretary: WT Green

* Executive # Independent non-executive √ Non-executive
° Taiwanese @ Brazilian

Corporate Information

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Company Secretary: WT Green, 21 West Street, Houghton, 2198, PO Box 123738, Alrode, 1451

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Corporate information

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

Directors
KH Pon[#] *(Chairman)*
HL Li[√°] *(Deputy Vice-Chairman)*
JP Bekker* *(Chief Executive Officer)*
MK Lehloenya* *(Chief Financial Officer)*
N Lalla[#]
CY Wu[√°]
DJC Pan[√@A]
** Executive*
[#] Independent Non-executive
[√] Non-executive
° Taiwanese
[@] Brazilian
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