



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

**GROUP SUMMARISED CONSOLIDATED INTERIM FINANCIAL RESULTS ANNOUNCEMENT FOR THE SIX MONTHS
 ENDED 30 JUNE 2021**

SALIENT FEATURES

Group revenue improved by 67.3% to R1 105.7 million
 Headline earnings per share of 17.53 cents
 Earnings per share of 17.56 cents
 Tangible net asset value per share improved by 15.2% to 259.7 cents

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 (Unaudited) R'000	30 June 2020 (Unaudited) R'000	31 December 2020 (Audited) R'000
Assets				
Non-current assets		219 314	213 952	229 611
Property, plant and equipment	4	211 306	203 469	220 358
Right-of-use assets		7 503	10 483	8 703
Deferred tax asset		505	-	550
Current assets		716 246	489 164	464 737
Inventories		300 153	144 811	182 345
Trade and other receivables		391 526	326 897	255 622
Current tax receivable		11 915	3 767	6 025
Cash and cash equivalents		12 652	13 689	20 745
Disposal group held for sale	7	-	86 000	-
Total Assets		935 560	789 116	694 348
Equity and Liabilities				
Total equity		527 870	458 396	498 270
Share capital	5	461 343	461 343	461 343
Reserves		428	730	434
Retained earnings/(accumulated loss)		66 099	(3 677)	36 493
Liabilities				
Non-current liabilities		50 020	48 162	59 494
Interest bearing borrowings	6	21 075	20 762	27 290
Lease liabilities		5 225	9 271	6 872
Deferred tax liabilities		21 618	15 395	22 556
Share-based payment liabilities		2 102	2 734	2 776
Current liabilities		357 670	282 558	136 584
Trade and other payables	6	234 540	140 291	115 793
Interest-bearing borrowings		12 465	10 022	16 575
Lease liabilities		2 417	2 013	2 399
Current tax payable		619	-	619
Share-based payment liabilities		2 742	-	1 198
Bank overdraft		104 887	130 232	-
Total liabilities		407 690	330 720	196 078
Total Equity and Liabilities		935 560	789 116	694 348

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June 2021 (Unaudited) R'000	30 June 2020 (Unaudited) R'000	Change %	Year ended 31 December 2020 (Audited) R'000
	Notes				
Continuing operations					
Revenue	14	1 105 738	661 053	67	1 743 027
Cost of sales		(1 018 300)	(639 130)		(1 658 733)
Gross profit		87 438	21 923	299	84 294
Other operating income		5 157	952		3 881
Administration expenses		(24 249)	(21 290)		(24 859)
Distribution expenses		(716)	(6 385)		(2 093)
Operating expenses		(14 823)	(9 803)		(23 135)
Operating profit/(loss)		52 807	(14 603)	462	38 088
Finance income		88	261		349
Finance costs		(3 728)	(4 599)		(9 725)
Profit/(loss) before taxation		49 167	(18 941)	360	28 712
Taxation	8	(13 463)	4 943		(7 128)
Profit/(loss) for the period from continuing operations		35 704	(13 998)	355	21 584
Profit for the period from discontinuing operations	7	-	767		5 355
Profit/(loss) for the period		35 704	(13 231)	370	26 939
Other comprehensive profit/(loss)					
Exchange differences on translating foreign operations		(6)	320		24
Total items that may be reclassified to profit or loss net of taxation		(6)	320		24
Total comprehensive profit/(loss) attributable to equity holders of the Group		35 698	(12 911)		26 963

PER SHARE INFORMATION

	Cents per share	Cents per Share		Cents per share
Earnings/(loss) per share – basic and diluted	17.56	(6.5)	370	13.25
Dividend per share	-	-		3.00

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Six months ended 30 June 2021 (Unaudited) R'000	30 June 2020 (Unaudited) R'000	Year ended 31 December 2020 (Audited) R'000
	Notes			
Share capital				
Opening balance	5	1 743	1 743	1 743
Closing balance		1 743	1 743	1 743
Share premium				
Opening balance	5	459 600	459 600	459 600
Closing balance		459 600	459 600	459 600
Foreign currency translation reserve				
Opening balance		434	410	410
Exchange differences on translation of foreign operation		(6)	320	24
Closing balance		428	730	434
Retained earnings/(accumulated loss)				
Opening balance		36 493	9 554	9 554
Total comprehensive profit/(loss) for the period		35 704	(13 231)	26 939
Dividends		(6 098)	-	-
Closing balance		66 099	(3 677)	36 493

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2021 (Unaudited) R'000	30 June 2020 (Unaudited) R'000	Year ended 31 December 2020 (Audited) R'000
Cash flows from operating activities			
Cash (utilised in) / generated from operations	(83 109)	(74 905)	1 898
Finance income	88	261	349
Finance costs	(3 728)	(4 599)	(9 725)
Taxation paid	(6 380)	(991)	(7 476)
Net cash used in operating activities	(93 129)	(80 234)	(14 954)
Cash flows (used in)/generated from investing activities			
Purchase of property, plant and equipment	(2 008)	(6 733)	(33 349)
Proceeds from sale of property, plant and equipment	215	-	86 120
Net cash (used in)/ generated from investing activities	(1 793)	(6 733)	52 771
Cash flows (used in)/generated from financing activities			
Repayment of interest bearing borrowings	(10 325)	(9 631)	(14 588)
Proceeds from interest bearing borrowings	-	-	18 038
Repayment of lease liabilities	(1 629)	(1 503)	(1 784)
Dividends paid	(6 098)	-	-
Net cash (used in)/generated from financing activities	(18 052)	(11 134)	1 666
Total cash and cash equivalents movements for the period	(112 974)	(98 101)	39 483
Cash and cash equivalents at the beginning of the period	20 745	(18 762)	(18 762)
Effect of exchange rate movement on foreign entity balances	(6)	320	24
Total cash and cash equivalents at end of the period	(92 235)	(116 543)	20 745

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

South Ocean Holdings Limited and its subsidiaries ("SOH" or "Company" or "the Group") and its subsidiaries manufacture and distribute electrical cables and holds property investments in a property investment company. 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 WP Basson and was approved for issue by the directors on 4 August 2021.

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 2020. 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 preparation of the audited Annual Financial Statements for the year ended 31 December 2020, except where indicated.

4. Property, plant and equipment

As a result of the general economic decline in recent years, an impairment test was performed on the carrying of assets held by the Group. Assets were allocated to the cash-generating unit ("CGU"). As a result of the impairment test performed on South Ocean Electric Wire Company Proprietary Limited ("SOEW") CGU, no impairment was recognised in 2021 (2020: Rnil).

During the first six months, the Group invested R2 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. The details of the changes in tangible assets are as follows:

	30 June 2021 (Unaudited) R'000	30 June 2020 (Unaudited) R'000	31 December 2020 (Audited) R'000
Opening net carrying amount	220 358	204 839	204 839
Additions	2 008	6 733	33 349
Disposals	(132)	-	(316)
Depreciation	(10 928)	(8 103)	(17 514)
Closing net carrying amount	211 306	203 469	220 358

5. Share capital and share premium

	Number of Shares issued	Ordinary shares (R'000)	Share premium (R'000)	Total (R'000)
At 30 June 2021 (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 2020 (Unaudited)				
Opening balance	203 276 794	1 743	459 600	461 343
Closing Balance	203 276 794	1 743	459 600	461 343
At 31 December 2020 (Audited)				
Opening balance	203 276 794	1 743	459 600	461 343
Closing Balance	203 276 794	1 743	459 600	461 343

6. Interest bearing borrowings

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

	As at 30 June 2021 (Unaudited) R'000	As at 30 June 2020 (Unaudited) R'000	As at 31 December 2020 (Audited) R'000
Secured loans			
Non-current liabilities	21 075	20 762	27 290
Current liabilities	12 465	10 022	16 575
Total secured loans	33 540	30 784	43 865

	As at 30 June 2021 (Unaudited) R'000	As at 30 June 2020 (Unaudited) R'000	As at 31 December 2020 (Audited) R'000
The movement in borrowings is analysed as follows:			
Opening balance	43 865	40 415	40 415
Additional loans raised	-	-	18 038
Finance costs	1 299	1 515	2 976
Repayments	(11 624)	(11 146)	(17 564)
Closing balance	33 540	30 784	43 865

The Group's bankers, First National Bank Limited ("FNB"), is in the process of renewing the bank overdraft facility of R250.0 million (2020: R200.0 million). The facility is reviewed annually.

7. Disposal group held for sale

Radiant Group was disposed on 1 January 2019. As part of the disposal, the properties from which Radiant Group operates and which are owned by Anchor Park Investments 48 Proprietary Limited ("Anchor Park") were included for a net selling price of R86.0 million. The properties were derecognised on date of transfer and transferred during the months of August and September 2020. The disposal group consisted of the properties from which Radiant Group operates and which were owned by Anchor Park.

These are classified as held for sale in terms of IFRS 5 and are set out below:

	30 June 2021	30 June 2020	31 December 2020
	(Unaudited)	(Unaudited)	(Audited)
	R'000	R'000	R'000
Assets			
Assets of disposal group			
Property	-	86 000	-
Total assets	-	86 000	-
Financial performance of discontinuing operations			
Revenue	-	4 380	5 769
Operating expenses	-	(3 613)	(414)
Profit for the period	-	767	5 355
Cash flow information			
Net cash inflow from operating activities	-	-	5 355
Net cash inflow from financing activities	-	-	86 000
Net increase in cash generated by disposal group	-	-	91 355

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 27.4% (2020: 26.1%). 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 30 June 2021 (Unaudited) R'000	30 June 2020 (Unaudited) R'000	Year ended 31 December 2020 (Audited) R'000
Profit/(loss) attributable to the equity holders of the Group for the period	35 704	(13 231)	26 939
Adjustment for:			
(Profit)/Loss on disposal of property, plant and equipment	(83)	-	196
Tax effect on adjustments	23	-	(55)
Headline earnings/(loss) for the period	35 644	(13 231)	27 080
Headline earnings/(loss) per share	17.53	(6.5)	13.32

10. Weighted average number of shares

	Six months ended 30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	Year ended 31 December 2020 (Audited)
Number of shares in issue	203 276 794	203 276 794	203 276 794
Weighted average number of shares in issue at the beginning of the period	203 276 794	203 276 794	203 276 794
Weighted average number of shares in issue at the end of the period.	203 276 794	203 276 794	203 276 794

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 2021 (Unaudited)	As at 30 June 2020 (Unaudited)	As at 31 December 2020 (Audited)
Net asset value per share (cents)	259.7	225.5	245.1
Tangible net asset value per share (cents)	259.7	225.5	245.1

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 (2020: Rnil) in the Statement of Comprehensive Income.

No impairment of current and non-current assets was recognised (2020: Rnil) which relates to a reduction in the net realisable value of the assets held for sale.

13. 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.

14. 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, is evaluated from the market and product performance perspective.

The segment information has been prepared in accordance with IFRS 8 – "Operating Segments", which defines the requirements for the disclosure of financial information of an entity's segments.

The Standard requires segmentation on the Group's internal organisation and reporting of revenue and adjusted EBITDA based upon internal accounting presentation.

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

Six months ended	Revenue R'000	Adjusted EBITDA R'000	Segment Assets R'000	Segment liabilities R'000
30 June 2021 (Unaudited)				
Electrical cables manufacturing	1 105 510	57 187	889 457	433 474
Property investments	10 661	8 818	114 707	27 655
	1 116 171	66 005	1 004 164	461 129
30 June 2020 (Unaudited)				
Electrical cables manufacturing	660 765	1 993	648 674	340 936
Property investments	12 993	8 248	200 017	36 711
	673 758	10 241	848 691	377 647
Year ended				
31 December 2020 (Audited)				
Electrical cables manufacturing	1 742 563	75 536	662 684	224 960
Property investments	23 420	18 640	113 815	30 516
	1 765 983	94 176	776 499	255 476

Segment reporting (continued)

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 2021	30 June 2020	31 December 2020
	(Unaudited)	(Unaudited)	(Audited)
	R'000	R'000	R'000
Revenue			
Reportable segment revenue	1 116 171	673 758	1 765 983
Inter-segment revenue (property rentals)	(10 433)	(8 325)	(17 187)
Discontinuing operations	-	(4 380)	(5 769)
Revenue per consolidated statement of comprehensive income	1 105 738	661 053	1 743 027
EBITDA			
Adjusted EBITDA	66 005	10 241	94 176
Corporate and other overheads	(5 580)	(15 974)	(4 952)
Depreciation	(10 928)	(8 103)	(19 584)
Inter-segment expenses	(7 168)	-	(26 197)
Discontinuing operations	-	(767)	(5 355)
Operating profit/(loss) per consolidated statement of comprehensive income	42 329	(14 603)	38 088
Finance income	88	261	349
Finance costs	(3 728)	(4 599)	(9 725)
Profit/(loss) before taxation per consolidated statement of comprehensive income	38 689	(18 941)	28 712
Assets			
Reportable segment assets	1004 164	848 691	776 499
Corporate and other assets	14 583	15 272	14 405
Current tax receivable	11 915	3 767	6 025
Deferred tax	505	-	550
Inter-segment right-of-use asset	(95 607)	(78 614)	(103 131)
Total assets per statement of financial position	935 560	789 116	694 348
Liabilities			
Reportable segment liabilities	461 129	377 647	255 476
Corporate and other liabilities	18 739	21 931	17 129
Deferred tax	22 618	15 395	22 556
Taxation payable	619	-	619
Inter-segment lease liability	(95 415)	(84 253)	(99 702)
Total liabilities per statement of financial position	407 690	330 720	196 078

15. Related party information

There have been no transactions with related parties during the period ended 30 June 2021, save for various intercompany transactions in the ordinary course of business.

16. Subsequent events

The directors are not aware of any other matters of significant events arising since the end of the reporting period, which would materially affect the operations of the Company and Group or its operating segments not dealt with in the financial results.

17. 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 2021, 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 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 to remain a going concern.

The directors perform a property valuation every three years with the previous valuation having been performed at the end of 2020. The market valuation of the properties was in excess of the carrying value by R42.1 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 SOH hereby announces its summary consolidated results for the six months ended 30 June 2021 ("the period").

SOH is an investment holding company, comprising of two operational subsidiaries, namely SOEW, a manufacturer of low voltage electrical cables, and Anchor Park, a property holding company.

Financial overview

Earnings

Group revenue for the period ended 30 June 2021 increased by 67.3% (2020: 14.5% decrease) to R1 105.7 million (2020: R661.1 million). The Group's gross profit increased by 298.8% (2020: 53.6% decrease) to R87.4 million (2020: R21.9 million) and operating profit increased by R67.4 million (2020: R25.9 million) to a profit of R53.8 million (2020: R14.6 million, loss) compared to the prior period.

Group profit before tax increased by 360.3% (2020: 451.3%, decrease in earnings before tax) to a profit of R49.2 million (2020: R18.9 million, loss) compared to the prior period. Basic earnings per share increased by 370.1% (2020: 316.7%, decrease in earnings) to a profit of 17.56 cents (2020: 6.5 cents, loss) with headline earnings per share increasing by 369.7% (2020: 309.7%, increase in headline loss) to a profit of 17.53 cents (2020: 6.5 cents, loss) compared to the prior period. Headline earnings for the period amounted to R35.6 million (2020: R13.2 million, headline loss).

Cash flow and working capital management

Cash utilised in operations amounted to R83.1 million (2020: R74.9 million) during the period. Working capital increased by R125.7 million (2020: R157.4 million, increase) primarily due to the increase in stock and trade receivables. The stock and trade receivables continue to be well managed in an increasingly challenging credit environment. Working capital investment is currently at 41.3% (2020: 49.8%) of revenue.

The Group invested R2.0 million (2020: R6.7 million) in capital expenditure which was mainly financed by cash and cash equivalents during this period and utilised R11.6 million (2020: R11.1 million) to repay its interest-bearing borrowings.

The Group's net cash utilised during the period amounted to R112.9 million (2020: R98.1 million), improving the bank balance to a negative R92.2 million (2020: R116.5 million) as at end of the reporting period.

Segment results

Electrical cables manufacturing – SOEW

SOEW reported revenue of R1 105.5 million (2020: R660.8 million), which is an increase of 67.3% (2020: 14.5% decrease) when compared to the same period in the prior year. The increase in SOEW's revenue is attributed mainly due to an increase in demand as a result of the economic conditions.

Property investments – Anchor Park

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

COVID-19 Pandemic

Whilst it is difficult to predict the impact of the COVID-19 virus on our people and our business we are focusing our daily co-ordination efforts at executive level. From the onset of the COVID-19 pandemic, the Group implemented a range of measures across its operations to manage its impact on the business effectively, while prioritising the health and wellbeing of employees and stakeholders.

The impact of the government's lockdown restrictions on the Group's operations has been challenging, and with the full effects of the crisis on the Group being uncertain, trading conditions have improved as the economy progressively improves in line with the government's risk-adjusted strategy.

The Group is adhering to the best practice measures published by both the World Health Organisation and the National Institute for Communicable Diseases. We believe that curbing the spread of the virus is a collective responsibility and, as a committed corporate citizen, the Group will actively play its part in doing so.

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 soon. With fundamental political and fiscal uncertainties, and the outbreak of the COVID-19 pandemic, remaining key drivers of economic reality. The Group is therefore focussing on customer service, on reducing costs and using technology to drive growth, productivity and greater efficiencies in a more sustainable manner, which will 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

Andre Smith was appointed as Chief Executive Officer with effect from 1 March 2021. Johannes van Rensburg was appointed as a non-executive director with effect from 10 March 2021. Barend Petersen became the alternate to Johannes van Rensburg on the same date and resigned as alternate director on 12 July 2021.

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.

On behalf of the Board

KH Pon CA(SA)
Chairperson

A Smith
Chief Executive Officer

4 August 2021

Directors: KH Pon[#] (Chairperson), HL Li^{#0} (Deputy Vice-Chairperson), A Smith* (Chief Executive Officer), WP Basson* (Chief Financial Officer), N Lalla[#], J van Rensburg[√], CF Chen^{√0}, M Chong[#], JH Yeh[#], DJC Pan^{√@} (Alternate), J Liu^{√0} (Alternate)

Company Secretary: WT Green

* Executive

Independent Non-executive

√ Non-executive

0 Taiwanese @ Brazilian

Corporate Information

Registered Office: 12 Botha Street, Alrode 1451, P.O. Box 123738, Alrode, 1451, Telephone: +27(11) 864 1606, Telefax: +27(86) 628 9523, Website: www.southoceanholdings.co.za

Company Secretary: WT Green, 21 West Street, Houghton, 2198, P.O. Box 123738, Alrode, 1451

Sponsor: AcaciaCap Advisors Proprietary Limited (Registration No: 2006/033725/07), 20 Stirrup Lane, Woodmead Office Park, Woodmead, 2191 (Suite #439, Private Bag X29, Gallo Manor, 2052)

Share Transfer Secretary: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Bierman Avenue, Rosebank, Johannesburg, 2196, P.O. 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, Jukskei View, Johannesburg, 2090. Telephone: +27(12) 797 4000 Telefax +27(12) 797 5800, Website: www.pwc.co.za