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

AUDITED SUMMARY CONSOLIDATED FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 ("ANNUAL FINANCIAL STATEMENTS") AND DIVIDEND DECLARATION

SALIENT FEATURES

Group revenue increased by 15% to R2.002 billion.
Earnings per share of 36.93 cents.
Headline earning per share of 36.81 cents.
Tangible net asset value per share increased by 14% to 279.1 cents per share.
Final dividend per share of 9 cents.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	NOTES	(Audited) 31 December 2021	(Audited) 31 December 2020
Assets			
Non-current assets		**207 532**	229 611
Property, plant and equipment	4	**200 645**	220 358
Right-of-use assets		**6 304**	8 703
Deferred tax asset		**583**	550
Current assets		**547 926**	464 737
Inventories		**209 500**	182 345
Trade and other receivables		**198 452**	255 622
Current tax receivable		**-**	6 025
Cash and cash equivalents		**139 974**	20 745
Total assets		**755 458**	694 348
Equity and Liabilities			
Equity			
Share capital	5	**461 343**	461 343
Reserves		**451**	434
Retained earnings		**105 460**	36 493
Total equity		**567 254**	498 270
Liabilities			
Non-current liabilities		**75 215**	59 494
Interest bearing borrowings	6	**33 814**	27 290
Lease liabilities		**4 574**	6 872
Deferred tax liabilities		**25 165**	22 556
Share-based payment liabilities		**11 662**	2 776
Current liabilities		**112 989**	136 584
Trade and other payables		**94 509**	115 793
Interest bearing borrowings	6	**13 529**	16 575
Lease liabilities		**1 944**	2 399
Current tax payable		**3 007**	619
Share-based payment liabilities		**-**	1 198
Total liability		**188 204**	196 078
Total Equity and Liabilities		**755 458**	694 348

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	NOTE	For the year ended (Audited) 31 December 2021	Change %	(Audited) 31 December 2020
Revenue		**2 001 546**	15%	1 743 027
Cost of sales		**(1 826 053)**		(1 658 733)
Gross profit		**175 493**	108%	84 294
Other operating income		**6 591**		3 881
Other operating profit/(loss)		**342**		(196)
Administration expenses		**(53 562)**		(24 859)
Distribution expenses		**(2 627)**		(2 093)
Operating expenses		**(13 289)**		(22 939)
Movement in credit loss allowance		**(754)**		-
Operating profit		**112 194**	195%	38 088
Finance income		**224**		349
Finance costs		**(6 333)**		(9 725)
Profit before taxation		**106 085**	269%	28 712
Taxation	**7**	**(31 020)**		(7 128)
Profit for the year from continuing operations		**75 065**	248%	21 584
Profit for the year from discontinued operations		**-**		5 355
Profit for the year		**75 065**		26 939
Other comprehensive income				
Exchange differences on translation of foreign operation		**17**		24
Total comprehensive profit attributable to equity holders of the Group		**75 082**	178%	26 963
		Cents per share		Cents per share
Earnings per share - basic and diluted		**36.93**	179%	13.25
Dividend per share		**9.00**		3.00

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	For the year ended (Audited) 31 December 2021	(Audited) 31 December 2020
Share capital	**1 743**	1 743
Share premium	**459 600**	459 600
Foreign currency translation reserve		
Opening balance	**434**	410
Exchange differences on translation of foreign operations	**17**	24
Closing balance	**451**	434
Retained earnings		
Opening balance	**36 493**	9 554
Dividend paid	**(6 098)**	-
Profit for the year	**75 065**	26 939
Closing balance	**105 460**	36 493

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	For the year ended (Audited) 31 December 2021	(Audited) 31 December 2020
Cash flows from / (used in) operating activities		
Cash generated from operations	**152 452**	1 898
Finance income	**224**	349
Finance costs	**(6 333)**	(9 725)
Tax paid	**(20 031)**	(7 476)
Net cash from / (used in) operating activities	**126 312**	(14 954)
Cash flows (used in) / generated from investing activities		
Purchase of property, plant and equipment	**(2 250)**	(33 349)
Proceeds on disposal of property, plant and equipment	**523**	86 120
Net cash (used in) / from investing activities	**(1 727)**	52 771
Cash flows (used in) / from financing activities		
Increase in / (repayment of) interest-bearing borrowings	**(16 722)**	(14 588)
Payment of dividends	**(6 098)**	-
Proceeds from interest-bearing borrowings	**20 200**	18 038
Repayment of lease liabilities	**(2 753)**	(1 784)
Net cash (used in) / from financing activities	**(5 373)**	1 666
Total cash and cash equivalents movement for the year	**119 212**	39 483
Cash and cash equivalents at the beginning of the year	**20 745**	(18 762)
Effect of exchange rate movement on cash balances	**17**	24
Total cash and cash equivalents at end of the year	**139 974**	20 745

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL INFORMATION

1. General information

SOH and its subsidiaries manufacture and distribute electrical cables and holds an investment 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 audited summary consolidated financial information was internally compiled by WP Basson (CFO). The Annual Financial Statements were approved for issue by the directors on 30 March 2022.

2. Basis of preparation

The audited summary consolidated financial information of SOH has been prepared in accordance with the JSE Listing Requirements for provisional reports and the requirements of the Companies Act of South Africa applicable to summary Annual Financial Statements. This should be read with the audited consolidated Annual Financial Statements for the year ended 31 December 2021 from which these results have been extracted. The JSE Listing Requirements require provisional reports to be prepared in accordance with the framework concept and the measurement and recognition requirements of the 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 and specifically the Chief Executive Officer and Chief Financial Officer, take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying Annual Financial Statements.

3. Accounting policies

The accounting policies applied in the preparation of the Annual Financial Statements from which the summary consolidated Annual Financial Statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the consolidated Annual Financial Statements used in the prior year, except where indicated otherwise.

4. Property, plant and equipment

As a result of the general economic decline in recent years, an impairment test was performed on the carrying amount of assets held by the Group. Assets were allocated to cash-generating units ("CGUs"). As a result of the impairment tests performed on South Ocean Electric Wire Company Proprietary Limited ("SOEW") and Anchor Park Investments 48 Proprietary Limited CGUs, no impairment was recognised in 2021 (2020: Rnil).

The details of changes in tangible assets are as follows:

R'000	**(Audited) Tangible assets**
Year ended 31 December 2021	
Opening net carrying amount	**220 358**
Additions	**2 402**
Disposals	**(133)**
Depreciation	**(21 982)**
Closing net carrying amount	**200 645**

R'000	**(Audited) Tangible assets**
Year ended 31 December 2020	
Opening net carrying amount	204 839
Additions	33 349
Disposals	(316)
Depreciation	(17 514)
Closing net carrying amount	220 358

5. Share capital and share premium

	Number of shares issued	Ordinary shares (R'000)	Share premium (R'000)	Total (R'000)
At 31 December 2021				
Opening and closing balance	203 276 794	1 743	459 600	461 343
At 31 December 2020				
Opening and closing balance	203 276 794	1 743	459 600	461 343

6. Interest bearing borrowings

R'000	(Audited) 31 December 2021	(Audited) 31 December 2020
Secured loans		
Non-current liabilities	**33 814**	27 290
Current liabilities	**13 529**	16 575
	47 343	43 865

The movement in borrowings is analysed as follows:

Opening balance	**43 865**	40 415
Additional loans raised	**20 200**	18 038
Cash movements	**(16 722)**	(14 588)
Closing balance	**47 343**	43 865

7. Taxation

The effective tax rate is 29.2% (2020: 24.8%) which is higher than the corporate tax rate of 28%.

8. Reconciliation of headline earnings

R'000	(Audited) 31 December 2021	(Audited) 31 December 2020
Profit attributable to equity holders of the Group	**75 065**	26 939
Adjustment for:		
(Profit)/ loss on disposal of property, plant and equipment	**(342)**	196
Tax effect on adjustments	**96**	(55)
Headline earnings	**74 819**	27 080
Headline earnings per share (cents)	**36.81**	13.32

9. Weighted average number of shares

	(Audited) 31 December 2021	(Audited) 31 December 2020
Number of shares in issue	**203 276 794**	203 276 794
Weighted average number of shares in issue at beginning of the year	**203 276 794**	203 276 794
Weighted average number of shares in issue at end of the year	**203 276 794**	203 276 794

10. Net asset value per share

	(Audited) 31 December 2021	(Audited) 31 December 2020
Net asset value per share (cents)	**279.1**	245.1
Tangible net asset value per share (cents)	**279.1**	245.1

11. Final dividend declaration

Notice is hereby given that the Board of Directors has declared a final dividend of 9.0 cents per ordinary share amounting to R18 294 911 for the year ended 31 December 2021 to shareholders recorded in the register at close of business as of 22 April 2022, which amounts to 24% of headline earnings. The dividend is declared out of income reserves of the Group. The dividend will be subject to a dividend withholding tax rate of 20% or 1.8 cents per ordinary share. Shareholders, unless exempt or qualifying for a reduced withholding tax rate, will receive a net dividend of 7.2 cents per ordinary share. The number of ordinary shares which will be eligible for the dividend at the declaration date is 203 276 794. South Ocean's tax reference number is 9341037167. No interim dividend was declared.

The dividend will be recognised in shareholder`s equity as an appropriation of retained earnings in the year in which they are declared.

	2022
Last date for trading to qualify and participate in the final dividend	Tuesday, 19 April
Trading ex dividend commences	Wednesday, 20 April
Record date (date shareholders recorded in share register)	Friday, 22 April
Dividend payment date	Monday, 25 April

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 April 2022 and Friday, 22 April 2022, both days inclusive.

A final dividend of 3.0 cents per share was declared and paid for 2020.

12. Audit opinion

These summarised consolidated Annual Financial Statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the Annual Financial Statements from which these summary Consolidated Annual Financial Statements were derived.

A copy of the auditor's report on the summary consolidated Annual Financial Statements and the auditor's report on the consolidated audited Annual Financial Statements are available for inspection at the Company's registered office, together with the audited Annual Financial Statements identified in the respective auditor's reports.

https://southoceanholdings.co.za/Pages/Financial-Archives.asp

13. Segment reporting

The chief operating decision-maker reviews the Group's internal reporting in order to assess performance and has determined the operating segments based on these reports.

The business performance of the operating segments: Electrical cables manufacturing 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 adjusted EBITDA generated by the Group's reportable segments are summarised as follows:

R'000	Revenue	Adjusted EBITDA	Segment assets	Segment liabilities
Year ended				
31 December 2021				
Electrical cable manufacturing	2 001 091	140 303	702 034	192 080
Property investments	21 321	22 502	133 251	37 588
	2 022 412	**162 805**	**835 285**	**229 668**
31 December 2020				
Electrical cable 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**

Reconciliation of total segment report to the statement of financial position and statement of comprehensive income is provided as follows:

R'000	(Audited) 31 December 2021	(Audited) 31 December 2020
Revenue		
Reportable segment revenue	**2 022 412**	1 765 983
Inter-segment revenue (property rentals)	**(20 866)**	(17 187)
Discontinued operations (property rentals)	**-**	(5 769)
Revenue per consolidated statement of comprehensive income	**2 001 546**	1 743 027

Segment reporting (continued)

R'000	(Audited) 31 December 2021	(Audited) 31 December 2020
Profit before tax		
Adjusted EBITDA	**162 805**	94 176
Corporate and other overheads	**(4 792)**	(4 952)
Depreciation	**(24 381)**	(19 584)
Inter-segment eliminations	**(21 438)**	(26 197)
Discontinued operations	**-**	(5 355)
Operating profit per consolidated statement of profit or loss and comprehensive income	**112 194**	38 088
Finance income	**224**	349
Finance costs	**(6 333)**	(9 725)
Profit before tax per consolidated statement of profit or loss and comprehensive Income	**106 085**	28 712
Assets		
Reportable segment assets	**835 285**	776 499
Corporate and other assets	**12 319**	14 405
Current tax receivable	**-**	6 025
Deferred tax	**583**	550
Inter-segment eliminations	**(92 729)**	(103 131)
Total assets per statement of financial position	**755 458**	694 348
Liabilities		
Reportable segment liabilities	**229 668**	255 476
Corporate and other liabilities	**16 001**	17 129
Current tax payable	**3 007**	619
Deferred tax	**25 165**	22 556
Inter-segment eliminations	**(85 637)**	(99 702)
Total liabilities per statement of financial position	**188 204**	196 078

14. Related party transactions

There were no related party transactions during the period ended 31 December 2021, save for various intercompany transactions in the ordinary course of business and directors dealings.

15. Subsequent events

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the audited consolidated Annual Financial Statements, save for the proposed change in tax rate, which would affect the operations of the Company and the Group or the results of those operations significantly. The details of the COVID-19 pandemic are disclosed in the commentary section.

On 23 February 2022, the Finance Minister noted in the Budget Speech that there will be a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023 (i.e. for years of assessment beginning on or after 1 April 2022 with the possible exception where a financial year has changed). The rate change has been substantively enacted after 31 December 2021 and has been determined to be a non-adjusting subsequent event. The financial effect of the income tax rate is estimated to be R1 016 000 on income tax expense and R92 000 on deferred tax had the rate been 27% for the year ended 31 December 2021.

16. 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 31 December 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/or the Group's bankers, FNB, renewing the Group's working capital facilities. Each of these matters present a risk to the Group remaining as a going concern.

The impact of COVID-19 provides for an opportunity in the market and management will continue to capitalise on available market opportunities, seek new markets, and secure and increase market share. Operationally, these goals will continue to be supported by stringent internal cost-control measures and continual improvements in both efficiencies and capacity.

The Group has short term borrowings to the value of R13.5 million (2020: R16.6 million) as disclosed in note 11 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R250 million (2020: R200 million). The facility is due for renewal during May 2022.

The directors perform a property valuation every three years, with the latest independent valuation having been performed in 2020. The market valuation of the properties was in excess of the carrying value at the time. The properties are stated at historical cost less accumulated depreciation and accumulated losses in line with the Group's accounting policy.

COMMENTARY

Introduction

The Board of SOH announced its summary consolidated financial results for the year ended 31 December 2021 ("the year").

SOH is an investment holding company, comprising two operating subsidiaries namely: SOEW, a manufacturer of low voltage electrical cables and Anchor Park, a property holding company. In addition, it also has a foreign procurement company and a dormant company.

Financial overview

The industry strike in October and the civil unrest in July had a substantial negative impact on the cable industry during the 2021 financial year. During this period, businesses in the cable industry were not able to operate. The Group suffered financial losses during this period as it was unable to produce or trade during the industry strike.

The South African cable industry experienced supply side shortages and the Group was able to leverage off this increased demand and achieved higher sales than expected.

The Group remains vigilant in maintaining all protocols for the safety of its staff members, and business partners alike, whilst continuing to produce and trade during this time.

Earnings

Group revenue for the year ended 31 December 2021 increased by 15% (2020: 12%) to R2.002 billion (2020: R1.743 billion). The Group's gross profit increased by 108% (2020: 34%) to R175.4 million (2020: R84.3 million) and operating profit increased by 194% (2020: 534%) to a profit of R112.2 million (2020: R38.1 million) compared to the prior period.

Group profit before tax increased by 269% (2020: 222%) to a profit of R106.1 million (2020: R28.7 million) compared to the prior year. Basic earnings per share increased by 179% (2020: 270%) to a profit of 36.93 cents (2020: 13.25 cents) with headline earnings per share increasing by 176% (2020: 422%) to headline earnings of 36.81 cents (2020: 13.32 cents) compared to the prior year. Headline profit for the year amounted to R74.8 million (2020: R27.1 million).

Cash flow and working capital management
Net cash from operating activities amounted to R126.3 million (2020: R15.0 million, utilised in operations) during the year. Working capital increased by R63.6 million (2020: R13.0 million) primarily due to the increase in debtors. The Group invested R2.3 million (2020: R33.3 million) in capital expenditure.

The Group's net cash generated during the period amounted to R119.2 million (2020: R39.5 million utilised), improving the bank balance to a positive R140.0 million (2020: R20.7 million) as at end of the financial year.

Segment results

Electrical cable manufacturing – SOEW
SOEW reported revenue of R2.002 billion (2020: R1.743 billion), which is an increase of 15% (2020: 12%) when compared to the prior year. The increase in SOEW's revenue is attributed mainly due to an increase in demand.

Management continues to focus on improving efficiencies in the factory and cost containment to ensure that the company will maintain its profitability.

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

COVID-19 pandemic
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 traditional seasonality 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 focussing 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.

Acquisitions / Disposals
No acquisitions or disposals other than plant and equipment (refer to note 4) took place under the period of review.

Forensic investigation
During the financial year a whistle-blower alleged that, in or during 2013 and 2014, certain of the Company's staff may have been involved in a stock rolling scheme. The Company commissioned a forensic investigation which did not identify any stock losses or any material financial effect in the current or comparative financial year. The Company's auditors reported a reportable irregularity to the Independent Regulatory Board for Auditors in terms of their responsibilities in accordance with Section 45 of the Auditing Professions Act. None of the individuals implicated are still with the Company and the Company has implemented improvements to its policies, procedures and implemented electronic systems during 2015 in order to prevent future recurrence of the matter. The auditors have subsequently reported to the IRBA that in its view the reportable irregularity is no longer ongoing and that the Company has taken sufficient and appropriate steps to prevent or recover any loss as a result thereof, if relevant.

Director changes

A Smith was appointed as Chief Executive Officer with effect 1 March 2021. J van Rensburg was appointed as non-executive director with effect 10 March 2021 and B Petersen's status changed from being an independent non-executive director to being J van Rensburg's alternate. B Petersen resigned as alternate director on 12 July 2021. CF Chen and his alternate CC Liu, has resigned as director of the Company with effect 27 January 2022. LL Chen and his alternate SN Yeh was appointed as non-executive director with effect 1 March 2022.

Appreciation

The directors would like to express their appreciation towards the management and staff as well as all the Group's valued customers, suppliers, advisors, business partners, stakeholders and shareholders for their continued support.

Forward looking information included in this announcement has not been reviewed and reported on by the Group's independent auditors.

On behalf of the Board

31 March 2022

Henry KH Pon CA(SA)
Chairperson

A Smith
Chief Executive Officer

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[√], LL Chen[√^], M Chong[#], JH Yeh[#], DJC Pan [√@] (Alternate), SN Yeh [√º] (Alternate)

Company Secretary: WT Green

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

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Corporate Information

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<u>Sponsor:</u> 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)
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