



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

UNAUDITED GROUP SUMMARISED CONSOLIDATED INTERIM FINANCIAL RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

SALIENT FEATURES

Revenue increased by 26.4% to R1 238.4 million
 Earnings per share of 23.90 cents
 Headline earnings per share of 23.90 cents
 Tangible net asset value per share improved by 8.5% to 310.2 cents

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 (Unaudited) R'000	30 June 2022 (Unaudited) R'000	31 December 2022 (Audited) R'000
Assets				
Non-current assets				
Property, plant and equipment	4	247 912	203 440	244 202
Right-of-use assets	5	86 675	6 271	4 895
Deferred tax asset		5 218	583	1 210
Investments accounted for using the equity method		1 787	-	-
Current assets				
Inventories		437 380	249 476	295 352
Trade and other receivables		417 573	418 458	203 949
Current tax receivable		-	8 067	-
Loans to associates		11 832	-	1 933
Cash and cash equivalents		12 353	18 416	133 932
Total Assets		1 220 730	904 711	885 473
Equity and Liabilities				
Total equity				
Share capital	6	461 343	461 343	461 343
Reserves		620	467	461
Retained earnings		168 525	119 376	133 593
Non-controlling interest		-	-	(1 464)
Liabilities				
Non-current liabilities				
Interest bearing borrowings	7	20 545	35 312	24 038
Right-of -use liabilities		76 103	2 228	2 702
Deferred tax liability		23 271	26 008	19 995
Share-based payment liabilities		5 980	5 589	4 111
Current liabilities				
Trade and other payables		293 656	205 630	212 445
Interest-bearing borrowings	7	10 586	14 122	14 618
Right-of -use liabilities		13 716	1 273	2 872
Current tax payable		5 625	1 014	5 625
Share-based payment liabilities		5 765	625	5 134
Bank overdraft		134 995	31 724	-
Total liabilities		590 242	323 525	291 540
Total Equity and Liabilities		1 220 730	904 711	885 473

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended			Year ended
		30 June 2023 (Unaudited) R'000	30 June 2022 (Unaudited) R'000	Change %	31 December 2022 (Audited) R'000
Revenue	15	1 238 392	979 511	26.4	1 873 155
Cost of sales		(1 134 152)	(897 957)	-	(1 740 485)
Gross profit		104 240	81 554	27.8	132 670
Other operating income		8 666	9 018	-	22 234
Administration expenses		(22 678)	(24 200)	-	(46 951)
Distribution expenses		(1 393)	(941)	-	(2 814)
Operating expenses		(22 662)	(18 098)	-	(43 470)
Movement in credit loss allowance		(908)	(900)	-	(809)
Operating profit		65 265	46 433	40.6	60 860
Finance income		2 221	442	-	1 449
Finance costs		(3 295)	(2 003)	-	(4 122)
Finance cost net		(1 074)	(1 561)	-	(2 673)
Share of net profits in equity accounted investments		1 787	-	-	-
Profit before taxation		65 978	44 872	47.0	58 187
Taxation	8	(17 385)	(12 564)	-	(13 223)
Profit for the period		48 593	32 308	50.4	44 964
Other comprehensive income for the period net of taxation		159	16	-	10
Total comprehensive income for the period		48 752	32 324	-	44 974
Profit and total comprehensive profit attributable to:					
Equity holders of the parent		48 752	32 324	-	46 438
Non-controlling interest		-	-	-	(1 464)

PER SHARE INFORMATION

	Cents per Share	Cents per Share	Change %	Cents per Share
Earnings per share – basic and diluted	23.90	15.89	50.4	22.12
Dividend per share	-	-	-	6.00

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Six months ended		Year ended
		30 June 2023	30 June 2022	31 December 2022
		(Unaudited)	(Unaudited)	(Audited)
	Notes	R'000	R'000	R'000
Share capital				
Opening balance	6	1 743	1 743	1 743
Closing balance		1 743	1 743	1 743
Share premium				
Opening balance	6	459 600	459 600	459 600
Closing balance		459 600	459 600	459 600
Foreign currency translation reserve				
Opening balance		461	451	451
Other comprehensive income		159	16	10
Closing balance		620	467	461
Retained earnings				
Opening balance		133 593	105 460	105 460
Total comprehensive profit for the period		48 593	32 308	46 428
Dividends		(12 197)	(18 392)	(18 295)
Transactions with non-controlling interests		(1 464)	-	-
Closing balance		168 525	119 376	133 593
Non-controlling interest				
Opening balance		(1 464)	-	-
Transactions with non-controlling interests		1 464	-	(1 464)
Closing balance		-	-	(1 464)

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June 2023	30 June 2022	31 December 2022
	(Unaudited)	(Unaudited)	(Audited)
	R'000	R'000	R'000
Cash flows (used in) / generated from operating activities			
Cash (utilised in) / generated from operations	(182 987)	(104 487)	104 950
Finance income	2 221	442	1 449
Finance costs	(3 295)	(2 003)	(4 122)
Taxation paid	(17 605)	(14 557)	(16 402)
Net cash (used in) / generated from operating activities	(201 666)	(120 605)	85 875
Cash flows (used in) / generated from investing activities			
Purchase of property, plant and equipment	(16 351)	(13 905)	(67 029)
Proceeds from sale of property, plant and equipment	-	530	6 204
Net cash used in investing activities	(16 351)	(13 375)	(60 825)
Cash flows (used in) / generated from financing activities			
Repayment of interest-bearing borrowings	(7 525)	(3 859)	(8 686)
Proceeds from interest-bearing borrowings	-	5 950	-
Repayment of lease liabilities	(9 095)	(3 017)	(2 188)
Dividends paid	(12 197)	(18 392)	(18 295)
Loan to associates	(9 899)	-	(1 933)
Net cash used in financing activities	(38 716)	(19 318)	(31 102)
Total cash and cash equivalents movements for the period			
	(256 733)	(153 298)	(6 052)
Cash and cash equivalents at the beginning of the period	133 932	139 974	139 974
Effect of exchange rate movement on cash balances	159	16	10
Total cash and cash equivalents at end of the period	(122 642)	(13 308)	133 932

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

South Ocean Holdings and its subsidiaries ("SOH" or "Company" or "the Group") 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, the Company's Chief Financial Officer, and was approved for issue by the directors on 2 August 2023.

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 71 of 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 2022. 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 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 2022.

4. Property, plant and equipment

Due to the general economic decline in recent years, an impairment test was performed on the carrying value 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 2023 (2022: Rnil).

During the first six months, the Group invested R16.4 million in capital expenditure relating to the acquisition of plant and machinery at SOEW as well as an alternative energy solution. The details of the changes in tangible assets are as follows:

	30 June 2023 (Unaudited) R'000	30 June 2022 (Unaudited) R'000	31 December 2022 (Audited) R'000
Opening net carrying amount	244 202	200 645	200 645
Additions	16 351	13 905	67 025
Disposals	-	(268)	(5 766)
Depreciation	(12 641)	(10 842)	(17 702)
Closing net carrying amount	247 912	203 440	244 202

5. Right-of-use assets

The Group leases several assets consisting of motor vehicles. The average lease term is 5 years and the interest rate ranges from 7.5% - 11.5%. There is an option to extend or to terminate the contracts. The contracts have no residual values, guarantees or restrictions.

In 2023 the Group entered into a property lease agreement. The lease term is 6 years with an annual escalation clause of 6%. There is an option to extend or to terminate this contract.

The carrying amount of Right-of-use assets are as follows.

	30 June 2023 (Unaudited) R'000	30 June 2022 (Unaudited) R'000	31 December 2022 (Audited) R'000
Opening net carrying amount	4 895	6 304	6 304
Additions	90 722	1 245	1 245
Depreciation	(8 942)	(1 278)	(2 654)
Closing net carrying amount	86 675	6 271	4 895

6. Share capital and share premium

	Number of Shares issued	Ordinary shares R'000	Share premium R'000	Total R'000
At 30 June 2023 (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 2022 (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 2022 (Audited)				
Opening balance	203 276 794	1 743	459 600	461 343
Closing Balance	203 276 794	1 743	459 600	461 343

7. Interest-bearing borrowings

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

	As at 30 June 2023 (Unaudited) R'000	As at 30 June 2022 (Unaudited) R'000	As at 31 December 2022 (Audited) R'000
Secured loans			
Non-current liabilities	20 545	35 312	24 038
Current liabilities	10 586	14 122	14 618
Total secured loans	31 131	49 434	38 656

	As at 30 June 2023 (Unaudited) R'000	As at 30 June 2022 (Unaudited) R'000	As at 31 December 2022 (Audited) R'000
The movement in borrowings is analysed as follows:			
Opening balance	38 656	47 343	47 343
Additional loans raised	-	5 950	-
Finance costs	1 411	1 565	2 734
Repayments	(8 936)	(5 424)	(11 421)
Closing balance	31 131	49 434	38 656

The Group's banker, First National Bank Limited ("FNB"), is in the process of renewing the bank overdraft facility of R250.0 million (2022: R229.0 million). The facility is reviewed annually.

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 26.3% (2022: 28.0%). The effective tax rate is lower than the corporate tax rate due to deferred tax assets raised.

9. Reconciliation of headline earnings

	Six months ended 30 June 2023 (Unaudited) R'000	30 June 2022 (Unaudited) R'000	Year ended 31 December 2022 (Audited) R'000
Profit attributable to the equity holders of the Group for the period	48 593	32 308	44 964
Adjustment for:			
Profit on disposal of property, plant and equipment	-	(262)	(438)
Tax effect on adjustments	-	73	123
Headline earnings for the period	48 593	32 119	44 649
Headline earnings per share	23.90	15.80	21.96

10. Weighted average number of shares

	Six months ended 30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	Year ended 31 December 2022 (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 2023 (Unaudited)	As at 30 June 2022 (Unaudited)	As at 31 December 2022 (Audited)
Net asset value per share (cents)	310.2	285.9	292.2
Tangible net asset value per share (cents)	310.2	285.9	292.2

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 (2022: Rnil) in the Statement of Comprehensive Income.

No impairment of current and non-current assets was recognised (2022: 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 and related products 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 2023 (Unaudited)				
Electrical cables manufacturing	1 469 915	82 335	1 148 401	578 917
Property investments	10 652	8 593	131 709	32 603
	1 480 567	90 928	1 280 110	611 520
30 June 2022 (Unaudited)				
Electrical cables manufacturing	979 164	58 363	826 048	323 460
Property investments	10 672	8 629	133 437	34 144
	989 836	66 992	959 485	357 604
Year ended				
31 December 2022 (Audited)				
Electrical cables manufacturing	1 911 039	84 712	819 869	296 158
Property investments	21 344	18 067	137 135	30 554
	1 932 383	102 779	957 004	326 712

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 2023 (Unaudited) R'000	30 June 2022 (Unaudited) R'000	31 December 2022 (Audited) R'000
Revenue			
Reportable segment revenue	1 480 567	989 836	1 932 383
Inter-segment revenue	(242 175)	(10 325)	(59 228)
Revenue per consolidated statement of comprehensive income	1 238 392	979 511	1 873 155
EBITDA			
Adjusted EBITDA	90 928	66 992	102 779
Corporate and other overheads	(6 302)	(4 062)	(10 454)
Depreciation	(12 641)	(10 842)	(17 675)
Inter-segment expenses	(6 720)	(5 655)	(13 790)
Operating profit per consolidated statement of comprehensive income	65 265	46 433	60 860
Finance income	2 221	442	1 449
Finance costs	(3 295)	(2 003)	(4 122)
Share of net profits of associates accounted for using the equity method	1 787	-	-
Profit before taxation per consolidated statement of comprehensive income	65 978	44 872	58 187

Assets			
Reportable segment assets	1 280 110	959 485	957 004
Corporate and other assets	5 474	12 440	4 672
Current tax receivable	-	8 067	-
Deferred tax asset	5 218	583	1 210
Inter-segment right-of-use asset	(70 072)	(75 864)	(77 413)
Total assets per statement of financial position	1 220 730	904 711	885 473

Liabilities			
Reportable segment liabilities	611 520	357 604	326 712
Corporate and other liabilities	12 130	14 574	10 564
Deferred tax liability	23 271	26 008	19 995
Taxation payable	5 625	1 014	5 625
Inter-segment lease liability	(62 304)	(75 675)	(71 356)
Total liabilities per statement of financial position	590 242	323 525	291 540

15. Related party information

There have been no transactions with related parties during the period ended 30 June 2023, 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 2023, 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 7). 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 in the start of 2023. The market valuation of the properties was in excess of the carrying value by R52.7 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 unaudited summary consolidated results for the six months ended 30 June 2023 ("the period").

SOH is a holding company of a number of subsidiaries whose business involves the manufacturing and distribution of electrical cables, compounding, conduit, and the rental of property. It has investments in a number of associates whose business serves as outlets for electrical cables and conduit.

Financial overview

Earnings

Group revenue for the period ended 30 June 2023 increased by 26.4% (2022: 11.4% decrease) to R1 238.4 million (2022: R979.5 million). The Group's gross profit increased by 27.8% (2022: 6.7% decrease) to R104.2 million (2022: R81.6 million) and operating profit increased by R18.8 million (2022: R6.4 million decrease) to a profit of R65.3 million (2022: R46.4 million) compared to the prior period.

Group profit before tax increased by 47.0% (2022: 8.7%, decrease in earnings before tax) to a profit of R66.0 million (2022: R44.9 million) compared to the prior period. Basic earnings per share increased by 50.4% (2022: 9.7%, decrease in earnings) to a profit of 23.9 cents (2022: 15.9 cents) with headline earnings per share increasing by 51.3% (2022: 10.1%, decrease in headline earnings) to a profit of 23.9 cents (2022: 15.8 cents) compared to the prior period. Headline earnings for the period amounted to R48.6 million (2022: R32.1 million).

Cash flow and working capital management

Cash utilised in operations amounted to R183.1 million (2022: R104.5 million) during the period. Working capital increased by R274.4 million (2022: R148.9 million) primarily due to the increase in inventory. The trade receivables and trade payables continue to be well managed in an increasingly challenging credit environment. Working capital investment is currently at 45.3% (2022: 47.2%) of revenue.

The Group invested R16.4 million (2022: R13.9 million) in capital expenditure which was mainly financed by cash and cash equivalents during this period and utilised R8.9 million (2022: R5.4 million) to repay its interest-bearing borrowings.

The Group's net cash utilised during the period amounted to R256.9 million (2022: R153.3 million) reducing the bank balance to a negative R122.6 million (2022: R13.3 million) as at end of the reporting period.

Segment results

Electrical cables and related products manufacturing – SOEW, Icembu Cables and Icembu Services

This sector reported revenue of R1 238.4 million (2022: R979.5 million), which is an increase of 26.4% (2022: 11.4% decrease) when compared to the same period in the prior year. The increase in this segment's revenue is attributable to increase in demand.

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 soon, with fundamental political and fiscal uncertainties remaining key drivers of economic reality. The Group is therefore focusing 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 Group currently enjoys a Level 1 B-BBEE status.

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

Acquisitions / Disposals

The Group increased its shareholding in the following associates; namely Global PE and Global Pretoria, and has acquired investments in the following associates; namely The Electrical Owl, Global Durban, and Power Cable Trading. The Group also increased its shareholding in the following subsidiaries; namely Icembu Holdings, Icembu Cables and Icembu Services.

No other acquisitions or disposals, other than property, plant, and equipment (refer to note 4), took place during the period of review.

Director changes

No directors changes took place during the period of review.

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 forward-looking information, 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

3 August 2023

Directors: Henry KH Pon# (Chairperson), HL Li#^o (Deputy Vice-Chairperson), A Smith* (Chief Executive Officer), WP Basson*(Chief Financial Officer), N Lalla#, J van Rensburg^v, LL Chen^{v^}, M Chong#, JH Yeh#, DJC Pan ^v@ (Alternate), SN Yeh ^v^o (Alternate)

Company Secretary: WT Green

* Executive # Independent Non-executive ^v Non-executive ^o Taiwanese @ Brazilian [^]Hong Kong

Corporate Information

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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

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