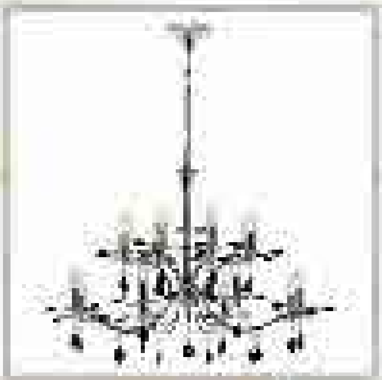
South Ocean
HOLDINGS

Annual Report 2007



South Ocean
HOLDINGS

Annual Report 2007

Contents

www.southoceanholdings.com

Group at a Glance

South Ocean Holdings Limited

South Ocean Holdings Limited (South Ocean) listed on the main board of the Johannesburg Stock Exchange in February 2007, in the Electronic and Electrical Equipment sector, and has three wholly owned subsidiaries as detailed below. Its products are sold to wholesalers and distributors who supply the building and construction industries.

South Ocean HOLDINGS

100%	100%	100%
SOUTH OCEAN	RADIANT GROUP	Anchor Park

SOEW

South Ocean Electric Wire Company (Proprietary) Limited (SOEW) is a manufacturer of low voltage electric wires and cables. SOEW is based in Alrode, south of Johannesburg. The 20 000 m² offices and production facilities produced over 13 000 tonnes of cable in 2007. The company employs over 220 people and has a market share of between 10% and 30% in its product range. Products include general purpose insulated wires from 1 mm² to 630 mm², a range of flexible conductors, steel wire armoured cables, flat twin and earth cables and the popular "Norsk" cable, branded Surfcab.

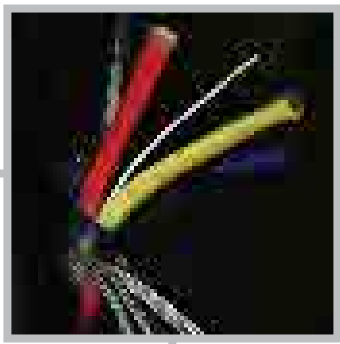
Radiant

Radiant Group (Proprietary) Limited (Radiant) is an importer and distributor of light fittings, lamps and electrical accessories to wholesalers, distributors and lighting designers. Most of its products are imported and are distributed to customers locally. It operates from five warehouses and showrooms located in Wynberg, Johannesburg and Cape Town and employs over 350 people. Radiant dominates the market in light fittings under the Radiant brand and is also a major supplier of lamps and bulbs under the Lohuis brand.

Anchor Park

Anchor Park Investments 48 (Proprietary) Limited (Anchor Park) holds the property assets of the group, including the SOEW Alrode plant and Radiant's warehouses, offices and showrooms in Johannesburg and Cape Town.

Financial Highlights



Revenue ↑ by 65,5%*

Operating profit ↑ by 96,4%*

Dividend ↑ by 79,3%*

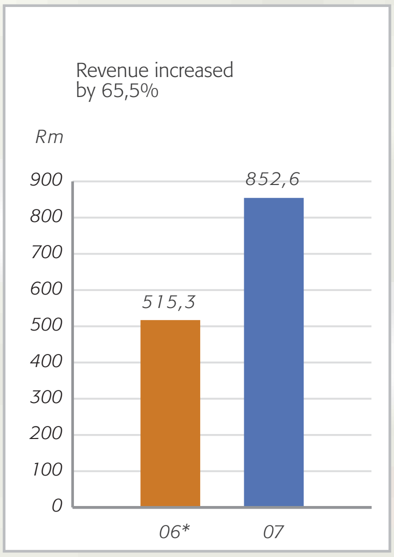
Headline earnings per share ↑ by 58,4%*

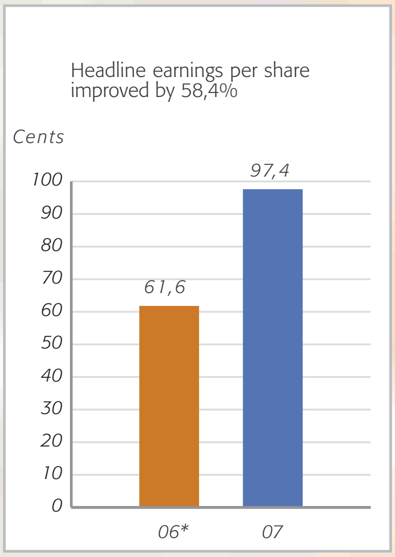
Cash on hand R45,3 million

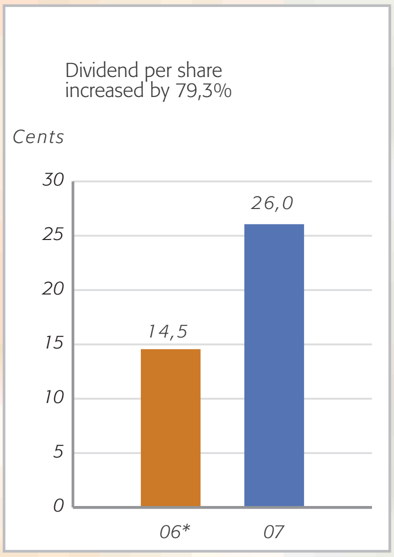
South Ocean is pleased to present its maiden annual report for 2007, a year of significant milestones for the group

- Listed on the main board of the Johannesburg Stock Exchange in February
- Entered the lighting and electrical accessories industry through the acquisition of Radiant Group in August
- Commenced expansion projects at both Radiant and SOEW
- Increased production and improved productivity

South Ocean also delivered an exceptional financial performance during the year:







	% change	2007 Rm	2006* Rm
Net revenue	65,5	**852,6**	515,3
Operating profit	96,4	**185,4**	94,4
Net profit after tax	107,9	**125,8**	60,5
Free cash flow	–	**195,5**	9,7
Net cash and cash equivalents	–	**45,3**	(59,3)
Total assets	297,7	**936,9**	235,6
Shareholders' equity	450,6	**639,2**	116,1

**The 2006 results represent twelve months' figures extracted from the prelisting statement*

Chairman's Report

The current year was a transformative year for South Ocean. It passed key milestones and achieved major successes in several areas. The group successfully listed on the JSE, and undertook a major acquisition. The group has also overdelivered on all its performance targets.

South Ocean has made great strides in its strategy to become an integrated supplier of electrical equipment to the building and construction industries. To its historic business of electrical cable manufacturing, the group added the lighting, lamps and associated electrical equipment importer and distributor Radiant, through a R485 million acquisition. This gives South Ocean capacity in two major areas in the construction industry supply chain. The Radiant acquisition also means the group has both manufacturing and import competencies which will in time enable it to widen the sourcing of products that it supplies the market.

The strategy, however, remains based on the group's strong technological expertise, experience and relationships with customers. The group will continue to focus on efficiently delivering high quality products to its customers in its areas of competence. Its technology remains a core competitive advantage. This advantage is entrenched through the relationship with strategic shareholder Hong-Tai, a cable manufacturer listed in Taiwan, which continues to hold 19% of the group's securities. This relationship allows South Ocean access to cutting-edge technologies and the exchange of technical skills.

At an operating level, the group has had an excellent year. SOEW could not produce enough to satisfy demand and has undertaken a two-phase expansion programme to increase capacity. At Radiant, the company managed to grow revenue and improve profitability. Those operating performances are elaborated on in this annual report; suffice it to say that overall group revenue was up by 65,5% on annualised 2006 trading results while headline earnings more than doubled to R126,3 million. That performance means the group has delivered on performance promises made at the time of listing more than two years ahead of schedule.

At this juncture in South Africa's development, South Ocean is ideally positioned to meet the demand for significant infrastructure investment in the economy, from business investment in new capacity to government's wide-ranging infrastructure development projects.

JSE listing

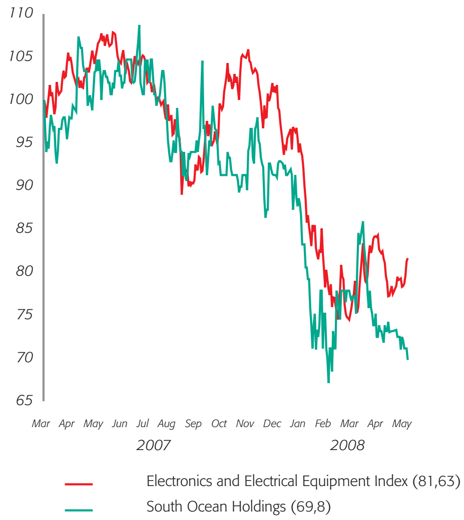
The listing gives the group access to new capital, which was utilised for the Radiant acquisition.

The listing was extremely successful, as demonstrated by the fact that the initial public offering was seven times oversubscribed. The company commenced trading at an 11,5 historic price:earnings ratio, a positive vote of confidence from the market. This enabled the group to raise the capital and issue shares to undertake its expansion programme. The listing has taken the group to a new level of interaction with all of the stakeholders in its

JB Magwaza
Chairman

Share price performance

Based to 100 at the start



business, and the management team continues to improve the skills and expertise of the group when it comes to interacting with investors.

The performance of the share price has, however, been disappointing since the listing and does not, I believe, reflect the fundamentals of the business. Certainly South Ocean's share price has been a casualty of the general market sentiment toward companies in our industry. Issuing new shares would be very expensive at current levels.

Radiant acquisition

I am excited that the group was able in its first year of listing to make such a significant acquisition. Radiant has now been successfully integrated into the group. There has been an excellent culture fit and the executives of the two businesses are working well together. They will continue to create synergies between the two companies by examining opportunities to service each other's customer bases, sharing technology and centralising certain group functions to eliminate costs. The acquisition also brought two new board members to the South Ocean board, Radiant CEO Hanan Schwartz and CFO Gary Stein. Both are already making a positive contribution to the strategic direction of the group.

Market conditions

During 2007 South Africa enjoyed strong economic growth of around 5% for the fourth year in a row. The burden for this growth shifted from consumer spending to business and public sector infrastructure investment, a dynamic that is positive for South Ocean. Infrastructure investment has been led by various government initiatives through the state-owned enterprises, public works and projects like the 2010 World Cup stadium development programme and the Gautrain. Such state investment has a multiplier effect in the private sector as companies are spurred into new investment in satellite infrastructure. The private sector was also investing in new capacity in manufacturing and mining in response to strong demand over the past few years. This raft of new investment in the economy was positive for South Ocean's major markets in building, construction, infrastructure development and refurbishments.

However, a number of negative factors emerged during the year that served to diminish market sentiment. Inflation, driven primarily by high international oil and food prices, rose rapidly through the year. Such inflation eats into consumer spending and reduces the amount of disposable income available for spending on home improvements, an ultimate source of demand for some of the group's products. The Reserve Bank responded to higher inflation

At this juncture in South Africa's development, South Ocean is ideally positioned to meet the demand for significant infrastructure investment in the economy, from business investment in new capacity to government's wide-ranging infrastructure development projects

In the medium to long term I am confident that the investment cycle will remain positive, underpinned by government's infrastructure development plans

by increasing interest rates four times during 2007, by 50 basis points on each occasion. Higher interest rates naturally have a dampening effect on economic activity as the cost of capital rises.

House prices were also showing some signs of stress by the end of the year. This is likely to slow down renovations and new housing construction which will negatively impact on the group.

Towards the beginning of 2008 the power crisis began to affect South Ocean's markets adversely. While it had little effect on the group itself, our customers are likely to be effected through the delay of new building projects and possibly cancellations. Such a constraint on new development would have a detrimental effect on demand for the group's products.

Prospects

In the medium to long term I am confident that the investment cycle will remain positive, underpinned by government's infrastructure development plans. While the full effect of the power crisis remains uncertain, government efforts to minimise the disruption to building plans will hopefully ensure private sector investment continues.

Inflation and, in turn, interest rates have continued to rise so far in 2008. Higher debt service costs, a deteriorating property market and higher prices for essential goods mean final consumer demand will be weaker than in 2007.

The first quarter has also seen a significant weakening of the Rand, which increases the Rand price of Radiant's products. This will have some effect on demand by the group's customers, but will also increase revenues.

At the same time, the copper price has been rising on international markets which will also increase revenues and margins at SOEW.

While the business investment cycle usually lags behind consumer demand trends, there are signs that business confidence is weakening, which has been compounded by the power supply problems. The group is under no illusion that this scenario presents it with challenges for 2008.

The group is not taking these challenges lightly. It is working on contingency plans to source additional supply of cables from abroad should production be disrupted by load shedding at the group's Alrode plant. At Radiant, additional generating capacity will ensure it can continue to service customers during power outages.

Should domestic demand fall off, the group is ready to pursue new export markets and markets for related products.

The directorate

In 2007 a board was established that fully reflects the skills and experience that the business needs. That board has since been augmented by the inclusion of Hanan Schwartz and Gary Stein from Radiant. Rob Walley resigned at the end of the year and has been replaced on the board by an additional non-executive director, Henry Pon. Henry brings a breath of fresh air to the board and I have enjoyed his contribution.

Appreciation

My thanks go to management and staff within the group for a job well done. It has been a year of change and you have navigated it brilliantly. I also thank all the board members for their support and particularly for the support they have given the management of the group.

JB Magwaza
Chairman

Chief Executive Officer's Report

It is my pleasure to present the maiden annual report of South Ocean. This year was a groundbreaking year for the group. After 18 years of operation, it successfully listed on the JSE in February 2007. A private placement of shares was seven times oversubscribed. It also undertook a major acquisition, acquiring Radiant, an importer and distributor of light fittings, lamps and electrical accessories, for R485 million.

It was also a very successful year from an operating perspective, SOEW performed at full capacity and Radiant has contributed substantially for the five months since the acquisition.

South Ocean is now a public-listed company with significant opportunities for expansion in many areas. Following a pre-listing reorganisation and the Radiant acquisition, the group now consists of three wholly owned subsidiaries: SOEW, Radiant and Anchor Park. The group raised R130 million on listing, which was used to finance the purchase of Radiant, whose results accounted for approximately a quarter of the group's revenue in 2007. For the Radiant acquisition, another R280 million worth of shares was issued to the market and the vendors.

Our strategic shareholder, Hong-Tai Electric Industrial Company, which is listed on the Taiwanese Stock Exchange, now holds 19% of the group. The Hong-Tai relationship allows for the transfer of world-class technology to South Ocean, staff secondments and other strategic guidance, and is an important source of competitive advantage for South Ocean.

Performance

During 2007 the group increased net revenues by 65,5% to R852,6 million and net profit after tax by 107,9% to R125,8 million. Headline earnings per share were up by 58,4% to 97,4 cents. Operating margins were strengthened from 18,3% to 21,7%, which is a result of production efficiencies, cost control and higher margins from Radiant. Free cash flow improved from R9,7 million to R195,5 million and net asset value nearly quadrupled to 408,8 cents per share. The current year results have been compared to the annualised 2006 results.

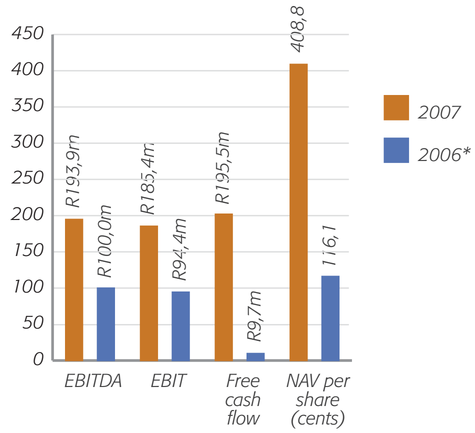
Radiant was consolidated for the five months subsequent to the transaction date. Had the transaction been effective at the start of the year, revenue would have been R1 049,3 million and attributable earnings R150,5 million.

There are four main reasons for the year's good performance: the expansion of the SOEW production facility, the increase in the copper price, the acquisition of Radiant and improved management of costs. Shortly after listing we undertook the first phase of a production expansion project at SOEW which was completed midyear, expanding capacity by 10% with an investment of R10 million in new equipment and working capital. A second expansion phase began during the year which will add an additional 15% capacity through a R30 million investment. This second phase was completed in April 2008. Owing to buoyant market conditions, SOEW's sales have been restricted by its capacity to produce. As

Edward Pan

CEO

Key financial indicators



* The 2006 results represent twelve months' figures extracted from the prelisting statement

production expanded, demand absorbed all the additional output. Volumes for the year were over 13 000 tonnes, 4,5% higher than the year before. SOEW is a relatively small competitor in the market with a market share of between 10% and 30% for its range of products in the low voltage wiring and cable segment. This provides more opportunities to challenge our larger competitors.

Copper accounts for 70% to 75% of SOEW's input costs with PVC, galvanised wire, labour and overheads making up the balance. The moving average copper price increased by 19% during the year. SOEW is not tied into any long-term agreements with customers and is therefore able to adjust the prices of its products in response to price changes of underlying inputs. SOEW profited from the higher value of copper held in inventory during the first six months, with little effect during the second six months when the copper price decreased. Consequently, copper price increases improve the revenues and profitability of SOEW. That, combined with higher production volumes and proportionately lower costs, meant net revenues for SOEW increased by 30,7% and operating profit increased by 40,9% for the year.

The acquisition of Radiant has been successfully bedded down. As an importer of lighting products, Radiant boasts strong cash flows which have improved the cash flow profile of the group. Radiant is the dominant operator in its largest business segment of wholesale light fittings with more than 50% market share. During the year, Radiant's growth was below historic levels with net revenue up by 11,6% and operating profit up by 9,7%, when the 10 months of 2007 are compared to the same 10 months of 2006, but net profit increased by 18,6%. Radiant is now investing to improve capacity with projects under way to expand the Johannesburg showroom and build a new warehouse in Johannesburg, and to construct a new warehouse, showroom and office complex in Cape Town. Radiant is also upgrading its IT and communications systems to improve service levels.

Market conditions

General economic conditions were, on the whole, positive for South Ocean during 2007. Infrastructure development, new building projects, housing construction and renovations are positive drivers of growth for both SOEW and Radiant. Government's expanded public works programme, the 2010 soccer World Cup stadium development, the Gautrain project and associated development as well as general business investment

There are four main reasons for this year's good performance: the expansion of the SOEW production facility, the increase in the copper price, the acquisition of Radiant and improved management of costs

spending created significant demand for South Ocean's full range of products.

SOEW's customers, primarily electrical wholesalers and cable distributors, continued to benefit from strong demand from end-users in the building and construction sectors.

Radiant's key customers are wholesalers and distributors of light fittings, lamps (bulbs) and electrical accessories, who also benefited from the positive business environment. However, a segment of Radiant's market is interest rate sensitive as it is driven by new housing developments and refurbishments. With the two percentage point increase in interest rates during the year, some weakening in demand was expected for Radiant's products particularly towards the end of the year, a trend which has continued into 2008. As an importer of goods, Radiant's landed prices are highly dependent on the value of the Rand. Some weakening in the value of the Rand toward the end of the year resulted in higher prices to end-users.

The future

The next financial year will certainly be tougher than 2007. Market conditions have worsened due to the continued upward trend in interest rates and inflation, and slowing global economic growth. In addition, load shedding from the national power grid will affect business confidence and economic growth in South Africa, although to an uncertain extent.

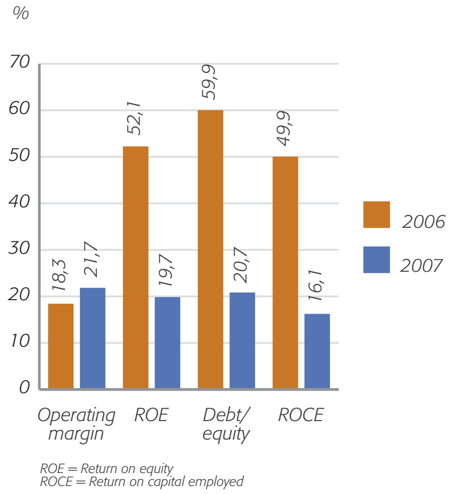
SOEW, however, has shown a positive performance during the first few months of 2008. This may be because electrical wholesalers are accumulating stock in the belief that copper prices will continue to rise, rather than because there is still strong end-user demand; however, this cannot be known with certainty. Nevertheless, even if demand does weaken for electric cables, there are alternative market opportunities for SOEW products, which have not yet been exploited owing to the lack of production capacity. These include the export market, particularly the rest of Africa; the mining industry, which has strong international resource prices as a growth driver; the telecommunications industry, which is also growing despite market conditions; and infrastructure development by Transnet, Eskom and Sasol. Consequently we are confident that SOEW will continue to operate at full capacity and find a market for its output at good margins.

Radiant is likely to have a tougher year. The weaker Rand so far in 2008 has increased costs to the end-user. In addition, higher interest rates, higher prices for essential goods and pressure on the housing market are expected to lower consumer confidence and lead to a decline in demand driven by renovations and new housing projects. On the other hand, increased warehouse capacity, improved showrooms and better IT systems should all improve Radiant's service levels and efficiency in delivering to the market, which should be positive for sales.

The continuing power outages have a mixed effect on South Ocean. The SOEW plant in Alrode, south of Johannesburg, has not experienced any major load shedding to date, so there has been no material effect on production. Radiant's facilities experienced load shedding but business was partly able to continue during power outages. The effect of load shedding on South Ocean's customers could be more significant. The risk is the cancellation or delay of new projects which require cabling from SOEW and light fittings and associated products from Radiant. The extent of that effect will depend on the willingness of Eskom and City Power utilities to approve new building projects. In addition, business confidence is likely to be weakened in the load-shedding climate, which could lead to delays and cancellations.

The power crisis also presents opportunities. The substantial expansion in generating capacity in electrical network by Eskom will require medium voltage electrical cable, which SOEW does not currently produce. To date, SOEW has focused on low voltage wiring and cables. The expanded power network will require medium and high voltage wiring and cables – those which typically connect buildings to

Ratio analysis



power sources. This is an area for expansion that the group might consider in the future.

The group will also look at ways to improve synergies between SOEW and Radiant. These include cross marketing opportunities and some cost reduction by centralising certain group functions.

The short-term negative factors in the year ahead are unlikely to drown the long-term demand driven by government's various infrastructure expansion initiatives which, I believe, will continue to support the future of South Ocean. In all, I am confident that South Ocean will again deliver good growth in 2008, depending on market conditions.

Appreciation

I am aware that the critical success factor in our business is having the right people on board. I know that we have an excellent team in which all members work to the best of their ability. I am grateful to my executive team and senior management for what has been an excellent year for the group. My appreciation also extends to all staff members employed in the group who continue to ensure we operate a tight ship.

In the year of listing and a major acquisition, I am also grateful for the guidance and support provided by the various service providers to the group.

One of South Ocean's major strengths is its long and loyal relationships with its many customers. We intend to continue to protect those relationships through excellent service and competitive prices. My thanks go also to those customers for their ongoing support.

Edward Pan
Chief Executive Officer

Review of Operations

SOEW is a wholly owned subsidiary of South Ocean. It accounted for 79% of group revenues and 72% of operating profit. SOEW would have accounted for 64% of revenues had the acquisition of Radiant taken place at the beginning of the financial year.

SOEW had an excellent 2007. Net revenues rose by 30,7% to R673,4 million and net profit after tax rose by 54,7% to R93,6 million. The operating profit margin improved by 7,7% from 18,3% to 19,7%.

SOEW has been in operation for 19 years and was founded by the current CEO, Edward Pan, in King Williams Town. It relocated to the present site in Alrode, south of Johannesburg, in 2001.

Operations

SOEW operates a 20 000 m^2 manufacturing plant in Alrode. It produces a full range of low voltage wires from house wiring through to armoured cable. These are sold primarily to cable wholesalers and distributors who in turn supply the building and construction industries.

The Alrode plant operates 24 hours per day, six days per week – Sundays have also been used for overtime work. During 2007 the plant operated at 93% of capacity. Capacity was expanded midway through the year by 10% following completion of the first phase of a capital expansion project at a cost of R10 million (including both new investment and working capital). A second phase was completed in April 2008 and will add a further 15% at a cost of R30 million.

The new capacity helped grow volumes by 4,5%, however, the full effect of the first expansion phase will only be seen in 2008. Market demand was strong during the year – all additional production was sold to customers. Indeed, SOEW could not produce enough to satisfy demand.

SOEW works hard to produce high quality products. The company was certified compliant with ISO 9001:2000 Quality Management Standard in April 2004 and all products comply with the South African Bureau of Standards quality system. The plant has quality-control facilities and a testing laboratory to ensure that SOEW products perform optimally.

The products are delivered to customers by SOEW's fleet of nine trucks and delivery vehicles.

Costs

The main input is copper, the price of which rose on the international market in the first half of the year and fell during the second half. The moving average copper price was 19% higher year-on-year. SOEW does not enter into any long-term agreements with customers and is therefore able to adjust prices in response to movements in the copper price. In addition, copper price rises increase the value of stock held in inventory, so higher prices improve SOEW's revenue and its margins. During the first half, inventory appreciated by R4 million, but there was little effect in the second half as a result of careful inventory management and lower copper prices.

Management was able to reduce costs at the plant by minimising wastage and recycling PVC wastage during production. The amount of raw materials used in production is monitored to keep consumption to targeted levels. The company believes the Alrode plant to be the most efficiently operated electric cable plant in the South African industry.

Production staff costs increased during the year by R6 million owing to the expanded capacity, overtime and an increase in hourly rates for long-service staff.

People

The company employs 220 people in the factory, 80 of whom are undergoing National Qualifications Framework approved courses to improve the overall skills available to SOEW. Sourcing appropriate technical skills remains a challenge. Our relationship with Hong-Tai, a Taiwanese-listed cable company, has helped improve SOEW's technical capabilities through technology transfers and secondments between the two companies.

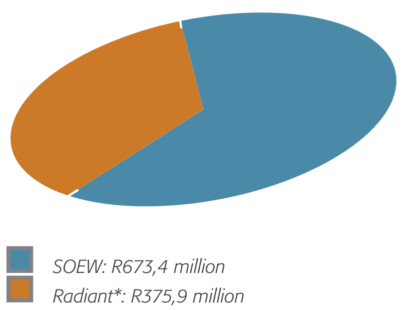
During the year Graham du Preez was appointed as the new production director as Rob Walley, who held the position previously, had resigned in December. The company is grateful to Rob for his contribution to building the business during his 10 years of service. Graham has 30 years of experience in the cable manufacturing industry, and the board has the utmost confidence in him.

Prospects

The year ahead is likely to be more challenging than 2007, but the company should still show good growth. In the event of any outages that disrupt production, SOEW has a contingency plan to source additional product through the group's international shareholder, which should allow customer demand to be met.

On the demand side, the company's customers are likely to be affected by an economic environment characterised by higher interest rates, inflation and slower global economic growth. That will have negative consequences for the building and construction industries and consequently on demand for SOEW's products. These economic factors will be exacerbated by the power crisis as projects are delayed or cancelled. Despite these pressures on the market, infrastructure spending is expected to remain strong over the medium term. Although demand remained strong in the first quarter of 2008, there are significant opportunities to expand our market should the South African market demand fall. These include the export market, particularly Africa, and specialised products to suit specific customer requirements. Consequently, production should continue to be fully utilised even if domestic market demand weakens.

Revenue contribution of SOEW vs Radiant



** Radiant was consolidated for the last five months. The revenue above is for the full calendar year.*

SOEW products

- Bare copper earth wire
- House wiring
- Flat twin & earth
- Surface wiring
- Twin illumination cable
- Cabtyre
- Ripcord
- Submersible pump cable
- Welding cable
- Armoured cable

SOEW senior management

Edward Pan (60)
Chief Executive Officer, South Ocean and SOEW
Executive director, Radiant

Edward has overall responsibility for SOEW. See South Ocean directorship on page 20 for Edward's background.

Koos Bekker (51)
Chief Financial Officer, South Ocean and SOEW
Executive director, Radiant

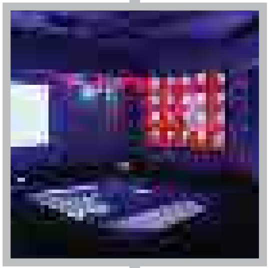
Koos is responsible for finance and administration at SOEW. See South Ocean directorship on page 20 for Koos's background.

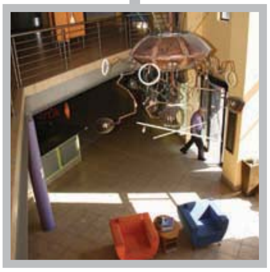
Graham du Preez (50)
NHD (Elect Eng), BCom, MBA
Executive director, SOEW

Graham is responsible for production operations at SOEW. He has worked in cable and wire manufacturing for over 30 years and joined South Ocean during the year to take on the role of production director. Graham has worked at the two largest power and telecommunications cable manufacturers in South Africa.

Paulo (Paul) Ferreira (38)
Executive director, SOEW and South Ocean

Paul is marketing director for SOEW. See the South Ocean directorship on page 21 for Paul's background.





Performance during the year was solid – revenue grew by 11,6%, operating profit by 9,7% and net profit after tax by 18,6% to R64,5 million. Results are for 10 months, following a change of year-end, and compared to the corresponding 10 months in the previous year.

Radiant has three product areas. It is the leading supplier of light fittings in South Africa under the Radiant brand. It also supplies lamps and bulbs under the Lohuis brand. Its electrical accessories business supplies a wide range of associated products, ranging from plugs to heaters. Its key markets are construction, new infrastructure development and housing.

Operations

Radiant imports light fittings, bulbs and electrical accessories for distribution to customers in South Africa. It has a strong brand in the South African market, recognised for high quality, wide range and competitive pricing. It supplies electrical wholesalers, mass retailers, specialised lighting shops and lighting designers.

Radiant operates five warehouses and two showrooms in Johannesburg and Cape Town. It has a fleet of 19 trucks for distribution in the two cities and outsources distribution elsewhere in the country. Quality standards are checked and goods are packaged according to Radiant specifications before they are shipped to South Africa.

Quality is a key concern for Radiant and products comply with South African Bureau of Standards criteria and Radiant is ISO 9001: 2000 compliant.

The market during 2007 was generally strong, owing to demand in the refurbishment and construction industries. However, growth was below historic levels. During the year the company faced a number of challenges, including the implementation of a new IT system which is still in progress. Management is now focused on implementing the new system which will substantially improve the ability to service customers efficiently and will provide much better information to manage the business.

The company is constantly expanding its range of products. During the year it produced a complete catalogue of almost 2 000 light fittings which was launched in March 2008 at trade events throughout South Africa. It also opened a new LED showroom and acquired a small shareholding in an LED research company in Taiwan to ensure Radiant is able to grow this segment of the market.

Expansion

The company is in the process of upgrading and constructing new facilities. In Johannesburg the showroom is currently being upgraded and a new warehouse will be built at a cost of approximately R25 million. In Cape Town, a new complex including offices, warehouse and a showroom is being built at a cost of approximately R30 million, which will double the company's floor space in the city. The Cape Town development is expected to be completed by mid 2008 while the Johannesburg warehouse should be completed by end of 2008.

The new facilities will significantly expand warehouse capacity and increase stock availability to customers. They will also drive an improvement in the efficiency with which Radiant is able to distribute goods to its customers. The expansion projects also include additional generator capacities so the company will be less affected by power outages.

Prospects

Demand for Radiant's products is geared to construction and refurbishment activity. The level of activity is affected by interest rates, the property market, economic growth and general business confidence. In addition, the exchange rate affects the price of Radiant's products in the market. Current high interest rates will dampen demand in

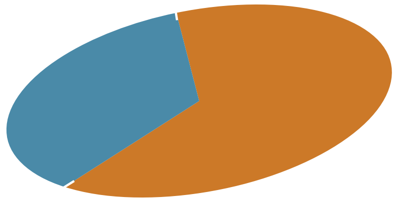
Review of Operations *(continued)*

construction, and weakness in the housing market will reduce refurbishments by homeowners. While business investment has been buoyant, a global slowdown in growth would reduce investment domestically, although many expansion projects are already committed. Also, the weaker Rand during the first quarter of 2008 has increased the prices faced by our customers.

The power crisis affects Radiant's customers. Load shedding will cause delays to construction projects and reduce consumption of our products. The effect on new projects will depend on how Eskom and government are able to manage the crisis and allow new developments to go ahead.

Despite these short-term negatives, the medium- to long-term scenario remains positive. Government's infrastructure development drive will create direct demand for Radiant's products. The Gautrain, 2010 soccer World Cup and Eskom's capacity expansion programme will drive demand for Radiant's products directly but, perhaps more significantly, indirectly through spin-off developments around new stations and stadiums. Investment by businesses in refurbishments has so far remained strong and is unlikely to be significantly affected by the power crisis. Indeed, the need to improve energy efficiency may necessitate new refurbishments. Radiant is also exploring opportunities to supply more energy-efficient products to the market.

Revenue contribution of Radiant vs SOEW



SOEW: R673,4 million
Radiant*: R375,9 million

* Radiant was consolidated for the last five months. The revenue above is for the full calendar year.

Growth should also be aided by improved stock availability and efficiencies when the new warehouses and showrooms are completed. Customer service and internal controls will also be improved by the new IT system. Overall, customer service levels should be much improved in 2008. Foreign markets are a further opportunity to develop. Radiant has secured a contract to supply a new hotel construction project overseas and is pursuing other such opportunities.

In all, while 2008 will be a more challenging year, we are confident that the company will be able to overcome the short-term challenges and at the same time improve our market proposition.

The Gautrain, 2010 soccer World Cup and Eskom's capacity expansion will drive demand for Radiant's products directly but, perhaps more significantly, indirectly through spin-off developments around new stations and stadiums

Radiant senior management

Hanan Schwartz (49)
Chief Executive Officer, Radiant
Executive director, South Ocean and SOEW

Hanan is CEO of Radiant. See South Ocean directorship on page 21 for Hanan's background.

Gary Stein (36)
Chief Financial Officer, Radiant,
Executive director, South Ocean and SOEW

Gary is CFO of Radiant. See South Ocean directorship on page 21 for Gary's background.

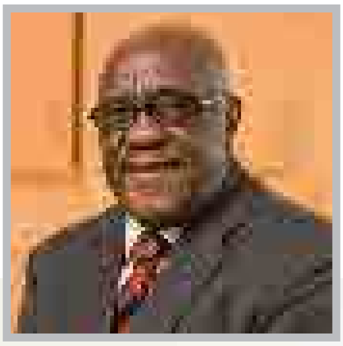
Laurence Sarakinsky (38)
Managing director, Radiant

Laurence joined Radiant 13 years ago to take over the operational management functions from Hanan. Laurence also plays a significant role in the sales and marketing aspects of the Radiant Group and has ensured the continuous success of the business over the years.

Gerard Pillay (49)
Executive director, Radiant

Gerard is responsible for the Radiant lamps division. In 1998 Gerard started up Lohuis, an importer and distributor of lamps in South Africa, which was merged with Radiant in 2005. Gerard has 28 years' experience in the lighting industry.

Board of Directors



Johannes Bhekumuzi (JB) Magwaza (65)
BA, MA Industrial Relations (Warwick)
Independent Non-Executive Chairman
Board committees: Audit and Risk Management • Remuneration

JB has been chairman of South Ocean since February 2007. He was formerly a director of SOEW from January 2001 to March 2003. He serves on numerous boards as chairman and director. As chairman, he serves at Pamodzi Investment Holdings, Motseng Investment Holdings, Imbewu Capital Partners, Mutual and Federal and Mkunzi Investments Holdings. He serves as a director at Tongaat-Hulett Group, Nedbank Limited, Ithala Development Finance Corporation, Anglo American Corporation of South Africa, Rainbow Chicken and Kap International. He is a founder member of the Black Management Forum and has been a director of the Institute of People Management and the Development Bank of Southern Africa.

Edward Hwei Ti Pan (60)
BSc (Eng) (Tri-State, Indiana)
Chief Executive Officer

Edward founded South Ocean in 1989 in King Williams Town and has been CEO since then. After graduating, he served as plant manager and MD of businesses in Taiwan before settling in South Africa in 1982. In South Africa he founded Dimbaza Fibre and then Cosmic Package, a manufacturer of polypropylene woven bags. He was chairman of Cosmic Package until 1998 when he resigned and sold his shareholding. Both of these companies continue to be successful businesses today.

Edward was recognised by Asia Inc Magazine in Hong Kong in 1995 as a successful Taiwanese businessman in Africa and he was awarded the 4th Annual Outstanding Overseas Taiwanese for Small and Medium Enterprises by the Ministry of Economic Affairs in Taiwan in 2002. He is chairman of the Johannesburg Taiwanese Chamber of Commerce and a member of the South African Cable Association.

Jacobus (Koos) Petrus Bekker (51)
BCom, BCom (Hons), CA(SA)
Chief Financial Officer

Koos has been Financial Director of South Ocean since February 2007. He joined the company in July 2001 as Administration and Financial Operational Manager. Koos entered the accounting profession in 1978 and was appointed audit partner at Wiehahn Meyernal in 1986, which later merged with PricewaterhouseCoopers. He left the auditing profession in 1997 and opened a stockbroking firm in the Eastern Cape. He qualified as a stock broker in 1999 and was a member of the South African Institute of Stockbrokers until 2001. Koos is a member of the South African Institute of Chartered Accountants.

Hanan Schwartz (49)
N6 Engineering, Business Management
Executive director

Hanan is CEO of Radiant. He joined the South Ocean board when Radiant was acquired in 2007. Hanan has more than 17 years' experience in the lighting industry. He acquired the Radiant business in 1990 when it was generating monthly sales of R75 000 per month and has built it to the size it is today.

Gary Stein (36)
BCom, BAcc, CA(SA), CFA
Executive director

Gary is CFO of Radiant. He joined the South Ocean board when Radiant was acquired in 2007. Gary has more than 11 years of auditing, commercial and corporate finance experience. In 1998 he became a partner at Grant Thornton and later left audit to form Grant Thornton Corporate Finance which he jointly headed until 2005. Toward the end of 2005, Gary joined Radiant as CFO, which had been his client for many years.

Paulo (Paul) Jose Monteiro Ferreira (38)
Executive director

Paul joined South Ocean in 1999 as Marketing Operations Manager and was appointed Marketing Director in February 2007. He has pursued a career in marketing electrical wires and cable for the last 17 years. Before joining South Ocean, he was export manager of low and medium voltage cable at one of South Africa's largest cable manufacturers.

Board of Directors *(continued)*

Chung-Hsiang (Choice) Pan (51)

Non-executive director

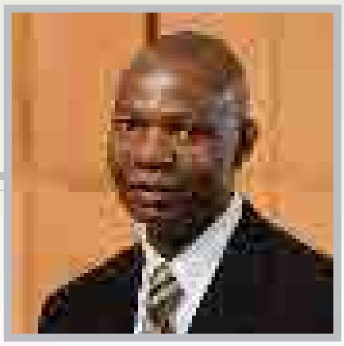
Choice was appointed as a non-executive director of SOEW in 2002 and of South Ocean in January 2007. He is the senior president of Hong-Tai and has been an executive director of Hong-Tai since 1990. His experience covers a wide range of cable and electronic material manufacturing and marketing. He joined Hong-Tai in 1982 as chief of the power cable marketing department. Choice is also a director of United Electricity Industry Company and an executive director of the Taiwan Electric Wire & Cable Industrial Association.

Chi-Ying (Joe) Wu (42)

Non-executive director

Board committees: Audit and Risk Management • Remuneration

Joe was appointed as a non-executive director of SOEW in 2004 and of South Ocean in January 2007. He is the assistant president of the management service department of Hong-Tai. He has a wide range of experience in accounting, financial, administration and internal control systems. He joined Hong-Tai in 1996, became the assistant manager of the accounting department of Hong-Tai in 2002 and was appointed manager of the internal audit department in 2005.



Ethan Gilbert Dube (48)

MSc (Statistics)

Independent non-executive director

Board committees: Audit and Risk Management • Remuneration

Ethan was appointed as a director of South Ocean in February 2007. He has over 15 years' experience in various aspects of the financial services industry. He is CEO of Vunani Limited (previously the African Harvest Capital group of companies), the position he has held since the management buy-out in September 2002 which he led. He has also worked as an equity analyst and portfolio manager at various asset managers and in corporate finance and central banking.

David Ko (47)
Master's Accounting (Soochow, Taiwan)
Independent non-executive director

David was appointed as a director of South Ocean in February 2007. David currently serves as vice president & CFO at Solapoint Corp, a solar cell manufacturer. He also acts as an independent non-executive director of five public-listed companies in Taiwan. He was a board member and CFO for two listed companies and once held the CEO position for a Chinese enterprise. David specialises in finance, accounting, investment, mergers and acquisitions, and he was the co-founder of a large-scale venture capital company which receives funds from Wall Street. David has five years' experience as a certified public accountant and has served as a board member and CEO in the investing industry for over six years. During the past 13 years he has served as CFO at listed high-tech companies. David is also an instructor at Soochow University and the Professional Training Centre at the Ministry of Economy Affairs.

Kwok Huen (Henry) Pon (71)
BCom (Rand), CA(SA)
Independent non-executive director
Board committee: Audit and Risk Management

Henry joined the board of South Ocean in November 2007. He has been in public practice as a Chartered Accountant since 1962 and is still highly active. From his many years of practice and exposure to the different fields of commerce and industry, he has gained extensive experience in finance, tax, auditing, accounting and management, and has throughout his years of practice audited public companies at the highest level.

Sustainability Report

South Ocean is a committed corporate citizen and strives to follow best practice in ensuring its business has a positive effect on the South African economy, its employees and the communities in which it operates.

Black Economic Empowerment

The listing of South Ocean makes it easier to undertake a BEE transaction that would introduce black shareholders to the group. Various options in this regard continue to be explored.

The group is also committed to meeting the expectations of the broad-based black economic empowerment codes of good practice and is examining its practices to establish current compliance.

The group is committed to transforming the racial demographics of its workforce and has submitted an employment equity report to the Department of Labour with a transformation plan that it is currently implementing.

Skills development

SOEW undertakes significant training at its Alrode facility. Approximately 80 out of 220 employees are engaged in National Qualifications Framework (NQF) courses funded by the company, including supervision, quality control, manufacturing and production. The company sponsors prizes for top performing students. Training classes are presented outside normal working hours and the company pays employees for half of the time the employees attend class. A further 35 employees at the Alrode plant are engaged in adult basic education and training courses (ABET).

The group has assisted 70 staff members to purchase computers through computer loans that are available to SOEW employees.

Management at the group benefits from a management development programme which consists of training courses and updates.

Health and safety

The group and its employees operate a health and safety committee that ensures the group is abiding by the Occupational Health & Safety Act.

At SOEW, the committee consists of senior production management and eight health and safety representatives appointed from the factory floor. The committee undertakes regular inspections of fire equipment, reports any unsafe incidents and enforces safety in the work-place. In each business unit, it appoints safety representatives, first aiders and oversees those responsible for the safe operation of equipment.

The committee is also responsible for ensuring compliance with environmental regulations. It oversees the disposal of hazardous materials at the plant including lubricants and fluorescent tubing. Lubricant handling is certified by outside consultants, as required by legislation.

A similar committee operates at Radiant. Radiant appoints the committee, which meets at least every two months. It makes recommendations to management and to staff representatives to improve practices. It also reports on and keeps records of any incident in which any employee is injured or falls ill.

HIV

The group recognises that HIV and AIDS will have an effect on its employees and consequently its operations. South Ocean has taken several measures to manage any potential effect. SOEW conducts awareness campaigns and courses with all employees and is considering providing counselling and other services. At Radiant AIDS awareness training was also provided to employees.

Charities

Radiant donates light fittings to children's homes. SOEW regularly donates funds to various charities.

Staff financing scheme

To ensure responsible borrowing by employees, SOEW and staff have established a staff financing scheme which provides company loans to employees. The scheme is operated by a finance committee elected by staff which considers requests for loans from a pool of capital set aside by the company. SOEW then administers payroll deductions. To date, borrowers have performed well in servicing the loans and the committee has played an excellent role.

Corporate Governance

The South Ocean board is firmly committed to sound corporate governance and endorses the principles of fairness, responsibility, accountability and transparency as set out in the King II Report on Corporate Governance. The board further recognises that corporate governance is essential to protect the interests of all stakeholders and to conduct the business in accordance with the above principles and are of the opinion that they are in compliance with these principles.

The board recognises its obligation to ensure that the principles of good governance are observed and as a result has ensured that the group incorporates into its actions the best possible mutual interests of all stakeholders, including investors, employees, suppliers, customers and the communities in which it operates. The directors collectively and individually acknowledge their responsibility and duties in terms of the JSE Listing Requirements, King II report and other relevant legislations.

Code of Ethics policy

Definition

A standard of conduct (set of moral principles) which guides decisions and actions and is derived from the core values of the group.

Purpose of the code

The purpose of the code is to establish commitment to a common set of ethical values. It defines the acceptable behaviour and moral standards or guidelines that need to be respected by all employees in their dealings with internal and external stakeholders to enhance the reputation of the group.

All employees must acknowledge their acceptance of the code in writing.

Guidelines and standards

The group is committed to conducting its affairs in accordance with the law, highest standards of ethical behaviour and fairness to all parties in all its business practices.

The successful implementation of these principles is dependent upon the conduct of each director and employee. It is expected that employees at all levels will conduct themselves in terms of the ethical values of the group.

The principles stated below are provided as broad guidance:

- Integrity is fundamental in all business dealings with stakeholders, being customers, shareholders, suppliers, intermediaries, investors and employees.
- The group undertakes to operate in an environment of transparency in its dealings with all its stakeholders.
- The group is committed to fair practices and quality service to all customers in terms of providing all relevant information, earning their trust, not bending the truth or distorting the facts.
- The group undertakes to adopt fair employment practices, to provide equal opportunity of employment and to develop a working environment that is conducive to occupational health and safety and to improve the quality of work life.
- An employee must not permit a situation to arise where there may be conflicts of interest as indicated in the code between the organisation and the employee.
- The group will respect and adhere to all prescriptive measures.
- The group will comply with any codes, laws and regulations that are applicable and are in force, including those that apply to dealings on the JSE South Africa, any

- other relevant exchange as well as the rules of any other applicable regulatory body and the constitution.
- The group will notify the regulators of anything that it may reasonably be expected to disclose.

The board of directors

Composition

The South Ocean board consists of 11 directors, the majority of whom are non-executive and independent directors, as defined by the King II Code. The board as a whole selects and appoints members to the board based on a set of criteria that exists at the time when there is a vacancy.

Non-executive directors bring to the board substantial experience in their own fields, which include the businesses in which the group has operated. Their views have significant influence on the decisions of the board. The roles of Chairman and Chief Executive Officer do not vest in the same persons. The board meets quarterly.

Board Charter

The board operates in terms of a charter, with the key terms of reference being to:

- determine the group's vision and mission including its core values;
- determine strategies and policies to ensure achievements of group objectives;
- determine policy relating to group disclosure practices;
- act in good faith and in the best interests of the group;
- recommend to shareholders for approval the level of fees for non-executive directors;
- ensure that procedures are in place to monitor and evaluate the implementation of strategies and policies, identify and evaluate key risk areas and measure senior management performance to established criteria and the business plan;
- exercise leadership, integrity and judgement, based on the primary characteristics of good governance namely discipline, independence, transparency, accountability, responsibility, fairness and social responsibility;
- review and approve the group's financial objectives, plans and actions, including significant capital allocations and expenditure;
- identify key financial and non-financial risk areas and key performance indicators;
- regularly review processes and procedures to ensure the effectiveness of the group's internal systems of control and to mitigate identified risks;
- ensure that appointments to the board are formal and transparent;
- assess the board's effectiveness and that of each board committee and each individual director in fulfilling these and other board responsibilities;
- record the facts and assumptions to conclude that the business will continue as a going concern in the financial year ahead;
- establish standing and/or ad hoc sub-committees with clearly defined terms of reference as required to ensure that good corporate governance structures are maintained and to facilitate efficient and effective decision-making and the discharge of the board's responsibilities;
- declare all existing or potential conflicts of interest that might impair their independence in relation to any deliberations of the board and to not vote on any matter in which they have an interest.

The board of South Ocean has delegated certain responsibilities to the Executive committee, Audit and Risk Management committee and the Remuneration committee, the activities of which are dealt with below.

Appointment and re-election

Non-executive directors do not have fixed terms of appointment and all are subject, by rotation, to retirement and re-election by shareholders, in accordance with South Ocean's Articles of Association.

In terms of the company's Articles of Association, all of the directors retire at the first annual general meeting of the company. At the annual general meeting of the company to be held on 25 June 2008, shareholders will be requested to approve the re-appointment of all the directors who have indicated that they are available for re-election.

Company Secretary

The Company Secretary is responsible for ensuring that board procedures and applicable laws and regulations are fully observed and adhered to. The appointment and removal of the Company Secretary would be a matter for the board to consider. All directors have access to the advice and services of the Company Secretary and, in appropriate circumstances, are entitled and authorised, at the group's expense, to seek independent professional advice concerning the affairs of the group.

The Chairman

The board appointed Mr JB Magwaza as its independent non-executive Chairman in February 2007.

Non-executive directors

Non-executive directors bring a diversity of experience, insight and independent judgement on issues of strategy, performance, resources and standards of conduct, while contributing to decision making through their knowledge and experience. They are individuals of high calibre with tremendous amounts of experience in their respective fields, with integrity and provide a depth of wisdom based on knowledge and experience. This is done mainly to protect the shareholders' interest while ensuring that powers are not vested in one group of individuals.

Executive directors

All executive directors appointed by the group occupied senior positions in the group, and have been selected for their experience and value they bring in to the group.

Board committees

In terms of the Articles of Association, the company has the power to appoint board committees and to delegate any of the activities and/or powers to any of these committees. The board has three sub-committees which meet at various times during the year. These committees are directly responsible to the board and have secretariat to maintain minutes of all their proceedings. The details of these various committees are detailed below.

Executive committee

Messrs EHT Pan, G Stein, H Schwartz, JP Bekker and PJM Ferreira are representatives on the Executive committee. This committee meets at least once a month to attend to the day to day management of the group. All matters of policy and strategy are referred to the board of directors.

Audit and Risk Management committee

The Audit and Risk Management committee is fully mandated by the board by means of written terms of reference as to its membership, authority and duties.

This committee, which comprises Messrs EG Dube (Chairman), JB Magwaza, CH Pan (resigned in November 2007), KH Pon (appointed in November 2007) and CY Wu, meets at least twice a year with executive management and the external auditors. The external auditors have unrestricted access to this committee, thus ensuring their independence and the objectiveness of their reports.

This committee reviews the financial statements and interim reports, monitors the appropriateness of accounting policies and the effectiveness of the systems of internal control and considers the findings of the external audit.

The committee's duties and responsibilities also include the following with regard to risk management:

- a shared vision of risk management across the group;
- a common definition of risk;
- direction and guidance in the development of a risk strategy that aligns company objectives, risks and control mechanisms;
- determining risk appetite/tolerance of the group;
- determining methodologies to identify, measure, manage, monitor and report on risks on an ongoing basis; and
- an organisational structure which promotes integrated risk management across the group.

Remuneration committee

The Remuneration committee, which comprises Messrs JB Magwaza (Chairman), EG Dube and CY Wu, is responsible for ensuring that the group's directors and senior executives are fairly rewarded.

The committee recommends remuneration for directors and senior executives to the board. Non-executive directors' remuneration is subject to shareholder approval at the annual general meeting. The group's philosophy in respect of non-executive remuneration is to pay market related fees, determined with reference to surveys taking into account the contribution of the individual directors to the group and the demands placed on them in respect of committee work.

The philosophy in respect of senior executive remuneration is to align the interests of such executives with those of shareholders and accordingly remuneration consists of the following:

- a salary determined with reference to market surveys;
- participation in a bonus pool, determined each year with reference to group divisional performance and the individual director's performance. This is calculated based on a profit achievement as a percentage of the company profits as well as using an Economic Value Added (EVA) bonus system.

Insider trading

No employee may deal, directly or indirectly, in the company's shares on the basis of unpublished price-sensitive information regarding the business or affairs of the group. These closed periods include from the last day of the interim and final period to publication of the relevant financial announcement on the Stock Exchange News Services (SENS). In addition directors of the group may only trade in the company's securities with the approval of the Chairman or the Chief Executive Officer.

In terms of the JSE Listing Requirements, dealings in the company's securities by directors, their immediate family and associates are announced on SENS.

Human resource development

The group's philosophy is to respect the individual regardless of race, gender or creed and to ensure that all the individuals are afforded equal opportunities for development, personal growth and promotion. Appropriate forums are in place to ensure good people relationships throughout the organisation and to serve as vehicles for information-sharing, consultation and dispute resolution.

Affirmative action

The group is an equal opportunity employer and there is no discrimination on the basis of ethnic origin or gender or in any other manner. A number of programmes are in place to ensure that the group's employee profile will become more representative of the demographics of the region in which it operates, whilst maintaining the group's high standards.

Worker participation

The group employs a variety of participative structures to deal with issues which affect employees directly and materially. These include collective bargaining mechanisms, structures to drive productivity improvements, safety committees and other participative forums. These structures are designed to achieve good employer/employee relations through effective sharing of relevant information, consultation and the identification and resolution of conflict.

Going concern

The directors have satisfied themselves that the group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Attendance at board meetings

The record of attendance by each director at board meetings and board committee meetings for the financial year is as follows:

Directors	Board	Executive	Risk and Audit	Remuneration
Number of meetings held	**3**	**10**	**2**	**1**
JB Magwaza	3	n/a	2	1
ET Pan	3	10	2	n/a
JP Bekker	3	10	n/a	n/a
EG Dube	3	n/a	n/a	1
PJM Ferreira	3	10	n/a	n/a
D Ko	3	n/a	n/a	n/a
CH Pan	3	n/a	n/a	n/a
H Schwartz@	1	3	n/a	n/a
G Stein@	1	3	n/a	n/a
RP Walley#	3	10	n/a	n/a
CH Wu	3	n/a	2	1
KH Pon*	n/a	n/a	n/a	n/a

@ Messrs H Schwartz and G Stein were appointed during August 2007

 # Mr RP Walley resigned at the end of December 2007

** Mr KH Pon was appointed during November 2007*

South Ocean HOLDINGS

Annual Report 2007

Annual Financial Statements

Contents

www.southoceanholdings.com

Statement of Directors' Responsibility

for the period ended 31 December 2007

The directors are responsible for the preparation, integrity and fair presentation of the company and group financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the period, and the financial position of the company and the group at 31 December 2007.

For the directors to discharge their responsibilities, management has developed, and continues to maintain, a system of internal financial control, which is well documented and regularly reviewed.

The directors, supported by the Audit committee, are of the opinion, based on the information and explanations given by management, that the group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that the group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the period.

The financial statements have been prepared on the going concern basis, since the directors have no reason to believe that the group will not be a going concern in the foreseeable future.

The group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements, and their report is presented on page 34.

The financial statements set out on pages 35 to 70 have been approved by the board of directors on 15 March 2008, and are signed on its behalf by:

JB Magwaza
Non-executive Chairman

EHT Pan
Chief Executive Officer

Certificate by the Company Secretary

for the period ended 31 December 2007

I hereby certify that in respect of the period ended 31 December 2007, the company has lodged with the Registrar all such returns as are required of a public company in terms of section 268 G (d) of such Companies Act of 1973 as amended and that all such returns are true, correct and up to date.

WT Green
Company Secretary

15 March 2008

Independent Auditor's Report

TO THE MEMBERS OF

SOUTH OCEAN HOLDINGS LIMITED

We have audited the financial statements and group financial statements of South Ocean Holdings Limited, which comprise the report of the directors, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 70.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2007, and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2007, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: P Pope
Registered Auditor

Johannesburg
15 March 2008

Directors' Report

for the period ended 31 December 2007

The directors have pleasure in presenting their maiden report on the activities of the company and the group.

GENERAL REVIEW

South Ocean Holdings Limited is the holding company of a group of three operating subsidiary companies. South Ocean Electric Wire Company (Proprietary) Limited, a cable manufacturing company, Radiant Group (Proprietary) Limited, an importer and distributor of lighting and electrical products, and Anchor Park Investments 48 (Proprietary) Limited, a property owning company. The acquisition of the interest in subsidiaries was funded by cash, issue of shares and external borrowings (note 10).

FINANCIAL POSITION

The financial position, results of operations and cash flows of the company and the group are adequately reflected in the attached financial statements.

SHARE CAPITAL

The company was incorporated on 26 January 2007 with authorised share capital of 500 000 000 ordinary par value shares of R0,01 each. Seven ordinary shares of R0,01 were allotted on incorporation. The following is an analysis of the shares issued during the period:

	Number of shares	Consideration received R'000
Issued on incorporation	7	*
Issued for the acquisition of South Ocean Electric Wire Company (Proprietary) Limited	99 999 993	712 165
Issued for cash to selected institutions	18 700 000	130 900
Issued for the acquisition of Radiant Group (Proprietary) Limited		
– to vendors	24 691 781	180 250
– for cash to selected institutions	12 987 013	100 000
	156 378 794	1 123 315

** Denotes an amount of less than R1 000*

Details of the authorised and issued share capital and premium are stated in note 9.

SPECIAL RESOLUTIONS

No special resolutions were passed by the company or its subsidiaries during the current period.

Directors' Report *(continued)*

for the period ended 31 December 2007

DIVIDENDS

An interim dividend of 6 cents per share was declared on 7 August 2007.

Taking into account the earnings performance for the year ended 31 December 2007, notice is hereby given that a dividend of 20 cents per ordinary share was approved on 13 March 2008, payable to shareholders recorded in the share register of the company at the close of business on Friday, 11 April 2008.

In compliance with IAS 10, 'Events after the balance sheet date', the dividend will only be accounted for in the financial statements for the year ending 31 December 2008.

In compliance with STRATE, the company determined the following salient dates for the payment of the dividend:

Last day to trade cum dividend	Friday, 4 April 2008
Trading ex dividend commences	Monday, 7 April 2008
Record date	Friday, 11 April 2008
Dividend payment date	Monday, 14 April 2008

Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2008 and Friday, 11 April 2008, both days inclusive.

DIRECTORS

The directors of the company during the period were:

Non-executive

JB Magwaza *(Chairman)*	(Appointed 01 February 2007)
D Ko#	(Appointed 01 February 2007)
EG Dube	(Appointed 01 February 2007)
CY Wu#	(Appointed 26 January 2007)
CH Pan#	(Appointed 26 January 2007)
KH Pon	(Appointed 27 November 2007)

Executive

EHT Pan* *(Chief Executive Officer)*	(Appointed 26 January 2007)
JP Bekker *(Group Financial Director)*	(Appointed 01 February 2007)
PJM Ferreira	(Appointed 01 February 2007)
RP Walley	(Appointed 26 January 2007) (Resigned 31 December 2007)
G Stein	(Appointed 14 August 2007)
H Schwartz	(Appointed 14 August 2007)

Taiwanese
* Brazilian

SECRETARY

The secretary of the company is WT Green, whose business and postal addresses are as follows:

Business address	**Postal address**
21 West Street	PO Box 123738
Houghton	Alrode
2198	1451

Directors' Report *(continued)*

for the period ended 31 December 2007

DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of directors in the issued share capital of the company as at 31 December 2007 are as follows:

2007 Director	Number of ordinary shares Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital (%)
JP Bekker	491 807	–	491 807	0,31
PJM Ferreira	1 412 880	–	1 412 880	0,91
JB Magwaza	63 299	–	63 299	0,04
EHT Pan	3 258 555	27 734 563	30 993 118	19,82
H Schwartz	–	14 245 992	14 245 992	9,11
G Stein	2 895 397	–	2 895 397	1,85
RP Walley	785 829	–	785 829	0,50
	8 907 767	41 980 555	50 888 322	32,54

There have been no changes to these shareholdings since 31 December 2007 to the date of issue of this annual report.

INTEREST IN SUBSIDIARIES

Details of the company's financial interest in its subsidiaries are set out in notes 4, 27 and 28 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

With effect from 1 March 2008, the corporate taxation rate was decreased from 29% to 28%, which will affect the carrying value of the deferred tax liability.

A final dividend of 20 cents per share was approved on 13 March 2008 in terms of the general authority granted to the directors. Details of the dividend are set out in note 21.

The directors are not aware of any other matter or circumstance arising since the end of the financial period, not otherwise dealt with in the financial statements, which would affect the operations of the company and the group or the results of those operations significantly.

AUDITORS

PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 270 (2) of the Companies Act of South Africa, 1973, as amended.

Balance Sheets

as at 31 December 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	2	**186 990**	64 308	**–**
Intangible assets	3	**388 868**	–	**–**
Interest in subsidiaries	4			**1 016 463**
Interest free loans receivable	5	**1 121**	–	**–**
		576 979	64 308	**1 016 463**
Current assets				
Inventories	6	**177 884**	65 657	**–**
Trade and other receivables	7	**136 020**	105 026	**–**
Amounts owing by group companies	4	**–**	–	**4 542**
Interest free loans receivable	5	**326**	–	**–**
Taxation receivable		**350**	–	**–**
Cash resources	8	**45 401**	634	**28**
		359 981	171 317	**4 570**
Total assets		**936 960**	235 625	**1 021 033**
EQUITY				
Capital and reserves attributable to equity holders of the company				
Share capital	9	**1 274**	710	**1 564**
Share premium	9	**440 371**	34 236	**1 117 300**
Retained earnings/(accumulated deficit)		**197 591**	81 182	**(99 182)**
		639 236	116 128	**1 019 682**
LIABILITIES				
Non-current liabilities				
Interest bearing borrowings	10	**144 303**	5 207	**–**
Deferred taxation	11	**29 837**	9 486	**–**
		174 140	14 693	**–**
Current liabilities				
Trade and other payables	12	**76 856**	28 028	**1 243**
Interest bearing borrowings	10	**33 225**	5 050	**–**
Amounts owing to group companies	4	**–**	–	**104**
Taxation payable		**13 430**	1 129	**–**
Shareholders for dividends		**4**	10 649	**4**
Bank overdraft	8	**69**	59 948	**–**
		123 584	104 804	**1 351**
Total liabilities		**297 724**	119 497	**1 351**
Total equity and liabilities		**936 960**	235 625	**1 021 033**

Income Statements

for the period ended 31 December 2007

	Notes	Group 2007 R'000	Group Ten months ended 31 December 2006 R'000	Company 2007 R'000
Revenue		**852 594**	458 310	**–**
Cost of sales	13	**(611 522)**	(347 278)	**–**
Gross profit		**241 072**	111 032	**–**
Other operating income	16	**4 200**	–	**11 183**
Administration expenses	13	**(41 375)**	(13 020)	**(2 113)**
Distribution expenses	13	**(5 315)**	(725)	**–**
Operating expenses	13	**(13 204)**	(12 425)	**(98 990)**
Operating profit/(loss)		**185 378**	84 862	**(89 920)**
Finance income	17	**4 317**	101	**121**
Finance costs	18	**(10 028)**	(4 381)	**–**
Profit/(loss) before taxation		**179 667**	80 582	**(89 799)**
Taxation	19	**(53 875)**	(25 422)	**–**
Earnings attributable to ordinary shareholders		**125 792**	55 160	**(89 799)**
Earnings per share (cents)				
– basic	20	**97,0**	67,0	
Dividends per share (cents)*	21	**26,0**	10,6	

** Includes dividend approved after year end. The policy of South Ocean Holdings Limited is to recommend a final dividend to shareholders when the preliminary results for each financial year are released*

Statements of Changes in Equity

for the period ended 31 December 2007

	Share capital R'000	Share premium R'000	Retained earnings/ (accumulated deficit) R'000	Total R'000
GROUP				
Balance at 1 January 2007	**710**	**34 236**	**81 182**	**116 128**
Shares issued				
– cash	**317**	**230 583**	**–**	**230 900**
– business combination	**247**	**180 003**	**–**	**180 250**
Share issue expenses	**–**	**(4 451)**	**–**	**(4 451)**
Dividends paid	**–**	**–**	**(9 383)**	**(9 383)**
Profit for the year	**–**	**–**	**125 792**	**125 792**
Balance at 31 December 2007	**1 274**	**440 371**	**197 591**	**639 236**
Balance at 1 January 2006	700	33 988	36 671	71 359
Shares issued				
– cash	10	248	–	258
Profit for the period	–	–	55 160	55 160
Dividends paid	–	–	(10 649)	(10 649)
Balance at 31 December 2006	710	34 236	81 182	116 128
COMPANY				
Balance at 1 January 2007	**–**	**–**	**–**	**–**
Shares issued				
– cash	**317**	**230 583**	**–**	**230 900**
– business combination	**1 247**	**891 168**	**–**	**892 415**
Share issue expenses	**–**	**(4 451)**	**–**	**(4 451)**
Loss for the period	**–**	**–**	**(89 799)**	**(89 799)**
Dividends paid	**–**	**–**	**(9 383)**	**(9 383)**
Balance at 31 December 2007	**1 564**	**1 117 300**	**(99 182)**	**1 019 682**

Cash Flow Statements

for the period ended 31 December 2007

	Notes	Group 2007 R'000	Group Ten months ended 31 December 2006 R'000	Company 2007 R'000
Cash flows from operating activities				
Cash flow from operations	22.1	**196 992**	13 811	**930**
Interest received		**4 317**	101	**121**
Interest paid		**(9 187)**	(4 381)	**–**
Taxation paid	22.2	**(66 485)**	(24 705)	**–**
Dividends paid	22.3	**(65 898)**	(3 850)	**(9 379)**
Net cash inflow/(outflow) from operating activities		**59 739**	(19 024)	**(8 328)**
Cash flows from investing activities				
Acquisition of intangible assets		**(1 957)**	–	**–**
Acquisition of property, plant and equipment		**(32 996)**	(12 591)	**–**
Proceeds on disposal of property, plant and equipment	22.4	**546**	546	**–**
Acquisition of subsidiaries	22.5	**(264 683)**	–	**(307 788)**
Decrease in interest free loans receivable		**190**	–	**–**
Movement in group loans		**–**	–	**(4 438)**
Dividends received		**–**	–	**94 133**
Net cash outflow from investing activities		**(298 900)**	(12 045)	**(218 093)**
Cash flows from financing activities				
Share issue expenses		**(4 451)**	–	**(4 451)**
Shares issued		**230 900**	258	**230 900**
Increase/(decrease) in interest bearing borrowings		**117 358**	(8 406)	**–**
Net cash inflow/(outflow) from financing activities		**343 807**	(8 148)	**226 449**
Net increase/(decrease) in cash and cash equivalents		**104 646**	(39 217)	**28**
Cash and cash equivalents at beginning of year		**(59 314)**	(20 097)	**–**
Cash and cash equivalents at end of year	8.1	**45 332**	(59 314)	**28**

Accounting Policies

for the period ended 31 December 2007

BASIS OF PREPARATION

These consolidated financial statements of South Ocean Holdings Limited have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. They have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

Principal accounting policies set out below have been consistently applied to all the years presented. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates, as disclosed in note 1.

IFRS 3 requires that an entity formed to issue equity instruments to effect a business combination, cannot be identified as the acquirer and therefore the operating entity has been identified as the acquirer. As a result, the principle of reverse acquisition has been applied to the transaction. The principle has been applied in the preparation of the group financial statements. The carrying value of assets and liabilities of South Ocean Electric Wire Company (Proprietary) Limited, the operating company, at the pre-combination date have been used as those of the group. The comparatives of the group are therefore the comparatives of South Ocean Electric Wire Company (Proprietary) Limited, as it is the acquirer in terms of IFRS 3 (refer note 27).

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS EFFECTIVE IN 2007

The following standards, amendments and interpretations to existing standards have been published, and are mandatory for the group's accounting periods beginning on or after 1 January 2007:

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments, or the disclosures relating to taxation.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group's financial statements.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007, but they are not relevant to the group's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 8, 'Scope of IFRS 2';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies';
- IFRIC 9, 'Re-assessment of embedded derivatives'; and
- AC 503, 'Accounting for Black Economic Empowerment (BEE) transactions'.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008, but the group has not early adopted as follows:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009 but it is currently not applicable to the group as there are no qualifying assets.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.
- IAS 1, 'Presentation of financial statements' (effective 1 January 2009). The objective is to prescribe the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous period and with financial statements of other entities.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective 1 July 2009).
- IAS 32 (Amendment), 'Financial instruments: presentation' and the complementary amendment to IAS 1, 'Presentation of financial statements: puttable financial instruments and obligations arising on liquidation' (effective 1 January 2009).

The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

- IFRIC 11, IFRS 2 'Group and Treasury Share Transactions' (effective from 11 March 2007).
- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).
- IFRS 2 (Amendment), 'Share-based payment: vesting conditions and cancellations' (effective 1 January 2009).

BASIS OF CONSOLIDATION

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies have been changed, where necessary, to ensure consistency with the policies adopted by the group.

The purchase method of accounting is used for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus the costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Accounting Policies *(continued)*

for the period ended 31 December 2007

INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the subsidiary acquired at the date of acquisition. Goodwill is included in intangible assets, and is tested annually for impairment, and carried at cost less accumulated impairment/losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Tradenames and customer relationships

Acquired tradenames and customer relationships are shown at historical cost, have a finite life, and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their useful lives, as follows:

Customer relationships	5 years
Tradenames	20 years

Intangible assets with finite useful lives are tested for impairment if conditions are identified which might be indicative of a potential reduction in the value in use or fair value less cost to sell compared to its carrying value.

(c) Computer software and licences

Acquired computer software and licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software. These costs are amortised over the estimated useful life of the licence, usually three years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Internal expenditure associated with developing or maintaining computer software programmes is charged to income in the year in which it is incurred.

SEGMENT REPORTING

The group's primary reporting format is business segments, and its secondary format is geographical segments. A business segment is a group of assets and operations that are subject to risks and returns that are different from other business segments. A geographical segment is engaged in providing products within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are classified as non-current assets, and are stated in the financial statements of the company at cost, less appropriate impairments. Where the value of investments is considered to be below the carrying value, and the diminution of value is considered not to be of a temporary nature, the investments are written down to the expected realisable value.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the group operates (the functional currency). The financial statements are presented in South African Rands, which is the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Plant and machinery	3-20 years
Furniture and equipment	3-10 years
Motor vehicles	5-7 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognised as an expense immediately, and are recorded in the income statement, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed that carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. Financial assets previously impaired are reviewed for probable reversal of the impairment. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation increase under the standard.

FINANCIAL ASSETS

The group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. Currently the group has no financial assets in the second category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading" and those "designated at fair value through profit or loss" at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" (note 7), "interest free loans receivable" (note 5) and “cash resources” and “bank overdraft” (note 8.1). Loans and receivables are initially recognised at cost, and are subsequently carried at amortised cost using the effective interest rate method. Any adjustments to the carrying value of originated loans and receivables to amortised cost are calculated by reference to market rates using the effective interest rate method.

(c) Impairment

The group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. If any such evidence exists, the recoverable amount is estimated, and an impairment loss is recognised. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

FINANCIAL INSTRUMENTS

Financial instruments are initially recognised when the group becomes a party to contractual arrangements. Financial instruments are initially recognised at the fair value (including transaction costs) of the consideration given (in the case of an asset) or received (in the case of a liability). Where the group can legally do so, and the group intends to settle on a net basis, all related positive and negative values of financial instruments are offset within the balance sheet totals.

The group uses derivative financial instruments to manage its exposure to foreign exchange risks arising from operational activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The group designates certain derivatives as (a) a hedge of the fair value of a recognised asset or liability (fair value hedge) or, (b) a hedge of a forecasted transaction of a firm commitment (cash flow hedge).

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with any changes in the fair value of the hedged assets or liability that are attributable to the hedged risk.

(b) Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges that are highly effective, are recognised in equity. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement. The group does not apply hedge accounting to cash flow hedges.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of financial instruments the company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for these financial instruments. The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

INVENTORIES

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the following basis:

– Raw materials – on an average cost basis;
– Consumable stores – on an average cost basis;
– Finished goods and work-in-progress – at average, includes direct manufacturing costs plus other direct costs, and related direct overhead expenses; and
– Merchandise – on the first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less any costs of disposal. Provision is made for slow moving goods and obsolete materials are written off.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the client accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other operating expenses'. Where a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as equity as a deduction, net of taxation, from the proceeds.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Preference shares, which are mandatorily redeemable, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as an interest expense. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Financial liabilities are derecognised when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

TAXATION

(a) Current taxation

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted, or substantially enacted, at the balance sheet date, and any adjustment of taxation payable for previous years.

(b) Deferred taxation

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the taxation bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income taxation is determined using taxation rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income taxation asset is realised or the deferred income taxation liability is settled. Deferred income taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Secondary taxation on companies (STC)

Dividends declared by South African companies are subject to STC, but the STC liability is reduced by dividends received during the dividend cycle. Where the dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential taxation benefit related to excess dividends received is carried forward to the next dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate. The STC expense is included in the taxation charge in the income statement in the period that the dividend is paid. Deferred taxation assets are recognised on unutilised STC credits to the extent that it is probable that the company will declare future dividends to utilise such STC credits.

EMPLOYEE BENEFITS

(a) Retirement obligations

The group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The plans are funded by payments from employees and by the relevant group companies, taking into account the recommendations of independent qualified actuaries. A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. The retirement plans are covered by the Pension Funds Act, 1956 (Act No.24 of 1956).

(b) Performance bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged to, or where there is a past practice that has created a constructive obligation.

(c) Short-term employee benefits

Employee entitlements to annual leave are recognised when it accrues to the employee. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to balance sheet date.

PROVISIONS

Provisions for restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

LEASED ASSETS

Leases of assets where the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the net present value of the minimum lease payments, or the fair value of the asset. The corresponding lease obligations, net of finance costs, are included in interest bearing borrowings. The interest costs are charged to the income statement over the lease period. The assets acquired under finance leases are depreciated over the same periods as the other property, plant and equipment.

Operating leases are those leases where substantially all the risks and rewards associated with ownership of an asset are not transferred from the lessor to the group as lessee. Costs of leasing property, plant and equipment held under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The cost of the assets and the outstanding commitments are not recorded in the balance sheet. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalties is recognised as an expense in the period in which the termination takes place.

REVENUE RECOGNITION

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue can be measured reliably. Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's activities. Revenue is shown net of value added taxation, and estimated settlement discounts. Consolidated revenue excludes inter-group transactions.

Revenues earned by the group are recognised on the following bases:

- Sales of goods – when a group entity has delivered the products to the customer, the customer has accepted the products, and collectability of the related receivables is reasonably assured;
- Interest income – on the time proportion basis using the effective interest method; and
- Dividend income – when the shareholder's right to receive payment is established.

DIVIDENDS

Dividend distributions to the company's shareholders are recognised as a liability in the group financial statements in the period in which the dividends are approved by the company's shareholders.

TRADE PAYABLES

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest rate method.

1. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management made judgements, estimates and assumptions in the preparation of the financial statements that affect the disclosures and amounts of assets, liabilities, income, expenses and equity.

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 3).

(b) Business combinations

The business combination that occurred during the course of the year was determined based on a provisional valuation. As permitted by IFRS 3, these will be finalised within twelve months from the effective date (refer note 27).

(c) Residual values and useful lives

The useful economic lives and residual values of items of property, plant and equipment and tangible assets are estimated annually. The actual lives and residual values may vary depending on a variety of factors.

(d) Interest free loans receivable

The fair value of interest free loans receivable has been estimated taking into account probable payment and bonus trends, projected over an 11 year repayment term, discounted at a rate of 13,85%. The assumption was made that staff would remain in the employment of the company for the period required to have portions of the loans waived (note 5).

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant and machinery R'000	Furniture and equipment R'000	Motor vehicles R'000	Total R'000
GROUP					
Year ended 31 December 2007					
Opening net book amount	**13 211**	**47 346**	**1 678**	**2 073**	**64 308**
Additions	**18 086**	**12 982**	**1 044**	**884**	**32 996**
Acquisition of subsidiary*	**90 000**	**1 967**	**4 255**	**2 080**	**98 302**
Disposals	**–**	**–**	**(70)**	**(47)**	**(117)**
Depreciation	**(606)**	**(5 980)**	**(1 050)**	**(863)**	**(8 499)**
Closing net book amount	**120 691**	**56 315**	**5 857**	**4 127**	**186 990**
At 31 December 2007					
Cost	**121 297**	**75 048**	**11 717**	**7 270**	**215 332**
Accumulated depreciation	**(606)**	**(18 733)**	**(5 860)**	**(3 143)**	**(28 342)**
Net book amount	**120 691**	**56 315**	**5 857**	**4 127**	**186 990**
Carrying value of assets secured by interest bearing borrowings (note 10)	**120 691**	**18 018**	**–**	**1 067**	**139 776**
Year ended 31 December 2006					
Opening net book amount	11 617	41 725	1 317	2 056	56 715
Additions	1 675	9 223	734	959	12 591
Disposals	–	–	–	(576)	(576)
Depreciation	(81)	(3 602)	(373)	(366)	(4 422)
Closing net book amount	13 211	47 346	1 678	2 073	64 308
At 31 December 2006					
Cost	13 487	58 748	3 480	2 953	78 668
Accumulated depreciation	(276)	(11 402)	(1 802)	(880)	(14 360)
Net book amount	13 211	47 346	1 678	2 073	64 308
Carrying value of assets secured by interest bearing borrowings (note 10)	–	21 164	–	1 326	22 490

A register of land and buildings is available for inspection by members at the registered office of the company.

** Based on provisionally determined values per notes 22.5 and 27*

3. INTANGIBLE ASSETS

	Goodwill R'000	Assets in process of identification: Trade names R'000	Customer relationships R'000	Computer software R'000	Total R'000
Year ended 31 December 2007					
Opening net book amount	–	–	–	–	–
Acquisition of subsidiary*	362 108	14 347	10 074	1 299	387 828
Additions	–	–	–	1 957	1 957
Amortisation	–	(299)	(492)	(126)	(917)
Closing net book amount	362 108	14 048	9 582	3 130	388 868
At 31 December 2007					
Cost	362 108	14 347	10 074	3 784	390 313
Accumulated amortisation	–	(299)	(492)	(654)	(1 445)
Net book amount	362 108	14 048	9 582	3 130	388 868

**Based on provisionally determined values as per notes 22.5 and 27*

Assets in process of identification, trade names and customer relationships are allocated to their respective underlying cash-generating units. For this purpose, the respective companies acquired (refer note 27) are defined as the underlying cash-generating units.

Goodwill

Goodwill represents the excess of the purchase price over the assets, liabilities and contingent liabilities identified to date acquired in a business combination. Goodwill is, from date of acquisition, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination.

Assets in the process of identification arose as a result of the Radiant Group (Proprietary) Limited business combination. The value has been calculated on provisionally determined values as stated in note 27. No impairment tests have been prepared as the value has not been finalised due to the timing of the transaction.

	Company 2007 R'000
4. INTEREST IN SUBSIDIARIES	
Unlisted shares at cost	1 115 453
Impairment	(98 990)
	1 016 463
Amounts owing by subsidiaries	4 542
Amounts owing to subsidiaries	(104)
	1 020 901
Aggregate profits before taxation attributable to the company amounted to:	176 309

The amounts owing by the subsidiaries are unsecured, interest free, and not subject to any fixed terms of repayment. The shares in subsidiaries have been ceded as security for banking facilities. Details of interest in subsidiaries are set out in note 28. The amounts are considered to be recoverable.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
5. INTEREST FREE LOANS RECEIVABLE			
Staff loans			
Capital outstanding	**1 447**	–	**–**
Less: Current portion included in current assets	**(326)**	–	**–**
	1 121	–	**–**
The maximum exposure to credit losses on loans receivable is	**1 447**	–	**–**

The staff loans are unsecured, interest free, and are repayable in monthly instalments amounting to approximately 15% of employees' net salaries after taxation, adjusted at management's discretion. Various future incentives payable to employees will be utilised to reduce the outstanding balance.

Should the employees remain in the employment of the company, as detailed below, the company will waive a portion of the balance outstanding at that date.

(a) 5 years – 20% waived.

(b) 6 years – additional 20% waived.

The total benefits due to staff members in terms of their membership of the company pension fund have been ceded to the group. These amounts will be paid to the company should the employee's services be terminated prior to the loans being settled.

	Group 2007 R'000	Group 2006 R'000
6. INVENTORIES		
Raw materials	**41 355**	35 610
Consumable stores	**2 196**	1 630
Work-in-progress	**6 870**	8 689
Finished goods	**33 963**	19 728
Merchandise	**93 500**	–
	177 884	65 657

Inventory with a carrying value of R4 234 000 is carried at net realisable value.

	Group		Company
	2007	2006	**2007**
	R'000	R'000	**R'000**
7. TRADE AND OTHER RECEIVABLES			
Trade receivables	**138 037**	108 157	**–**
Less: Provision for impairment of receivables	**(5 145)**	(4 764)	**–**
	132 892	103 393	**–**
Other receivables	**2 090**	174	**–**
VAT receivable	**1 038**	1 459	**–**
	136 020	105 026	**–**
Reconciliation of provision for impairment of receivables			
Balance at beginning of year	**4 764**	1 404	**–**
Provision for receivables impairment	**–**	3 360	**–**
Acquisition of subsidiary*	**675**	–	**–**
Unused amount reversed	**(294)**	–	**–**
Balance at end of year	**5 145**	4 764	**–**

**Based on provisionally determined values per notes 22.5 and 27*

The creation and release of the provision for impaired receivables has been included in the operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Trade receivables that are less than one month overdue are not considered to be impaired.

As at 31 December 2007, trade receivables of R88 047 000 (2006: R94 532 000) were fully performing. Trade receivables of R38 545 000 (2006: R4 985 000) were past due but not impaired. These relate to customers for whom there is no recent history of default. The age analysis of these trade receivables is as follows:

	Group		Company
	2007	2006	**2007**
	R'000	R'000	**R'000**
2 months	**29 576**	3 620	**–**
3 months	**6 262**	1 365	**–**
Over 3 months	**2 707**	–	**–**
	38 545	4 985	**–**
As at 31 December 2007 trade receivables of R11 445 000 (2006: R8 640 000) were impaired and provided for. The amount of the provision in respect of these debtors was R5 145 000 (2006: R4 764 000). It was assessed that a portion of these trade receivables were considered to be recoverable. The aging of these receivables is as follows:			
2 months	**4 432**	1 001	**–**
3 months	**4 338**	5 103	**–**
Over 3 months	**2 675**	2 536	**–**
	11 445	8 640	**–**

The carrying amounts of trade and other receivables are all denominated in South African Rands. The fair value of trade and other receivables is disclosed in note 23.

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited and the group is exposed to a maximum credit risk of the fair value of 20% of all trade receivables that are within their approved credit limits and 100% of the fair value of trade receivables that are in excess of their credit limits. The group does not hold any collateral as security.

Trade receivables have been ceded as security for banking facilities as stated in note 8.2.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
8. CASH RESOURCES			
8.1 Cash and cash equivalents			
Bank	**45 322**	537	**28**
Cash on hand	**79**	97	**–**
	45 401	634	**28**
Bank overdraft	**(69)**	(59 948)	**–**
	45 332	(59 314)	**28**

8.2 Banking facilities

The following securities are held by the group's bankers:

First National Bank Limited

The bank overdraft, currently R95 million, is secured by a cession of South Ocean Electric Wire Company (Proprietary) Limited trade receivables, a standard invoice discounting agreement, a cession of the Credit Guarantee Policy over debtors issued by Credit Guarantee Insurance Corporation of Africa Limited and a general Deed of Suretyship in the amount of R40 million. The entire facility had not been used at year-end (refer note 23).

Investec Bank Limited

The group has an overdraft facility of R20 million which is secured by the cession of Radiant Group (Proprietary) Limited trade and other receivables with a reversionary cession to Futuregrowth Asset Management (Proprietary) Limited acting on behalf of various lenders. The unused facility at year-end amounted to R20 million (refer note 23).

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
9. SHARE CAPITAL AND PREMIUM			
Authorised			
500 000 000 ordinary shares of R0,01 each	**5 000**	5 000	**5 000**
Issued			
156 378 794 (2006: 100 000 000) ordinary shares of R0,01 each	**1 274**	710	**1 564**
Share premium	**440 371**	34 236	**1 117 300**
	441 645	34 946	**1 118 864**

The directors are authorised, by resolution of the shareholders, and until the forthcoming annual general meeting, to allot or issue such shares at their discretion, subject to the provisions of the Companies Act of South Africa, and the listing requirements of the JSE Limited.

As a consequence of the reverse acquisition as described in the basis of preparation and note 27, the number of shares disclosed as issued for 2006 are those of South Ocean Holdings Limited at the date of the business combination, including the shares issued to effect the combination. The value of shares for 2006 are those of the operating company, South Ocean Electric Wire Company (Proprietary) Limited.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
10. INTEREST BEARING BORROWINGS			
Secured			
Instalment sale agreements			
Total outstanding	**18 834**	10 257	**–**
Less: Current portion included in current liabilities	**(4 347)**	(5 050)	**–**
	14 487	5 207	**–**
Mortgage bonds			
Futuregrowth Asset Management (Proprietary) Limited	**114 260**	–	**–**
Bergvlei Industrial Leasing Corporation (Proprietary) Limited	**3 258**	–	**–**
	117 518	–	**–**
Less: Current portion included in current liabilities	**(17 220)**	–	**–**
	100 298	–	**–**
Cumulative redeemable preference shares			
18 077 591 cumulative redeemable preference shares of R0,01 each	**181**	–	**–**
Preference share premium	**17 897**	–	**–**
Preference dividend accrued	**1 591**	–	**–**
	19 669	–	**–**
Other loans			
Futuregrowth Asset Management (Proprietary) Limited – Capital loan 1	**21 507**	–	**–**
Less: Current portion included in current liabilities	**(11 658)**	–	**–**
	9 849	–	**–**
Total interest bearing borrowings	**177 528**	10 257	**–**
Less: Current portion included in current liabilities	**(33 225)**	(5 050)	**–**
	144 303	5 207	**–**
The maturity of non-current borrowings is as follows:			
Between one and two years	**44 470**	5 207	**–**
Between two and five years	**99 833**	–	**–**
	144 303	5 207	**–**

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
10. INTEREST BEARING BORROWINGS (continued)			
Instalment sale liabilities – minimum lease payments			
Not later than one year	**6 782**	5 861	**–**
Between one and five years	**16 465**	5 659	**–**
Future finance charges	**(4 413)**	(1 263)	**–**
Present value of instalment sale liabilities	**18 834**	10 257	**–**
The present value of instalment sale liabilities is as follows:			
Not later than one year	**4 347**	5 050	**–**
Between one and five years	**14 487**	5 207	**–**
	18 834	10 257	**–**
Total borrowings at fixed interest rates	**21 507**	–	**–**
Total borrowings at floating interest rates	**156 021**	10 257	**–**
	%	%	**%**
The effective annual interest rates at the balance sheet date were as follows:			
Instalment sale liabilities	**13,500**	11,000	**–**
Mortgage bonds	**12,975**	–	**–**
Cumulative redeemable preference shares	**10,875**	–	**–**
Other loans	**13,850**	–	**–**

Borrowing powers

The maximum permitted in terms of the company's Articles of Association is unlimited.

Securities

The interest bearing borrowings are secured as follows:

Instalment sale agreements

Secured over vehicles, plant and equipment, bear interest at prime minus 1,5%, and are repayable in monthly instalments of R953 295 (2006: R467 984), inclusive of interest.

Other loans

Futuregrowth Asset Management (Proprietary) Limited

The loan bears interest at a fixed rate of 13,85%, and is repayable in fixed monthly instalments of R1 159 619.

The loan is secured as follows:

- A reversionary cession on the debtors book in favour of the Transnet Pension Fund;
- General notarial bond over the assets of Radiant Group (Proprietary) Limited.

Mortgage bonds

Futuregrowth Asset Management (Proprietary) Limited

The loan is secured by:

- Irrevocable guarantee from South Ocean Holdings Limited;
- First ranking mortgage bond in process of being registered over all properties as disclosed in note 2; and
- Cession of rentals due from Radiant Group (Proprietary) Limited, South Ocean Holdings Limited and South Ocean Electric Wire Company (Proprietary) Limited.

10. INTEREST BEARING BORROWINGS (continued)

Mortgage bonds (continued)

The loan bears interest at JIBAR plus 1,80%. JIBAR is currently 11,175%. The loan is payable in monthly capital instalments totalling R1 435 000 per month plus interest.

Bergvlei Industrial Leasing Corporation (Proprietary) Limited

The loan is secured by a mortgage bond over Erf 11 and Erf 493 Township of Wynberg Township, and limited guarantees issued by H Schwartz and L Sarakinsky. Interest is payable at the average overnight call rate from Investec Bank Limited and the Standard Bank of South Africa Limited. The capital balance is repayable over three years in monthly instalments of R153 000.

	Group	
	2007	2006
	R'000	R'000
Cumulative redeemable preference shares		
Authorised		
20 000 000 cumulative redeemable preference shares of R0,01 each	**200**	–

The preference shares shall be redeemed as and when the amounts owing under the "Capital loan 1" together with interest thereon have been reduced to an amount equal to or less than the issue price of the issued preference share capital

Dividends on the preference shares are payable at a rate of 70% of the prime interest rate, and can only be paid on the achievement of certain conditions, as detailed in the loan agreement with Futuregrowth Asset Management (Proprietary) Limited.

No preference dividend shall be declared and paid if the amount paid to shareholders in any year in respect of preference dividends exceeds the Maximum Entitlement.

The "Maximum Entitlement" refers to the lowest of:

- 50% of the net income of the consolidated group after tax (excluding depreciation of owner occupied properties and before amortisation of goodwill) for the immediately preceding financial year of the borrower;
- 50% of Free Cash Flow for the immediately preceding financial year of the Borrower; and
- 75% of the Cash and Cash Equivalents at the end of the immediately preceding financial year of the Borrower.

Dividends are paid annually and are therefore accrued as a liability.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
11. DEFERRED TAXATION			
Deferred tax is calculated on all temporary differences under the liability method using a principal taxation rate of 29%. Deferred income taxation assets and liabilities are offset when the income taxes relate to the same fiscal authority, and there is a legal right to offset at settlement. The following amounts are shown in the consolidated balance sheet:			
Deferred taxation liability			
At beginning of period	**9 486**	8 473	**–**
Movement during the period			**–**
– acquisition of subsidiary*	**19 393**	–	
– current year temporary differences	**958**	1 132	**–**
– Prior year adjustment	**–**	(119)	**–**
	29 837	9 486	**–**
The balance comprises:			
Provisions	**(1 075)**	(1 242)	**–**
Capital allowances	**30 912**	10 728	**–**
	29 837	9 486	**–**

Deferred taxation assets and deferred taxation charge/(credit) in the income statement are attributable to the following items:

GROUP	Capital allowances R'000	Provisions R'000	Total R'000
31 December 2007			
Opening balance	**10 728**	**(1 242)**	**9 486**
Acquisition of subsidiary*	**19 393**	**–**	**19 393**
Charge to the income statement	**791**	**167**	**958**
Closing balance	**30 912**	**(1 075)**	**29 837**
31 December 2006			
Opening balance	9 013	(540)	8 473
Charge/(credit) to the income statement	1 715	(702)	1 013
Closing balance	10 728	(1 242)	9 486

**Based on provisionally determined values per notes 22.5 and 27*

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
12. TRADE AND OTHER PAYABLES			
Trade payables	**60 529**	9 960	**–**
Accruals	**11 109**	18 068	**1 243**
Other payables	**5 208**	–	**–**
Deposits	**10**	–	**–**
	76 856	28 028	**1 243**

Trade and other payables are unsecured, and are repayable within a period of twelve months. The carrying amount and fair value of the current borrowings are included in note 23.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
13. EXPENSES BY NATURE			
Amortisation of intangible assets	**917**	–	**–**
Auditors' remuneration			
– other services fees	**139**	–	**–**
– audit fees	**966**	380	**200**
– expenses	**35**	12	**–**
– under/(over) provision prior year	**445**	(157)	**–**
Bad debt impairment provision	**(34)**	3 360	**–**
Bad debts written off	**878**	136	**–**
Changes in inventories of finished goods and work in progress	**(24 091)**	(15 884)	**–**
Debtors' insurance	**1 705**	851	**–**
Deficit on disposal of property, plant and equipment	**–**	30	**–**
Depreciation – cost of sales	**5 835**	3 644	**–**
– operating expenses	**2 664**	778	**–**
Employee benefit expense (note 14)	**51 469**	25 045	**1 000**
Foreign exchange loss	**–**	503	**–**
Freight costs	**5 315**	725	**–**
Impairment of investment in subsidiary	**–**	–	**98 990**
Motor vehicle expenses	**883**	706	**–**
Operating leases – rental of warehouse premises	**3 950**	–	**–**
Other expenses	**16 241**	11 877	**70**
Professional fees	**843**	–	**843**
Raw materials and consumables used	**494 500**	339 208	**–**
Purchase of merchandise	**105 985**	–	**–**
Repairs and maintenance – machinery	**2 771**	2 234	**–**
Total cost of sales, administration, distribution and operating expenses	**671 416**	373 448	**101 103**
14. EMPLOYEE BENEFIT EXPENSE			
Directors' remuneration (note 15)	**–**	–	**1 000**
Salaries, wages and bonuses	**47 477**	24 029	**–**
Pension fund contributions	**3 992**	1 016	**–**
	51 469	25 045	**1 000**
Number of employees at 31 December			
– full time	**565**	206	**–**
– part time	**6**	2	**6**

The employees of the group are the members of the following contribution plans:
- Metal Industries Pension Fund
- Dynamique Pension Fund
- Momentum Funds at Work
- MEIBC Provident Fund

15. *DIRECTORS' REMUNERATION*

The directors' remuneration for the period ended 31 December 2007 was as follows:

	Fees R'000	Salary R'000	Perfor-mance bonus R'000	Medical and group benefit contri-butions R'000	Provident fund R'000	Total R'000	Paid by subsi-diaries R'000	Paid by the company R'000
Executive directors								
EHT Pan	–	1 991	1 050	22	198	3 261	3 261	–
JP Bekker	–	1 382	656	40	154	2 232	2 232	–
H Schwartz	–	782	221	25	117	1 145	1 145	–
PJM Ferreira	–	1 219	1 499	17	144	2 879	2 879	–
G Stein	–	591	166	22	89	868	868	–
RP Walley	–	1 335	656	77	144	2 212	2 212	–
	–	7 300	4 248	203	846	12 597	12 597	–
Non-executive directors								
JB Magwaza	420	–	–	–	–	420	–	420
CY Wu	165	–	–	–	–	165	–	165
D Ko	85	–	–	–	–	85	–	85
CH Pan	125	–	–	–	–	125	–	125
EG Dube	205	–	–	–	–	205	–	205
	1 000	–	–	–	–	1 000	–	1 000
	1 000	7 300	4 248	203	846	13 597	12 597	1 000

The directors' remuneration for the period ended 31 December 2006 was as follows:

	Fees R'000	Salary R'000	Perfor-mance bonus R'000	Medical and group benefit contri-butions R'000	Provident fund R'000	Housing R'000	Total R'000	Paid by subsi-diaries R'000
Executive directors								
EHT Pan	–	516	1 406	17	32	76	2 047	2 047
AF Altenburger	–	551	2 015	31	30	76	2 703	2 703
RP Walley	–	532	819	48	32	–	1 431	1 431
	–	1 599	4 240	96	94	152	6 181	6 181
Non-executive directors								
CY Wu	164	–	–	–	–	–	164	164
CH Pan	219	–	–	–	–	–	219	219
	383	–	–	–	–	–	383	383
	383	1 599	4 240	96	94	152	6 564	6 564

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
16. OTHER INCOME			
Management fees received	**–**	–	**1 800**
Bad debt recovered	**187**	–	**–**
Dividends received	**–**	–	**9 383**
Foreign exchange gain	**3 470**	–	**–**
Surplus on disposal of property, plant and equipment	**429**	–	**–**
Other income	**114**	–	**–**
	4 200	–	**11 183**
17. FINANCE INCOME			
Interest received			
– bank	**4 317**	101	**121**
18. FINANCE COSTS			
Interest paid			
– instalment sale agreements	**(1 632)**	(1 276)	**–**
– mortgage bonds	**(6 203)**	–	**–**
– bank	**(1 352)**	(3 070)	**–**
– other	**–**	(35)	**–**
	(9 187)	(4 381)	
– cumulative redeemable preference shares	**(841)**	–	**–**
	(10 028)	(4 381)	**–**
19. TAXATION			
South African normal taxation			
Current taxation			
– current year	**(51 744)**	(22 997)	**–**
– prior year	**–**	(81)	**–**
Deferred taxation			
– current year	**(958)**	(1 132)	**–**
– prior year	**–**	119	**–**
Secondary taxation on companies	**(1 173)**	(1 331)	**–**
	(53 875)	(25 422)	**–**
Reconciliation of rate of taxation			
Profit/(loss) before taxation	**179 667**	80 582	**(89 799)**
Taxation at standard rate (29%)	**(52 103)**	(23 368)	**26 042**
Adjusted for:			
Exempt income	**–**	–	**2 721**
Prior year under provision	**–**	38	**–**
Secondary taxation on companies	**(1 173)**	(1 331)	**–**
Expenses not deductible	**(1 998)**	(761)	**(28 763)**
Unprovided deferred tax asset	**1 399**	–	**–**
	(1 772)	(2 054)	**(26 042)**
South African normal taxation	**(53 875)**	(25 422)	**–**

	Group 2007	Group 2006
20. *EARNINGS PER SHARE*		
The calculations of earnings per share and fully diluted earnings per share are as follows:		
Attributable earnings (R'000)	**125 792**	55 160
Headline earnings (R'000)	**126 280**	55 190
Weighted average number of ordinary shares in issue ('000)	**129 713**	82 390
Earnings per share (cents)	**97,0**	67,0
Headline earnings per share (cents)	**97,4**	67,0
Reconciliation of headline earnings (R'000)		
Earnings attributable to ordinary shareholders	**125 792**	55 160
Amortisation of intangible assets	**917**	–
(Surplus)/deficit on disposal of property, plant and equipment	**(429)**	30
Headline earnings	**126 280**	55 190
21. *DIVIDENDS PER SHARE*		
Dividends paid (R'000)	**9 383**	10 649
Dividends recommended (R'000)	**31 276**	–
	40 659	10 649
Number of shares in issue ('000)	**156 379**	100 000
Dividend per share (cents)	**26,0**	10,6

A final dividend of 20 cents per share was approved at the board meeting of the company held on 13 March 2008. In compliance with IAS 10, 'Events after balance sheet date', the annual financial statements do not reflect this dividend. The dividend will only be accounted for in the financial statements for the year ending 31 December 2008.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
22. *CASH FLOW INFORMATION*			
22.1 Cash flow from operations			
Operating profit/(loss)	**185 378**	84 862	**(89 920)**
Adjusted for:			
– depreciation	**8 499**	4 422	**–**
– impairment of investment in subsidiary	**–**	–	**98 990**
– (reversal of)/provision for doubtful debts	**(294)**	3 360	**–**
– reversal of fair value adjustment on interest free loans receivable	**(504)**	–	**–**
– (surplus)/deficit on disposal of property, plant and equipment	**(429)**	30	**–**
– dividends received	**–**	–	**(9 383)**
– amortisation of intangible assets	**917**	–	**–**
	193 567	92 674	**(313)**
Changes in working capital			
Increase in inventories	**(30 179)**	(35 163)	**–**
Decrease/(increase) in trade and other receivables	**26 211**	(52 393)	**–**
Increase in trade and other payables	**7 393**	8 693	**1 243**
	3 425	(78 863)	**1 243**
	196 992	13 811	**930**

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000
22. CASH FLOW INFORMATION (continued)			
22.2 Taxation paid			
Amounts owing at beginning of period	**(1 129)**	(1 425)	**–**
Acquisition of subsidiary*	**(25 519)**	–	**–**
Amount charged to income statement	**(52 917)**	(24 409)	**–**
Net amounts owing at end of period	**13 080**	1 129	**–**
	(66 485)	(24 705)	**–**
22.3 Dividends paid			
Amounts owing at the beginning of period	**(10 649)**	(3 850)	**–**
Acquisition of subsidiary*	**(45 870)**	–	**–**
Dividends paid	**(9 383)**	(10 649)	**(9 383)**
Amounts owing at the end of period	**4**	10 649	**4**
	(65 898)	(3 850)	**(9 379)**
**Based on provisionally determined values per notes 22.5 and 27*			
22.4 Proceeds on disposal of property, plant and equipment			
Net book amount of property, plant and equipment disposed of	**117**	576	**–**
Surplus/(deficit) on disposal of property, plant and equipment	**429**	(30)	**–**
	546	546	**–**
22.5 Acquisition of subsidiaries			
Based on provisionally determined values, as per note 27, the value of the Radiant Group (Proprietary) Limited assets acquired and liabilities assumed were as follows:			
Property, plant and equipment	**(98 302)**	–	**–**
Interest free loans receivable	**(1 133)**	–	**–**
Intangible assets	**(387 828)**	–	**–**
Trade and other receivables	**(56 911)**	–	**–**
Inventories	**(82 048)**	–	**–**
Taxation receivable	**(100)**	–	**–**
Cash resources	**(43 105)**	–	**–**
Interest bearing borrowings	**49 072**	–	**–**
Trade and other payables	**41 435**	–	**–**
Taxation payable	**25 619**	–	**–**
Deferred taxation	**19 393**	–	**–**
Shareholders for dividends	**45 870**	–	**–**
Purchase consideration	**(488 038)**	–	**–**
Less: – shares issued	**180 250**	–	**–**
– cash acquired	**43 105**	–	**–**
Cash paid	**(264 683)**	–	**–**
The value of South Ocean Electric Wire Company (Proprietary) Limited and Radiant Group (Proprietary) Limited shares acquired by the company were as follows:			
Purchase consideration	**–**	–	**(1 200 203)**
Less: – shares issued	**–**	–	**892 415**
Cash paid	**–**	–	**(307 788)**
	(264 683)	–	**(307 788)**

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out under policies approved by management.

(a) Market risk

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. The group buys its major machinery and approximately 20% of its PVC (Poly Vinyl Chloride) and a major portion of the light fittings and accessories in US Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities when they are denominated in a currency that is not the entity's functional currency. Entities within the group use forward exchange contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. In general, the group's policy is to enter into forward foreign exchange contracts as and when required by the businesses and these are limited to orders placed with suppliers.

At 31 December 2007, if the currency had weakened/strengthened against the US Dollar by 4% with all other variables held constant, profit after tax would have decreased/increased by R985 000, mainly as a result of foreign exchange gains/losses on translation of trade payables. A sensitivity analysis has not been performed on other foreign currency exposures as it is not considered to have a material impact on the profit after tax.

Foreign currency exposure

The following foreign currency liabilities, recognised in the group balance sheet, are not covered by forward exchange contracts:

2007	Foreign currency	Rand equivalent R'000
Liabilities		
US Dollar ($'000)	**2 135**	**21 032**
British Pound (£'000)	**33**	**310**
European Euro (€'000)	**86**	**871**
Canadian Dollar (CAD'000)	**42**	**290**
		22 503

At year-end the group had entered into the following forward exchange contracts:

US Dollars	Settlement dates	Foreign currency '000	Rand equivalent R'000
	8 January 2008	470	3 224
	14 January 2008	514	3 535
	18 January 2008	443	3 008
	25 January 2008	568	3 843
	7 February 2008	137	931

23. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Price risk

The group is exposed to commodity price risk with regard to the price of copper. Copper price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of copper. The copper market is predominantly priced in US Dollars which exposes the group to the risk that fluctuations in the South African Rand/US Dollar exchange rates may also have on current or future earnings. The group is not exposed to equity securities price risk.

Cash flow and fair value interest rate risk

As the group has no significant interest bearing assets, the group's income is substantially independent of changes in market interest rates. The group's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Borrowings issued at variable rates expose the group to cash flow interest rate risk. The interest rates are monitored on a daily basis and any additional or available cash resources are redirected towards reducing the interest bearing debts.

All group borrowings are denominated in South African Rands. The group has no specific processes in place to manage cash flow risks. Interest rate exposure is not analysed on a specific basis but should the interest rates increase/decrease by 2% the profit after tax will decrease/increase by R1 594 000.

(b) Credit risk

Potential concentrations of credit risk consist primarily of interest free loans receivable, cash investments and trade receivables. Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. The group has policies in place to ensure that sales are made to customers with an appropriate credit history and in most instances, utilises credit insurance. The ongoing creditworthiness of the trade receivables is assessed from time to time. The group limits its exposure arising from the money market by dealing with well established financial institutions of high standing. The table below shows the credit limit and balances of the major counterparties at the balance sheet date:

	Group			
	2007		2006	
Counterparty	**Credit limit R'000**	**Balance R'000**	Credit limit R'000	Balance R'000
First National Bank Limited	**95 000**	**(69)**	95 000	(59 948)
Investec Bank Limited	**20 000**	**–**	–	–

(c) Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Due to the dynamic nature of the underlying businesses, the group aims to maintain flexibility in funding by keeping committed credit lines available (refer notes 10 and 12).

(d) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The executive directors are involved in the daily operations of the group, and the necessary decisions regarding capital risk management are made as and when necessary.

23. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables and interest free loans receivable are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Fair value of financial instruments

	Group		Company	
2007	**Carrying value R'000**	**Fair value R'000**	**Carrying value R'000**	**Fair value R'000**
Amounts owing by subsidiaries			**4 542**	**4 542**
Trade and other receivables	**140 127**	**134 982**	**–**	**–**
Interest free loans receivable	**1 447**	**1 447**	**–**	**–**
Cash and cash equivalents	**45 253**	**45 253**	**28**	**28**
Interest bearing borrowings	**(177 528)**	**(177 528)**	**–**	**–**
Amounts owing to subsidiaries			**(104)**	**(104)**
Trade and other payables	**67 419**	**67 419**	**(1 243)**	**(1 243)**
Shareholders for dividends	**(4)**	**(4)**	**(4)**	**(4)**
2006				
Trade and other receivables	108 331	103 567		
Interest free loans receivable	–	–		
Cash and cash equivalents	(59 411)	(59 411)		
Interest bearing borrowings	(10 257)	(10 257)		
Trade and other payables	(26 933)	(26 933)		
Shareholders for dividends	(10 649)	(10 649)		

24 RELATED PARTY TRANSACTIONS

Transactions between group companies

In the ordinary course of business, the group entered into transactions with other group companies. These intergroup transactions have been eliminated on consolidation. The following transactions were entered into between group companies during the period.

	Company 2007 R'000
Dividends received	**9 383**
Management fees received	**1 800**

Directors

Details relating to directors' remuneration and interests are disclosed in note 15 of the financial statements, and on page 37 of the Directors' Report.

The directors have certified that they do not have any material interest in any transactions of any significance with the company or any of its subsidiaries.

	Group		Company
	2007 R'000	2006 R'000	**2007 R'000**
25. COMMITMENTS			
Capital commitments			
Authorised and contracted for	**49 602**	8 963	**–**

The expenditure will be financed from new credit facilities from Wesbank Limited, First National Bank Limited and Futuregrowth Asset Management (Proprietary) Limited.

26. CONTINGENT LIABILITIES

Following an acquisition in prior years, Radiant Group (Proprietary) Limited is exposed to a contingent liability of R1,7 million per annum based on a profit earn-out for the financial years ending 31 August 2008 and 31 August 2009.

27. BUSINESS COMBINATIONS

South Ocean Electric Wire Company (Proprietary) Limited

On 1 February 2007, South Ocean Holdings Limited, a newly incorporated company, acquired 100% of the total issued shares in South Ocean Electric Wire Company (Proprietary) Limited by way of a share-for-share swap.

The shareholders of South Ocean Electric Wire Company (Proprietary) Limited swapped 7 099 635 shares valued at R100,31 per share for 100 000 000 shares in South Ocean Holdings Limited at a value of R7,12 per share. The proportion of the share swap was 14.085 South Ocean Holdings Limited shares for 1 share in South Ocean Electric Wire Company (Proprietary) Limited. South Ocean Electric Wire Company (Proprietary) Limited is an entity which manufactures and distributes electric wire.

Radiant Group (Proprietary) Limited

On 7 August 2007, South Ocean Holdings acquired 100% of the issued shares in Radiant Group (Proprietary) Limited, an entity which imports and distributes lighting and electrical products, and has three primary business divisions, namely decorative light fittings, lamps and bulbs and electrical products.

The consideration payable of R485 000 000 was settled by way of an issue of 24 691 781 South Ocean Holdings Limited shares for R180 250 000, which was calculated based on the volume weighted average price (VWAP) from date of listing to 2 May 2007, and a cash payment of R304 750 000.

The results of Radiant Group (Proprietary) Limited for the five months have been consolidated in the current year financial statements. The acquired business contributed revenues of R178 785 057 and operating profit of R45 230 529 to the year ended 31 December 2007, and its assets and liabilities at 31 December 2007 were R208 202 458 and R51 818 505 respectively.

If the acquisition had occurred on 1 January 2007, group revenue would have been R1 049 301 562 and net profit for the period would have been R150 462 490. These amounts have been calculated based on the consistent application of the group's accounting policies.

The fair values of assets, liabilities, contingent liabilities and intangible assets have been determined on a provisional basis by management. At 31 December 2007, the purchase price allocation process had not been finalised due to the timing of the transaction. As allowed by IFRS 3, these fair values will be finalised within twelve months of the effective date.

Details of net assets acquired and goodwill are as follows:*

	R'000
Purchase consideration:	
– Cash paid	304 750
– South Ocean Holdings Limited shares issued	180 250
– Direct costs related to the acquisition	3 038
Total purchase consideration	488 038
Fair value of net assets acquired*	(125 930)
Assets in process of identification	362 108

The fair value of the shares issued was based on a share price of R7.30 (fair value on date of issue of the shares).

**Based on provisionally determined values as per note 22.5*

27. BUSINESS COMBINATIONS (continued)

Radiant Group (Proprietary) Limited (continued)

Assets acquired in a business combination are brought into the group at their fair values, taking into account the cost of similar assets of comparable age and usage. The principles applied in the fair value process are consistent with the industry in which the acquirer operates. Where tangible assets are found to be carried at different values to their fair values, an adjustment is processed in the accounting records of the acquirer. Intangible assets are carried on consolidation of the acquirer.

	Issued share capital and proportion held 2007 %	Issued share capital and proportion held 2006 %	Shares at cost 2007 R'000	Shares at cost 2006 R'000	Indebtedness by/(to) 2007 R'000
28. INTEREST IN SUBSIDIARIES					
Direct holdings					
South Ocean Electric Wire Company (Proprietary) Limited	**100**	–	**712 165**	–	**4 542**
Radiant Group (Proprietary) Limited	**100**	–	**488 038**	–	**(104)**
Anchor Park Investments 48 (Proprietary) Limited	**100**	–	*****	–	**–**
			1 200 203		**4 438**
Less: Dividends received from pre-acquisition reserves			**(84 750)**	–	**–**
Less: Impairment			**(98 990)**	–	**–**
			1 016 463	–	**4 438**

**Denotes amounts of less than R1 000*

	2007 %	2006 %
Indirect holdings		
Radiant Lighting (Proprietary) Limited	**100**	–
Lohuis Properties (Proprietary) Limited	**100**	–
Lohuis SA (Proprietary) Limited	**100**	–
Ripple Effect 55 (Proprietary) Limited	**100**	–
Wildbreak 116 (Proprietary) Limited	**100**	–
Razz-ma-Tazz Lighting (Proprietary) Limited	**100**	–
Diaspara Developers (Proprietary) Limited	**100**	–
Stand 53 Atlas Gardens (Proprietary) Limited	**100**	–
Stand 431 Wynberg (Proprietary) Limited	**100**	–

29. SEGMENTAL REPORTING

At 31 December 2007, the group is organised into three main business segments:

1. Manufacture and distribution of electrical wire.
2. Import and sale of light fittings and electrical accessories.
3. Property investment.

Other group operations comprise head office.

	Revenue R'000	Segment results R'000	Total assets R'000	Total liabilities R'000	Capital expenditure R'000	Depreciation and amortisation R'000
29.1 Primary basis – business segments						
2007						
Electrical wire	**673 390**	**97 293**	**246 631**	**46 767**	**2 675**	**6 933**
Light fittings and accessories	**178 785**	**36 536**	**567 568**	**84 583**	**21 975**	**1 932**
Property investment	**419**	**(6 044)**	**122 383**	**121 859**	**10 303**	**551**
Other	**–**	**(1 993)**	**28**	**1 248**	**–**	**–**
	852 594	**125 792**	**936 610**	**254 457**	**34 953**	**9 416**
2006						
Electrical wire	458 310	55 160	235 625	108 882	12 591	4 422

Segment results include gains and losses from foreign currency derivatives that have been revalued to the fair value at year-end.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash.

Segment liabilities comprise operating liabilities. They exclude current and deferred taxation.

Capital expenditure comprises additions to property, plant and equipment (note 2) and intangible assets (note 3).

29.2 *Secondary basis – geographical segments*

The group operates in South Africa only and no secondary segmental information is disclosed, as there are no separately defined segments that contribute more than 10% of revenue, results or assets.

30. COMPARATIVES

No comparatives are presented for the company as it was incorporated during the current period. Comparatives are presented for the group following the acquisition of South Ocean Electric Wire Company (Proprietary) Limited, which has been identified as the acquirer in the reverse acquisition transaction as disclosed in the basis of preparation section in the accounting policies.

Analysis of Shareholders

Listed below is an analysis of holdings extracted from the register of ordinary shareholders at 28 December 2007

Portfolio size	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	321	21,76	201 431	0,13
1 001 – 10 000 shares	727	49,29	2 959 817	1,89
10 001 – 100 000 shares	327	22,17	11 019 820	7,05
100 001 – 1 000 000 shares	79	5,36	27 731 427	17,73
1 000 001 shares and over	21	1,42	114 466 299	73,20
	1 475	100,00	156 378 794	100,00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks and public companies	9	0,61	2 474 831	1,58
Close corporations	45	3,05	912 384	0,58
Funds	90	6,10	29 898 369	19,12
Individuals	1 034	70,10	26 980 577	17,25
Insurance companies	4	0,27	1 355 929	0,87
Investment companies	3	0,20	8 801 433	5,63
Nominees and trusts	177	12,00	28 318 582	18,11
Other corporations	37	2,51	2 765 952	1,77
Private companies	76	5,15	54 870 737	35,09
	1 475	100,00	156 378 794	100,00

Shareholders' spread analysis	Number of shareholdings	%	Number of shares	%
Non-public shareholders	8	0,54	72 496 828	46,36
Directors	7	0,47	43 223 678	27,64
10% or more	1	0,07	29 273 150	18,72
Public shareholders	1 467	99,46	83 881 966	53,64
	1 475	100,00	156 378 794	100,00

Beneficial shareholders holding of 5% or more	Number of shares	%
Hong-Tai Electric Industrial Co Limited	29 273 150	18,72
Metallic City International Limited	20 069 919	12,83
H.S. Family Trust	14 245 992	9,11
Investec Bank Limited	11 851 499	7,58

Notice of Annual General Meeting

South Ocean Holdings Limited

Incorporated in the Republic of South Africa
(Registration number: 2007/002381/06)
Share code: SOH ISIN: ZAE000092748

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant (CSDP), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the annual general meeting of members of South Ocean Holdings Limited (the company) will be held in the boardroom, 12 Botha Street, Alrode on Wednesday, 25 June 2008 at 10h00 for the following purposes:

Ordinary resolution number 1

To receive and consider the annual financial statements of the company and of the group together with the directors' report and the report of the independent auditors for the financial period ended 31 December 2007.

Ordinary resolution number 2

To re-elect Mr. JP Bekker as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 3

To re-elect Mr. EG Dube as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 4

To re-elect Mr. PJM Ferreira as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 5

To re-elect Mr. D Ko as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 6

To re-elect Mr. JB Magwaza as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 7

To re-elect Mr. CH Pan as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 8

To re-elect Mr. EHT Pan as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 9

To re-elect Mr. KH Pon as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 10

To re-elect Mr. H Schwartz as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 11
To re-elect Mr. G Stein as a director of the company and who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 12
To re-elect Mr. CY Wu as a director of the company who retires in terms of the company's Articles of Association but, being eligible, offers himself for re-election.

Ordinary resolution number 13
To approve the fees of the non-executive directors for their services as directors in the amount of R1 000 000, 00 for the financial period ended 31 December 2007 and as more fully disclosed in note 15 of the annual financial statements.

Ordinary resolution number 14
To re-appoint PricewaterhouseCoopers Inc. as auditors to the company for the current financial year.

Special resolution number 1
Resolved that the company change its main business and main object in its Memorandum of Association to the following:

"Holding of investments and all matters related thereto".

The reason for Special resolution number 1 is to amend the company's Memorandum of Association to more accurately reflect the nature of the business of the company. The effect of Special resolution number 1 is to amend the main object and main business of the company.

Special resolution number 2
Resolved that the company adopts new Articles of Association which are tabled, subject to any changes that may be required by the Registrar of Companies and which said Articles of Association have been initialled by the Chairman for purposes of identification.

The reason for Special resolution number 2 is to adopt new Articles of Association to include previous amendments to the Companies Act, JSE Listing Requirements and Strate regulations. The effect of Special resolution number 2 is to adopt new Articles of Association for the company.

A copy of the proposed new Articles of Association will be available for inspection by shareholders of the company at the registered address of the company from the date of posting of this annual report until the date of the annual general meeting.

Special resolution number 3
Resolved that the company or any of its subsidiaries be and is hereby authorised, by way of a general approval, to acquire ordinary shares issued by the company, in terms of Sections 85 (2) and 85 (3) of the Companies Act (Act 61 of 1973), as amended (the Companies Act) and in accordance with Article 10.1.7 of the company's Articles of Association and in terms of the JSE Listing Requirements, provided that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution number 3;
- an announcement prepared in accordance with paragraph 11.27 of the JSE Listing Requirements will be published as soon as the company or any of its subsidiaries has acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions;

- acquisitions of shares in aggregate in any one financial year may not exceed 20% of the company's ordinary issued share capital as at the date of passing of this special resolution number 3;

- in determining the price at which ordinary shares issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as deterrmined over the five trading days immediately preceding the date of repurchase of such ordinary shares by the company or any of its subsidiaries;

- the company has been given authority by its Articles of Association;

- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;

- the company's sponsor must confirm in terms of paragraph 11.26 (d) of the JSE Listing Requirements, the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE before entering the market to proceed with the repurchase;

- the company remaining in compliance with the minimum shareholder spread requirements of the JSE Listing Requirements;

- the company and/or its subsidiaries not repurchasing any shares during a prohibited period as defined in paragraph 3.67 of the JSE Listing Requirements;

- before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, will ensure that for a period 12 (twelve) months after the date of the repurchase in question:

  - the company and the group will be able, in the ordinary course of business, to pay its debts;

  - the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards on a basis consistent with the financial year ended 31 December 2007, will exceed the consolidated liabilities of the company and the group; and

  - the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The reason for and effect of the special resolution is to grant the directors of the company a general authority in terms of the Companies Act and the JSE Listing Requirements for the repurchase by the company, or a subsidiary of the company, of the company's shares.

The following additional disclosures required in terms of paragraph 11.26 of the JSE Listing Requirements (some of which appears elsewhere in the annual report of which this notice forms part) are provided below:

- Directors – page 36;
- Major shareholders – page 71
- Directors' interests in ordinary shares – page 37 and
- Share capital of the company – page 55

Litigation statement

The directors, whose names appear on page 36 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the company's or group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 36 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all such information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

Working capital statement

In terms of Schedule 25.4(a) and paragraph 11.27(f) of the JSE Listing Requirements, the sponsor will issue a letter pertaining to the adequacy of the working capital of the company, to the JSE, immediately prior to the company entering the market to commence any share repurchase in terms of this general authority.

Proxies

Any member entitled to attend and vote at the annual general meeting of the company may appoint a proxy to attend, speak and vote in his stead. The proxy need not be a member of the company. A proxy form is included in the back of this annual report. Completed proxy forms must be returned to the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).

Certificated shareholders and "own name" dematerialised shareholders who are unable to attend the annual general meeting to be held at 10:00 on Wednesday, 25 June 2008, but wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries so as to be received by no later than 10:00 on Monday, 23 June 2008.

Dematerialised shareholders without "own name" registration who wish to vote by way of proxy at the annual general meeting, must provide their CSDP or broker with their voting instructions by the cut-off-time and date advised by the CSDP or broker for instructions of this nature, as specified in the custody agreement entered into between such shareholder and their CSDP or broker, in order for such CSDP or broker to vote in accordance with such instructions at the annual general meeting.

Dematerialised shareholders other than those with "own name" registration who wish to attend the annual general meeting must timeously advise their CSDP or broker of such, in order to obtain the necessary letter of authority to enable them to attend. This must be effected in terms of the agreement entered into between such shareholder and their CSDP or broker.

By order of the board of directors

WT Green
Company Secretary
2 June 2008

Shareholders' Diary

2007 financial year end	
Annual general meeting	25 June 2008
2008 financial year end	
Financial year end	31 December
Reports	
Interim report and declaration of interim dividend	September 2008
Annual report and final dividend declaration	March 2009
Publication of annual report	June 2009
Dividend payments	
Interim	September 2008
Final	April 2009
Annual general meeting	June 2009

Form of Proxy

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

For use by certificated and "own name" registration dematerialised shareholders only at the annual general meeting of shareholders to be held at 10:00 on Wednesday, 25 June 2008, in the boardroom, at 12 Botha Street, Alrode (the annual general meeting).

Note: Dematerialised shareholders without "own name" registration must not use this form. Dematerialised shareholders without "own name" registration who wish to vote by way of proxy at the annual general meeting, must provide their Central Securities Depository Participant (CSDP) or broker with their voting instructions by the cut-off time and date advised by the CSDP or broker for instructions of this nature as specified in the custody agreement entered into between such shareholder and their CSDP or broker, in order for such CSDP or broker to vote in accordance with such instructions at the annual general meeting.

I/We

Please print

of (address)

Being the holder/s of ordinary shares in South Ocean Holdings Limited, hereby appoint

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting of the company, which will be held at 10:00 on Wednesday, 25 June 2008, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the following instructions:

Note: On a poll a member is entitled to one vote for each share held.

	In favour of	**Against**	**Abstain**
Ordinary resolution number 1 To receive and consider the annual financial statements			
Ordinary resolution number 2 To re-elect the retiring director, Mr JP Bekker			
Ordinary resolution number 3 To re-elect the retiring director, Mr EG Dube			
Ordinary resolution number 4 To re-elect the retiring director, Mr PJM Ferreira			
Ordinary resolution number 5 To re-elect the retiring director, Mr D Ko			
Ordinary resolution number 6 To re-elect the retiring director, Mr JB Magwaza			
Ordinary resolution number 7 To re-elect the retiring director, Mr CH Pan			
Ordinary resolution number 8 To re-elect the retiring director, Mr EHT Pan			
Ordinary resolution number 9 To re-elect the retiring director, Mr KH Pon			
Ordinary resolution number 10 To re-elect the retiring director, Mr H Schwartz			
Ordinary resolution number 11 To re-elect the retiring director, Mr G Stein			
Ordinary resolution number 12 To re-elect the retiring director, Mr CY Wu			
Ordinary resolution number 13 To approve the fees of R1 000 000, 00 payable to the non-executive directors			
Ordinary resolution number 14 To re-appoint PricewaterhouseCoopers Inc. as auditors			
Special resolution number 1 To change the main object and business			
Special resolution number 2 Adoption of new Articles of Association			
Special resolution number 3 Authority for the company to acquire its own shares in terms of Sections 85(2) and 85(3) of Companies Act			

(Indicate instruction to proxy by way of a cross in space provided above).
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2008

Signature Assisted by me (where applicable)

Notes to Form of Proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders choice in the space(s) provided, with or without deleting "the Chairperson of the annual general meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided in the manner in which that shareholder wishes to vote. Failure to comply herewith will be deemed to authorise the proxy to vote at the annual general meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairperson, failure to so comply will be deemed to authorise the Chairperson to vote in favour of the resolutions. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy.

3. Forms of proxy must be lodged at or posted to the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107) to be received by not later than 10:00 on Monday, 23 June 2008.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

5. Each shareholder is entitled to appoint one or more proxies (none of whom needs to be a shareholder of the company) to attend, speak and vote in his/her stead at the annual general meeting.

6. Documentary evidence establishing the authority of a person signing this form of proxy must be attached to this form of proxy unless previously recorded by the transfer secretaries of the company or waived by the Chairperson of the meeting.

7. The form of proxy shall be valid for any adjournment of the annual general meeting as well as for the meeting to which it relates, unless the contrary is stated therein.

8. A vote cast or act done in accordance with the terms of a form of proxy shall be deemed to be valid notwithstanding:

   – the death, insanity, or any other legal disability of the person appointing the proxy, or
   – the revocation of the proxy; or
   – the transfer of a share in respect of which the proxy was given,

   unless notice as to any of the abovementioned matter shall have been received by the company at its registered office or by the Chairperson of the annual general meeting at the place of the annual general meeting if not held at the registered office, before the commencement or resumption (if adjourned) of the annual general meeting at which the vote was cast or the act was done or before the poll on which the vote was cast.

9. The authority of a person signing this form of proxy:

   9.1 under a power of attorney; or
   9.2 on behalf of a company,

   must be attached to the form of proxy unless the full power of attorney has already been received by the transfer secretaries.

10. Where shares are held jointly, all joint holders must sign.

11. The Chairperson of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions provided that he is satisfied as to the manner in which the shareholder wishes to vote.

Corporate Administration and Information

South Ocean Holdings Limited

(Registration number: 2007/002381/06)
(Incorporated in the Republic of South Africa)
ISIN: ZAE000092748
Short Name: South Ocean
JSE code: SOH
Currency: ZAR
Founded: 2007
Listed: 2007
Sector: Electronic & Electrical Equipment
Website: www.southoceanholdings.com

Business address and registered offices

12 Botha Street
Alrode 1451
South Africa

Postal address

PO Box 123738
Alrode 1451
South Africa
Telephone: +27 11 864 1606
Telefax: +27 11 864 2925

Company secretary

Whitney Thomas Green
12 Botha Street
Alrode 1451
South Africa

Postal address

PO Box 123738
Alrode 1451
South Africa
Email: whitneyg@glocapital.com
Telephone: +27 11 728 0255
Telefax: +27 11 728 8921

Share Transfer Secretaries

Computershare Investor Services (Pty) Limited
(Registration no.: 2004/003647/07)
70 Marshall Street
Ground Floor
Johannesburg 2001
South Africa

Postal address

PO Box 61051
Marshalltown 2107
South Africa
Telephone: + 27 11 370 5000
Telefax: + 27 11 688 5200
Website: www.computershare.com

Auditors

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill 2157
South Africa
Telephone: + 27 11 797 4000
Telefax: + 27 11 797 5800

Sponsor

Investec Bank Limited
(Registration no.: 1969/004763/06)
Second Floor
100 Grayston Drive
Sandown, Sandton 2196
South Africa

Principal bankers

First National Bank of South Africa
Standard Bank of South Africa

Designed by motiv
Printed by INCE

South Ocean
HOLDINGS

www.southoceanholdings.com