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

GROUP SUMMARY CONSOLIDATED INTERIM FINANCIAL RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

SALIENT FEATURES

Group revenue decreased by 19.8% to R777.4 million
Headline earnings per share improved by 3.8 cents to 3.1 cents
Earnings per share increased by 9.6 cents to 3.0 cents
Tangible net asset value per share increased by 2.5% to 242.7 cents per share

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 (Unaudited) R’000	30 June 2018 (Unaudited) R’000	31 December 2018 (Audited) R’000
Assets				
Non-current assets		**189 974**	203 866	191 650
Property, plant and equipment	4	**189 769**	194 083	191 650
Intangible assets	4	**-**	-	-
Deferred tax assets		**205**	9 783	-
Current assets		**607 801**	597 750	427 545
Inventories		**219 486**	175 726	181 003
Trade and other receivables		**375 121**	407 543	230 942
Cash and cash equivalents		**13 194**	14 481	15 600
Disposal group and assets held for sale	7	**86 521**	253 521	239 666
Total Assets		**884 296**	1 055 137	858 861
Equity and Liabilities				
Equity		**493 264**	481 111	488 820
Share capital and share premium	5	**461 343**	461 342	461 343
Reserves		**414**	2 052	2 063
Retained earnings		**31 507**	17 717	25 414
Liabilities				
Non-current liabilities		**56 184**	72 370	73 382
Interest-bearing borrowings	6	**32 029**	43 338	39 005
Deferred tax liabilities		**16 119**	28 028	25 971
Share-based payments		**8 036**	1 004	8 406
Current liabilities		**334 848**	448 906	240 057
Trade and other payables		**174 823**	248 951	171 209
Interest-bearing borrowings	6	**157 079**	197 016	66 490
Current taxation payable		**2 172**	2 939	1 468
Share-based payments		**774**	-	890
Disposal group and liabilities held for sale	7	**-**	52 750	56 602
Total liabilities		**391 032**	574 026	370 041
Total Equity and Liabilities		**884 296**	1 055 137	858 861

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2019 (Unaudited) R'000	30 June 2018 (Unaudited) R'000	% Change	Year ended 31 December 2018 (Audited) R'000
Continuing operations					
Revenue	**15**	**773 040**	831 266	(7.0)	1 727 792
Cost of sales		**(725 816)**	(772 574)	(6.1)	(1 584 314)
Gross profit		**47 224**	58 692	(19.5)	143 478
Other operating income		**4 590**	2		6 923
Administration expenses		**(19 293)**	(18 814)		(55 183)
Distribution expenses		**(7 366)**	(6 494)		(2 116)
Operating expenses		**(13 850)**	(18 857)		(32 114)
Operating profit		**11 305**	14 529	(22.2)	60 988
Finance income		**409**	478		902
Finance costs		**(6 323)**	(11 211)		(21 972)
Profit before taxation		**5 391**	3 796	42.0	39 918
Taxation	**8**	**(2 150)**	(2 601)		(14 250)
Profit for the period from continuing operations		**3 241**	1 195	171.2	25 668
Profit/(loss) for the period from discontinuing operations	**7**	**2 852**	(12 556)		(29 332)
Profit/(loss) for the period		**6 093**	(11 361)	153.6	(3 664)
Other comprehensive profit/(loss)					
Exchange differences on translating foreign operations of continuing operations		**14**	516		-
Exchange differences on translating foreign operations of discontinuing operations		**(1 663)**	306		833
Total items that may be reclassified to profit or loss net of taxation		**(1 649)**	822		833
Total comprehensive profit/(loss) attributable to equity holders of the Group		**4 444**	(10 539)		(2 831)

PER SHARE INFORMATION

	Cents per share	Cents per share		Cents per share
Earnings per share - basic and diluted – continuing operations	**1.6**	0.7		13.7
Earnings/(loss) per share – basic and diluted – discontinuing operations	**1.4**	(7.3)		(15.6)
Earnings/(loss) per share – basic and diluted	**3.0**	(6.6)	145.5	(1.9)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended 30 June 2019 (Unaudited) R'000	Six months ended 30 June 2018 (Unaudited) R'000	Year ended 31 December 2018 (Audited) R'000
Share capital				
Opening balance	**5**	**1 743**	1 274	1 274
Rights issue		**-**	469	469
Closing balance		**1 743**	1 743	1 743
Share premium				
Opening balance	**5**	**459 600**	440 371	440 371
Rights issue		**-**	19 228	19 229
Closing balance		**459 600**	459 599	459 600
Foreign currency translation reserve				
Opening balance		**2 063**	1 230	1 230
Exchange differences on translation of foreign operation		**(1 649)**	822	833
Closing balance		**414**	2 052	2 063
Retained earnings				
Opening balance		**25 414**	29 078	29 078
Total comprehensive profit/(loss) for the period		**6 093**	(11 361)	(3 664)
Closing balance		**31 507**	17 717	25 414

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2019 (Unaudited) R'000	30 June 2018 (Unaudited) R'000	31 December 2018 (Audited) R'000
Cash flows from operating activities			
Cash (utilised in) / generated from operations	**(65 343)**	(123 100)	46 490
Finance income	**409**	534	1 035
Finance costs	**(6 323)**	(12 683)	(24 551)
Taxation paid	**(4 244)**	-	(15 105)
Net cash (used in) / from operating activities	**(75 501)**	(135 249)	7 869
Cash flows from investing activities			
Purchase of property, plant and equipment	**(5 248)**	(5 207)	(9 385)
Proceeds from sale of property, plant and equipment	**288**	274	938
Proceeds on disposal of subsidiary	**96 844**	-	-
Purchase of intangible assets	**-**	(807)	-
Net cash from / (used in) investing activities	**91 884**	(5 740)	(8 447)
Cash flows from financing activities			
Proceeds from rights offer	**-**	19 697	19 698
Proceeds from interest-bearing borrowings	**93 748**	148 866	1 697
Repayment of interest-bearing borrowings	**(110 888)**	(25 507)	(14 462)
Net cash (used in) / from financing activities	**(17 140)**	143 056	6 933
Total cash and cash equivalents movements for the period	**(757)**	(2 069)	6 355
Cash and cash equivalents at the beginning of the period	**15 600**	30 275	11 520
Cash and cash equivalents from disposal group at the beginning of the period	**21 863**	-	18 755
Effect of exchange rate movement on foreign entity balances	**(1 649)**	822	833
Total cash and cash equivalents from disposal group	**(21 863)**	(14 547)	(21 863)
Total cash and cash equivalents at end of the period	**13 194**	14 481	15 600
Cash and cash equivalents from continuing operations	**13 194**	14 481	15 600
Cash and cash equivalents from discontinuing operations	**-**	14 547	21 863

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

South Ocean Holdings Limited ("SOH") and its subsidiary companies manufacture and distribute electrical cables 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 MK Zack and was approved for issue by the directors on 2 August 2019.

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 Annual Financial Statements for the year ended 31 December 2018. The JSE Listing 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, except as stated in note 3 below.

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

3. Accounting policies

The accounting policies applied in the preparation of the summary Consolidated Financial Statements are in terms of IFRS and are consistent with those applied in the audited Annual Financial Statements for the year ended 31 December 2018, except where indicated. IFRS 16 - Leases is the new standard or amendment that was issued since the last Annual Report that is 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 R5.2 million (2018: R6.0 million) in capital expenditure 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. An impairment reversal of R0.4 million (2018: R8.4 million charge) was realised against 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 2019		
Opening net carrying amount	**191 650**	**-**
Additions	**5 248**	**-**
Disposals	**(480)**	-
Depreciation	**(6 649)**	**-**
Closing net carrying amount	**189 769**	**-**
Six months ended 30 June 2018		
Opening net carrying amount	293 035	-
Additions	5 208	807
Disposals	(668)	-
Depreciation and amortisation	(7 775)	(534)
Non-current assets reclassified to held for sale	(95 717)	(273)
Closing net carrying amount	194 083	-

	Tangible assets (Audited) R'000	Intangible assets (Audited) R'000
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	-

5. Share capital and share premium

	Number of Shares issued	Ordinary shares (R'000)	Share premium (R'000)	Total (R'000)
At 30 June 2019 (Unaudited)				
Opening balance	**203 276 794**	**1 743**	**459 600**	**461 343**
Closing balance	**203 276 794**	**1 743**	**459 600**	**461 343**
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	19 229	19 697
Closing Balance	203 276 794	1 743	459 600	461 342
At 31 December 2018 (Audited)				
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	19 229	19 698
Closing Balance	203 276 794	1 743	459 600	461 343

6. Interest-bearing borrowings

The current portion of the interest-bearing borrowings includes the bank overdraft balance of R143.3 million (2018: R209.4 million). The details of the total interest-bearing borrowings balance are as follows:

Secured loans	As at **30 June 2019** **(Unaudited)** **R'000**	As at 30 June 2018 (Unaudited) R'000	As at 31 December 2018 (Audited) R'000
Non-current liabilities	**32 029**	43 338	39 005
Current liabilities	**157 079**	197 016	66 490
Total secured loans	**189 108**	240 354	105 495

	As at **30 June 2019** **(Unaudited)** **R'000**	As at 30 June 2018 (Unaudited) R'000	As at 31 December 2018 (Audited) R'000
The movement in borrowings is analysed as follows:			
Opening balance	**105 495**	105 659	105 659
Additional loans utilised	**87 663**	135 533	1 697
Finance costs	**6 085**	11 336	20 773
Repayments	**(10 135)**	(25 507)	(22 634)
Movement in non-current assets/(liabilities) held for sale	**-**	13 333	-
Closing balance	**189 108**	240 354	105 495

The Group's bankers, First National Bank Limited ("FNB"), have renewed the bank overdraft facility of R200.0 million (2018: R254.0 million) in April 2019. The facility will be reviewed annually.

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

Radiant Group was disposed on 1 January 2019. As part of the disposal, the properties from which Radiant operates and which are owned by Anchor Park were included for a net selling price of R86.0 million. The properties will be derecognised on date of transfer, which is expected to take place in the second half of 2019. The disposal group consists of 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:

	30 June 2019 (Unaudited) R'000	30 June 2018 (Unaudited) R'000	31 December 2018 (Audited) R'000
Assets and liabilities			
Assets of disposal group			
Property	**86 000**	88 000	86 000
Inventories	**-**	111 072	100 928
Trade and other receivables	**521**	39 902	30 853
Derivative financial instrument	**-**	-	22
Cash and cash equivalents	**-**	14 547	21 863
Total assets	**86 521**	253 521	239 666
Liabilities of disposal group			
Interest bearing borrowings	**-**	25 040	25 773
Trade and other payables	**-**	27 710	30 829
Total liabilities	**-**	52 750	56 602

	30 June 2019 (Unaudited) R'000	30 June 2018 (Unaudited) R'000	31 December 2018 (Audited) R'000
Financial performance of discontinuing operation			
Revenue	**4 380**	137 766	281 076
Cost of sales	**-**	(88 150)	(198 458)
Gross profit	**4 380**	49 616	82 618
Other operating income	**-**	1 379	6 421
Operating expenses	**(1 528)**	(52 461)	(103 224)
Impairment of non-current assets	**-**	(21 607)	(13 804)
Operating profit/(loss)	**2 852**	(23 073)	(27 989)
Finance income	**-**	56	133
Finance expenses	**-**	(1 473)	(2 579)
Profit/(loss) before taxation	**2 852**	(24 490)	(30 435)
Taxation	**-**	11 934	1 103
Profit/(loss) for the period	**2 852**	(12 556)	(29 332)
Cash flow information			
Net cash inflow/(outflow) from operating activities	**2 331**	(10 849)	4 295
Net cash inflow/(outflow) from investing activities	**-**	(544)	10 753
Net cash (outflow)/inflow from financing activities	**(2 331)**	8 280	(90)
Net increase/(decrease) in cash generated by disposal group	**-**	(3 113)	14 958

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 26.1% (2018: 45.1%). The effective tax rate is lower than the corporate tax rate due to deferred tax assets raised.

9. Reconciliation of headline earnings/(loss)

	Six months ended		Year ended
	30 June 2019 (Unaudited) R'000	30 June 2018 (Unaudited) R'000	31 December 2018 (Audited) R'000
Profit/(loss) attributable to the equity holders of the Group for the period	**6 093**	(11 361)	(3 664)
Loss on disposal of property, plant and equipment	**138**	-	440
Net impairment of property, plant and machinery	**-**	-	9 938
Net impairment loss of investment in assets held for sale	**-**	10 217	-
Headline earnings/(loss) for the period	**6 231**	(1 144)	6 714
Headline earnings/(loss) per share	**3.1**	(0.7)	3.6
Headline earnings per share (cents) of continuing operations - basic and diluted	**1.7**	0.7	17.6
Headline earnings/(loss) per share (cents) of discontinuing operations – basic and diluted	**1.4**	(1.4)	(14.0)

10. Weighted average number of shares

	Six months ended		Year ended
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	31 December 2018 (Audited)
Number of shares in issue	**203 276 794**	203 276 794	203 276 794
Weighted average number of shares in issue for basic and diluted earnings per share at the beginning of the period	**203 276 794**	156 378 794	156 378 794
Issue of ordinary shares during the six months. Shares issued at 30 April 2018	**-**	15 805 403	31 479 479
Weighted average number of shares in issue for basic and diluted earnings per share at the end of the period.	**203 276 794**	172 184 197	187 858 273

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 2019 (Unaudited)	**As at** 30 June 2018 (Unaudited)	As at 31 December 2018 (Audited)
Net asset value per share (cents)	**242.7**	236.7	240.5
Tangible net asset value per share (cents)	**242.7**	236.7	240.5

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 (2018: Rnil) in the Statement of Comprehensive Income.

No impairment of current and non-current assets was recognised (2018: R21.6 million) 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 2019, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of twelve 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). Each of these matters present a 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 manufacture 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.

Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. South Ocean Holdings Limited has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time) is adequate for its circumstances.

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 2019 (Unaudited)				
Electrical cables manufacturing	**772 517**	**18 976**	**693 382**	**320 059**
Property investments	**12 544**	**9 268**	**178 631**	**39 588**
	785 061	**28 244**	**872 013**	**359 647**
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
Year ended 31 December 2018 (Audited)				
Electrical cables manufacturing	1 728 365	85 878	517 806	230 127
Lighting and electrical accessories *(discontinuing 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

15. 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		Year ended
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited) (Restated)	31 December 2018 (Audited)
	R'000	R'000	R'000
Revenue			
Reportable segment revenue	**785 061**	983 394	2 042 243
Inter-segment revenue (property rentals)	**(7 641)**	(10 692)	(21 385)
Inter-segment revenue - other	**-**	(3 670)	(11 990)
Discontinuing operations	**(4 380)**	(137 766)	(281 076)
Revenue per consolidated statement of comprehensive income	**773 040**	831 266	1 727 792
Loss before tax			
Adjusted EBITDA	**28 244**	15 751	90 531
Corporate and other overheads	**(7 438)**	(15 609)	(25 590)
Depreciation	**(6 649)**	(7 775)	(15 524)
Impairment of intangible assets – lighting and electrical accessories segment	**-**	(378)	(2 015)
Impairment of non-current assets – property investments segment	**-**	-	(8 482)
Amortisation of intangible assets – lighting and electrical accessories segment	**-**	(534)	(218)
Impairment of non-current assets – lighting and electrical accessories segment	**-**	-	(5 450)
Impairment of loan to group company	**-**	-	(253)
Discontinuing operations	**(2 852)**	23 074	27 989
Operating profit/(loss)	**11 305**	14 529	60 988
Finance income	**409**	478	1 035
Finance cost	**(6 323)**	(11 211)	(24 551)
Discontinuing operations	**-**	-	2 446
Profit before taxation	**5 391**	3 796	39 918
Taxation	**(2 150)**	(2 601)	(14 250)
Profit/(loss) for the period from discontinuing operations	**2 852**	(12 556)	(29 332)
Profit/(loss) for the period	**6 093**	(11 361)	(3 664)
Assets			
Reportable segment assets	**872 013**	1 032 637	851 234
Corporate and other assets	**12 078**	12 717	7 627
Deferred taxation	**205**	9 783	-
Total assets per statement of financial position	**884 296**	1 055 137	858 861
Liabilities			
Reportable segment liabilities	**359 646**	532 503	330 759
Corporate and other liabilities	**13 095**	10 556	11 843
Deferred taxation	**16 119**	28 028	25 971
Taxation payable	**2 172**	2 939	1 468
Total liabilities per statement of financial position	**391 032**	574 026	370 041

16. Related party information

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

17. Subsequent events

The directors are not aware of any 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 2019 ("the period").

SOH is an investment holding company, comprising three subsidiaries, of which two are operating, namely SOEW, a manufacturer of low voltage electrical cables, and Anchor Park, a property holding company. The third subsidiary is Icembu Services Proprietary Limited, a light fittings assembly company which ceased operating on 1 January 2019 due to the Radiant disposal and which will be wound down.

Financial overview

SOH disposed of its subsidiary, Radiant Group, as well as the properties from which it operates which are owned by Anchor Park. Loss of control of Radiant Group was effective 1 January 2019 and the property transfer is expected to take place in the second half of 2019 (the discontinuing operations). When considering the Group's results for the period ended 30 June 2019 when compared to the same period for 2018, it must be noted that the current period does not include a contribution from Radiant Group whereas the comparative period's results does include the results from the now disposed subsidiary.

Earnings

Group revenue for the period ended 30 June 2019 decreased by 19.8% (2018: 26.7%, increased) to R777.4 million (2018: R969.4 million). The Group's gross profit decreased by 52.4% (2018: 70.8%, increased) to R51.6 million (2018: R108.3 million) and operating profit increased by R22.7 million to a profit of R14.2 million (2018: R8.5 million, loss) compared to the prior period.

Group earnings before tax increased by 139.8% (2018: 51.8%, decrease in loss before tax) to a profit of R8.2 million (2018: R20.7 million, loss) compared to the prior period. Basic earnings per share increased by 145.5% (2018: 66.2%, decrease in loss) to a profit of 3.0 cents (2018: 6.6 cents, loss) with headline earnings per share increasing by 514.3% (2018: 93.1%, decrease in headline loss) to earnings of 2.9 cents (2018: 0.7 cents, loss) compared to the prior period. Headline earnings for the period amounted to R5.9 million (2018: R1.1 million, headline 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.

When comparing the Group's earnings to the comparative period in 2018, excluding the contribution from Radiant Group and discontinuing operations, the key take-aways are as follows: Group revenue decreased by 7.0% to R773.0 million, gross profit decreased by 19.5% to R47.2 million, operating profit decreased by 22.2% to R11.3 million and Group earnings before tax increased by 42.1% to R5.4 million. The substantial improvement in earnings before tax relates to a reduction in operating expenses and finance costs compared to the prior period.

Cash flow and working capital management

Cash utilised in operations amounted to R65.3 million (2018: R123.1 million, utilised) during the period. Working capital increased by R85.9 million (2018: R21.6 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 56.4% (2018: 47.2%) of revenue.

The Group invested R5.2 million (2018: R6.0 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R10.1 million (2018: R25.5 million) to repay its interest-bearing borrowings.

The Group's net cash utilised during the period amounted to R0.8 million (2018: R1.6 million, cash utilised), decreasing the bank balance to R13.2 million (2018: R29.0 million) as at end of the financial period.

Segment results

Electrical cables manufacturing – SOEW

SOEW reported revenue of R772.5 million (2018: R832.2 million), which is a decrease of 7.2% (2018: 33.6%, increase in revenue) when compared to the same period in the prior year. The decrease in SOEW's revenue is attributed mainly due to a decrease in demand as a result of the decrease in the Rand Copper Price (RCP) and tough economic conditions. There is currently an oversupply of cable in the market which is expected to negatively impact results in the short term.

Property investments – Anchor Park

Anchor Park's revenue is mainly 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 macro-economic environment in which the Group operates is not expected to improve during the next six months. With fundamental political and fiscal uncertainties remaining key drivers of economic reality, the Group is exploring various opportunities to improve the profitability of the operating entities.

The Board will continue its journey towards improving B-BBEE, recognising the importance of transformation required by the market in which the Group operates. The current B-BBEE status of the Group is not reflective of its view on transformation and this process is receiving heightened attention from the Board.

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

Director changes
The following appointments were made on 28 June 2019: Chieh-Fu (Jeff) Chen was appointed as non-executive director; Melanie Chong and Jen-Hao (Kevin) Yeh were appointed as independent non-executive directors. Chi-Ying (Joe) Wu has relinquished his role as a director of the Company and was appointed Jeff Chen's alternate effective from 28 June 2019.

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.

2 August 2019

On behalf of the Board

KH Pon CA(SA)
Chairman

JP Bekker CA(SA)
Chief Executive Officer

Directors: KH Pon# (Chairman), HL Li#º (Deputy Vice-Chairman), JP Bekker* (Chief Executive Officer), MK Zack* (Chief Financial Officer), N Lalla#, B Petersen√, CF Chen√º, M Chong#, JH Yeh#, CY Wu√º (Alternate), DJC Pan √@ (Alternate)

Company Secretary: WT Green

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

Corporate Information

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