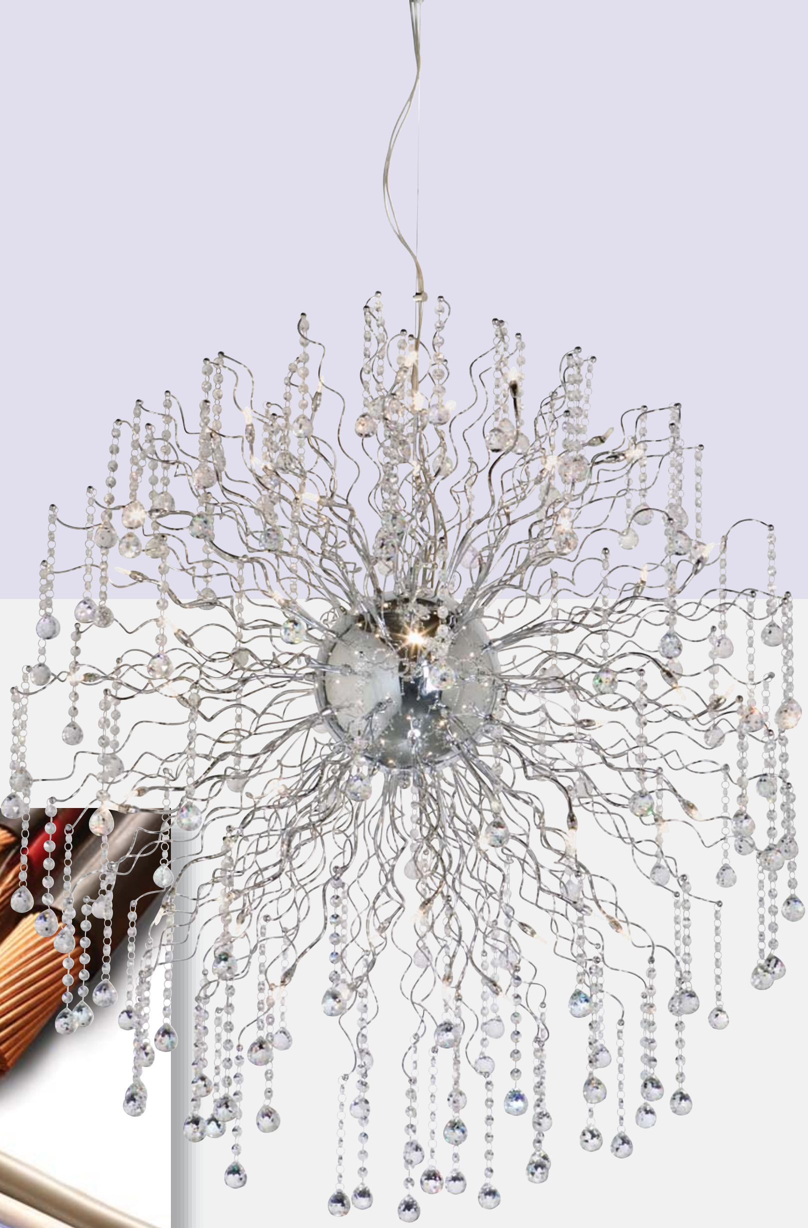
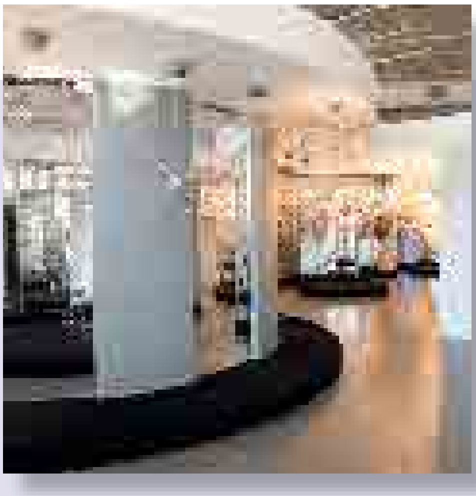


South Ocean Holdings

Annual Report 2008

South Ocean HOLDINGS

Annual Report 2008



Contents

www.southoceanholdings.com

Group at a Glance

South Ocean HOLDINGS

100% 100% 100%

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. SOEW sells to wholesalers and distributors. SOEW employs 265 people and has a market share of between 10% and 30% in its product range. Products include general purpose insulated wires from 1 mm^2 to 630 mm^2, a range of flexible conductors, steel wire armoured cables, flat twin and earth cables and the popular "Norsk" cable, branded Surfcab.

Radiant Group

Radiant Group (Proprietary) Limited (Radiant) is an importer and distributor of light fittings, lamps and electrical accessories to wholesalers, distributors and lighting consultants. Most of its products are imported and distributed to customers in Southern Africa. It operates from five warehouses and three showrooms located in Wynberg, Johannesburg and Cape Town and employs 383 people. Radiant dominates the market in light fittings and is also a major supplier of lamps and bulbs and is growing in electrical accessories.

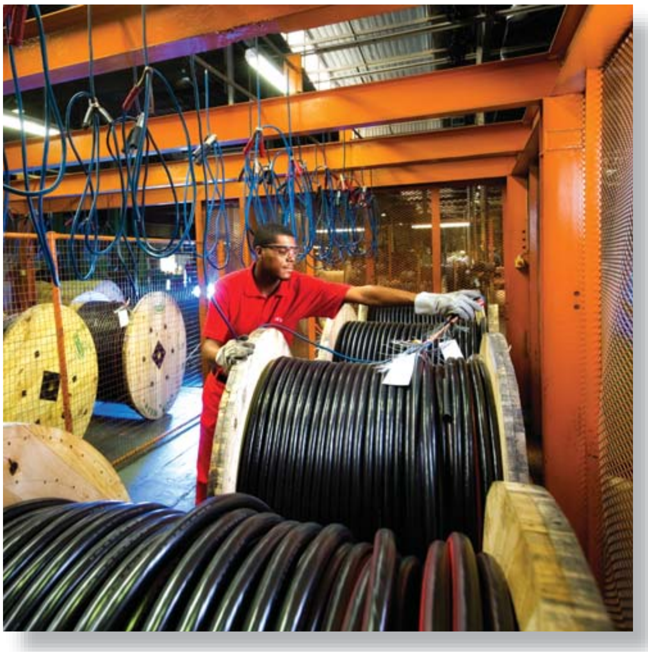
Anchor Park

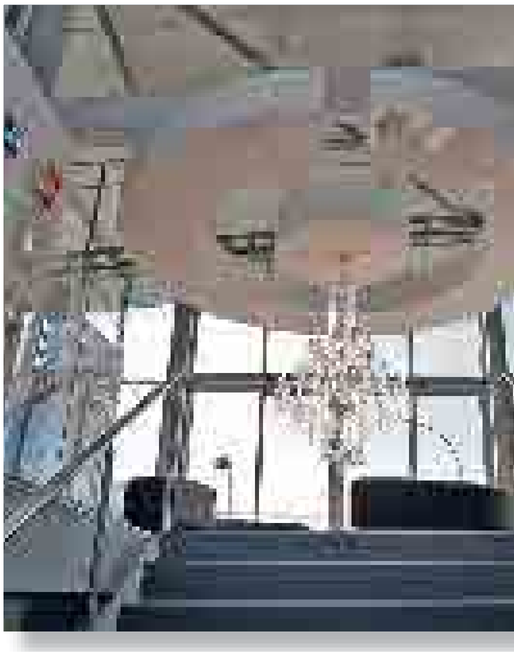
Anchor Park Investments 48 (Proprietary) Limited (Anchor Park) houses the property assets of the group, including the SOEW Alrode plant and Radiant's warehouses, offices and showrooms in Johannesburg and Cape Town.

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. It has three wholly owned subsidiaries, detailed above. It manufactures, imports and distributes electrical products and accessories in Southern Africa.

Financial Highlights





South Ocean is pleased to present its second annual report as a listed company for what has been a challenging year for the group. Despite a difficult operating environment, the group reached a number of milestones during the year, including:

- Completion of a second expansion project at the Alrode plant which has increased capacity by a further 15%
- Completion of a warehouse and office development projects for Radiant in Cape Town
- Extension of Radiant's Johannesburg showroom completed
- Began construction of a new Radiant warehouse in Johannesburg
- Positioning of the group to take advantage of any increase in demand

Revenue up by 33,3% to R1,1 billion

Gross profit up by 28,8% to R310,6 million

Net asset value per share up 2,9% to 420,8 cents

Headline earnings return on equity of 15,6%

Headline earnings per share down 32,0% to 65,7 cents

	% change	2008	2007
Net revenue (Rm)	33,3	1 136,6	852,6
Operating profit (Rm)	(28,4)	132,7	185,4
Net profit after tax (Rm)	(51,4)	61,1	125,8
Headline earnings per share (cents)	(32,0)	65,7	96,6
Dividend per share (cents)	(73,1)	7,0	26,0*
Total assets (Rm)	5,4	987,4	937,0
Cash and equivalents (Rm)	(113,7)	(6,2)	45,3
Shareholders' equity (Rm)	3,0	658,1	639,2

**includes a 20c dividend declared after year-end*

Chairman's Report

The group has weathered a difficult year in which it was proved that South Africa's economic performance is closely linked to the rest of the world.

The international financial crisis evolved during the course of the year into a crisis in the real economy, sparking recessionary fears globally. While the first half maintained the bullish climate of the preceding year, in the second half conditions deteriorated dramatically. This had a direct impact on South Ocean through two main mechanisms: the copper price and the value of the Rand. International commodity prices went into sharp decline in the second half of the year – the copper price per ton fell from highs in early July of almost $9 000 to under $3 500 by the end of the year. This was mitigated by the Rand-Dollar exchange rate, which fell from around R7,50/Dollar to over R10/Dollar in the same period.

Economic confidence also suffered, leading to delays or cancellations of projects and other fixed investment plans. Weak property prices, high interest rates for much of the year and inflation also hurt consumer spending on household improvements. This affected demand for the group's products, which are geared to a vibrant building, housing, construction, infrastructure and mining industry.

Performance

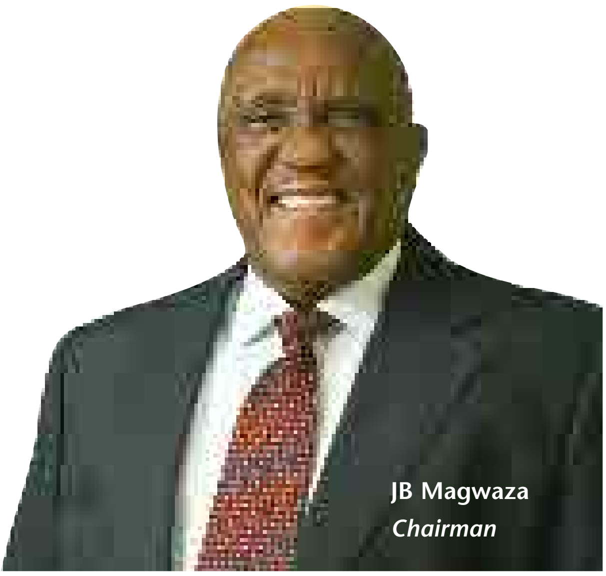
Despite these tough trading conditions, the group managed to deliver reasonable results. This is a reflection of our long-standing strategy to lead the market in efficiency and customer service. Overall group revenue was up 33,3%, although Radiant was only included for five months in the previous year, so the numbers are not fully comparable. Adjusting for Radiant in the previous year, revenue still managed minor growth. The profitability of the group fell significantly to R61,1 million, after a R39 million goodwill impairment relating to the Radiant acquisition. In the circumstances, I am pleased that the group was able to remain profitable and to deliver reasonable returns to shareholders. This reflects the determination of management to innovate continually in response to market conditions. During the year, this determination saw the introduction of new products in various lines of business and new marketing efforts to support them.

Although South Ocean has a short history as a listed group, the business has a long history of delivering cash returns to shareholders through dividends. This year, the board decided not to pay a final dividend, a break from tradition. We took the step in order to protect the cash position of the group, ensuring that it has the resources to withstand a long period of poor trading conditions. South Ocean was certainly not alone in taking this decision. The cash position has since improved, with manageable gearing and access to financing facilities if needed. We will monitor our cash requirements during each reporting period and return to the previous dividend-paying tradition as soon as the situation allows.

Few businesses of South Ocean's size can boast of the diversity of skills and capabilities found in this group. As a board, we are continually developing strategies to unleash the potential that can be realised by cross-pollinating Radiant's and SOEW's respective strengths. We see those as a key competitive advantage that, over time, will allow South Ocean to become a market-leading supplier of electrical goods and accessories in South Africa, as well as international markets that we identify as viable for the group. We are already major suppliers of light fittings and electric wire, and growing well in other products too.

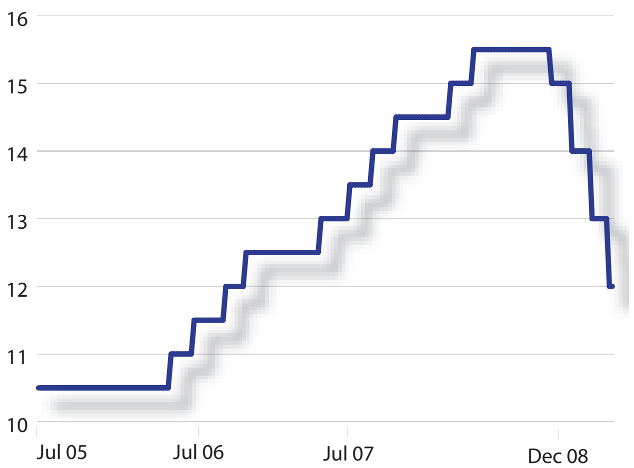
Executive

A number of executive management changes were made during the year to support that vision. Edward Pan, the founder of SOEW 20 years ago, relinquished the CEO position at SOEW to focus on the leadership of the group as a whole. Paul Ferreira, who was marketing director, has been appointed as CEO in his stead. SOEW is a monument to Edward's achievements, and his focused role as CEO of the group represents an exciting opportunity to drive the cross-pollination of the two companies.



JB Magwaza
Chairman

Prime Overdraft Rate (%)



At Radiant, founder Hanan Schwartz has refocused his energies on product development – an important strategic focus for the group – and stepped back from the CEO role. Gary Stein, who was chief financial officer, has taken on the CEO role. The company has appointed other senior individuals to support the product development and marketing efforts.

All of these executive changes are very exciting for the group, and I look forward to working with the team to bring the vision into reality.

Prospects

The conditions have not shaken our faith in the long-term viability of our business model. It is easy to be swept up by the short term and lose sight of broader trends. Emerging markets have been the engine of global economic growth for several years and, at the end of the current crisis, they will be again. South Africa plays an important part in the emerging markets picture, with the political stability and policy environment for the private sector to thrive. South Ocean is well positioned to be part of that growth. Its exposure to fixed investment projects – the infrastructure on which our economy rests – means it has a critical part to play in the country's development. But it is also exposed to the consumer sector, whose gradual rise in living standards will support further demand for the group's products.

The cumulative 3,5 percentage point cut in interest rates since December 2008 will provide much-needed relief to business, but there will be lag before the monetary loosening translates into real economic performance. Government's substantial infrastructure spending has insulated South Africa to some extent from the worst of the global economic woes and continues to be an important driver of aggregate demand. In addition to that domestic fiscal and monetary stimulus, the efforts by regulators in the world's major economies to drive recovery in their economies will have an impact this year. We are, however, under no illusions that the difficult times are still with us. While I am confident that the economy will reach a recovery phase by the end of 2009, we are certainly going to be in a difficult market until then.

The focus of the group is therefore on driving efficiencies, cutting back on costs and managing working capital, while maintaining market share. During the year we made some major investments to build capacity – in warehousing, showrooms and plant. This has created a platform for growth that will deliver returns in the medium and long term. While 2009 will be a tough year, the future looks bright.

Appreciation

During the year, David Ko resigned as a director of the board. I am thankful for his contribution to the group. Eric Li joined the board as an alternate director to Choice Pan, representing the strategic shareholder Hong-Tai, and is a welcome addition. Shortly after year-end, Jennifer Law also joined the board and has already made valuable contributions.

In difficult times, the pressures on the board and management of a company certainly grow. I'm deeply indebted to the board for the continued commitment they have shown to the group, and I'm grateful for the wise counsel they have provided in leading the business. Group CEO Edward Pan and his senior management team have also had to rise to the challenge – they have done so swiftly and with determination. I thank them all for their efforts. The group employs over 650 staff members, all of whom work hard to make the group what it is. I extend my thanks to them for their commitment and loyalty.

JB Magwaza
Chairman

Chief Executive Officer's Report

The success of South Ocean depends on maintaining excellent relationships with our customers, premised on high service levels and competitive pricing.

Thanks to that customer value proposition, South Ocean is already a market leader in light fittings and a substantial supplier of electrical accessories and electric wires, a range we are continually working to expand. The group is committed to becoming a leading supplier of electrical goods and accessories in South Africa and selected other markets.

Overview

South Ocean has performed relatively well in the face of a very difficult environment characterised by rapidly declining business confidence and rising costs for the group. Our focus was to bed down the restructuring and acquisition undertaken during 2007 and concentrate on the operational performance of the group. Despite a difficult year for the economy in general, I am pleased to say that the group was able to remain profitable and at the same time position itself to grow strongly when the economy recovers. We are, however, prepared for a difficult year ahead and have taken steps to manage down costs, pursue market share and protect the group's cash position.

The year was the first full year of operation for the group as it is now constituted, with operating subsidiaries in the form of SOEW and Radiant, held in the listed South Ocean Group. The group also includes its property holding company, Anchor Park.

Results

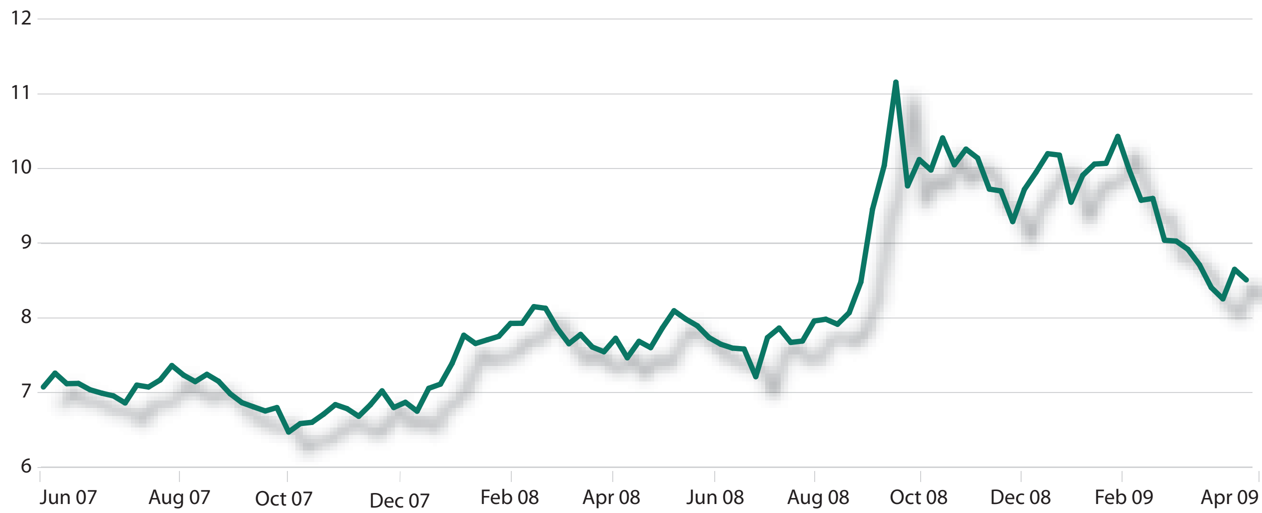
In last year's annual report, I anticipated a difficult year in 2008 on the back of higher interest rates and inflation and the slowdown in global economic growth. This certainly came to bear. The South African economy faced exceptional challenges, particularly in the second half. The group's sales are linked to the fixed investment cycle – with the downturn in business confidence, some of our customers chose to delay purchases. Much of our business is ultimately based on the performance of the infrastructure, construction, building, mining and housing industries, all of which came under pressure.

The year had two distinct halves – the first half showed a solid performance while the second half experienced the fallout from the global crisis. Commodity prices fell precipitously alongside the value of the Rand, both of which had a significant direct impact on the group's business. The international environment also had an indirect impact – contributing to negative business sentiment and a fall in overall demand in the economy. By the end of the year, the economy was heading into a recession, putting pressure on volumes as well as prices.

The results are not fully comparable to 2007's numbers because the Radiant acquisition took effect in August 2007, so only five months' contribution is in the base year. The inclusion of Radiant for the full year meant revenue increased by 33,3% – a solid performance under the conditions. On a like-for-like basis, both operating divisions did manage to increase revenue marginally. However, profitability was severely constrained. Profit after tax decreased by 51,4% to R61,1 million, which included a R39 million write-off of goodwill which arose from the Radiant acquisition. Headline earnings per share decreased by 32,0% to 65,7c/share.

The debt position of the company has not improved since last year. The major portion of the debt on the balance sheet was to finance the Anchor Park properties acquisition during the second half of 2007. An additional loan of R33 million was taken to finance capital expenditure on property, plant and equipment amounting to R76,9 million. This debt position is reflected in the finance charges of R27,6 million incurred during the year.

R/US$ Exchange Rate (R)



The economic conditions required strict cash flow management. The increase in accounts receivable during the year under review was because a large portion of customers paid after year-end. These were subsequently received so our cash position has improved. Accounts receivable days have remained constant in relation to the prior year. The quality of the debtors book is satisfactory. A large portion of our debtors book is insured by Credit Guarantee, reducing the group's credit risk.

The economic conditions had a mixed impact on inventory holding levels during the year. At SOEW, the weaker Rand copper price contributed to a decline in inventory of R23,3 million. At Radiant, the weak Rand, higher prices and increase in inventory volumes led to an increase in inventory of R35,2 million. The net effect was an increase in group inventory of R11,9 million.

Operating units

Demand for SOEW products was good and copper prices rose, contributing to good results for the first half. Subsequently, demand slowed down and copper prices fell drastically. During the first half of the year, customers accumulated stock as copper prices appeared then to be continually increasing. The opposite happened as copper prices fell in the second half, leading to delays in purchasing. Customers also found themselves overstocked particularly as building projects were delayed or cancelled, compounding the slowdown in demand. The destocking by the electrical wholesaler distribution channel further restricted demand. In addition, manufacturers who had high inventory levels also had to reduce selling prices in order to move stock. This had a negative effect on SOEW results.

In the circumstances, I'm pleased with the performance of SOEW. Revenue held up well – increasing 11,1% despite lower prices and demand. Gross profit, however, decreased by 25,8% to R120,9 million owing to weaker prices and also an R8 million write-down of inventory. Selling prices dropped to record lows in the last two months of the year as the copper price slid some 41,4% since August 2008. The Rand copper price in December 2008 was R37 610 per ton, 19,6% down from the same time the year before.

At Radiant, the slide in the Rand during the second half of the year served to push up the prices of its imported light fittings and accessories. Radiant was affected by poor market conditions as demand slowed. Radiant distributes light fittings, lamps and electrical accessories, which it imports mainly from China. Pricing had already been affected by cost-push inflation driven by high commodity prices in the first half of the year, which was then exacerbated by the weak Rand in the second half.

Despite those demand factors, Radiant was able to grow revenue marginally to R388,6 million, a 3,6% increase. Profits were affected by an impairment of goodwill of R39 million. The goodwill arose from the acquisition of the business by South Ocean in 2007. Even after the goodwill impairment, Radiant still contributed R16,5 million to the group's attributable earnings, a very satisfactory result in the circumstances.

Investing for growth

South Ocean is committed to the electrical and accessories market, which is critical to the long-term development of South Africa. Our faith in the potential of the market to support efficient operators like SOEW and Radiant is undiminished. We spent much time during the year working on optimising the business strategy and undertaking important capital investments to ensure we have a market-winning proposition.

A significant portion of this investment was undertaken at Radiant. The business has now completed a state-of-the-art showroom, office facility and warehouse in Cape Town, at a cost in excess of R30 million. This resource positions Radiant as a market leader in the Cape and significantly improves the efficiency of supply in the area, supporting Radiant's proven ability to deliver stock to customers quickly. Also during the year, Radiant's existing showroom in Wynberg, Johannesburg, was upgraded at a cost of R7 million while construction on a new warehouse facility commenced in Wynberg at a cost totalling R19 million at year-end.

These investments will position Radiant well to provide excellent service to its customers by reducing time to delivery while also improving stock management. They will ensure that Radiant maintains its market-leading position in light fittings while driving growth in lamps and electrical accessories.

At SOEW a capacity expansion project was completed which added 15% to the factory's output capacity. We also undertook to purchase new machinery during 2009 at a cost of R7 million to replace existing machines in the plant that have reached the end of their useful life. The old equipment will be kept in the plant, however, and brought into operation if demand necessitates it.

Executive leadership

During the year we made a number of changes to the executive team. I relinquished my role as CEO of SOEW and now can focus on the group as a whole. Paul Ferreira was appointed as CEO of SOEW in August 2008. Paul has been a vital member of the executive team at SOEW for 10 years and I am excited to have him in the key role that he will now play.

There has also been a reshuffle of the executive team at Radiant. Hanan Schwartz, founder of the business and, until last year, CEO, has stepped aside to focus his attention on product development. Gary Stein who was Chief Financial Officer was appointed CEO in August 2008. Gary has been with Radiant for four years and I look forward to his contribution in his new leadership position.

The executive team at Radiant was augmented with a number of new appointments in sales, operations and finance, about which you can read further in Radiant's operating review. This gives the company new depth at the top and an excellent capacity to drive its ambition to become a comprehensive supplier of electrical equipment and accessories.

Together with the board, we are constantly working on our leadership development and succession planning. In the last year we have achieved much to strengthen the business at the top and will continue to build the strength of management in the future.

Strategy ahead

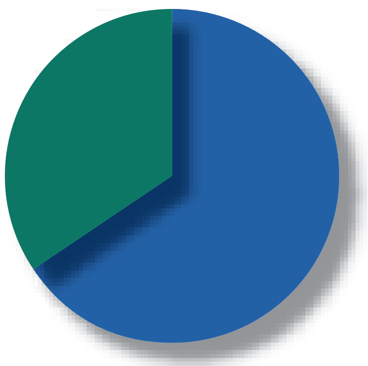
The first full year as a merged group has given us the opportunity to consolidate and plan for the future. While the short-term challenges presented by the current state of the economy are our immediate priority, we have also developed a comprehensive strategy to drive the development of the group over the medium to long term.

In the short term, we took the decision not to pay a final dividend for the 2008 financial year. We are committed to providing a cash return to our shareholders and have done so since listing. However, in light of the current environment, we believed it prudent to maintain a cash buffer for the business. Our balance sheet is strong and well able to withstand a sustained period of tough economic conditions. In addition we have access to finance facilities to augment our cash buffer if needed. In short, the business is in a very strong position to face a tough economic environment.

In the medium term, we have initiated a number of projects to expand our sales. We are setting up a tender office to engage actively with government's various infrastructure and related development initiatives. We have also created an Africa strategy and have secured our first supply agreements with customers in Africa. We expect significant potential in Africa for both operating companies going forward.

We believe in the long-term viability of our business model. South Ocean as a group has substantial strengths in low voltage electrical wiring and light fittings. We are now working to grow those strengths in other related product areas. Radiant has made exciting moves in expanding its electrical accessories range, including products based on SOEW's wires. We continue to work on opportunities for further vertical integration. SOEW has also introduced a number of specialised products into its range.

Revenue contribution by subsidiaries



Between our operating entities we have capabilities in both manufacturing and international sourcing. The challenge for the group is to marry these strengths into an unbeatable combination that can source or manufacture electrical products and accessories to always deliver high-quality, well-priced products to our clients. We will achieve this goal by widening our product range and focusing on evolving into a market-leading electrical goods group.

Prospects

The market has remained challenging so far in 2009. We are expecting it to be another difficult year. There are some indicators that conditions are easing – the 3,5 percentage point fall in prime interest rates since December will certainly help ease business conditions. The copper price has recovered quite strongly since the start of the year, as has the Rand, with the net effect boosting the Rand copper price, however prices in the industry are still under pressure. International deflation and the stronger (though volatile) Rand are helping to lower costs at Radiant.

The critical issue for the group is a recovery in fixed investment spending. Government's infrastructure spending programmes provide a solid bedrock for companies like ours, but the recovery of private sector confidence is important. For this to happen we need to see a recovery in property prices and general trading conditions. In the first quarter of 2009 there was no evidence of such a recovery, however some positive signs are emerging as I write this, suggesting a stabilisation of the international economic environment which will feed into domestic confidence. We have no doubt, however, that it will be a difficult year on the whole, even if signs of recovery emerge later on.

The medium to long-term vision for the group remains sound. I have no doubt that improved conditions will allow the group to thrive.

Appreciation

In a difficult year the commitment and resolve of the leadership of the group can be tested. I am very grateful that the management of the group have responded vigorously to the challenges and ensured that the group is fighting through them.

In these times it is more important than ever that the group keeps a tight ship and every one of our 650 plus staff helps do that every day. My thanks to them all and the many suppliers they work with.

Critical to our success are our customers who have also had to face difficult conditions of their own. We will continue to improve our service levels and to provide an excellent service to become a part of our customer's success. My thanks go to all those customers for their ongoing support.

Edward Pan
Chief Executive Officer

Board of Directors

Johannes Bhekumuzi (JB) Magwaza (66)
BA, MA Industrial Relations (Warwick)
Independent Non-executive Chairman
Board committees: Audit and Risk Management, Remuneration (Chairman)
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 Nkunzi Investments Holdings. He serves as a director at Tongaat-Hulett Group, Nedbank Limited, 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 (62)
BSc (Eng) (Tri-State, Indiana)
Chief Executive Officer
Edward founded SOEW 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 was chairman of the Johannesburg Taiwanese Chamber of Commerce and is a member of the South African Cable Association.

Jacobus (Koos) Petrus Bekker (52)
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 in 1986. He served as an audit partner with a medium sized firm and also one of the big five firms during his career. He left the auditing profession in 1997 and opened a stock broking firm in the Eastern Cape. He qualified as a stock broker in 1999 and was a member of the South African Institute of Stock Brokers until 2001. Koos is a member of the South African Institute of Chartered Accountants.

Hanan Schwartz (50)
N6 Engineering, Business Management
Executive Director
Hanan is the founder of Radiant and is currently Radiant's Executive Director Product Development. He joined the South Ocean board when Radiant was acquired in 2007. Hanan has more than 19 years' experience in the lighting industry. He started 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 (37)
BCom, BAcc, CA(SA), CFA
Executive Director
Gary is CEO of Radiant. He joined the South Ocean board when Radiant was acquired in 2007. Gary has more than 12 years of commercial, consulting, corporate finance and auditing experience. In 1998 he became a partner of a large auditing practice and later left auditing to form a corporate finance business which he jointly headed until 2005. Towards the end of 2005, Gary joined Radiant as CFO, which had been his client for many years. In 2008 Gary was appointed CEO.

Paulo (Paul) Jose Monteiro Ferreira (39)
Executive Director
Paul joined South Ocean in 1999 as Marketing Operations Manager and was appointed Marketing Director in January 2007 and CEO of SOEW in August 2008. He has pursued a career in marketing electrical wires and cable for the last 17 years.

Board of Directors *(continued)*

Chung-Hsiang (Choice) Pan (52)
BSc Public Finance (Feng Chia, Taiwan)
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 (43)
BSc Business Administration (Montana, USA)
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 in 2002 and was appointed manager of the internal audit department in 2005.

Ethan Gilbert Dube (49)
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 Group, 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.

Kwok Huen (Henry) Pon (72)
BCom (Rand), CA(SA)
Independent Non-executive Director
Board committee: Audit and Risk Management (Chairman)
He joined the South Ocean board in November 2007. He has been in public practice as a chartered accountant since 1962 and is still 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.

Hung-Lung (Eric) Li (57)
MSc, Industrial & System Engineering (San Jose State University, USA)
Alternate Non-executive Director
Eric was appointed to the South Ocean board in March 2008 as an alternate director to Choice Pan. Eric is the vice president of Telecommunication Cable business at Hong-Tai in Taiwan. Eric joined Hong-Tai in 2004 as the vice president, Information Technology Center before he was transferred to Telecommunication Cable Business. He was previously in Silicon Valley for over 20 years involved in the software engineering and semiconductor manufacturing business. He has held positions of General Manager at VLI Communications, Vice President at Everlasting Software Company and Software Engineering Director at Sun Microsystems.

Jennifer Lydia Law (40)
BCompt (Hons), CA(SA), Masters Public Finance & Auditing (IPFA), Grad ICSA
Independent Non-executive Director
Jennifer was appointed to the South Ocean board in March 2009. She is the co-founder and Executive Director of the Sibaya Group of Companies, which includes a women-empowered investment company, risk management practice and a healthcare subsidiary. Her career experience ranges from the Umsobomvu Youth Fund and the National Housing Finance Corporation as CFO, to divisional director positions at Alexander Forbes and Adcorp Group.

She articled at Coopers & Lybrand (now PricewaterhouseCoopers) and BDO Spencer Steward. She also serves as a part-time regional executive at the South African Institute of Chartered Accountants.

Jennifer has solid experience in governance, financial and strategic management as well as strong understanding of the public sector. She was profiled in the 2006/2007 edition of Top Women in Business and Government.

SOEW's product range:

- Bare copper earth wire
- General purpose house wire
- Flat twin and earth
- Surface wiring
- Twin illumination cable
- Cabtyre
- Single core flex
- Flex power
- Ripcord
- Mainscord
- Submersible pump cable
- PVC nitrile trailing cable
- PVC nitrile welding cable
- Flame retardant (FR) armoured cable
- Low halogen armoured cable
- Flame retardant (ECC FR) armoured cable
- Single core double PVC cable

Review of Operations – SOEW

SOEW is a wholly owned subsidiary of South Ocean. It accounted for 65,8% of group revenues and 54,9% of group operating profits for the year.

The company had a challenging 2008 financial year. Nevertheless, it managed to grow revenues by 11%, taking advantage of increased plant capacity to supply the market. However, pricing pressure in the industry forced operating margins down so operating profit declined by 32,8%.

Operations

SOEW operates a manufacturing plant in Alrode which produces a full range of low voltage wires, from typical household wiring to industrial steel armoured wire cables. These are sold to electrical wholesalers and distributors who supply the building, construction, mining and retail industries. In 2008, the company exported a small portion of its manufacturing output to new markets in Africa.

During the year the plant operated for 24 hours per day, six days a week. The plant operated at an average capacity during the period of 86% – marginally down from last year, with a marginal increase in production volumes. Two new machines were ordered to replace existing machines at a cost of R7 million. These are due to be commissioned during the first half of 2009.

Demand remained reasonable despite negative sentiment in the general economy and delays or cancellations of construction projects. Certain customers accumulated significant stock as copper prices increased during the year. Since August, however, copper prices have decreased so customers have held back orders in anticipation of lower prices and to reduce their inventories. The pressure on profitability came from lower sales prices primarily due to lower copper prices. The company expanded production of higher margin products and widened the product range into higher margin cabling. SOEW now manufactures more products than before and is looking to grow the range further.

The company works hard to maintain the quality of its products. SOEW 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 trucks and delivery vehicles. During the year, the company focused logistics efforts on its in house fleet, successfully cutting costs.

Performance

Gross profit margin fell from 24,2% to 16,2%. The company has responded by shifting sales efforts into higher margin products but continuing to ensure that it is able to supply a full range of products to its customer base. At the same time, it is focusing on lean production and cost containment.

Copper is the biggest cost contributor at about 75% of total costs at SOEW. The domestic copper price is set on an import parity basis by the company's suppliers – therefore prices are a function of international commodity price trends. In the second half of the year, prices for all commodities slumped and have been volatile since. The Rand copper price fell by 41,4% in the last five months (see graph). Additional inputs such as PVC and galvanised steel account for further costs.

The market prices of SOEW products are directly correlated with input prices. Lower input prices therefore directly affect profitability. In addition, the lower copper price affects inventory values – at year-end inventory was written down by R8 million. Prices fell in the second half of the year, reaching their low in November and December.

Management continually strives to reduce costs and improve efficiencies in the plant. Wastage is minimised and input volumes kept to strictly controlled target levels. PVC wastage and small amounts of copper off-cuts are recycled during production. All assets are worked to maximum capacity wherever possible with maintenance focused on preventing plant down times. Management believes the Alrode plant to be the one of the most efficient electric cable plants in the South African industry.

Staff costs increased by 24% during the year owing to salary increases and additional staff hired as part of the capacity expansion project. Maintenance and sales staff were also augmented with new resources.

Rand copper price (R/ton)

People

The company employs 265 people, up from 220 last year. The company consistently works to improve the overall skills level of the staff base and this year provided Adult Basic Education and Training to 25 staff members. On-the-job training is also emphasised and the company operates training facilities as part of the plant's operations.

Subsequent to year-end, Dean Johnson joined the company and will take over the financial responsibilities from Koos Bekker, who will focus his energies at group level.

Technical skills remain difficult to source and we are constantly on the lookout for appropriate individuals to bring onto the team. The relationship with substantial shareholder Hong-Tai, a Taiwanese-listed cable company, provides the company with an avenue to obtain world-class technology and skills transfer in cable manufacturing.

During the year the company was subject to some industrial action during wage negotiations which included a three month go-slow, during which employees also did not work overtime, and a three day strike. The industrial action affected production at the plant, but the company was able to fulfil all orders out of inventory and subsequently catch up production. The industry and the unions agreed to an average 10,4% wage increase.

Prospects

The 2009 year has begun with a slight improvement in demand and copper prices have recovered in the first quarter, although sales prices are still under pressure. We are also working with suppliers to improve prices paid for production inputs.

We are anticipating a challenging year as prices remain subdued in light of generally poor economic conditions. We are focusing on managing working capital and reducing inventory levels. The availability of copper has improved in the current environment allowing SOEW to reduce buffer stocks. As part of the overall group strategy, as discussed in the CEO's report, SOEW will focus on new synergies with Radiant to reduce costs.

In addition, we are focused on managing our debtors book. This has remained stable and is mostly covered by Credit Guarantee. The company is also in a solid cash position and has a R95 million bank facility available if needed.

A number of initiatives have been launched to improve sales. The company is in the process of establishing a tender office which will now tender directly on large government infrastructure projects. Such infrastructure projects provide a major opportunity to supply the group's products. In addition, the group has taken steps to identify new markets in Africa. A small percentage of sales by SOEW in 2008 were achieved in new markets in Africa, a proportion we believe we can increase significantly.

We are also working to shift volumes into higher margin products in the coming year. This includes an expansion of product range as well as increasing production of existing high margin cables. SOEW is one of the lowest-cost manufacturers of some products, which positions the company well to compete for market share in some product areas.

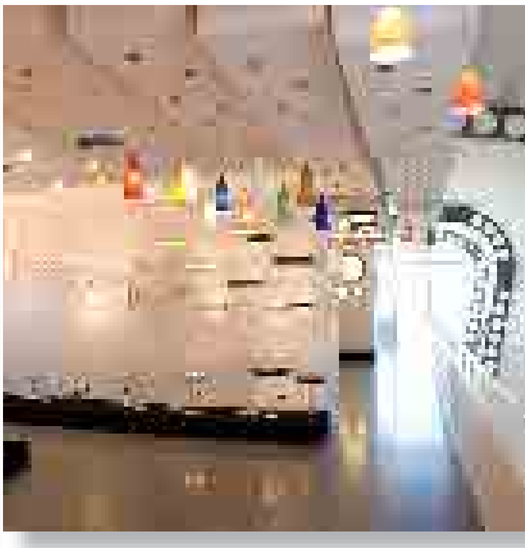
SOEW senior management

Paulo (Paul) Ferreira (39)
Chief Executive Officer, SOEW
Executive Director: South Ocean
Paul was appointed as CEO during the year. See the South Ocean directorship on page 11 for Paul's background.

Yasmin Mahomed (42)
Sales Manager
Yasmin joined SOEW in 2002 as a sales consultant. She was appointed Sales Manager in 2007 and has been in the cable industry for the past 16 years before joining South Ocean. She started her working career in 1987 for a large cable manufacturer in South Africa.

Johannes (Johan) Prinsloo (35)
Millwright Trade
Production Manager
Johan joined SOEW in 1999 as an electrician. He was appointed Technical Manager in 2006 and Production Manager in 2009. Johan has 10 years' cable and technical experience.

Dean Dylon Johnson (42)
Financial Manager
Dean joined SOEW in May 2009. After qualifying as a chartered accountant, Dean was appointed as a financial manager for a manufacturing business in 1993 and was later appointed financial director of the group. He has also worked in the FMCG and IT industries.



Radiant is focused on driving innovation and technology in its product range. Radiant expends significant resources on communicating with customers to understand their needs and innovating in response

Review of Operations – Radiant

Radiant is a wholly owned subsidiary of South Ocean Holdings. The company accounted for 34,2% of group revenues and 45,1% of group operating profits for the year.

Radiant had a difficult 2008. Higher costs during the year as a result of the weakening Rand-Dollar exchange rate meant higher prices from Radiant's international suppliers. Depressed economic conditions in South Africa dampened local demand so volumes were lower than expected. The 3,6% growth in turnover was mainly as a result of higher sales prices.

Radiant is the leading supplier of light fittings in South Africa and a major supplier of lamps. It also has a growing share in the electrical accessories market – from plugs to extension cords and heaters. During the year all of its products were consolidated under the Radiant brand and the company is positioned to grow across the spectrum of electrical products.

Radiant completed an extensive investment in warehouses and operating facilities that position the company for improved efficiencies and customer service.

Operations

Radiant imports light fittings, lamps and electrical accessories for distribution to customers in South Africa and neighbouring countries. 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 consultants.

Goods are sourced from various international manufacturers and, to a lesser extent, local manufacturers. Such suppliers range from high-end European manufacturers to bulk manufacturers in China. Radiant works extensively with the manufacturers to develop new innovations in lighting technology and to improve quality standards. Radiant products comply with South African Bureau of Standards criteria and Radiant is ISO 9001:2000 compliant. In March 2008 the company launched its new catalogue of products which includes a 2 000-strong product range.

An extensive process to upgrade the company's information technology systems was completed in May 2008, giving the business a comprehensive enterprise resource planning (ERP) system. This has and should continue to improve service levels. The new system manages all of the company's processes from receipt of orders to receipt of cash including the supply chain with suppliers. The ERP system also supports a new approach to customer management – Radiant's sales approach has evolved into account management to ensure a closer relationship with its customers.

Radiant is focused on driving innovation and technology in its product range. Radiant expends significant resources on communicating with customers to understand their needs and innovating in response. One example is its initiatives to develop energy-efficient products. The company is a leading innovator in LED-based lighting products – the group has a minority stake in an LED research business in Taiwan and has worked with manufacturers to develop new product ranges. Radiant founder Hanan Schwartz is now focused exclusively on product development to guide conceptualisation through to final product delivery.

As part of the expansion in product range, Radiant has introduced products using SOEW electric wires such as extension cables. Such synergies will be further developed in the year ahead as part of group-wide efforts to build synergies between the two businesses.

A major milestone during the year was the completion of a number of new facilities for Radiant. A new office and warehouse facility in Cape Town was completed and occupied subsequent to the year-end. The facility includes a major showroom of Radiant's products and warehousing for stock that will improve service levels and stock availability in the Western Cape. The company is in the process of disposing of the previous offices and warehouses in Cape Town. A new bulk warehouse was also completed in Wynberg, Johannesburg, which will improve stock management and timely replenishment of the Johannesburg and Cape Town warehouses. Radiant is in the process of reviewing and consolidating existing stock in the new facilities. The Johannesburg showroom also underwent a major upgrade in order to improve customer service.

Staff

Radiant employs 383 staff members, up from 320 in 2007. The company is committed to the development of its staff, and is well aware that skilled and committed employees are crucial to profitability.

During 2008 a comprehensive strategy was launched to enhance Radiant's effort to be the leading partner for lighting and electrical products. As part of the strategic overhaul a number of new executive appointments and reorganisations were made.

Reorganisation

As discussed in the group CEO's report, Gary Stein has been promoted to CEO. He replaced Hanan Schwartz who will now focus on product development. Laurence Sarakinsky, previously the Managing Director, moved to focus on marketing and sales as an Executive Director Business Development. Gerard Pillay, previously Executive Director: Lamps Division continued with his portfolio as before, but his position was renamed Executive Director Product Development – Lamps.

New appointments

In order to complete the organisational changes and position the company for growth, Radiant made the following new appointments to the company's executive:

- Graham Chick, Director Product Development – Electrical, and
- Neels Smit, Director Operations.

The following general manager appointments were also made:

- Jeremy Esekow: General Manager Finance and IT;
- Mark Fuller, General Manager Key Accounts and Sales; and
- Valerie Poyours, General Manager Marketing.

The additional marketing positions substantially improve Radiant's marketing and sales capacity and move its promotional efforts in-house.

These key appointments position the company to drive forward its ambition to become the dominant supplier of lighting and electrical products in South Africa.

Prospects

With the completion of the company's facilities upgrade and the restructuring of the executive team the company is well positioned for growth. This will be achieved by remaining dominant in its main market areas while growing through innovation and new products in other important areas.

Since year-end cost inflation has moderated from Radiant's suppliers, which may lead to some cost reductions as cheaper underlying commodity prices work their way through the supply chain. However, the economic environment continues to hold back demand for Radiant's products. In response the company is actively working to improve cash flows and efficiencies and push market share growth in a shrinking market. Cash flow and working capital management is the focus for the future with a priority on managing inventory levels down.

Various programmes have also been developed to drive sales. These include new product ranges and the account management system which allows for cross-selling of different products.

Radiant has positioned itself well for the market downturn but has ensured it is ready to take advantage of improved conditions. The developments undertaken during 2008 have substantially improved the company's capacity and efficiency. Key market sectors have continued to support sales, driven by infrastructure-related investment around government's expanded public works projects as well as major projects such as the 2010 stadiums project and Gautrain. A recovery in the economy will immediately drive earnings for the company. However, the negative economic climate has persisted into 2009 and Radiant expects 2009 to be another challenging year.

Radiant senior management

Gary Stein (37)
Chief Executive Officer
Executive Director, South Ocean
Gary was appointed CEO of Radiant during the year. See the South Ocean directorship on page 11 for Gary's background.

Laurence Sarakinsky (39)
Executive Director Business Development
Laurence first joined Radiant 14 years ago to take over the operational management of the company. Laurence leads the development of new markets for the company and is responsible for the sales and marketing functions.

Hanan Schwartz (50)
Executive Director Product Development
Executive Director, South Ocean
Hanan is responsible for product development at Radiant. See the South Ocean directorship on page 11 for Hanan's background.

Gerard Pillay (49)
Executive Director Product Development – Lamps
Gerard is responsible for the development of Radiant's lamps division. In 1998 Gerard started 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.

Neels Smit (42)
Director Operations
Neels joined Radiant in January 2009. He started his career as an industrial engineer in the steel industry in 1991, concentrating on production and logistics management. He worked in textile manufacturing and, prior to joining Radiant, in supply chain management in the chemical and mining industry.

Graham Chick (40)
Director Product Development – Electrical
Graham joined Radiant in February 2008. He began his 20-year career in the industry as an electronic designer and was managing director of a market leading electrical accessories company prior to his appointment.

Jeremy Esekow (34)
General Manager Finance & IT
Jeremy joined Radiant in February 2009. He has held finance positions in the tourism, manufacturing and wholesale industries. Jeremy qualified as a chartered accountant in 2000 and has since then worked in several private and public listed companies in senior managerial roles.

South Ocean realises that transformation is a key imperative for doing business in South Africa. In this regard, South Ocean sets and regularly reviews its own targets that are aimed at ensuring that it continues to enjoy a favourable reputation in the community with regard to empowerment

Sustainability Report

The board of South Ocean is committed to corporate citizenship and strives to follow best practice in ensuring the group has a positive impact on the South African economy, its employees and the communities in which it operates.

Transformation

South Ocean realises that transformation is a key imperative for doing business in South Africa. In this regard, South Ocean sets and regularly reviews its own targets that are aimed at ensuring that it continues to enjoy a favourable reputation in the community with regard to empowerment. Its commitment to transformation is reflected in the racial demographics in its workplace.

Broad-based black economic empowerment

The group is committed to meet the objectives of the broad-based black economic empowerment (BBBEE) codes of good practice and is examining its current compliance. The market conditions of 2008 have made it difficult to implement a strategy with regard to BBBEE. In this regard, the group will consider and evaluate its compliance with its strategic targets as the impact of trading conditions is assessed in the 2009 financial year.

Employment equity

The group has an employment equity policy that contains guidelines for the development of previously disadvantaged individuals. Equal opportunities are offered to all prospective employees without discrimination of any nature. These policies are meant to attract, motivate and retain quality staff at all levels.

The employment equity and skills development plans are regularly reviewed by management and are aligned to the strategic training and development goals of the group. The group acknowledges the scarcity of resources in the industry, which has a continuous impact on achievement of its equity targets and objectives.

Human resources

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

Employee development

The group has various initiatives to develop its staff and managers. The most notable development activity is the training at our Alrode facility where employees are engaged in National Qualifications Framework (NQF) level courses funded by the group. There are 89 staff members enrolled for NQF levels two to four and two are enrolled for first year diplomas. They are expected to complete their certificate courses soon. We will have more than 100 staff members engaged in the ongoing development process in 2009. The group also encourages staff members to enroll for ABET courses, which are funded by the group.

Professional staff members are encouraged to participate in the continuing professional development initiatives organised by the professional bodies they belong to and those which the group recognises for their professional development.

The group always endeavours to promote pioneering leadership, a culture of innovation and shared ownership, risk and reward.

Staff financing scheme

SOEW operates a staff financing scheme that provides loans to staff. The scheme is operated by a finance committee elected by staff which considers requests for loans.

The scheme has continued to play a positive role in the life of the company employees.

HIV and Aids

HIV and Aids employee awareness is a key aspect in managing its impact now and in the future. This recognition ensures the epidemic has a limited effect on the group and its operations. The group conducts awareness and counselling sessions, which all employees are encouraged to attend.

To date the group has not been affected significantly by HIV and Aids.

Occupational health and safety

The health and safety of employees and the communities the group operates in and their wellbeing are important aspects that are endorsed by the group.

In order to ensure a balanced management approach, the group operates health and safety committees that ensure the group abides by Occupational Health and Safety regulations. The committees consist of senior management, and health and safety representatives selected from the floor.

Meetings are scheduled on a regular basis depending on the working environment and the requirements. The committees report on compliance issues and safety incidents and make recommendations on areas for improvement and the disposal of hazardous material. Appointment of safety representatives, first aiders and overseeing safe operation of the equipment are among its functions.

The group is ISO 9001:2000 certified, which ensures that the working environment is healthy and safe.

Environmental impact

The group is aware of its responsibility to manage the impact it has on the natural environment. It is subject to various controls in terms of legislation and its quality systems, including the Occupational Health and Safety Act and ISO 9001:2000. The health and safety committees are responsible for the disposal of all hazardous materials. Third party compliance audits are undertaken of the management of lubricants, sound and air pollution and related environmental issues.

Social responsibility

Ikemeleng Youth Centre

To coincide with National Arbour Week, Radiant assisted a local community, the Ikemeleng Youth Centre in Alexandra, a facility which aspires to uplift and further the personal development of children of all ages in environmental awareness. An official tree planting ceremony was held by the Radiant directors with the assistance of the children from the centre. Radiant also donated children's clothing, toys as well as other amenities for special needy children.

Tembisa Child & Welfare Society Home

Working together with Child Welfare, Radiant hosted a Christmas party for residents of the Tembisa Child & Welfare Society Home. To brighten up the children's days, Radiant donated 300 light fittings fashioned in the shape of snowmen to Child Welfare. These will have been distributed to the various Child Welfare homes throughout the country.

Nelson Mandela 90th birthday

Radiant hosted a birthday party celebrating Madiba's 90th birthday for the Ikareng Itoreleng children's welfare. Children enjoyed party treats, birthday cake and each received light fittings for their homes.

SOEW staff soccer team

SOEW sponsors its staff soccer team and bears all the costs relating to transport and kit, as well as the fees for the league. The soccer team plays in the local Ekurhuleni Industrial Soccer League which is affiliated to SAFA. The sport activities build staff morale and bring unity among the staff. This was the third year our team participated in the competition and it completed the season in the top half of the league.

Corporate Governance

The board has always been committed to sound corporate governance and endorses all the principles that are embodied in and are promoted by the corporate governance code. Fairness, responsibility, accountability and transparency are some of those principles the King II Report on Corporate Governance promotes.

The board further recognises that corporate governance is essential to protect the interests of all stakeholders and to ensure the sustainability of the group, and it conducts business in accordance with the above principles.

The board acknowledges its obligation to observe the principles of good governance. The board has ensured that the group incorporates into its actions the principles that best support the mutual interests of all stakeholders. The directors collectively and individually acknowledge their responsibility and duties in terms of the JSE Listings Requirements, King II Report, Companies Act, and other relevant legislations. The board is also aware that the King III Report will be released shortly and has initiated a process to ensure that when it is due for implementation, the corporate governance process within the group will be in line.

The board of directors confirms that, during the year under review, the group has complied with the provisions of the King II Report, except where specifically reported.

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 within the organisation. It defines the acceptable behaviour and moral standards or guidelines that need to be respected by all members of the organisation in their dealings with internal and external stakeholders in order to enhance the reputation of the group.

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 it encounters in its business dealings.

The successful implementation of these principles is dependent upon the conduct of each director, manager, employee or anyone representing the group in its business dealing, whether it be a consultant, auditor or anyone engaged by the group to represent it. It is expected that employees, managers, consultants or directors at all levels will conduct themselves in terms of the ethical values of the group.

The following principles are provided as broad guidelines:

- 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 development, a working environment conducive to health and safety, and to improve the quality of work life.
- The group respects and adheres to all prescriptive measures.
- The group undertakes to comply with any codes, laws and regulations that are in force, especially 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 that has jurisdiction over its activities as well as the constitution of the Republic of South Africa.
- The group undertakes to notify or co-operate with the regulators whenever there is a requirement to disclose or co-operate on anything that it may reasonably be expected to.

The board has no reason to believe that there has been any material non-adherence to the code of ethics during the year under review.

The board of directors

Composition

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

Non-executive directors bring to the board substantial experience in their own fields and their views have significant influence on the decisions of the board. The roles of Chairman and CEO do not vest in the same board member. The board meets quarterly and has met regularly as required during the financial year.

Each subsidiary company of the group has its own board, which comprise some members of the South Ocean board as non-executive members of the subsidiary. The CEO and financial managers attend board meetings of their subsidiaries.

Appointment and re-election

The board is authorised to appoint new directors between annual general meetings; with the appointees required to retire and stand for re-election at the next annual general meeting.

Non-executive directors

Non-executive directors do not have fixed terms of appointment and all are subject, by rotation, to retirement and re-election by shareholders at the annual general meeting of the company in terms of its 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 and thereafter one third of the directors retire annually. The directors to retire are those that have been longest in office since their last election. The directors are all eligible for re-election at that meeting. At the annual general meeting that was held on 25 June 2008, all the directors were reappointed in terms of this clause.

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 and integrity with tremendous amounts of experience in their respective fields and provide a depth of wisdom based on knowledge and experience. This is done mainly to protect shareholders' interests while ensuring that the powers are not concentrated in one group of individuals.

Executive directors

All executive directors appointed by the board occupy senior positions within the group, and have been selected for their experience and value they have brought to the group and the board at large.

With regard to executive management, membership of the board has been restructured to reduce the number of executive members from the current five to two. Messrs G Stein, H Schwartz and PJM Ferreira are to retire at the forthcoming annual general meeting in line with the new structure and do not offer themselves for re-election. This decision was made to ensure the independence of the board in terms of the forthcoming King III Report.

The chairman

The board appoints the Chairman having regard to his experience and potential contribution to the achievement of the objectives of the board. The Chairman is always a non-executive director.

JB Magwaza is the Chairman of the board and has continued to act as Chairman since his initial appointment in February 2007.

The 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 is a matter for the entire board to consider. All directors have access to the advice and the 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.

Induction and development

It is considered important and necessary for the board members to be oriented in the activities of the group and be familiarised with the relevant legislation, policies and procedures that are applicable to the various companies within the group.

South Ocean has committed itself to introducing a director induction and development programme for all the new directors of the company and its subsidiaries. The group has further committed itself to provide continuing professional development training opportunities to its directors and officers.

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 achievement of group objectives;
- determine policy relating to group disclosure practices;
- act in good faith and in the best interest of the group;
- recommend to shareholders for approval the 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 and a matter for the board as a whole;
- assess the board's effectiveness and that of each board committee and each individual director in fulfiling 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; and
- declare all existing or potential conflicts of interest that might impair their independence in relation to any deliberations of the board and undertake not to vote on any matter in which they have an interest.

Board committees

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

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

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 KH Pon (Chairman), EG Dube, JB Magwaza and C Wu, meets at least three times a year, with executive management and the external auditors. The external auditors have unrestricted access to the Audit and Risk Management committee and the chairman, thus ensuring their independence and the impartiality 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 group objectives, risks and control mechanisms;
- the independence of the auditors and the competency of the CFO;

- determining the risk appetite/tolerance of the group;
- determining the methodologies to identify, measure, manage, monitor and report risks on an ongoing basis; and
- an organisational structure which promotes integrated risk management across the group.

The committee has satisfied itself that it has complied with its responsibilities in terms of its reference and charter.

Remuneration committee

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

Non-executive director remuneration

The Remuneration 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 director to the group and the demands placed on them in respect of committee work.

Senior executives' remuneration philosophy

The remuneration philosophy of the group is to pay managers and staff a market-related remuneration, which is based on responsibility. In principle, and in terms of the remuneration policy in place in all group companies, above-average remuneration is only earned by employees who demonstrate a preparedness to accept the challenge of the enterprise and who excel in the achievement of the objectives of the enterprise.

For the 2009 financial year, senior executives (being all executive directors and all senior managers serving on a group executive committee or management committee) will be entitled to a remuneration dispensation comprising four components, namely: a guaranteed remuneration package, a performance bonus, a profit-share bonus and a long-term bonus.

The following are the main features of this dispensation:

- ***The guaranteed remuneration package***

This is set at a level that lies below the assessed annual market worth of the individual, based on a total cost of employment assessment assuming performance targets are met, but not lower than the level in the previous year.

- ***The performance bonus***

Each senior executive is required to enter into performance contracts with the person that he or she reports to. These performance contracts define individual key performance areas that are linked to the strategic objectives of the business unit. The contracts and the performance ratings thereunder will be reviewed by the Remuneration committee, giving it better insight into how risks are being managed and controlled internally within each business unit, and into succession planning problems both at the holding company and subsidiary level. The performance ratings in terms of this performance management system will be the basis for an annual performance bonus, which will be capped at the amount that brings total pay to the agreed total cost of employment assessment for the year.

- ***The profit-share bonus***

A profit-share bonus in terms of a short-term incentive plan will be paid to senior executives to the extent that earnings before taxation in the holding company or in each subsidiary company, as finally determined for the year, exceed targets approved by the Remuneration committee. The targets for 2009 are negotiated targets, which are based on factors that make some allowance for the expected downturn in economic conditions within the economy. It is intended that targets from 2010 onwards will be based on cumulative inflation-adjusted three-year moving averages of earnings. For the purposes of the profit-share bonus scheme, a nominated percentage of excess earnings for each subsidiary company, ranging between 10% and 20% in 2009, is allocated to a profit-share pool and shared by eligible senior executives in that subsidiary company in proportion to their respective performance-weighted remuneration for the year.

- ***The long-term bonus***

A long-term incentive plan has also been approved by the board based on the recommendations of its Remuneration committee for implementation with effect from 1 January 2009. The objective of this plan is to both align the interests of top management with those of shareholders and to retain the key people in top management who are responsible for leading the enterprise towards the achievement of organisational goals.

The plan is a share appreciation rights scheme in terms of which participants will receive a cash bonus based on equity growth. The scheme does not confer any rights on employees to acquire, hold or subscribe for shares at any time, and does not in any way dilute the shareholdings of existing or future shareholders.

The following are the main features of the long-term incentive plan:

- Separate share appreciation rights schemes will be established for the holding company and for each subsidiary company. All senior executives will participate in this scheme.
- Share appreciation rights will be defined for each group company in relation to the issued shares of that company at the commencement of the financial year, each right relating to one issued share of that company.
- In the case of the holding company scheme, eligible participants will be allocated rights in relation to a determined value of ordinary shares, based on the volume-weighted quoted share price of the holding company in the period of seven days preceding the allocation. They will receive a cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period.
- In the case of each subsidiary company, eligible participants will be allocated rights in relation to a determined value of shares as follows:
  - o to the extent of 75%, based on the shares of that subsidiary company in terms of a valuation of its shares which is in turn based on its financial results in the last three years; and
  - o to the extent of 25%, based on the shares of the holding company in terms of the volume-weighted quoted share price in the period of seven days preceding the allocation;

  and they will receive a cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period.
- The holding period in respect of the 2009 allocation of rights will be two years, which may however be extended to either three or four years at the option of the participant. The holding period of subsequent allocations will be three years, which may be extended to four years at the option of the participant.
- The quantum of the allocations will be in the range of between 50% and 125% of the annual guaranteed pay of each participant in 2009, and between 33,3% and 83,3% in the years following during the continuation of this plan.

Annual review by Remuneration committee

In relation to all group executive directors, including the executive directors of each subsidiary company, the basic annual guaranteed package is reviewed annually by the Remuneration committee based on market information and individual competency assessments.

In addition, the Remuneration committee is mandated to annually review the remuneration policies which affect all senior executives.

Directors' remuneration from related companies

The executive directors' remuneration was paid by the following companies:

Radiant Group (Pty) Limited	R5 547 000
South Ocean Electric Wire Company (Pty) Limited	R8 907 000

The details of each individual director's remuneration are listed in note 16 in the financial statements section of the annual report.

Board and director evaluation

In terms of the King II Report, the board has to perform self-evaluation on its effectiveness in terms of mix of skills, experience, demographics and diversity. Although this is performed on a regular basis, there is no formal system in place for the evaluation of the board and its members. A formal evaluation system will be implemented during 2009.

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	Audit and Risk Management committee	Remuneration committee
Number of meetings held	4	4	2
Chairman	JB Magwaza	KH Pon	JB Magwaza
Executive			
EHT Pan	4	n/a	n/a
JP Bekker	4	n/a	n/a
PJM Ferreira	4	n/a	n/a
G Stein	4	n/a	n/a
H Schwartz	3	n/a	n/a
Non-executive			
JB Magwaza	4	4	2
EG Dube	3	3	2
D Ko	2	n/a	n/a
CH Pan	1	n/a	n/a
E Li (Alternate)	3	n/a	n/a
CH Wu	4	4	2
KH Pon	4	4	n/a

Directors' dealings in securities

The following are the details of the directors who dealt in the company's securities during the financial year

Director	Date	Number	Price	Value	Transaction	Nature of interest
Edward Pan	10/11	1 000 000	R2,18	R2 180 000	purchase	direct beneficial

Directors and key employees are advised of the closed period in which they may be deemed to possess price-sensitive information, during which they may not trade in company securities.

The directors' interests in the company's securities are detailed in the directors' report in the financial section of the annual report.

Insider trading

No employee or director may deal, directly or indirectly, in the company's securities 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 trade in the company's securities only with the approval of the Chairman or the CEO.

In terms of the JSE Listings Requirements, dealings in the company's securities by directors, their immediate family and associates are announced on SENS. The group adheres to the strict code with regard to insider trading and as required in terms of the JSE Listings Requirements. The group also ensures that all its policies are aligned to the Security Services Act, which regulates such activities.

Risk management and internal controls

The board acknowledges its responsibility for the total process of risk management and in this regard has delegated its function for the design, implementation and monitoring of risk to management. The directors are happy to report to shareholders that the risk management and internal controls are meeting their objectives as to:

- providing effective and efficient operations;
- safeguarding the assets of the group;

- compliance with the group's code of ethics;
- complying with laws and regulations;
- ensuring business is sustainable;
- reliable reporting; and
- creating a responsible attitude to stakeholders.

The directors confirm that these are in place at the date of approval of the annual report and annual financial statements.

The internal control systems and risk management are regularly reviewed and an ongoing process for identifying, evaluating and managing significant risks is in place. Adequate systems of internal control provide reasonable, but not absolute, assurance to manage risk and to achieve business objectives.

In fulfilment of its duties, the Audit committee appointed Deloitte, a firm of chartered accountants, to provide the risk and internal audit services to the group on a consulting basis. The plan is to ensure that all the areas of the entity are reviewed within a three-year cycle. During the year, Deloitte carried out assessments as required and issued their report, which does not contain any adverse risks.

The directors are confident that the controls are adequate to meet the above objectives and these controls and processes are adequate to manage proactively the risk that the group encounters.

Relationship with stakeholders

The group has continued to promote dialogue with its shareholders, business analysts, business advisers and all other stakeholders. All shareholders are encouraged to attend the annual general meeting and to ask questions about the group, its results and prospects.

The stakeholders can approach executive directors when needed.

Human resource development

The group's philosophy is to respect individuals 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. The group training is outcomes-based and is determined based on management awareness and involvement and on whether the programmes will help reinforce the requisite knowledge.

Affirmative action

The group is an equal opportunity employer and there is no discrimination on the basis of ethnicity 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 that affect employees directly and materially. These include collective bargaining mechanisms, regular shop steward and trade union meetings as well as equity skills and development meetings, 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.

Annual Report 2008

Annual Financial Statements

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www.southoceanholdings.com

Statement of Directors' Responsibility and Approval by the Board of Directors

for the year ended 31 December 2008

The directors are responsible for the preparation and maintenance of adequate accounting records, integrity and fair presentation of the company and group annual financial statements and related financial information included in this report.

The annual 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 year, and the financial position of the company and the group at 31 December 2008.

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 financial year.

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 based on forecast and available cash resources.

The group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements, and their report is presented on page 35.

The financial statements set out on pages 36 to 76 have been approved by the board of directors on 9 March 2009, and are signed on its behalf by:

JB Magwaza
Non-executive Chairman

Johannesburg

EHT Pan
Chief Executive Officer

Johannesburg

Certificate by the Company Secretary

for the year ended 31 December 2008

I hereby certify that in respect of the year ended 31 December 2008, 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 the Companies Act of 1973 as amended and that all such returns are true, correct and up to date.

WT Green
Company Secretary

Johannesburg
9 March 2009

Independent Auditor's Report

To the members of

SOUTH OCEAN HOLDINGS LIMITED

We have audited the group annual financial statements and annual financial statements of South Ocean Holdings Limited, which comprise the consolidated and separate balance sheets as at 31 December 2008, the consolidated and separate income statements, the consolidated and separate statements of changes in equity and the consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 36 to 76.

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 consolidated and separate financial position of South Ocean Holdings Limited as at 31 December 2008, and its consolidated and separate financial performance and its consolidated and separate 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
9 March 2009

Directors' Report

for the year ended 31 December 2008

The directors have pleasure in presenting their second 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, an electrical cable manufacturing company, Radiant Group (Proprietary) Limited, an importer and distributor of light fittings, lamps and electrical accessories and Anchor Park Investments 48 (Proprietary) Limited, a property investment company.

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. The group results are not comparable to the prior year as Radiant was consolidated for five months in the 2007 figures, as it was acquired with effect from August 2007. The comparative figures for the company are for the period 26 January 2007 to 31 December 2007.

SHARE CAPITAL

No shares were issued during the year under review (2007: 156 378 794). Details of the authorised and issued share capital and premium are stated in note 10.

SPECIAL RESOLUTIONS

At the annual general meeting of the company held on 25 June 2008, shareholders approved the following special resolutions:

- that the company change its main business and main object in its Memorandum of Association to "holding of investments and all matters related thereto";
- that the company adopts new Articles of Association; and
- to grant the company general authority to repurchase its own shares.

DIVIDENDS

An interim dividend of 7 cents per share was declared on 13 August 2008.

Due to the cash flow constraints the directors have agreed not to recommend a final dividend.

DIRECTORS

The directors of the company during the year were:

Independent non-executive

JB Magwaza *(Chairman)*	
EG Dube	
KH Pon	
JL Law	(Appointed 6 March 2009)

Non-executive

CH Pan#	
HL Li#	(Alternate, Appointed 13 March 2008)
CY Wu#	
D Ko#	(Resigned 6 March 2009)

Executive

EHT Pan* *(Chief Executive Officer)*
JP Bekker *(Chief Financial Officer)*
PJM Ferreira
G Stein
H Schwartz

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

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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of directors in the issued share capital of the company as at 31 December 2008 are as follows:

	Number of ordinary shares			**Percentage of**
2008	**Direct beneficial**	**Indirect beneficial**	**Total**	**issued share capital**
Director				**%**
JP Bekker	**491 807**	**–**	**491 807**	**0,31**
PJM Ferreira	**1 412 880**	**–**	**1 412 880**	**0,90**
JB Magwaza	**63 299**	**–**	**63 299**	**0,04**
EHT Pan	**4 258 555**	**27 734 563**	**31 993 118**	**20,46**
H Schwartz	**–**	**14 245 992**	**14 245 992**	**9,11**
G Stein	**2 895 397**	**–**	**2 895 397**	**1,85**
	9 121 938	**41 980 555**	**51 102 493**	**32,67**
2007				
JP Bekker	491 807	–	491 807	0,31
PJM Ferreira	1 412 880	–	1 412 880	0,90
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	32,53

Messrs CH Pan, CY Wu and HL Li are employees of Hong-Tai Electrical Industrial Co. Limited, which owns 18,72% of the ordinary shares.

EVENTS AFTER THE BALANCE SHEET DATE

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the 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 2008

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	**248 187**	186 990	**–**	–
Intangible assets	3	**349 848**	388 868	**–**	–
Interest in subsidiaries	4			**1 016 463**	1 016 463
Interest free loans receivable	6	**–**	1 121	**–**	–
		598 035	576 979	**1 016 463**	1 016 463
Current assets					
Inventories	7	**189 806**	177 884	**–**	–
Trade and other receivables	8	**175 201**	136 020	**2 462**	–
Amounts owing by group companies	4			**7 402**	4 542
Interest free loans receivable	6	**–**	326	**–**	–
Taxation receivable		**179**	350	**–**	–
Cash resources	9	**24 155**	45 401	**59**	28
		389 341	359 981	**9 923**	4 570
Total assets		**987 376**	936 960	**1 026 386**	1 021 033
EQUITY					
Capital and reserves attributable to equity holders of the company					
Share capital	10	**1 274**	1 274	**1 564**	1 564
Share premium	10	**440 371**	440 371	**1 117 300**	1 117 300
Retained earnings/(accumulated deficit)		**216 470**	197 591	**(104 981)**	(99 182)
Total equity		**658 115**	639 236	**1 013 883**	1 019 682
LIABILITIES					
Non-current liabilities					
Interest bearing borrowings	11	**138 740**	142 712	**–**	–
Deferred taxation	12	**29 497**	29 837	**–**	–
		168 237	172 549	**–**	–
Current liabilities					
Trade and other payables	13	**86 088**	76 856	**2 151**	1 243
Interest bearing borrowings	11	**37 498**	34 816	**–**	–
Amounts owing to group companies	4			**10 348**	104
Taxation payable		**7 049**	13 430	**–**	–
Shareholders for dividends		**4**	4	**4**	4
Bank overdraft	9	**30 385**	69	**–**	–
		161 024	125 175	**12 503**	1 351
Total liabilities		**329 261**	297 724	**12 503**	1 351
Total equity and liabilities		**987 376**	936 960	**1 026 386**	1 021 033

Income Statements

for the year ended 31 December 2008

	Notes	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Revenue		**1 136 617**	852 594	**42 222**	9 383
Cost of sales	14	**(826 061)**	(611 522)	**–**	–
Gross profit		**310 556**	241 072	**42 222**	9 383
Other operating income	17	**1 609**	4 200	**4 800**	1 800
Administration expenses	14	**(47 324)**	(41 375)	**(3 534)**	(2 113)
Distribution expenses	14	**(17 976)**	(5 315)	**–**	–
Operating expenses	14	**(114 128)**	(13 204)	**(2 068)**	(98 990)
Operating profit/(loss)		**132 737**	185 378	**41 420**	(89 920)
Finance income	18	**2 762**	4 317	**251**	121
Finance costs	19	**(27 630)**	(10 028)	**(1 026)**	–
Profit/(loss) before taxation		**107 869**	179 667	**40 645**	(89 799)
Taxation	20	**(46 768)**	(53 875)	**(4 222)**	–
Earnings attributable to ordinary shareholders		**61 101**	125 792	**36 423**	(89 799)
Earnings per share (cents)					
– basic	21	**39,1**	97,0		
Dividends per share (cents)	22	**7,0**	26,0*		

* *Includes a final dividend of 20 cents per share approved after year-end. The policy of South Ocean Holdings Limited is to recommend a final dividend to shareholders when the final results for each financial year are released.*

Statements of Changes in Equity

for the year ended 31 December 2008

	Share capital R'000	Share premium R'000	Retained earnings/ (accumulated deficit) R'000	Total R'000
GROUP				
Balance at 1 January 2008	**1 274**	**440 371**	**197 591**	**639 236**
Dividends paid	**–**	**–**	**(42 222)**	**(42 222)**
Profit for the year	**–**	**–**	**61 101**	**61 101**
Balance at 31 December 2008	**1 274**	**440 371**	**216 470**	**658 115**
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
COMPANY				
Balance at 1 January 2008	**1 564**	**1 117 300**	**(99 182)**	**1 019 682**
Dividends paid	**–**	**–**	**(42 222)**	**(42 222)**
Profit for the year	**–**	**–**	**36 423**	**36 423**
Balance at 31 December 2008	**1 564**	**1 117 300**	**(104 981)**	**1 013 883**
Balance at 26 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)
Dividends paid	–	–	(9 383)	(9 383)
Loss for the period	–	–	(89 799)	(89 799)
Balance at 31 December 2007	1 564	1 117 300	(99 182)	1 019 682

Cash Flow Statements

for the year ended 31 December 2008

	Notes	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Cash flows from operating activities					
Cash flow from operations	23.1	**148 119**	196 992	**(774)**	930
Interest received		**2 762**	4 317	**251**	121
Interest paid	23.2	**(28 202)**	(9 187)	**(1 026)**	–
Taxation paid	23.3	**(53 318)**	(66 485)	**(4 222)**	–
Dividends paid	23.4	**(42 222)**	(65 898)	**(42 222)**	(9 379)
Net cash inflow/(outflow) from operating activities		**27 139**	59 739	**(47 993)**	(8 328)
Cash flows from investing activities					
Acquisition of intangible assets		**(3 688)**	(1 957)	**–**	–
Acquisition of property, plant and equipment		**(73 171)**	(32 996)	**–**	–
Proceeds on disposal of property, plant and equipment	23.5	**81**	546	**–**	–
Acquisition of subsidiaries	23.6	**–**	(264 683)	**–**	(307 788)
Acquisition of available for sale financial asset		**(1 582)**	–	**(1 582)**	–
Decrease in interest free loans receivable		**377**	190	**–**	–
Movement in group loans				**7 384**	(4 438)
Dividends received		**–**	–	**42 222**	94 133
Net cash (outflow)/inflow from investing activities		**(77 983)**	(298 900)	**48 024**	(218 093)
Cash flows from financing activities					
Share issue expenses		**–**	(4 451)	**–**	(4 451)
Shares issued		**–**	230 900	**–**	230 900
(Decrease)/increase in interest bearing borrowings		**(718)**	117 358	**–**	–
Net cash (outflow)/inflow from financing activities		**(718)**	343 807	**–**	226 449
Net (decrease)/increase in cash and cash equivalents		**(51 562)**	104 646	**31**	28
Cash and cash equivalents at the beginning of year		**45 332**	(59 314)	**28**	–
Cash and cash equivalents at end of year	9.1	**(6 230)**	45 332	**59**	28

Accounting Policies

for the year ended 31 December 2008

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.

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.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS EFFECTIVE IN 2008

The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 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 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

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

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IFRS 8, 'Operating segments', (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', 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 impact is still being assessed in detail by management.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment 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 (Amendment) retrospectively from 1 January 2009 but it is currently not applicable to the group as there are no qualifying assets.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be additional to the current requirement to present balance sheets at the end of the current period and comparative period. The group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also

removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The group will apply IFRS 1 (Amendment) from 1 January 2009. The amendment will not have any impact on the group's financial statements.

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39, 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
  The amendment clarifies that:
  - A plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The group will apply the IAS 19 (Amendment) from 1 January 2009.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

- – The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision maker.
- – When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's financial statements.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.

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

The following interpretations and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but are not relevant for the group's operations:

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 is not relevant to the group's operations because none of the group's companies operate any loyalty programmes.
- IFRIC 15, 'Agreements for construction of real estate' (effective from 1 January 2009). IFRIC 15 is not relevant to the group's operations as all revenue transactions are accounted for under IAS 18, 'Revenue' and not IAS 11, 'Construction contracts'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 will not have an impact on the group's operations, because the group does not have any investments in foreign operations.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). IFRS 2 will not have an impact on the group's operations because the group does not operate a share-based payment scheme.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards will not have an impact on the group's operations because the group does not have any puttable financial arrangements.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). IAS 28 (Amendment) will not have an impact on the group's operations because the group does not have any investments in associates.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. IAS 38 (Amendment) will not have an impact on the group's operations because the group does not purchase intangible assets.
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment will not have an impact on the group's operations because none of the group's ordinary activities comprise renting and subsequently selling assets.
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment will not have an impact on the group's operations because it is the group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment will not have an impact on the group's operations because the group does not have any investments in associates.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The amendment will not have an impact on the group's operations, as none of the group's subsidiaries or associates operate in hyperinflationary economies.
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment will not have an impact on the group's operations as there are no interests held in joint ventures.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment will not currently have an impact on the group's operations as all intangible assets are amortised using the straight-line method.
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment will not have an impact on the group's operations, as there are no investment properties held by the group.
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment will not have an impact on the group's operations as no agricultural activities are undertaken.
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The amendment will not have an impact on the group's operations as there are no loans received or other grants from the government.
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance' and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property' and IAS 41, 'Agriculture'. These amendments will not have an impact on the group's operations as described above.

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.

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) Trade names 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
Trade names	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 programs are recognised as an expense as incurred. Internal expenditure associated with developing or maintaining computer software programs 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 are 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. 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 8), "interest free loans receivable" (note 6) and "cash resources" and "bank overdraft" (note 9.1). 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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales for financial assets are recognised on the trade date, the date on which the group commits to purchase or sell the assets.

Available-for-sale financial assets are measured at cost, and are subsequently carried at fair value, except for investments, where there is not a quoted price in an active market and whose fair value cannot be reliably measured, are subsequently carried at cost.

(d) 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 re-measured 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 in 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 directors.

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) 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.

(c) Estimated impairment of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses judgement to select the valuation method and make assumptions that are mainly based on the market conditions existing at each balance sheet date (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 2008					
Opening net book amount	**120 691**	**56 315**	**5 857**	**4 127**	**186 990**
Additions	**50 560**	**14 363**	**6 348**	**1 900**	**73 171**
Disposals	**–**	**–**	**(3)**	**(49)**	**(52)**
Depreciation	**(972)**	**(6 981)**	**(2 635)**	**(1 334)**	**(11 922)**
Closing net book amount	**170 279**	**63 697**	**9 567**	**4 644**	**248 187**
Cost	**171 857**	**89 411**	**17 779**	**8 930**	**287 977**
Accumulated depreciation	**(1 578)**	**(25 714)**	**(8 212)**	**(4 286)**	**(39 790)**
Net book amount	**170 279**	**63 697**	**9 567**	**4 644**	**248 187**
At 31 December 2008					
Carrying value of assets secured by interest bearing borrowings (note 11)	**170 279**	**18 994**	**–**	**2 106**	**191 379**
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 11)	120 691	18 018	–	1 067	139 776

* *The values reported in the prior year were based on provisionally determined values. Subsequent to 31 December 2007, these values have been finalised (refer note 27)*

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

3. INTANGIBLE ASSETS

	Goodwill R'000	Trade names R'000	Customer relationships R'000	Computer software R'000	Total R'000
GROUP					
Year ended 31 December 2008					
Opening net book value	**362 108**	**14 048**	**9 582**	**3 130**	**388 868**
Additions	**–**	**–**	**–**	**3 688**	**3 688**
Impairment	**(39 000)**	**–**	**–**	**–**	**(39 000)**
Amortisation	**–**	**(808)**	**(2 015)**	**(885)**	**(3 708)**
Closing net book amount	**323 108**	**13 240**	**7 567**	**5 933**	**349 848**
At 31 December 2008					
Cost	**323 108**	**14 347**	**10 074**	**7 472**	**355 001**
Accumulated amortisation	**–**	**(1 107)**	**(2 507)**	**(1 539)**	**(5 153)**
Net book amount	**323 108**	**13 240**	**7 567**	**5 933**	**349 848**
Year ended 31 December 2007					
Opening net book value	–	–	–	–	–
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

* *The values reported in the prior year were based on provisionally determined values. Subsequent to 31 December 2007, these values have been finalised (refer note 27)*

Goodwill, trade names and customer relationships are allocated to their respective underlying cash-generating units. For this purpose, the respective companies acquired are defined as the underlying cash-generating units.

Goodwill

The impairment test for goodwill identifies the recoverable amount of a cash-generating unit determined based on the higher of its value in use or fair value less costs to sell. Value in use calculations are prepared using cash flow projections based on financial budgets approved by management and cover a five-year period. The estimated growth rates applied are in line with that of the industry in which the companies operate and are materially similar to assumptions of external market sources. The cash-generating units' recoverable amount is most sensitive to the growth rate assumptions applied. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted gross margin based on past performance and its expectations of market developments. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The discount rates used reflect the appropriate risk associated with the industry and respective business.

A summary of the key assumptions used for value in use calculations are as follows:

Growth rate[1]	6,5%
Discount rate[2]	15,8%

[1] *Weighted average growth rate used to extrapolate cash flows after the forecast period*

[2] *Weighted average cost of capital discount rate applied to the cash flow projections*

The fair value reflects the best estimate of the sum that an independent third party would pay (based on valuation techniques) to purchase the cash-generating unit as at the balance sheet date; selling costs are deducted. If available, market transactions or third party valuation of similar assets in the same sector are taken as a basis for determining the fair value.

Based on the value in use calculations an impairment of goodwill was determined at R39 million and the amount has been included in the operating expenses for the current year.

		Company	
		2008	2007
		R'000	R'000
4.	***INTEREST IN SUBSIDIARIES***		
	Subsidiary shares at cost	**1 115 453**	1 115 453
	Impairment	**(98 990)**	(98 990)
		1 016 463	1 016 463
	Amounts owing by subsidiaries	**7 402**	4 542
	Amounts owing to subsidiaries	**(10 348)**	(104)
		1 013 517	1 020 901
	Aggregate profits before taxation attributable to the company amounted to:	**128 319**	187 467
	Aggregate losses before taxation attributable to the company amounted to:	**(15 101)**	(5 807)

The amounts owing by the subsidiaries are unsecured, except for the loan from South Ocean Electric Wire Company (Pty) Limited which bears interest at 15,5%, are 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		Company	
		2008	2007	**2008**	2007
		R'000	R'000	**R'000**	R'000
5.	***AVAILABLE-FOR-SALE FINANCIAL ASSETS***				
	Unlisted shares				
	JS Technology Company Limited	**1 582**	–	**1 582**	–
	Less: Impairment	**(1 582)**	–	**(1 582)**	–
		–	–	**–**	–
	During the year, South Ocean Holdings acquired 10,1% of the issued share capital of JS Technology Company Limited, which is a research and development company for LED Technology and is based in Taiwan.				
	As at 31 December 2008 JS Technology Company Limited was not profitable and is also not expected to be profitable in the short to medium term. Based on the above, the investment was considered to be impaired at the end of the year.				
6.	***INTEREST FREE LOANS RECEIVABLE***				
	Capital outstanding	**1 070**	1 447	**–**	–
	Less: Current portion included in current assets	**–**	(326)	**–**	–
	Less: Impairment	**(1 070)**	–	**–**	–
		–	1 121	**–**	–
	The maximum exposure to credit losses on loans receivable is:	**–**	1 447	**–**	–

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
7. INVENTORIES				
Raw materials	**13 329**	41 355	**–**	–
Consumable stores	**3 832**	2 196	**–**	–
Work-in-progress	**8 119**	6 870	**–**	–
Finished goods	**35 842**	33 963	**–**	–
Merchandise	**99 111**	75 447	**–**	–
Goods in transit	**29 573**	18 053	**–**	–
	189 806	177 884	**–**	–

Inventory with a carrying value of R37 712 000 (2007: R9 661 000) is carried at net realisable value. The cost of inventories recognised as an expense and included in cost of sales is R789 160 000 (2007: R576 394 000).

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
8. TRADE AND OTHER RECEIVABLES				
Financial assets				
Trade receivables	**175 048**	138 037	**–**	–
Less: Provision for impairment of receivables	**(6 300)**	(5 145)	**–**	–
	168 748	132 892	**–**	–
Amounts owing by subsidiaries			**2 462**	–
	168 748	132 892	**2 462**	–
Non-financial assets				
VAT receivable	**4 954**	1 038	**–**	–
Other receivables	**1 499**	2 090	**–**	–
	6 453	3 128	**–**	–
	175 201	136 020	**2 462**	–
Reconciliation of provision for impairment of receivables				
Balance at beginning of year	**5 145**	4 764	**–**	–
Provision for receivables impairment	**1 549**	–	**–**	–
Acquisition of subsidiary	**–**	675	**–**	–
Unused amount reversed	**(394)**	(294)	**–**	–
Balance at end of year	**6 300**	5 145	**–**	–

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 2008, trade receivables of R124 702 000 (2007: R88 047 000) were fully performing.

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
8. *TRADE AND OTHER RECEIVABLES (continued)*				
Trade receivables of R23 302 000 (2007: R38 545 000) were past due but not impaired. These related to customers for whom there is no recent history of default. The age analysis of these trade receivables is as follows:				
2 months	**13 302**	29 576	**–**	–
3 months	**6 552**	6 262	**–**	–
Over 3 months	**3 448**	2 707	**–**	–
	23 302	38 545	**–**	–
As at 31 December 2008 trade receivables of R27 044 000 (2007: R11 445 000) were impaired and provided for. The amount of the provision in respect of these trade receivables was R6 300 000 (2007: R5 145 000). 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	**15 406**	4 432	**–**	–
3 months	**9 118**	4 338	**–**	–
Over 3 months	**2 520**	2 675	**–**	–
	27 044	11 445	**–**	–

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 24.

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited. South Ocean Electric Wire Company (Proprietary) Limited is exposed to a maximum credit risk of R400 000 for 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. Radiant Group (Proprietary) Limited is exposed to 15% of the fair value of trade accounts receivables within the credit limits and 100% of all the 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 9.2 and note 11.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
9. CASH RESOURCES				
9.1 Cash and cash equivalents				
Bank	**24 122**	45 322	**59**	28
Cash on hand	**33**	79	**–**	–
	24 155	45 401	**59**	28
Bank overdraft	**(30 385)**	(69)	**–**	–
	(6 230)	45 332	**59**	28

9.2 Banking facilities

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

First National Bank, a division of FirstRand Bank Limited

The bank overdraft facility, currently R95 million, is secured by a cession of South Ocean Electric Wire Company (Proprietary) Limited's trade receivables, a standard debtors financing facility agreement, a cession of debtor cover policy over debtors with Credit Guarantee Insurance Corporation of Africa Limited as well as noting bank's interest and a deed of negative pledge of assets. The unused facility at year-end amounted to R84 million (2007: R95 million) (refer note 24).

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 R1 million (2007: R20 million) (refer note 24).

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
10. SHARE CAPITAL AND PREMIUM				
Authorised				
500 000 000 ordinary shares of R0,01 each	**5 000**	5 000	**5 000**	5 000
Issued				
156 378 794 ordinary shares of R0,01 each	**1 274**	1 274	**1 564**	1 564
Share premium	**440 371**	440 371	**1 117 300**	1 117 300
	441 645	441 645	**1 118 864**	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 in 2007, as described in the basis of preparation and note 27, the number of shares disclosed as issued are those of South Ocean Holdings Limited at the date of the reverse acquisition, including the shares issued to effect the reverse acquisition. The value of shares are those of the operating company, South Ocean Electric Wire Company (Proprietary) Limited including the value of any shares issued thereafter.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
11. INTEREST BEARING BORROWINGS				
Secured				
Instalment sale agreements				
Total outstanding	**15 717**	18 834	**–**	–
Less: Current portion included in current liabilities	**(7 875)**	(4 347)	**–**	–
	7 842	14 487	**–**	–
Mortgage bonds				
Futuregrowth Asset Management (Proprietary) Limited	**97 040**	114 260	**–**	–
Bergvlei Industrial Leasing Corporation (Proprietary) Limited	**1 522**	3 258	**–**	–
	98 562	117 518	**–**	–
Less: Current portion included in current liabilities	**(18 742)**	(17 220)	**–**	–
	79 820	100 298	**–**	–
Cumulative redeemable preference shares				
18 077 591 cumulative redeemable preference shares	**181**	181	**–**	–
Preference share premium	**17 897**	17 897	**–**	–
Preference dividend accrued	**1 019**	1 591	**–**	–
	19 097	19 669		–
Less: Current portion included in current liabilities	**(1 019)**	(1 591)	**–**	–
	18 078	18 078	**–**	–
Other loans				
Futuregrowth Asset Management (Proprietary) Limited				
– Capital loan 1	**9 862**	21 507	**–**	–
– Facility agreement loan	**33 000**	–	**–**	–
	42 862	21 507	**–**	–
Less: Current portion included in current liabilities	**(9 862)**	(11 658)	**–**	–
	33 000	9 849	**–**	–
Total interest bearing borrowings	**176 238**	177 528	**–**	–
Less: Current portion included in current liabilities	**(37 498)**	(34 816)	**–**	–
	138 740	142 712	**–**	–

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
11. *INTEREST BEARING BORROWINGS (continued)*				
The maturity of non-current borrowings is as follows:				
Between one and two years	**24 042**	24 801	–	–
Between two and five years	**96 620**	99 833	–	–
No fixed repayment terms*	**18 078**	18 078	–	–
	138 740	142 712	–	–
**comprises preference shares*				
Instalment sale liabilities – minimum payments				
Not later than one year	**9 412**	6 782	–	–
Between one and five years	**8 461**	16 465	–	–
Future finance charges	**(2 156)**	(4 413)	–	–
Present value of instalment sale liabilities	**15 717**	18 834	–	–
The present value of instalment sale liabilities is as follows:				
Not later than one year	**7 875**	4 347	–	–
Between one and five years	**7 842**	14 487	–	–
	15 717	18 834	–	–
Total borrowings at fixed interest rates	**9 862**	21 507	–	–
Total borrowings at floating interest rates	**166 376**	156 021	–	–
	%	%	**%**	%
The effective annual interest rates at the balance sheet date were as follows:				
Instalment sale liabilities	**15,800**	13,500	–	–
Mortgage bonds	**11,425**	12,975	–	–
Cumulative redeemable preference shares	**11,219**	10,875	–	–
Other loans				
– Capital loans 1	**13,850**	13,850	–	–
– Facility agreement loan	**13,197**	–	–	–

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 (note 2), bear interest at prime minus 1,5%, and are repayable in monthly instalments of R753 543 (2007: R953 295), inclusive of interest.

Other loans

Futuregrowth Asset Management (Proprietary) Limited – Capital loan 1

The loan bears interest at a fixed rate of 13,85% (2007: 13,85%), and is repayable in fixed monthly instalments of R1 159 619 (2007: R1 159 619) inclusive of interest.

The loan is secured as follows:

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

11. INTEREST BEARING BORROWINGS *(continued)*

Mortgage bonds

Futuregrowth Asset Management (Proprietary) Limited – Facility agreement loan

The loan is secured by:

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

The loan bears interest at JIBAR plus 1,80%. JIBAR is currently 11,425%. The loan is payable in monthly capital instalments totalling R1 435 000 (2007: R1 435 000) per month plus interest.

Bergvlei Industrial Leasing Corporation (Proprietary) Limited

The loan is secured by a mortgage bond over Stand 431 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 (2007: R153 000).

	Group	
	2008 R'000	2007 R'000
Cumulative redeemable preference shares		
Authorised		
20 000 000 cumulative redeemable preference shares of R0,01 each	**200**	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.

The secondary taxation on companies related to the dividend is only accounted for when the dividend is declared, and not when accrued.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
12. DEFERRED TAXATION				
Deferred tax is calculated on all temporary differences under the liability method using a principal taxation of 28% (2007: 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 year	**29 837**	9 486	–	–
Movement during the year				
– acquisition of subsidiary*	–	19 393	–	–
– current year temporary differences	**20**	958	–	–
– rate change	**(1 028)**	–	–	–
– prior year under provision	**668**	–	–	–
	29 497	29 837	–	–
The balance comprises:				
Provisions	**(1 443)**	(1 075)	–	–
Capital allowances	**30 940**	30 912	–	–
	29 497	29 837	–	–

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

	Capital allowances R'000	Provisions R'000	Total R'000
GROUP			
31 December 2008			
Opening balance	**30 912**	**(1 075)**	**29 837**
Charge to the income statement	**1 093**	**(405)**	**688**
Rate change	**(1 065)**	**37**	**(1 028)**
Closing balance	**30 940**	**(1 443)**	**29 497**
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

* *The values reported last year were based on provisionally determined numbers. Subsequent to 31 December 2007, these values have been finalised (refer note 27).*

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
13. TRADE AND OTHER PAYABLES				
Financial liabilities				
Trade payables	**67 951**	60 529	**–**	–
Accruals	**2 976**	6 890	**2 151**	1 243
	70 927	67 419	**2 151**	1 243
Non-financial liabilities				
Other payables	**11 370**	9 427	**–**	–
VAT payable	**3 785**	–	**–**	–
Deposits	**6**	10	**–**	–
	15 161	9 437	**–**	–
	86 088	76 856	**2 151**	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 24.				
14. EXPENSES BY NATURE				
Advertising and promotions	**7 504**	1 839	**–**	–
Amortisation of intangible assets	**3 708**	917	**–**	–
Auditors' remuneration				
– other services fees	**246**	139	**399**	–
– audit fees	**1 190**	966	**240**	200
– expenses	**40**	35	**–**	–
– (over)/under provision prior year	**(610)**	445	**–**	–
Bad debt impairment	**1 155**	(294)	**–**	–
Bad debts written off	**19**	878	**–**	–
Changes in inventories of finished goods and work in progress	**32 060**	(24 091)	**–**	–
Debtors' insurance	**1 136**	1 705	**–**	–
Depreciation – cost of sales	**6 336**	5 835	**–**	–
– operating expenses	**5 586**	2 664	**–**	–
Employee benefit expense (note 15)	**103 325**	51 469	**1 251**	1 000
Freight costs	**17 976**	5 315	**–**	–
Impairment of available-for-sale financial assets	**1 582**	–	**1 582**	–
Impairment of investment in subsidiaries			**–**	98 990
Impairment of intangible assets	**39 000**	–	**–**	–
Impairment of interest free loans receivable	**1 070**	–	**–**	–
Motor vehicle expenses	**3 608**	883	**–**	–
Operating leases – rental of warehouse premises	**618**	3 950	**–**	–
Other expenses	**14 482**	14 662	**839**	70
Professional fees	**2 478**	843	**1 291**	843
Raw materials and consumables used	**588 717**	494 500	**–**	–
Purchase of merchandise	**168 383**	105 985	**–**	–
Repairs and maintenance	**5 880**	2 771	**–**	–
Total cost of sales, administration, distribution and operating expenses	**1 005 489**	671 416	**5 602**	101 103

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
15. EMPLOYEE BENEFIT EXPENSE				
Directors' remuneration (note 16)			**1 251**	1 000
Salaries, wages and bonuses	**99 127**	47 477	**–**	–
Pension fund contributions	**4 198**	3 992	**–**	–
	103 325	51 469	**1 251**	1 000
Number of employees at 31 December				
– full time	**655**	565	**–**	–
– part time	**6**	6	**6**	6

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

16. DIRECTORS' REMUNERATION

	Fees R'000	Salary R'000	Performance bonus R'000	Medical and group benefit contributions R'000	Provident fund R'000	Total R'000	Paid by subsidiaries R'000	Paid by the company R'000
The directors' remuneration for the year ended 31 December 2008 was as follows:								
Executive directors								
EHT Pan	–	2 443	695	24	331	3 493	(3 493)	–
JP Bekker	–	1 691	442	55	239	2 427	(2 427)	–
H Schwartz	–	2 112	603	86	365	3 166	(3 166)	–
PJM Ferreira	–	1 718	1 011	24	234	2 987	(2 987)	–
G Stein	–	1 595	451	59	276	2 381	(2 381)	–
	–	9 559	3 202	248	1 445	14 454	(14 454)	–
Non-executive directors								
JB Magwaza	457	–	–	–	–	457	–	457
CY Wu	180	–	–	–	–	180	–	180
D Ko	92	–	–	–	–	92	–	92
CH Pan	92	–	–	–	–	92	–	92
EG Dube	180	–	–	–	–	180	–	180
H Pon	250	–	–	–	–	250	–	250
	1 251	–	–	–	–	1 251	–	1 251
	1 251	9 559	3 202	248	1 445	15 705	(14 454)	1 251

16. DIRECTORS' REMUNERATION *(continued)*

	Fees R'000	Salary R'000	Performance bonus R'000	Medical and group benefit contributions R'000	Provident fund R'000	Total R'000	Paid by subsidiaries R'000	Paid by the company R'000
The directors' remuneration for the period ended 31 December 2007 was as follows:								
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

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
17. OTHER INCOME				
Rental received	**1 180**	–	**–**	–
Management fees received	**–**	–	**4 800**	1 800
Bad debt recovered	**–**	187	**–**	–
Foreign exchange gain	**341**	3 470	**–**	–
Surplus on disposal of property, plant and equipment	**29**	429	**–**	–
Other income	**59**	114	**–**	–
	1 609	4 200	**4 800**	1 800
18. FINANCE INCOME				
Interest received				
– bank	**2 762**	4 317	**251**	121

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
19. FINANCE COSTS				
Interest paid				
– instalment sale agreements	**(2 726)**	(1 632)	**–**	–
– mortgage bonds	**(19 133)**	(6 203)	**–**	–
– bank	**(3 706)**	(1 352)	**–**	–
– group companies			**(1 026)**	–
– other	**(36)**	–	**–**	–
	(25 601)	(9 187)	**(1 026)**	–
– cumulative redeemable preference shares	**(2 029)**	(841)	**–**	–
	(27 630)	(10 028)	**(1 026)**	–
20. TAXATION				
South African normal taxation				
Current taxation				
– current year	**(42 626)**	(51 744)	**–**	–
Deferred taxation				
– current year	**(20)**	(958)	**–**	–
– rate change	**1 028**	–	**–**	–
– prior year	**(668)**	–	**–**	–
Secondary taxation on companies	**(4 482)**	(1 173)	**(4 222)**	–
	(46 768)	(53 875)	**(4 222)**	–
Reconciliation of rate of taxation				
Profit/(loss) before taxation	**107 869**	179 667	**40 645**	(89 799)
Taxation at standard rate 28% (2007: 29%)	**(30 203)**	(52 103)	**(11 381)**	26 042
Adjusted for:				
Exempt income	**–**	–	**11 823**	2 721
Prior year under provision	**(668)**	–	**–**	–
Secondary taxation on companies	**(4 482)**	(1 173)	**(4 222)**	–
Expenses not deductible	**(12 263)**	(1 998)	**(442)**	(28 763)
Rate change	**1 028**	–	**–**	–
Unprovided for deferred taxation asset	**(180)**	1 399	**–**	–
	(16 565)	(1 772)	**7 159**	(26 042)
South African normal taxation	**(46 768)**	(53 875)	**(4 222)**	–

	Group 2008	Group 2007
21. EARNINGS PER SHARE		
The calculations of earnings per share and fully diluted earnings per share are as follows:		
Attributable earnings (R'000)	**61 101**	125 792
Headline earnings (R'000)	**102 724**	125 363
Weighted average number of ordinary shares in issue ('000)	**156 379**	129 713
Earnings per share (cents)	**39,1**	97,0
Headline earnings per share (cents)	**65,7**	96,6
Reconciliation of headline earnings (R'000)		
Earnings attributable to ordinary shareholders	**61 101**	125 792
Impairment of intangible assets	**39 000**	–
Impairment of available for-sale-financial assets and interest free loans receivable	**2 652**	–
Surplus on disposal of property, plant and equipment	**(29)**	(429)
Headline earnings	**102 724**	125 363
Comparative headline earnings has been restated for amortisation of intangible assets.		
22. DIVIDENDS PER SHARE		
Dividends paid (R'000)	**42 222**	9 383
Dividends recommended (R'000)	**–**	31 276
Paid during the year relating to prior year (R'000)	**(31 276)**	–
	10 946	40 659
Number of shares in issue ('000)	**156 379**	156 379
Dividend per share (cents)	**7,0**	26,0*

**includes a final dividend of 20 cents declared after year-end*

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
23. CASH FLOW INFORMATION				
23.1 Cash flow from operations				
Operating profit/(loss)	**132 737**	185 378	**41 420**	(89 920)
Adjusted for:				
– amortisation of intangible assets	**3 708**	917	**–**	–
– depreciation	**11 922**	8 499	**–**	–
– impairment of intangible assets	**39 000**	–	**–**	–
– impairment of available-for-sale financial asset	**1 582**	–	**1 582**	–
– impairment of interest free loans receivable	**1 070**	–	**–**	–
– impairment of investment in subsidiary	**–**	–	**–**	98 990
– provision for/(reversal of) doubtful debts	**1 155**	(294)	**–**	–
– reversal of fair value adjustment on interest free loans receivable	**–**	(504)	**–**	–
– surplus on disposal of property, plant and equipment	**(29)**	(429)	**–**	–
– dividends received	**–**	–	**(42 222)**	(9 383)
	191 145	193 567	**780**	(313)
Changes in working capital				
Increase in inventories	**(11 922)**	(30 179)	**–**	–
(Increase)/decrease in trade and other receivables	**(40 336)**	26 211	**908**	–
Increase/(decrease) in trade and other payables	**9 232**	7 393	**(2 462)**	1 243
	(43 026)	3 425	**(1 554)**	1 243
	148 119	196 992	**(774)**	930
23.2 Interest paid				
Amounts owing at beginning of year	**(1 591)**	–	**–**	–
Acquisition of subsidiary	**–**	(750)	**–**	–
Amounts charged to income statements	**(27 630)**	(10 028)	**(1 026)**	–
Amounts owing at end of year	**1 019**	1 591	**–**	–
	(28 202)	(9 187)	**(1 026)**	–
23.3 Taxation paid				
Net amounts owing at beginning of year	**(13 080)**	(1 129)	**–**	–
Acquisition of subsidiary	**–**	(25 519)	**–**	–
Amounts charged to income statement	**(47 108)**	(52 917)	**(4 222)**	–
Net amounts owing at end of year	**6 870**	13 080	**–**	–
	(53 318)	(66 485)	**(4 222)**	–
23.4 Dividends paid				
Amounts owing at beginning of year	**(4)**	(10 649)	**(4)**	–
Acquisition of subsidiary	**–**	(45 870)	**–**	–
Dividends paid	**(42 222)**	(9 383)	**(42 222)**	(9 383)
Amounts owing at end of year	**4**	4	**4**	4
	(42 222)	(65 898)	**(42 222)**	(9 379)

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
23. CASH FLOW INFORMATION (continued)				
23.5 Proceeds on disposal of property, plant and equipment				
Net book amount of assets disposed of	**52**	117	–	–
Surplus on disposal of property, plant and equipment	**29**	429	–	–
	81	546	–	–
23.6 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:				
Purchase consideration	–	–	–	(1 200 203)
Less: – shares issued	–	–	–	892 415
Cash paid	–	–	–	(307 788)
	–	(264 683)	–	(307 788)

24. 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 the majority 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 2008, 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 R1 123 690 (2007: 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:

	2008		2007	
	Foreign currency	Rand equivalent R'000	Foreign currency	Rand equivalent R'000
Liabilities				
US Dollar ($'000)	**4 121**	**39 017**	2 135	21 032
British Pound (£'000)	**–**	**–**	33	310
European Euro (€'000)	**7**	**100**	86	871
Canadian Dollar (CAD'000)	**–**	**–**	42	290
		39 117		22 503

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

	Settlement dates	Foreign currency $'000	Rand equivalent R'000
2008			
	7 January 2009	**457**	**4 425**
	14 January 2009	**403**	**3 806**
2007	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

24. *FINANCIAL RISK MANAGEMENT (continued)*

Financial risk factors (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 R3 181 000 (2007: 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			
	2008		2007	
Counterparty	**Credit limit R'000**	**Balance R'000**	Credit limit R'000	Balance R'000
First National Bank, a division of FirstRand Bank Limited	**95 000**	**(11 139)**	95 000	(69)
Investec Bank Limited	**20 000**	**(19 245)**	20 000	–
Futuregrowth Asset Management (Proprietary) Limited	**50 000**	**(33 000)**	50 000	–

(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 note 11 and 13).

24. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(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.

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.

	Group		Company	
2008	**Carrying value R'000**	**Fair value R'000**	**Carrying value R'000**	**Fair value R'000**
Fair value of financial instruments				
Amounts owing by subsidiaries			**7 402**	**7 402**
Trade and other receivables	**175 048**	**168 748**	**2 462**	**2 462**
Cash and cash equivalents	**(6 263)**	**(6 263)**	**59**	**59**
Interest bearing borrowings	**(176 238)**	**(176 238)**	**–**	**–**
Amounts owing to subsidiaries			**(10 348)**	**(10 348)**
Trade and other payables	**(70 927)**	**(70 927)**	**(2 151)**	**(2 151)**
Shareholders for dividends	**(4)**	**(4)**	**(4)**	**(4)**
2007				
Amounts owing by subsidiaries			4 542	4 542
Trade and other receivables	176 224	176 224	–	–
Interest free loans receivable	1 447	1 447	–	–
Cash and cash equivalents	45 332	45 332	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)

25. 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 the company and its subsidiaries during the year.

	Company	
	2008 R'000	2007 R'000
Dividends received	**42 222**	9 383
Management fees received	**4 800**	1 800

Amounts owing by/(to) related parties

Amounts owing by/(to) related parties are included in trade and other receivables (note 8), trade and other payables (note 13) and interest in subsidiaries (note 28).

Directors

Details relating to directors' remuneration and interests are disclosed in note 16 of the financial statements, and on page 37 of the directors' report.

The directors have certified that they are not materially interested in any transactions of any significance with the company or any of its subsidiaries.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
26. COMMITMENTS				
Capital commitments				
Authorised and contracted for	**14 031**	49 602	**–**	–
Authorised and not contracted for	**1 000**	–	**–**	–
	15 031	49 602	**–**	–

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

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 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 products, namely 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 was consolidated in the prior 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.

The fair values of the assets, liabilities and intangible assets have been determined by management.

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

	R'000
Purchase consideration	485 000
Add: Direct costs related to the acquisition	3 038
	488 038
Fair value of net assets acquired	(125 930)
Remaining goodwill	362 108

* *The fair values of assets acquired were disclosed as provisional at 31 December 2007*

27. BUSINESS COMBINATIONS (continued)

The final assets and liabilities arising from the acquisition are as follows:

	Fair value R'000	Carrying value R'000
Property, plant and equipment	98 302	55 852
Trade names (included in intangible assets note 3)	10 074	–
Customer relationships (included in intangible assets note 3)	14 347	–
Computer software (included in intangible assets note 3)	1 299	1 299
Goodwill	–	23 009
Interest free loan receivable	1 133	1 133
Trade and other receivables	56 911	56 911
Inventories	82 048	82 048
Taxation receivable	100	100
Cash resources	43 105	43 105
Interest bearing borrowings	(49 072)	(49 072)
Trade and other payables	(41 435)	(41 435)
Taxation payable	(25 619)	(25 619)
Deferred taxation	(19 393)	–
Shareholders for dividends	(45 870)	(45 870)
Net assets acquired	125 930	101 461

No adjustments were made to the provisional values arising from the acquisition in the prior year.

28. INTEREST IN SUBSIDIARIES

	Issued share capital and proportion held		Shares at cost		Indebtedness by/(to)	
	2008 %	2007 %	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000
Direct holdings						
South Ocean Electric Wire Company (Proprietary) Limited	**100**	100	**712 165**	712 165	**7 402**	4 542
Radiant Group (Proprietary) Limited	**100**	100	**488 038**	488 038	**(10 348)**	(104)
Anchor Park Investments 48 (Proprietary) Limited	**100**	100	*	*	*	*
			1 200 203	1 200 023	**(2 946)**	4 438
Less: Dividends received from pre-acquisition reserves			**(84 750)**	(84 750)	–	–
Less: Impairment			**(98 990)**	(98 990)	–	–
			1 016 463	1 016 463	**(2 946)**	4 438

* *denotes amounts of less than R1 000*

	2008 %	2007 %
Indirect holdings		
Radiant Lighting (Proprietary) Limited	**100**	100
Lohuis Properties (Proprietary) Limited	**100**	100
Lohuis SA (Proprietary) Limited	**100**	100
Ripple Effect 55 (Proprietary) Limited	**100**	100
Wildbreak 116 (Proprietary) Limited	**100**	100
Razz-ma-Tazz Lighting (Proprietary) Limited	**100**	100
Diaspara Developers (Proprietary) Limited	**100**	100
Stand 53 Atlas Gardens (Proprietary) Limited	**100**	100
Stand 431 Wynberg (Proprietary) Limited	**100**	100

29. SEGMENTAL REPORTING

The group is organised into three main business segments:

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

Other group operations comprise head office.

	Revenue R'000	Segment results R'000	Total assets R'000	Total liabilities R'000	Software and capital expen-diture R'000	Depre-ciation and amor-tisation R'000
29.1 Primary basis – business segments						
2008						
Electrical wire	**747 994**	**70 013**	**242 367**	**41 158**	**12 241**	**7 624**
Light fittings, lamps and electrical accessories	**388 623**	**16 503**	**569 296**	**150 718**	**14 058**	**7 035**
Property investment	**–**	**(15 843)**	**175 475**	**98 640**	**50 560**	**971**
Other	**–**	**(9 572)**	**59**	**2 199**	**–**	**–**
	1 136 617	**61 101**	**987 197**	**292 715**	**76 859**	**15 630**
2007						
Electrical wire	673 390	97 293	246 631	46 767	2 675	6 933
Light fittings, lamps and electrical 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

29.2 Primary basis – business segments

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, and exclude current and deferred taxation.

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

	Group 2008 R'000	Group 2007 R'000
29. *SEGMENTAL REPORTING (continued)*		
29.2 Primary basis – business segments (continued)		
Reportable segments' assets are reconciled to the total assets as follows:		
Segment assets for reportable segments	**987 197**	936 610
Unallocated:		
Taxation receivable	**179**	350
Total assets per balance sheet	**987 376**	936 960
Reportable segments' liabilities are reconciled to the total liabilities as follows:		
Segment liabilities for reportable segments	**292 715**	254 457
Unallocated:		
Deferred taxation	**29 497**	29 837
Taxation payable	**7 049**	13 430
Total liabilities per balance sheet	**329 261**	297 724

29.3 Secondary basis – geographical segments

The group operates mainly in South Africa 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*

The group comparative figures includes the 12 months results of South Ocean Electric Wire Company (Proprietary) Limited and only five months' results of Radiant Group (Proprietary) Limited and Anchor Park Investments 48 (Proprietary) Limited.

The comparative figures for the company are for the period 26 January 2007 to 31 December 2007.

Analysis of Ordinary Shareholders

at 31 December 2008

Shareholder spread	Number of shareholders	% of total	Number of shares	% of total issued capital
1 – 1000 shares	239	18,54	148 573	0,09
1001 – 10 000 shares	636	49,34	2 641 318	1,69
10 001 – 100 000 shares	316	24,52	11 043 781	7,06
100 001 – 1 000 000 shares	76	5,90	24 471 033	15,65
1 000 001 shares and over	22	1,71	118 074 089	75,51
	1 289	100,00	156 378 794	100,00
Distribution of Shareholders				
Banks and Public Companies	3	0,23	49 408 069	31,60
Close Corporations	34	2,64	292 306	0,19
Funds	99	7,68	34 117 024	21,82
Individuals	905	70,21	28 794 485	18,41
Insurance Companies	5	0,39	1 258 347	0,81
Investment Partnerships	19	1,47	302 420	0,19
Nominees and Trusts	167	12,96	28 074 312	17,95
Organs of State	1	0,08	2 629 574	1,68
Other	4	0,31	5 101 026	3,26
Private Companies	52	4,03	6 401 231	4,09
	1 289	100,00	156 378 794	100,00
Public/Non-public shareholders				
Non-public shareholders	8	0,62	71 958 241	46,01
Holders holding more than 10% (Excluding directors' holdings)	1	0,08	20 069 919	12,83
Directors	7	0,54	51 888 322	33,18
Public shareholders	1 281	99,38	84 420 553	53,99
	1 289	100,00	156 378 794	100,00

Beneficial shareholders holding more than 5% of share capital	Number of shares	% of total issued capital
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

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 22 June 2009 at 11h00 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 year ended 31 December 2008.

ORDINARY RESOLUTION NUMBER 2

To re-elect Mr PJM Ferreira as a director of the company and who retires in terms of the company's Articles of Association.

ORDINARY RESOLUTION NUMBER 3

To re-elect Mr H Schwartz as a director of the company and who retires in terms of the company's Articles of Association.

ORDINARY RESOLUTION NUMBER 4

To re-elect Mr G Stein as a director of the company and who retires in terms of the company's Articles of Association.

ORDINARY RESOLUTION NUMBER 5

To re-elect Ms JL Law as a director of the company and who retires in terms of the company's Articles of Association, but being eligible offers herself for re-election. An abbreviated curriculum vitae for Ms JL Law is contained on page 13 of this annual report.

ORDINARY RESOLUTION NUMBER 6

To approve the fees of the non-executive directors for their services as directors in the amount of R1 251 000 for the financial year ended 31 December 2008 and as more fully disclosed in note 16 of the annual financial statements.

ORDINARY RESOLUTION NUMBER 7

To re-appoint PricewaterhouseCoopers Inc. as independent auditors to the company for the current financial year and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 December 2009 is Ms P Pope.

SPECIAL RESOLUTION NUMBER 1

Resolved that Article number 19.9 be deleted in its entirety and that the following new Article number 19.9 be substituted in its place;

"A director who has reached the age of 70 years shall not be subject to retirement in terms of this Article number 19 but shall, at the discretion of the directors, be re-elected as a director for further periods of one year and until the date of the next annual general meeting of the company".

The reason for Special resolution number 1 is to allow directors, who have reached the age of 70, to be re-elected as directors, at the discretion of the directors. The effect of Special resolution number 1 is to delete Article number 19.9 and to adopt new Article number 19.9.

SPECIAL RESOLUTION NUMBER 2

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 2;
- an announcement prepared in accordance with paragraph 11.27 of the JSE Listings 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 2;
- 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 determined 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 Listings 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 Listings Requirements;
- the company and/or its subsidiaries not repurchasing any shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over the Securities Exchange News Services (SENS) prior to the commencement of the prohibited period;
- 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 2008 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 Special resolution 2 is to grant the directors of the company a general authority in terms of the Companies Act and the JSE Listings 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 Listings Requirements (some of which appear elsewhere in the annual report of which this notice forms part) are provided below:

- Directors – page 36;
- Major shareholders – page 77
- Directors' interests in ordinary shares – page 37 and
- Share capital of the company – page 58

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 Listings 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.

ORDINARY RESOLUTION NUMBER 8

Resolved that any director of the company, or the Company Secretary, be and is hereby authorised and empowered to sign all such documents and do whatever else may be necessary to give effect to the registration of Special resolutions number 1 and 2 above.

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 11:00 on Monday, 22 June 2009, 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 11:00 on Friday, 19 June 2009.

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
29 May 2009

Shareholders' Diary

2008 FINANCIAL YEAR END	
Annual general meeting	22 June 2009
2009 FINANCIAL YEAR END	
Financial year end	31 December
REPORTS	
Interim report and declaration of interim dividend	September 2009
Final results	March 2010
Publication of annual report	June 2010
DIVIDEND PAYMENTS	
Interim	September 2009
Final	April 2010
Annual general meeting	June 2010

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 and Electrical Equipment
Website: www.southoceanholdings.com
E-mail: info@southoceanholdings.co.za

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 number: 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 number: 1969/004763/06)
Second Floor
100 Grayston Drive
Sandown, Sandton 2196
South Africa

PRINCIPAL BANKERS
First National Bank, a division of FirstRand Bank Limited
Standard Bank of South Africa Limited

Designed by motiv
Printed by Ince

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 11:00 on Monday, 22 June 2009, 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 11:00 on Monday, 22 June 2009, 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 PJM Ferreira as a director			
Ordinary resolution number 3 To re-elect H Schwartz as a director			
Ordinary resolution number 4 To re-elect G Stein as a director			
Ordinary resolution number 5 To re-elect JL Law as a director			
Ordinary resolution number 6 To approve the fees of R1 251 000 payable to the non-executive directors			
Ordinary resolution number 7 To re-appoint PricewaterhouseCoopers Inc. as auditors			
Special resolution number 1 Change in Articles of Association with regards to retirement age of directors			
Special resolution number 2 Authority for the company to acquire its own shares in terms of Sections 85(2) and 85(3) of Companies Act			
Ordinary resolution number 8 Authority to sign documents			

(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 2009

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 11:00 on Friday, 19 June 2009.

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.

South Ocean
HOLDINGS

www.southoceanholdings.com