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South Ocean Holdings Integrated Annual Report 2011

Integrated Annual Report
for the year ended December **2011**

Company profile

2011

South Ocean Holdings Limited ("South Ocean Holdings") is an investment holding company that is listed on the Main Board of the Johannesburg Stock Exchange. South Ocean Holdings and its subsidiary companies ("the Group") manufactures low voltage electrical cables and imports and distributes light fittings, lamps and electrical accessories in Southern Africa. Its products are sold to wholesalers and distributors who supply mainly the building and construction industry.

South Ocean Holdings has three operating subsidiary companies and a property holding subsidiary.

Contents

About this report and scope of reporting

By reporting on the financial and non-financial performance of the Group, South Ocean Holdings' integrated report aims to provide an understandable and complete view of the business for the Group's shareholders, potential investors and stakeholders.

The directors of South Ocean Holdings acknowledge their responsibility to ensure the integrity of the report and have collectively assessed the content of this integrated annual report and believe it addresses the material issues and is a fair representation of the integrated performance of the Group, based on the recommendations of the Audit and Risk Management Committee. The Board has therefore approved the 2011 integrated annual report to the Group's stakeholders, based on the recommendation of the Audit and Risk Management Committee.

Scope of reporting

The report covers the activities and performance of the Group and its operating subsidiaries for the period 1 January 2011 to 31 December 2011. It provides an overview of the operations, financial performance and integrated sustainability across all operating subsidiaries.

For additional financial information and announcements please visit our website (www.southoceanholdings.com).

www.southoceanholdings.com

Group at a glance

South Ocean Electric Wire Company Proprietary Limited ("SOEW")

SOEW is a manufacturer and distributor of low voltage electrical cables. SOEW, based in Alrode, south of Johannesburg, sells to wholesalers and distributors and employs 353 people. Products include general purpose insulated wires from 1mm^2 to 630mm^2, a range of flexible conductors, steel wire armoured, flat twin and earth and the popular "Norsk" cables, branded Surfcab.

Revenue

R897,3 million

EBITDA

R42,9 million

Radiant Group Proprietary Limited ("Radiant")

Radiant is an importer and distributor of light fittings, lamps and electrical accessories to wholesalers, distributors and lighting consultants. The majority of its products are imported and distributed to customers in Southern Africa. The company operates from offices, warehouses and showrooms located in Johannesburg, Cape Town and Durban, employing 347 people. Radiant is a significant supplier in the light fittings market and is also a major supplier of lamps and is growing its market share in the electrical accessories market.

Revenue

R363,7 million

EBITDA

R38,6 million

Anchor Park Investments 48 Proprietary Limited ("Anchor Park")

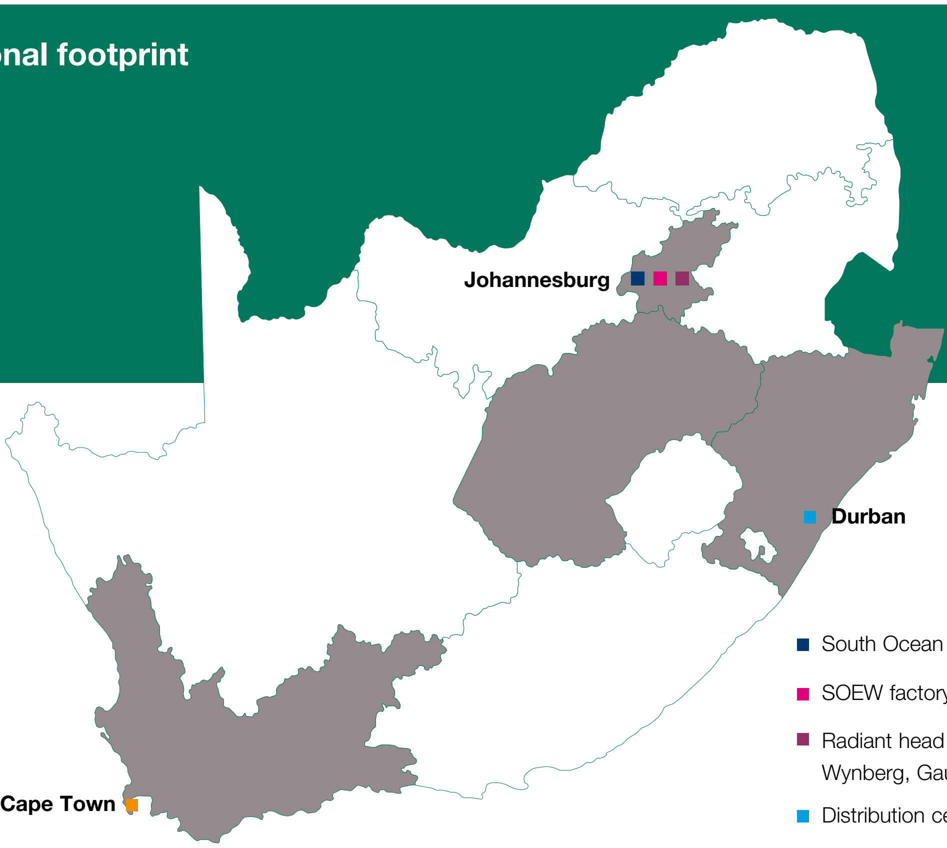
Anchor Park houses the property assets of the Group, consisting of the SOEW's Alrode plant and Radiant's warehouses, offices and showrooms in Johannesburg and Cape Town as well as the new South Ocean Holdings head office located in Alrode.

SOH Calibre International Limited ("SOH Calibre")

SOH Calibre is a procurement agency for the Group operating companies and is based in Hong Kong. The Company strengthens the Group's procurement ability and has direct representation to liaise on behalf of the Group to improve relationships with factories in China and to perform quality checks before shipping.

Group at a glance

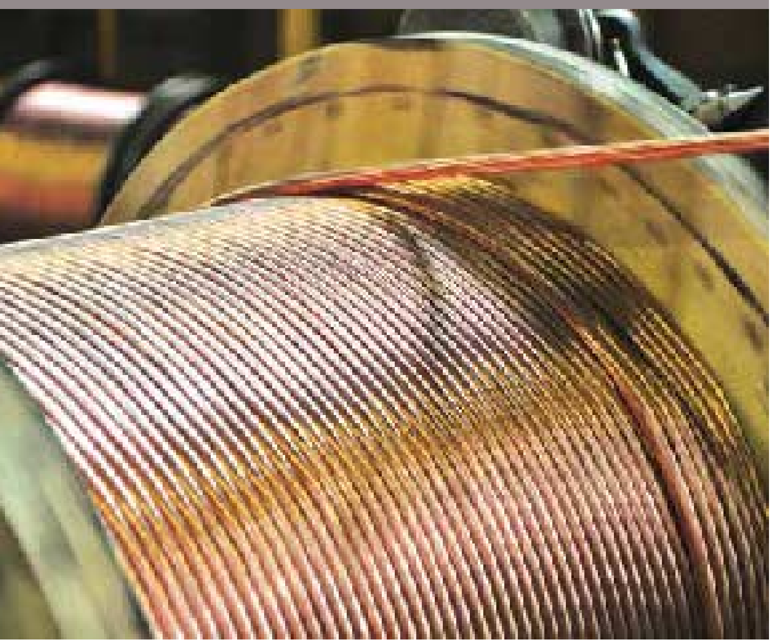
National footprint



- South Ocean Holdings head office, Alrode, Gauteng
- SOEW factory in Alrode, Gauteng
- Radiant head office and warehouse, Wynberg, Gauteng
- Distribution centre in Briardene, KwaZulu-Natal
- Offices and distribution centre in Durbanville, Western Cape

Vision and mission

South Ocean Holdings strives to be the preferred business partner and market leader in South Africa, expanding into Africa and establishing an international footprint, through importing and distributing innovative products as well as manufacturing of electrical cables.



Values

Customer excellence	Our employees
Our customers are our future. Build long-term relationships, based on mutual respect. Dedicated to satisfying customer needs.	Support and show concern for our colleagues. Involve, develop and advance our employees to their full potential. Value and encourage diversity. Promote open and honest debate. Staff awareness of fraud and dishonest conduct. Individual performance and team work are essential.
Integrity and ethics	**Corporate responsibility**
Subscribe to sound corporate governance and business ethics. Act with honesty and integrity.	Contribute to the improvement of communities in our surrounding areas. Utilise business practices that minimise any potential harmful impact on the environment.
Empowerment	
Equal opportunities to grow in a supportive environment.	

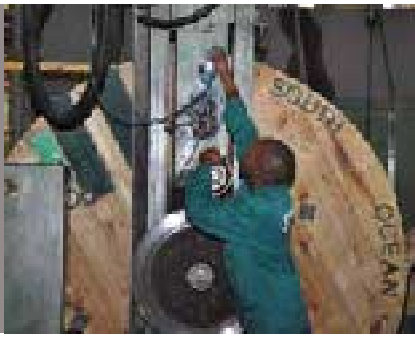
Our strategy

South Ocean Holdings' strategy is to deliver sustainable returns for all its stakeholders, excellent service to its customers and to maintain a reputation of the preferred provider of electrical cables, light fittings, lamps and electrical accessories. Underpinning this is a commitment to good corporate governance, a responsible approach to risk management and dedication to taking care of its employees. Overall, South Ocean Holdings aims to make a positive contribution to the environment and communities in which it operates.

Top three strategic imperatives

- **Ensuring sustainable returns for stakeholders**
  South Ocean Holdings is focused on managing its business at a high level of efficiency so as to ensure that it generates sustainable returns over the longer term. This does not end at profit maximisation, but includes ensuring that it operates a sustainable business that is beneficial to all its stakeholders.

- **To be a key player in the cable manufacturing, light fittings, lamps and electrical accessories markets**
  South Ocean Holdings is focused on gaining recognition in its chosen areas of operation by increasing its market share through organic growth. Where possible, the Group will look for opportunities for growth through acquisitions.



- **Develop globally competitive businesses**
  In South Ocean Holdings' quest to compete in the rest of Africa, its businesses have been streamlined to ensure that they are competitive within their target markets. The Group continuously strives to find ways to ensure its competitive advantage is maintained at all times.

Performance highlights

During 2011, South Ocean Holdings:

- Increased revenue from ***R1,1 billion*** to ***R1,3 billion;***
- Completed the new plant at its Alrode factory;
- Increased production capacity at the Alrode factory; and
- Managed to increase both volumes and market share.

Investment case

- Credible management team with extensive experience;
- Two robust operational businesses with long-standing track records;
- Strategic shareholder, Hong-Tai Electric Industrial Company Limited (Hong-Tai) is listed on the Taiwan Stock Exchange and provides SOEW with know-how and technical support;
- Established relationships with key suppliers;
- Good corporate citizen with sound corporate governance principles;
- Large and established customer base;
- Solid relationships with financial institutions; and
- Creates value for shareholders.

Principal risks

Risks	Risk management plan
Strategic	
New product and markets	Thorough research, development and testing is undertaken before new products are launched and new markets are entered.
Expansion	Extensive research is conducted before expansion opportunities are pursued.
Operational	
Stock availability	Adequate planning and inventory management systems to manage stock availability are in place.
Fraud prevention	Good internal controls constantly monitored and an independently operated whistle-blowing programme is in place.
Quality	Complying and maintaining ISO, SABS and other quality standards at all times.
Copper supply	Maintaining more than one copper supplier.
Rand/Dollar exchange rate volatility	Exchange rate movements are closely monitored and cover is taken per Company policy.

Financial highlights

	2011	2010	2009	2008	2007
Net revenue (Rm)	**1 261,0**	1 138,1	958,0	1 136,6	852,6
Operating profit (Rm)	**75,7**	88,5	60,2	132,7	185,4
Net profit after tax (Rm)	**45,8**	52,5	31,7	61,1	125,8
Headline earnings per share (cents)	**30,6**	33,4	24,1	65,7	96,6
Dividend per share (cents)	**–**	–	3,0	7,0	26,0
Total assets (Rm)	**1 081,7**	969,6	924,2	987,4	937,0
Net cash and cash equivalents (Rm)	**13,8**	34,8	58,8	(6,2)	45,3
Shareholders' equity (Rm)	**783,0**	736,9	689,8	658,1	639,2
Net asset value per share (cents)	**500,7**	471,2	441,1	420,8	408,8

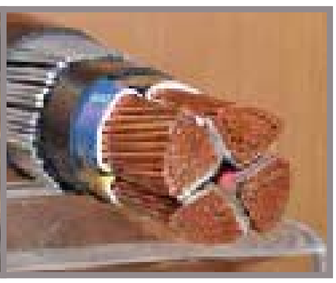
Our products

Electrical cables

SOEW manufactures the full range of low voltage electrical cables, from typical household wiring to industrial steel wire armoured cables. These are sold to electrical wholesalers and distributors who supply the building, construction, mining and retail industries.

Our product range includes:

- Bare copper earth wire
- General purpose house wire
- Flat twin and earth
- Surface wiring
- Twin illumination cable
- Cabtyre
- Single core flex
- Solid panel wire
- Flex power
- Ripcord
- Mainscord
- Submersible pump cable
- Nitrile trailing cable
- PVC nitrile welding cable
- Flame retardant (FR) armoured cable
- Low halogen (LH) armoured cable
- Flame retardant (ECC) armoured cable
- Armoured cable (FR) 1.8/3.3kv
- Single core double PVC cable
- Single core double PVC AWA PVC cable



Light fittings, lamps and electrical accessories

Radiant imports the majority of its products and creates lighting and electrical solutions, which are beautiful by design and environmentally friendly. Radiant's products include the following:

Light fittings

- Bulkheads and footlights
- Ceiling lights
- Chandeliers
- Downlights
- Effect lighting
- Mounting options
- Outdoor
- Pendants
- Spotlights
- Utility lights
- Wall lights

Lamps

- Compact fluorescent lamps
- Fluorescent tubes
- Infrared
- Halogen lamps
- High intensity discharge (HID)
- LED
- Miniatures
- Sealed beam lamps
- General lighting service

Electrical accessories

- Adaptors
- Appliances
- Dimmers, sensors and timers
- Extension cords and reels
- Lighting and components
- Office systems
- Tools instruments
- Wiring accessories
- Cable management

Board of Directors

Ethan Gilbert Dube (52)

MSc (Statistics)

Independent Non-executive Chairman

Board Committees: Nomination, Remuneration

Ethan was appointed as a director of South Ocean Holdings in February 2007 and Chairman in 2009. He has over 15 years experience in various aspects of the financial services industry. He is Chief Executive Officer of Vunani Limited (previously African Harvest Capital), a 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.

Edward Hwei-Ti Pan (64)

BSc (Eng) (Tri-State, Indiana)

Non-executive Deputy Vice Chairman

Board Committee: Remuneration

Edward founded SOEW in 1989 in King Williams Town and was Chief Executive Officer of South Ocean Holdings until his retirement at the end of September 2011. He was appointed Deputy Vice Chairman of the Board effective from 1 October 2011. 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 the 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 Taiwan Chamber of Commerce.

Paulo (Paul) Jose Monteiro Ferreira (42)

Chief Executive Officer

Paul was appointed Chief Executive Officer of South Ocean Holdings in July 2011. Prior to this he was the Chief Operating Officer of South Ocean Holdings from August 2010. Paul joined SOEW in 1999 as Marketing Operations Manager and was appointed Marketing Director in February 2007 and Chief Executive Officer of SOEW in August 2008. He has pursued a career in marketing electrical wires and cables for the past 20 years and is a member of the South African Cable Association.

Jacobus (Koos) Petrus Bekker (55)

BCom, BCom (Hons), CA(SA)

Chief Financial Officer

Koos was appointed the Financial Director of South Ocean Holdings in February 2007. He was also Chief Executive Officer of Radiant from August 2009 until July 2010. He joined SOEW in July 2001 as Administration and Financial Operational Manager. Koos entered the accounting profession in 1978 and was appointed an 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 as an auditor. 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.

Chi-Yung (Joe) Wu (47)

BSc Business Administration (Montana, USA)

Non-executive Director

Board Committee: Audit and Risk Management

Joe was appointed as a non-executive director of SOEW in 2004 and of South Ocean Holdings in January 2007. He is the Assistant President of the management service department and the Principal Financial and Accounting Officer of Hong-Tai Electrical Industrial Co, Limited based in Taiwan. He has a wide range of experience in accounting, financial, administration and internal control systems. He joined Hong-Tai in 1996, was appointed as the assistant manager of the accounting department in 2002 and manager of the internal audit department in 2005.

Hung-Lung (Eric) Li (60)

MSc, Industrial and Systems Engineering (San Jose State University, USA)

Non-executive Director

Board Committee: Remuneration

Eric was appointed to the South Ocean Holdings Board in March 2008 as an alternate director to Choice Pan and as a full non-executive director in August 2009. Eric is the Vice President of the Telecommunication Cable Business at Hong-Tai in Taiwan. Eric joined Hong-Tai in 2004 as the Vice President, Information Technology Centre before he was transferred to the Photovoltaic Business. He was involved in the software engineering and semi-conductor manufacturing business in Silicon Valley in the USA for more than 20 years. Eric has held positions of General Manager at VLI Communications, Vice President at Everlasting Software Company and Software Engineering Director at Sun Microsystems.

Kwok Huen (Henry) Pon (75)

BCom (Rand), CA(SA)

Independent Non-executive Director

Board Committee: Audit and Risk Management (Chairman), Remuneration (Chairman), Nomination (Chairman)

Henry was appointed to the Board of South Ocean Holdings in November 2007 as an independent non-executive director. He has been in public practice as a chartered accountant since 1962 and is still active in the accounting and auditing field. During his many years of practice, Henry has had exposure to the different fields of commerce and industry and has gained extensive experience in finance, tax, auditing, accounting and management. Throughout his career he has audited public companies at the highest level. He is a member of the South African Institute of Chartered Accountants and Independent Regulatory Board for Auditors.

Chung-Hsiang (Choice) Pan (54)

BSc Public Finance (Feng Chia, Taiwan)

Alternate Non-executive Director

Choice was appointed as a non-executive director of SOEW in 2002 and of South Ocean Holdings in January 2007. He resigned as non-executive director of South Ocean Holdings in August 2009 and was appointed as alternate director for Eric Li on the same date. 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 and Cable Industrial Association.

Melanie Chong (35)

BCom, BCom (Hons), CA(SA)

Independent Non-executive Director

Board Committees: Audit and Risk Management, Social and Ethics (Chairperson)

Melanie was appointed to the South Ocean Holdings Board in April 2010. Over the past 10 years Melanie has worked predominantly in the financial services sector. She was the corporate governance officer at a blue chip company. She also started her own business and partnered with other owner-managed businesses in the consulting, accounting, luxury accessories and recruitment industries. Melanie is a member of the South African Institute of Chartered Accountants.

Debbie Lau Tam (42)

BCom, BCom (Hons)

Independent Non-executive Director

Board Committee: Audit and Risk Management

Debbie was appointed as a non-executive director of South Ocean Holdings in November 2010. She has been in the IT assembly and distribution industry for 20 years and was a financial manager for six years. Her experience covered financial, business analysis, logistics, service and operations management. She is currently the Chief Operating Officer at Mustek Ltd, a position she has held since May 2007. Debbie is a member of the South African Institute of Chartered Accountants as an Associate General Accountant.

Wen-Ping (Benjamin) Li (54)

BSc Electrical Engineering (NCKU, Taiwan)

Alternate Non-executive Director

Benjamin was appointed as an alternate director of South Ocean Holdings in February 2012, as an alternate to Joe Wu. He is the Assistant President of Power Cable Division of Hong-Tai since 2006. His experience covers the field of R&D, quality control, manufacturing, marketing and sales relating to the Power Cable Division. He joined Hong-Tai in 1991 as Chief of the Technical Department of the Power Cable Division.

Chia Chao Wu (36)

MCom, CA(SA), CFA

Alternate Non-executive Director

Chia Chao joined the South Ocean Holdings' Board as an alternate director to Edward Pan in March 2012. He is the co-founder and deputy chairman of Empowerdex, South Africa's first black economic empowerment rating agency. He is also the Chief Executive Officer of Matla Innovation Group, with investments in mineral beneficiation, renewable energy and information technology. Chia Chao is a member of the South African Institute of Chartered Accountants and also a Certified Financial Analyst qualified through the CFA Institute.

Chairman's report

South Ocean Holdings' continued focus on quality and productivity again resulted in the Group recording better than expected returns during 2011. Although the economy remained subdued, both South Ocean Holdings subsidiaries continued to grow market share, building on their strong client relationships and competitive advantages.

Ethan Dube
Chairman

At SOEW the Group invested in increased production capacity at its Alrode factory and reaped the rewards of higher efficiencies and increased through-put. At Radiant, investment in improved technical capabilities combined with a focus on quality and product procurement helped the Company source light fittings, lamps and electrical accessories to meet customers' changing needs and requirements and position the Group for expansion into the African continent.

South Ocean Holdings was able, during 2011, to bed down its strategy of positioning itself as a significant player in both the lighting and electrical wire markets. With a new management team in place, operations and communications have been streamlined, resulting in a strong, diversified business. South Ocean Holdings is well-positioned to take advantage of opportunities in key target markets and stand up to the challenge of operating in a difficult economic environment.

Market review

The South African economy remained vulnerable in 2011, reflecting only modest recovery with GDP growing by 3,1% over 2011, up from 2,9% in 2010.

Consumer spending remained subdued on the back of elevated household indebtedness ratios. However, historically-low interest rates and rising incomes allowed for a lower household debt-service ratio during 2011. For the year as a whole, household debt to disposable income decreased to 75,8% in 2011, from 78,2% in 2010.

The residential property market remained restrained as house price growth was limited at 3,1%. The real value of residential building plans passed recorded growth of just 2,9% year-on-year for 2011.

Government's spending on infrastructure during 2010-2011 remained disappointing with only R178 billion (68%) of the planned R260 billion allocated for infrastructure being spent. However, it is encouraging that government has placed heavy emphasis on infrastructure spending in the 2012-2013 budget.

Executive and director changes

During the year, Mr PJM Ferreira was appointed as Executive Director and Chief Executive Office (CEO) of South Ocean Holdings Limited with effect from 1 July 2011, taking over from Mr EHT Pan who retired at the end of September 2011. Mr Pan remains on the Board as Non-Executive Deputy Vice Chairman.

Sustainability

South Ocean Holdings remains committed to improving its integrated reporting process and working towards the implementation of the King III Code of Corporate Governance. South Ocean Holdings' reporting lines have been streamlined, making for a clearer communication process, with the Board accepting overall responsibility for the advancement of sustainable development with the assistance of Board sub-committees.

South Ocean Holdings continues to encourage its business units to work towards establishing sustainable businesses and making its employees aware of the Group's goals.

South Ocean Holdings continues to seek ways of meeting Broad-Based Black Economic Empowerment (BBBEE) requirements and actively promotes the empowerment of staff members and the communities in which it operates. During 2010 South Ocean Holdings began laying the foundation for the implementation of BBBEE within the Group. A process to evaluate the Group's procurement processes and its supply chain policies was undertaken. The Group was BEE rated during 2012 and the certificate is included on page 104.

South Ocean Holdings continued to earmark funds for corporate social investment initiatives in communities where it operates or where its employees live. The past year saw South Ocean Holdings involved in projects including providing light fittings worth more than R400 000 to schools to improve the learning environment for disadvantaged learners.

Stakeholder management

South Ocean Holdings has a sound value system based on integrity, openness, honesty and accountability. It believes that continuous, open and transparent communication with all stakeholders is essential to its legitimacy. The Group seeks not only to comply with the legal communication requirements of being a listed company, but believes in regular dialogue with stakeholders and the investor community as a whole. South Ocean Holdings is a member of various industry organisations and participates in discussions with government and regulators affecting its areas of business, contributing knowledge and expertise. A more detailed stakeholder engagement map can be found on page 22.

Prospects

Given that slower growth of around 2,7% is anticipated for 2012 on the back of weakness emanating from Europe, the year ahead will remain challenging for the Group's businesses. Residential property growth is expected to come in at low single digits in 2012 and conditions in the construction industry will probably remain difficult and weak. However, it is encouraging that there is renewed optimism from building contractors regarding building conditions, profitability and building activity.

South Ocean Holdings is well positioned to benefit from government's increased infrastructure spending. In total, R4,5 trillion will be available within government, state-owned enterprises and development finance institutions over the next three years to fund infrastructure development. Over the next three years, approved and budgeted infrastructure plans amount to R845 billion and public investment growth is expected to average 4,3% per year over this period.

In line with its strategic plan, SOEW has invested in a new manufacturing plant to grow the business organically. Radiant's growth is expected to be driven by the provision of energy-saving solutions to corporate and industrial clients looking to reduce their electricity consumption. This trend is expected to continue as more industries move to support government and Eskom's initiatives to ease electrical demand on the national grid.

The outlook for the year ahead remains challenging. The Group strategy is to maximise the opportunities in the current environment that will enhance shareholder value as the economy moves to firmer ground.

Appreciation

Special mention must also be made of company founder, Edward Pan. Mr Pan has worked tirelessly over the past 20 years to establish and build South Ocean Holdings into a formidable force in its chosen markets. The Board remains grateful for his visionary leadership, dedication and support over this time. It is fortunate that the Group will continue to benefit from his insight and experience in his new role as Non-executive Deputy Vice Chairman. We wish Mr Pan all the best in his retirement.

In closing, I would like to extend my gratitude to the Board for their unfailing commitment during 2011 and for their continued guidance and leadership. Heartfelt thanks also to all our loyal customers for their support over the past year and to all our staff for their dedication during challenging times.

We look forward to exploring opportunities that boost South Ocean Holdings' growth and contribute to building a competitive and successful business for the long-term.

Ethan

Ethan Dube
Chairman

South Ocean Holdings Board of Directors

Chief Executive Officer's report

Overview

During 2011 South Ocean Holdings reported increased revenue on the back of the Group's focus on operational efficiencies and productivity. However, at SOEW gross margins declined, mainly as a result of the adverse economic conditions. Fluctuations in the Rand Copper Price during this period also impacted the subsidiary's performance. Radiant faced increased competition in its markets and as a result profit margins were also negatively affected.

Paul Ferreira
Group Chief Executive Officer

Financial overview

Earnings

At Group level, South Ocean Holdings' results showed an improvement, with revenue increasing by 10,8% to R1,3 billion (2010: R1,1 billion). However, gross profit fell by 5,5% to R224,7 million (2010: R237,8 million) and operating profit dropped by 14,5% to R75,7 million (2010: R88,5 million), with profit after tax for the year reducing to R45,8 million (2010: R52,5 million). Furthermore, headline earnings per share decreased by 8,4% to 30,6 cps (2010: 33,4 cps).

Cash flow and working capital management

An increase in working capital of R32,3 million (2010: R30,9 million) was reported during the period. Working capital increased primarily through accounts receivable, with revenue increasing compared to the prior year, combined with inventory levels increasing due to higher copper prices, additional investment in inventory for the new plant at the Alrode facility, as well as an increase in light fittings, lamps and electrical accessories inventory to improve stock availability.

The Group invested R62,3 million (2010: R35,3 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R46,0 million (2010: R31,3 million) to repay its interest-bearing borrowings.

The Group's net cash utilised during the period of R21,3 million (2010: R23,3 million) resulted in a lower than previously reported cash at the end of the period of R13,8 million (2010: R34,8 million).

The reduction in interest-bearing borrowings coupled with lower interest rates resulted in decreased finance costs compared to the prior period.

Operational overview

Electrical cables – SOEW

SOEW's revenue increased by 15,4% (2010: 31,3%) to R897,3 million (2010: R777,1 million). This was mainly due to the increase in the Rand Copper Price (RCP) and a marginal increase in volumes. The current depressed economic climate and the fluctuations in the RCP, however, had a negative effect on gross margins.

Operational expenses increased during the year following an increase in production capacity and increased spending on training, social responsibility and enterprise development. However, SOEW managed to keep a tight rein on operational expenses and these increased below the annual inflation rate during the period. However, volumes were negatively affected by the industry strike during July 2011.

The new Alrode plant commenced production during the second half of the year. Additional working capital was required to finance the increase in inventory and trade receivables relating to the expansion, which was funded from its credit facilities.

Lighting and electrical accessories – Radiant

Radiant's revenue increased 0,7% (2010: 1,4%) from R361,0 million in 2010 to R363,7 million in 2011. Operational costs, including the intangible assets impairment of R2,1 million, reduced compared to the prior year.

Margins were lower due to an increase in prices from suppliers, which was partially absorbed by the Company, as well as overall market conditions. Cash on hand decreased from R13,9 million at the end of December 2010 to R9,8 million at the end of December 2011. The funds were utilised to finance working capital.

Property investment – Anchor Park

Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries. The reduction in interest costs was due to the reduction in the loan balances. During the period a further R19,2 million capital investment was made to complete the new factory building for SOEW.

Dividend

Since the Group's funds have been utilised in the expansion programme to increase production capacity during the year, the directors have agreed not to recommend a final dividend.

Prospects

The Group will focus on increasing its market share, which will require a combined effort by the production and marketing teams. Product quality and client service remain a high priority.

Government and Eskom's commitment to increase spending on infrastructure should create opportunities for South Ocean Holdings, while the expansion completed last year to increase production capacity will contribute to an increase in volumes and revenue. Although the market recovery has been slower than anticipated, the Group is well-positioned to take full advantage of any improvements in the economy. South Ocean Holdings remains committed to ensuring earnings enhancement through both organic and acquisitive growth, whilst improving the return on equity on a sustainable basis.

Appreciation

I wish to extend my gratitude and appreciation to the Board and the rest of the executive team with whom I have had the pleasure of working during 2011. The support of our customers who continue to trust our products and brands and the dedication of our employees is much appreciated.

Paul Ferreira
Group Chief Executive Officer

Review of operations – SOEW

SOUTH OCEAN

SOEW senior management

Dean Johnson (45)
Divisional Director:
Finance

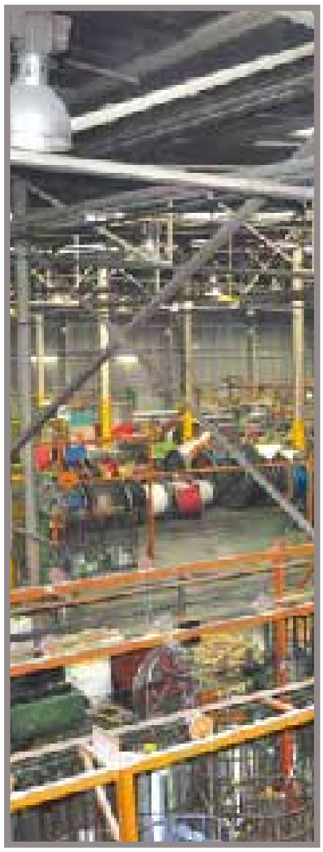
Dean was appointed Divisional Director: Finance at SOEW in 2010. He joined SOEW in May 2009. After qualifying as a Chartered Accountant, Dean was appointed as Financial Manager for a manufacturing business in 1993 and was later appointed Financial Director of that group. He has also worked in the FMCG and IT industries. Dean is a member of the South African Institute of Chartered Accountants.

Yasmin Mahomed (45)
Executive Director:
Sales and Marketing

Yasmin was appointed Executive Director: Sales and Marketing at SOEW in March 2010. She joined SOEW in March 2002 as a sales consultant. She was appointed Sales Manager in 2007. Prior to that she had been involved in the cable industry for 16 years. She started her working career in 1987 at a large cable manufacturer in South Africa.

Johan Prinsloo (38)
Divisional Director:
Factory Operations

Johan was appointed Divisional Director: Factory Operations at SOEW in 2010. He joined SOEW in 1999 as an electrician. He was appointed Technical Manager in 2006 and Production Manager in 2009. He is a qualified Millwright by trade. Johan has 11 years cable and technical experience.



SOEW is a medium-sized manufacturer of electrical cables, comprising the full range of low voltage electrical cables, from typical household wiring to industrial steel wire armoured cables. These are sold to electrical wholesalers and distributors who supply the building, construction, mining and retail industries.

SOEW's product range consists of the following products:

- 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
- Nitrile trailing cable
- PVC nitrile welding cable
- Flame retardant (FR) armoured cable
- Low halogen (LH) armoured cable
- Flame retardant (ECC) armoured cable
- Armoured cable (FR) 1.8/3.3kv
- Single core double PVC cable
- Single core double PVC AWA PVC cable
- ACSR Conductors
- ABC – Aerial Bundled Conductors

SOEW is a wholly-owned subsidiary of South Ocean Holdings. SOEW accounted for 71,2% of Group revenues and 44,8% of Group operating profits for the year.

Investment in new productive capacity at its Alrode facility helped SOEW increase volumes marginally, despite a very challenging operating environment. However, the volatile Rand Copper Price (RCP), industrial action and the continued subdued performance of the building and construction industry impacted SOEW's bottom line.

Performance

SOEW continued to build on its strong relationships with its customers, promote profitable products as well as utilising its competitive advantage to secure market share.

The RCP remained highly volatile, reaching a peak of R70 943/ton and an average of R63 361/ton for the year overall (2010: R53 363), an increase of 18,7%. As a result, revenues increased marginally to R897,3 million.

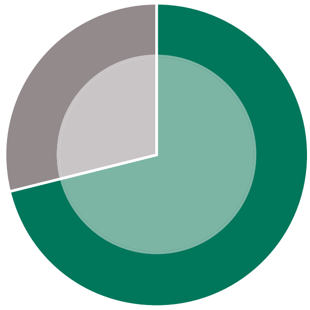
Disruptions in the supply of copper from the Company's supplier in Phalaborwa required the Company to import copper for a period during the year, affecting cash flows.

On the cost side, SOEW was able to maintain cost reductions, with costs only increasing 11,2% compared to the prior year. The net result was an operating profit of R33,9 million.

Operations

In order to compete in an uncertain economic environment without retrenching staff or reducing operating hours, emphasis was placed on productivity, diversification and marketing. Effective management of working capital was also a priority with particular emphasis on inventory management. During 2011 inventory levels increased due to higher copper prices and an additional investment in inventory as a result of the new plant at the Alrode facility.

Revenue



Operations at the Alrode factory were disrupted for 17 days by a nation-wide employee strike. Despite, this, the Company was able to maintain volumes as the Group's new factory came on stream during the second half of the year. This additional capacity enabled SOEW not only to diversify its product range, but also to utilise technological improvements to expand volumes.

Preventative maintenance to reduce plant downtimes helped reduce machine breakdown hours. A new production planning system was implemented to help improve through-put and efficiencies.

SOEW continued to provide quality products to its customers, utilising its quality control facilities and testing laboratory to ensure all products comply with SABS standards and the ISO 9001:2008 quality management system. Plans are underway to move towards the ISO 14001 quality management system.

People

SOEW employs 353 people including electrical, engineering, administration, marketing, skilled and semi-skilled personnel. This represents an increase of 29% from the prior year.

In an ongoing effort to ensure the health and safety of its employees, the Company ensured all documentation and signage in the new factory complied with national health and safety requirements. A new Safety Health Environment Quality (SHEQ) systems specialist was employed to assist with the process of moving SOEW towards meeting the requirements of the ISO 14001 quality management system.

A health and safety officer was also permanently employed and this contributed to the large decrease in the number of minor incidents to 6 (2010: 28). Unfortunately, one serious accident occurred during the year, which necessitated emphasis being placed on health and safety.

As part of its ongoing efforts to develop its staff, SOEW focused on providing leadership and business skills training to 20 middle managers, including supervisors and foremen at a cost of R500 000. In addition, 55 new employees attended a three-month internal training course which covered operational, quality and health and safety issues. Other employees, including mechanics and forklift drivers, attended training to assist them to better perform their jobs, while the Dispatch and Sales and Marketing teams were brought together for training on various aspects of the sales and marketing process to improve customer service and delivery.

A number of senior appointments were made during the year, including supervisors and a factory manager to assist at the new plant.

Prospects

The new production capacity will enable SOEW to produce both copper and aluminium cable, specifically targeting the low-cost housing market. In addition, SOEW will be in a position to tender for large infrastructure projects including tenders from parastatals such as Eskom.

A capital expenditure project to replace some machinery to allow the factory to produce longer runs of single products will increase efficiencies, although the Company's ability to increase the number of machines at the Alrode factory remains dependent on the availability of energy supply to the area.

The building and construction industries are likely to remain weak in 2012 and pressure on margins is expected to continue. Management will continue to focus on cost-reduction strategies, improving efficiencies and continuing to provide excellent service to SOEW's loyal customers.

Review of operations – Radiant

Radiant senior management

Gerard Pillay (53)
Managing Director

Farhad Ally (38)
Executive Director: Finance and IT

Gerard was appointed Managing Director of Radiant in May 2010. He joined Radiant in 2005. Gerard was responsible for the development of Radiant's lamps division. In 1998 Gerard started Lohuis, an importer and distributor of lamps in South Africa, which merged with Radiant in 2005. Gerard has 29 years experience in the lighting industry.

Farhad was appointed as General Manager: Finance and IT in 2010 and as Executive Director in August 2011. Prior to this he was employed as an audit manager at a firm of public accountants and auditors. Thereafter, he moved to an FMCG company and financial services company. Farhad has experience in internal and external auditing, finance, taxation and business analysis. He is a member of the South African Institute of Professional Accountants and the Institute of Directors in Southern Africa.

Radiant is the leading supplier of light fittings in South Africa and a major supplier of lamps, with a growing share in the electrical accessories market. In addition to focusing on driving innovation and technology across its product range, the Company dedicates significant resources to building the Radiant brand across all its markets to enable it to improve service delivery to its customers.

Radiant's product range:

Light Fittings
Over 5 200 fittings which include:
- Downlights
- Spotlights
- Lamps
- Wall lights
- Ceiling lights
- Pendants
- Chandeliers
- Effect lighting
- Utility lights
- Foot lights
- Outdoor lights
- Accessories

Lamps
Over 900 different products which include:
- Fluorescent tubes
- Incandescent
- Halogen
- HID
- Infrared
- Miniature
- CFL
- LED
- Energy saving
- Sealed beam lamps

Radiant Electrical
Over 600 different products which include:
- Wall extension boxes
- Tools instruments
- Adaptors
- Multi plugs and plug tops
- Extension cords and reels
- Dimmers
- Sensors
- Timers
- Wireless automation
- Cable management and accessories
- Office systems

Radiant is a wholly-owned subsidiary of South Ocean Holdings. It accounted for 28,8% of Group revenues and 41,6% of Group operating profits for 2011.

Changes to company's management processes and structure were bedded down during 2011 and Radiant reported improved margins and performance on the prior year. However, the slow recovery of the housing and construction sectors continued to affect volume growth. A focus on selling energy-saving and efficient lighting solutions will enable the company to explore new opportunities in the commercial sector as well as diversify its revenue streams.

Performance

Radiant continued to focus on growing market share and volumes in both the retail and electrical accessories markets. However, the company's performance was affected by a number of factors, including slower growth in the residential property market; the negative effect of the economic downturn on new building projects; as well as increased competition. As a result, revenue increased marginally by 0,7% to R363,7 million in 2011.

Due to a continued focus on cost containment, operating expenses were down 6,4% on the previous year, despite inflationary increases.

Export volumes grew 12,9% on the back of increased sales into Africa. Radiant distributes in: Namibia; Botswana; Zimbabwe; Mauritius; Tanzania; Uganda and Zambia.

Since Radiant sources the majority of its goods from various international manufacturers, input prices are correlated with the foreign exchange movements of the Rand. In 2011 the Rand weakened by around 18% against the US Dollar. Since Radiant's suppliers range from high-end European manufacturers to bulk manufacturers in China, the weaker Rand had a negative effect on input prices.

EBITDA

RADIANT **R38,6 million** SOEW **R42,9 million**

Operations

With its national branch network and footprint, Radiant continued to deliver excellent service to its customers across the country.

The company remained committed to reducing costs and streamlining its distribution processes. During the period, the company incorporated its lamp warehouse into its bulk warehouse. As a result, stock management improved significantly with the additional benefit of improving security. In addition, a new warehouse management solution was successfully implemented in the bulk warehouse to enhance service delivery.

The projects division was expanded and continued to take advantage of new business opportunities, particularly in the commercial space. With global focus shifting to energy-saving lighting solutions, large corporates are upgrading entire lighting systems utilising the latest technology and electronic control systems to cut down on energy usage and improve the life span of lamps and light fittings. Radiant is ideally positioned to offer end-to-end energy-saving solutions to these customers. The company was awarded a number of tenders during 2011, including supplying lighting solutions to a number of corporate clients.

Radiant is cautious in importing LED products as the company has only recently identified a manufacturer who complies to the company's required quality standard set. Radiant has sourced an economical, high-quality LED lamp which provides an affordable energy solution that appeals to customers. The company also diversified its electrical products by including innovative products such as digital clocks and radios, screwdrivers and extension cords to its product range.

There was a strong focus on both internal and external communication. The company's head office in Wynberg was transformed into an open-plan environment, boosting staff morale and improving communication between different parts of the business. Externally, Radiant leveraged its on-line presence through its website as well as social media platforms such as Twitter and Facebook. An innovative competition to engage customers through its Facebook page yielded positive responses.

In the light fittings division, innovative procurement processes ensured new stock is continually introduced to target home and retail customers.

The company also launched a new catalogue for the electrical division to improve sales and make Radiant's products more visible to consumers. Radiant's emphasis on high quality products means continuously evaluating the company's procurement strategy and streamlining procurement processes to ensure strict quality control. A technical lab to test individual products will be completed in Gauteng in 2012 and will enable Radiant's technical staff to access relevant data on products and feed this back timeously to the procurement department.

All Radiant suppliers must comply with quality and safety guidelines. Approximately 85% of its products are imported, while the remaining portion is sourced from local manufacturers. Radiant aims to increase the proportion of its products sourced from local factories and plans to build local manufacturing capabilities have commenced.

The National Regulator for Compulsory Specifications ("NRCS"), a public entity responsible to the Minister of Trade and Industry for the administration of technical regulations including standards that protect human health and safety and the environment, is playing a bigger role in the lighting industry. Radiant has a number of LOAs (Letters of Authority) and will continue to obtain these across the product range and comply with all the requirements as set out by the NRCS.

Radiant has embraced the Consumer Protection Act ("CPA") and has conducted workshops on the legislation with sales staff. In addition, all catalogues and communications material have been updated in line with the requirements of the CPA.

Radiant is one of the founding members of the first waste management disposal company for lamps in South Africa and will play an increasing role in driving initiatives to improve the environmental sustainability of the industry.

People

Radiant's 347 employees (2010: 358) continue to play a vital role in the company's success.

The company is headed by Gerard Pillay (Managing Director) who is supported by Farhad Ally (Executive Director: Finance and IT), both of whom bring extensive experience in the lighting industry. Chris Calitz (Divisional Director: Product Development) resigned during the year while Anthony Lloyd (Divisional Director: Sales and Marketing) left the company during February 2012. The duties and responsibilities of the procurement and sales directors are now carried out by the respective line managers, under the supervision and guidance of the Managing Director.

Radiant continued to invest in the development of its staff, with training focusing on basic sales skills and product awareness. During 2011, 20 employees at shop floor level commenced a National Certificate in Wholesale and Retail Distribution funded by the company. In future, Radiant plans to train its own technicians to further improve customer service and quality control.

Prospects

Radiant has established itself as a leading brand in the lighting and electrical accessories market and continues to expand not only in the local market, but into Africa and internationally. Innovation remains an important focus and, through its product development unit, Radiant will continue to develop new technologies and innovative lighting solutions aimed at both corporate and residential customers. The company will launch a new catalogue for the Lamps and Light Fittings divisions during the first half of 2012.

The company plans to relocate its factory operations to newly renovated buildings adjacent to bulk warehouse premises during 2012. The new facility will house the latest technology, efficiency-enhancing machinery and state-of-the-art production lines. This will enable Radiant to expand its product range and provide more control over quality and input prices.

Operating conditions are expected to continue to be difficult for the company with the building and construction industries recovering at a slow rate. Radiant is, however, well-positioned to drive efficiencies, strengthen customer relationships and grow into new markets.

Sustainability report

Introduction

A new regulatory environment governing companies requires an integrated approach to reporting financial and non-financial information, with particular focus on long-term sustainability. The South Ocean Holdings Board has embraced this new regulatory context and is committed to ensuring compliance with it as far as it is practicable. The Board has mandated the Group's management to implement and periodically report on progress and the reasons for non-compliance, where applicable.

This report focuses on the following four broad areas of sustainability: Governance, Stakeholders, Social Aspects and Environment.

Governance

The Group is managed under the stewardship of the Board of Directors and its sub-committees which take full responsibility for the sustainability of the Group. The Board has mandated management to set up systems and structures to ensure that the Group is properly governed and complies with the relevant laws that are necessary for it to be regarded as a good corporate citizen.

Together with all the employees of the Group, the Board is governed by a Code of Ethics, which has been in place since 2010. The Code provides a framework, which guides employees in their dealings at both an individual and corporate level. Governance, ethics and values are dealt with in more detail in the Corporate Governance report on pages 24 to 31.

Social aspects

Employees

South Ocean Holdings' ability to survive as a Group depends on its ability to find, retain and develop its employees. This remains one of the most important objectives of the Group. It also extends to promoting the profile of staff that represents the demographics within the country and meets employment equity requirements. The Group continues to create a supportive working environment in which employees are motivated to engage and contribute their best efforts to the organisation.

At year end the categorisation of employees according to their workforce profile was as follows:

	White	ACI	Non–resident	2011 Total
Total workforce	124	583	4	**711**
Less: non-executive directors and non-permanent staff	–	9	3	**12**
	124	574	1	**699**
Gender profile				
Male	112	477	1	**590**
Female	12	97	–	**109**
	124	574	1	**699**
Occupational level				
Directors	2	–	–	**2**
Male	2	–	–	**2**
Female	–	–	–	**–**
Senior management	15	6	–	**21**
Male	13	4	–	**17**
Female	2	2	–	**4**
Professionally qualified and middle management	20	9	1	**30**
Male	15	7	1	**23**
Female	5	2	–	**7**
Skilled and technical	50	84	–	**134**
Male	34	70	–	**104**
Female	16	14	–	**30**
Semi-skilled and unskilled	37	475	–	**512**
Male	23	424	–	**447**
Female	14	51	–	**65**
	124	574	1	**699**

Employment equity

Employment equity legislation provides for the establishment of the equity and training committees to ensure that the process of employment equity is monitored in the workplace. South Ocean Holdings' profile indicates that 82% of employees within the Group are from the designated groups. Approximately 29% of management staff is from the designated groups and the Group continues to work towards ensuring improvement in this regard.

Management is committed to ensuring that there is no unfair discrimination in the workplace. There were no similar or related complaints reported or that were in the process of being investigated during the reporting period.

Preference is given to existing employees for all the vacancies available within the Group to ensure the Group's policy of promoting from within is respected before any external candidates are given the opportunity.

Employee development

The Group encourages its employees to pursue development opportunities both within and outside the Group so long as it contributes to the overall welfare of the employee and empowers them to add more value to the Group. The Group continues to be involved in the national skills drive in conjunction with the SETAs to ensure that the employees developed within the Group are recognised nationally. In this regard, the Group embarks on a number of SETA accredited courses, which are provided to employees within the Group during office hours at the factory in Alrode. In addition, where employees are unable to access formal education because of their inability to read, they are encouraged to go through the Adult Basic Education and Training (ABET) courses.

During the period, more than 40% of SOEW employees attended a number of training courses covering the following areas:

- Administration related training;
- Machine operators on the job training;
- Technical and related training;
- Health and safety including fire fighting; and
- Learnership NQF level 2 and 3 courses.

The Group prioritises skills that are key to its operations. During 2011, most training and development was aimed at improving compliance and efficiencies.

HIV/AIDS

The Group continues to provide HIV and AIDS awareness programmes as reported in the prior year which incorporate education and other awareness initiatives. To date, the Group has not seen any significant impact on its operations as a result of HIV and AIDS. It continues to encourage its employees to attend educational sessions, to take the necessary precautions to prevent infection and to regularly check their status.

Staff turnover

The Group's employment processes are geared toward recruiting talented employees and those with high potential. Depending on the level of skill required, leadership capabilities are also considered together with the employment equity plans of the Group. South Ocean Holdings strives to maintain low staff turnover levels without compromising on the performance levels and the delivery of its workforce. Following the recession, the Group's workforce has remained relatively stable and management continues to position the Group for an upturn in the market.

Freedom of association

The Group recognises trade unions that are sufficiently representative of employees at the appropriate organisational level. South Ocean Holdings gives its formal assurance that employees may associate with employee representative organisations and trade unions. There were no violations of freedom of association and collective bargaining during the year. In line with its Code of Conduct, employees are encouraged not to perform any acts that conflict with freedom of association. SOEW's employees at the cable plant belong to the National Union of Metalworkers of South Africa (Numsa). The rest of the Group's employees are not unionised.

Employment incentives

The Group encourages its employees to work hard for both the benefit of the Group as well as themselves. The Group also endeavours to attract, nurture and retain suitable qualified employees. To this end, the Group has various incentive schemes which are geared both to shop-floor staff as well as the most senior employees within the Group. The Group has in place a short-term incentive scheme as well as a long-term incentive scheme, in which only senior management participate. The long-term incentive scheme is payable after three years depending on whether growth in the underlying share values are achieved.

The Group ensures that it pays industry negotiated salaries and wages. These are negotiated at the collective bargaining council on an annual basis to the satisfaction of both the employer and the employee. To encourage regular attendance for shop-floor employees, SOEW has established an attendance bonus scheme which is only payable to employees that are in attendance throughout the year. This is only payable at the end of the year.

Broad-based black economic empowerment (BBBEE)

During 2010 South Ocean began laying the foundation for the implementation of BBBEE within the Group. A process to evaluate the Group's procurement processes and its supply chain was undertaken. At Board level, BBBEE was embraced as a strategy going forward. To this extent, the operating companies have also begun a process of reorganisation in order to comply with BBBEE requirements. The Group has engaged the services of a BEE consulting firm to advise on and assist in its BBBEE implementation. The Group was BEE rated during the 2012 financial period and a copy of the certificate is included on page 104.

Human rights

South Ocean Holdings' Code of Ethics addresses many of the human rights that are enshrined in the South African Constitution. In particular, it addresses the following issues that are fundamental to human dignity and retaining employee's self respect while at the workplace: respect, fairness, honesty and adherence to the rule of law.

The Group employs a transparent grievance mechanism, which is open to all employees to address any breaches of human rights that are identified. Employee trade unions play a vital role in this regard. The right of individuals to associate with whoever they wish, including their respective political parties, is also respected.

Where issues have been identified that happen to violate any of employees' human rights, the Group treats them with utmost respect and secrecy to ensure that their dignity is always preserved.

Value creation

The Group endeavours to add value to its employees and its stakeholders by contributing to society as a whole. During the past four years, South Ocean Holdings' value added can be summarised as follows:

Value added statement	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Revenue	**1 261 019**	1 138 130	957 972	1 136 617
Paid to suppliers and providers of services	**(1 047 886)**	(905 445)	(770 945)	(801 330)
Value added	**213 133**	232 685	187 027	335 287
Income from investment	**2 670**	7 630	14 535	4 283
Total value created	**215 803**	240 315	201 562	339 570
Distributed as follows:				
Employees	**112 906**	123 880	117 947	102 694
Providers of capital	**10 976**	18 146	18 531	69 852
Finance costs	**10 976**	13 455	18 531	27 630
Dividends	**–**	4 691	–	42 222
Government	**17 860**	26 383	17 949	48 981
Income taxation	**13 975**	22 519	15 493	47 108
Rates and taxes	**1 633**	1 562	812	183
Skills development levy	**993**	629	649	631
Customs and excise	**1 259**	1 673	995	1 059
Retained for growth	**74 061**	71 906	47 135	118 043
Depreciation, amortisation and impairment	**22 642**	18 388	18 157	57 282
Deferred taxation	**5 276**	1 748	(2 679)	(340)
Retained profit	**46 143**	51 770	31 657	61 101
	215 803	240 315	201 562	339 570
Value added statements ratio analysis:				
Number of employees	**711**	641	651	661
Revenue per employee (units)	**1 774**	1 776	1 472	1 720
Value added per full time employee	**300**	363	287	507
Average salary per employee	**159**	193	181	155

Stakeholders

Engaging our stakeholders

Continuous engagement with various stakeholders is an important part of South Ocean Holdings' sustainability strategy. It gives the Group an opportunity to evaluate plans and align them with the respective needs and expectations of the stakeholder groups. In addition to the legal communication requirements of a listed entity, the Group continuously communicates as appropriate, depending on relevant stakeholder needs.

The Group employs the services of an investor relations consultant to ensure that it meets the communication requirements as they relate to the needs of investors.

Through these relationships the Group is able to identify and report on any issues that may arise as a result of these interactions.

Stakeholder	Method of communication
Customers	• Advertisements • Website • Annual report • Exhibitions
Shareholders, investors and analysts	• Annual General Meeting • Bi-annual results presentations • Presentations at institutional showcases • Annual report • Investor relations • Corporate website • Investment updates on SENS
Industry	• Association of Electrical Cable Manufacturers of South Africa meetings • Illumination Engineering Society of South Africa (IESSA) meetings
Government and regulators	• Specific meetings • Industry forums • Adherence to legal reporting requirements
Employees	• Intranet • Union meetings • Shop steward meetings • Face-to-face meetings • Communication boards • Internal newsletter
Business organisations	• Face-to-face meetings
Suppliers and service providers	• Regular meetings • Attending industry shows • Periodic communication from the respective business managers
Media	• Media releases • Radio and television interviews • Road shows • Presentations

Environment

The Group's philosophy is to reduce negative environmental impact where it is practical to do so.

Occupational health and safety

Employee safety is of primary concern, and compliance with safety rules and procedures is rigorously enforced, including the wearing of personal protection equipment. Instances of workplace injuries and accidents are fully investigated, and where necessary, steps taken to avoid future incidents. There are currently no outstanding claims which require employees to be compensated for health and safety matters.

Occupational health and safety standards are covered by prevailing Occupational Health and Safety regulations. In order to ensure a balanced management approach, the Group operates health and safety committees that ensure that the Group abides by these standards. 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 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 aid practitioners and overseeing the safe operation of equipment are amongst its functions.

Waste management

Radiant has implemented a comprehensive waste recycling programme. Streams of waste that are monitored include aluminium, paper, glass and packaging. The waste management process that Radiant employs has helped reduce landfill waste resulting in financial savings as the recovered waste is recycled and re-used in packaging or is collected, recycled and sold.

SOEW continues to focus on minimising waste at its Alrode operation. During the year, scrap was further reduced. All lubricants and oils used in SOEW's manufacturing processes are collected and recycled by a third party. In addition, there is also a focus on ensuring maximum efficient use of operating equipment over its lifetime, with ongoing maintenance being an important part of this strategy.

Energy usage

Radiant distributes occupancy sensors, which help reduce energy by sensing the occupancy of rooms and which switch the lights on or off depending on the need. The Group has installed these sensors throughout its offices resulting in reduced energy usage. The Company has also revamped its offices using new technology with energy-efficient lamps resulting in further energy savings.

The Group has installed a solar panel demonstration unit at its Radiant offices in Johannesburg resulting in a reduction of Radiant's energy usage and electricity costs. The Group continues to investigate all possible ways of saving on energy usage.

Environmental impact assessments

The Group did not perform any environmental impact assessments during the period under review.

Society

Corporate social investment

The Group views corporate social investment (CSI) as an important part of its sustainability strategy. During the year, both Radiant and SOEW undertook community projects aligned to their businesses to empower previously disadvantaged individuals, uplift communities and serve communities close to where they operate.

Eden Park Primary School

Continuing its work from the prior year, SOEW supplied the Eden Park Primary School with additional building materials to complete its upgrading project. Materials such as bricks, windows and door frames as well as paving bricks to upgrade and maintain the school's facilities were supplied. The company also provided transport for the delivery of these materials. SOEW supplied and fitted lights, cables and plugs as well as repaired damaged electrical appliances.

Sibonile School

Radiant donated lights to the value of R200 000 to Sibonile School, a school that educates children with visual impairment which is based in Kliprivier, Gauteng. The school provides education, accommodation, food and clothing to 176 children, who are either partially sighted or totally blind or deaf and blind. Radiant contributed to a new vocational training centre where many of the visually impaired children will be prepared for meaningful integration into society. The centre offers the following courses:

- Self-awareness;
- Health education and healing;
- Small business courses;
- Self-employment or making the impaired employable;
- Adult basic education; and
- Skills training in the production of goods.

Oliver's House

Radiant donated lights to the value of R200 000 to Oliver's House, an organisation which cares for 210 children, 12 of whom are HIV-positive and a further 42 who have been orphaned as a result of the AIDS epidemic. The organisation has a large, free computer training school and teaches mathematics and science to disadvantaged Grade 12 learners. The lights form part of an initiative to transform Oliver's House into a fully integrated sustainable environment which will be self-sufficient in terms of energy, water and food.

Enterprise development

SOEW and Radiant donated lights and cable products to the value of R1,5 million to two historically disadvantaged businessmen. The contribution was to assist them to expand their businesses and be competitive in the market. This initiative will be undertaken as an annual enterprise development project.

Corporate governance

Introduction

South Ocean Holdings is committed to maintaining a high standard and culture of effective corporate governance to ensure a long-term sustainable business that creates value for stakeholders.

The Group therefore embraces the principles of integrity, transparency and accountability in its dealings with all stakeholders.

Governance processes are driven by executive management under the guidance of the Board, its committees and the Company Secretary. As such, the Board remains ultimately responsible and accountable for the Group corporate governance system, performance and affairs and has therefore considered and reviewed the King III Code, Companies Act 2008 and its application to governance processes at various intervals.

The Board places corporate governance at the forefront of its responsibilities. The Group has established a corporate culture of compliance with the King III Code, the JSE Listing Requirements, other applicable laws, regulations and internal policies and procedures.

Endorsement and compliance with King III

The Board is committed to ensuring that the Group is governed appropriately and therefore recognises the responsibility of the Group to conduct its affairs with prudence, transparency, accountability, fairness and in a socially responsible manner.

In terms of King III, the Board needs to consider the interests of the Group and its shareholders, taking into account the concerns and issues of its wider stakeholders which include suppliers, customers, employees and the environment.

The Group understands the importance of balancing long-term social, environmental and economic interests with the principal need to secure sustainable returns and maximise profits.

Exceptions to King III

While the Group has achieved substantial compliance with King III during the year, the following key principles have not been fully implemented. The implementation of these principles will be addressed during the next year:

- Formal agreements with the non-executive directors detailing their terms of appointment are not in place. The Remuneration Committee will address the formalisation of formal contracts, during the 2012 financial year;
- An external assurance provider to provide assurance over material elements of the sustainability section of the integrated annual report has not been appointed. The Audit and Risk Management Committee will consider and evaluate the appointment of an external assurance provider;
- The Group has not adopted formal dispute resolution processes for internal and external disputes. The necessity for the adoption of a formal dispute resolution process will be considered by the Audit and Risk Management Committee;
- Whilst the remuneration of each individual director is disclosed, the Board does not consider it appropriate to disclose the names of the employees who are not directors and who received the highest salaries. The value of the salaries have been disclosed in note 22 to the financial statements; and
- The Group is in the process of doing a detailed audit of compliance of laws, codes and standards.

Ethical leadership and corporate citizenship

Ethics

The Board formally adopted a Code of Ethics, which is made available to all senior executives and employees within the Group. The Group insists that all in its employ, conduct themselves with integrity in their internal and external dealings and that they adhere consistently and uncompromisingly to the highest standards of ethical behaviour.

Group management works hard to ensure that the principles enshrined in the Code of Ethics are upheld and entrenched as an integral part of the corporate culture. The essential principles of ethical behaviour feature regularly in training sessions and a summary is displayed prominently in work areas to encourage top-of-mind awareness. The Group's intention is that its business actions and dealings should be wholly governed by these ethical principles.

The Group has a whistle blowing process in operation, which all employees are encouraged to utilise. This is operated by an independent company in a confidential and safe manner to ensure that the employees and other parties who report unethical behaviour are not compromised.

The Code of Conduct deals with:

- Compliance with laws and regulations;
- Conflict of interest;
- Employment equity;
- Environmental responsibility;
- Political support;
- Protection and use of company assets;
- Integrity of financial information;
- Employment matters;
- Dealing with outside persons and organisations;
- Privacy and confidentiality; and
- Obligations of employees.

In terms of accountability, all employees must perform their duties diligently, effectively and efficiently, and in particular:

- Support and assist the Group to fulfil its commercial and ethical obligations and objectives as set out in this code;
- Avoid any waste of resources, including time;
- Be committed to improve productivity, achieve the maximum quality standards, reduce ineffectiveness, and avoid unreasonable disruption of work activities;
- Commit to honouring their agreed terms and conditions of employment;
- Not act in any way that may jeopardise the shareholders' rights to a reasonable return on investment;
- Act honestly and in good faith at all times and report any harmful activity they observe in the workplace;
- Recognise fellow employees' rights to freedom of association and not intimidate fellow employees;
- Pay due regard to environmental, public health and safety conditions in and around the workplace; and
- Act within their powers and not carry on the business of the Group recklessly.

The Board has no reason to believe that any material contravention of the Code of Ethics took place during the year under review.

Board of Directors

Board composition

The Board consists of a majority of non-executive and independent non-executive directors with only the Chief Executive Officer and the Chief Financial Officer representing the executive management on the Board.

The Board members are:

2011 Director	Independent non-executive	Non-executive	Executive
EG Dube (Chairman)	✔		
EHT Pan (Deputy Vice Chairman)		✔	
KH Pon	✔		
HL Li		✔	
CY Wu		✔	
CH Pan (alternate)		✔	
M Chong	✔		
DL Tam	✔		
WP Li (alternate)		✔	
CC Wu (alternate)	✔		
JP Bekker			✔
PJM Ferreira			✔

Mr PJM Ferreira was appointed as an Executive Director and Chief Executive Officer (CEO) of South Ocean Holdings with effect from 1 July 2011 taking over from Mr EHT Pan who retired at the end of September 2011. Mr Pan remained on the Board as non-executive Deputy Vice Chairman with effect from 1 October 2011.

The Board is authorised to appoint new directors between Annual General Meetings. In such cases the appointees are required to retire and stand for re-election at the subsequent Annual General Meeting of the Company.

The directors are experienced business people and are required to exercise leadership, integrity and judgement based on the principles of good governance. The Board is committed to guiding and monitoring these high standards.

Board leadership

The Board takes the initiative to ensure that all its members are of the highest ethical standards and take the lead in directing the activities of the Group in a manner consistent with these ethical standards. The Board does not only look at the financial performance of the Group, but also its standing as a corporate citizen within the operating environment.

Board Charter

The Board operates in terms of a formally adopted Board Charter, which sets out all activities, roles and responsibilities of the Board confirming that directors are accountable to shareholders. The main elements of the charter are:

- The Chairman of the Board must be an independent, non-executive director;
- A formal orientation programme for new directors must be followed;
- Specific policies, in line with King III, must exist with regard to conflicts of interest and the maintenance of a register of directors' interests;
- The Board must conduct an annual self-evaluation;
- Directors must have access to staff, records and the advice and services of the Company Secretary;
- Succession planning for executive management must be in place and must be updated regularly;
- Overseeing relationships with stakeholders of the Company along sound governance principles;
- Strategic plans and an approvals framework must be in place and must be reviewed regularly;
- Overseeing that the strategy results in sustainable outcomes;
- Considering sustainability as a business opportunity that guides strategy formulation;
- Ensuring that the Group is playing its role as a responsible corporate citizen by taking into account the impact of the business operations on society and the environment;
- Providing oversight of performance against targets and objectives;
- Assessing the Group as a going concern;
- Approving the annual and interim financial statements;
- Providing effective leadership on an ethical foundation;
- Overseeing key performance and risk areas;
- Policies to ensure the integrity of internal controls and risk management must be in place;

- Social transformation, ethics, safety, health, human capital, and environmental management policies and practices must be monitored and reported on regularly;
- Overseeing information technology (IT) governance;
- Overseeing legislative, regulatory and governance compliance; and
- Matters considered crucial for business success.

This charter is periodically reviewed and evaluated in line with the changes in legislation and governance guidelines. The charter does not provide for any specific maximum number of Board members, but allows the Board to continuously evaluate itself as to the sufficiency given to its duties and responsibilities at any stage.

Meetings

The Board is required to meet at least four times per year. During Board meetings matters reviewed include: operational performance; strategy; planning; empowerment compliance; acquisitions; disposals; review of risks applicable to the business; budgets and other material aspects pertaining to the achievement of the Group's objectives.

The directors are requested to table their interests in any material contracts and shareholding in outside companies at every meeting and, if necessary, are requested to recuse themselves from discussions in meetings where these conflicts exist.

Non-executive directors

Non-executive directors do not have fixed terms of appointment, but are required to retire by rotation and are eligible for re-election by shareholders at the Annual General Meeting of the Company.

A third of the directors retire annually. The directors to retire are those that have been longest in office since their last election and are eligible for re-election at that meeting.

The Board believes that the non-executive directors are of suitable calibre and their views carry significant weight in making Board decisions.

Executive directors

The Chief Executive Officer and Chief Financial Officer serve as Executive Directors on the Board. The executive directors are permanently employed, with a notice period of 3 months.

The Chairman

The Chairman, Mr Ethan Dube, is an independent non-executive Board member. The Board Charter provides for a separation of responsibilities between those of the Chairman and the Chief Executive Officer and does not allow for these two positions to be filled by the same individual.

The Board elects the Chairman based on his/her experience and potential contribution to the achievement of the objectives of the Board as stated in its charter. The Board has not initiated any process for the succession planning of the Chairman as yet, which will be attended to in the future. The existing independent non-executive directors are of sufficient calibre and experience to step in should the need arise.

The Chairman presides over meetings of the Board, guiding the integrity and effectiveness of the Board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that the Board discussions lead to appropriate decisions.

Chief Executive Officer

Operational management of the Group is the responsibility of the Chief Executive Officer, Mr Paul Ferreira. His responsibilities include amongst others:

- Developing and recommending to the Board a long-term strategy and vision that will generate satisfactory stakeholder value;
- Developing and recommending to the Board annual business plans and budgets that support the long-term strategy; and
- Managing the affairs of the Group in accordance with its values and objectives, as well as the general policies and specific decisions of the Board.

The Chief Executive Officer is not a member of the Remuneration and Audit and Risk Management Committees, but attends the Committee meetings by invitation. The Executive Committee meetings are facilitated and chaired by the Chief Executive Officer.

Company Secretary

Whitney Green

Mr Whitney Green is the Company Secretary and he provides the entire Board with detailed guidance on matters related to the discharging of their responsibilities. He is suitably qualified and experienced to act in this position.

The Company Secretary is further responsible for ensuring that Board procedures and applicable laws and regulations are fully observed and adhered to. He is also responsible for ensuring that the proceedings and affairs of the Board and its committees are properly administered in accordance with their respective laws.

The appointment and removal of the Company Secretary is a matter for determination by the Board. All directors have access to the advice and the services of the Company Secretary who, in appropriate circumstances, is entitled and authorised, at the Group's expense, to obtain independent professional advice concerning the affairs of the Group.

The certificate required to be signed in terms of section 88(2)(e) of the Act appears on page 42 of this report.

The Company Secretary is not a director of South Ocean Holdings or any of its subsidiaries and, accordingly, maintains an arm's length relationship with the Board and its directors.

Director evaluation and development

Induction

The Board accepts responsibility for the induction of new directors. After an evaluation has been made to establish the developmental needs of the relevant director, the Company arranges for the director to be provided with the necessary training at the Company's expense.

Where it is considered that the director has experience of being a member on various boards, only company-specific development is considered necessary. A periodic update of legislative changes is considered an integral part of the quarterly reporting to the Board. Site visits are also arranged to enable new directors to familiarise themselves with all aspects of the businesses.

Director evaluation

The South Ocean Holdings Board has implemented a self-evaluation system, which it uses to evaluate the performance of the individual directors and the Board as a whole.

Attendance of meetings

A minimum of four Board meetings are scheduled per financial year. Additional Board meetings may be convened when necessary. Four Board meetings were held during the past year. The accompanying table details the attendance by each director at Board meetings held during the year under review:

2011 Director	28 Feb	2 Jun	26 Jul	17 Nov
EG Dube (Chairman)	✔	✔	✔	✔
EHT Pan (Deputy Vice Chairman)	✔	✔	✔	✔
KH Pon	✔	✔	✔	✔
HL Li	✔	✔	✔	✔
CY Wu	✔	✔	✔	✔
M Chong	✔	✔	✔	✔
DL Tam	✔	✔	✔	✔
JP Bekker	✔	✔	✔	✔
PJM Ferreira	✔	✔	✔	✔

Board committees

To enable the Board to discharge its responsibilities and duties, during the period under review, certain of the Board responsibilities were delegated to the Executive Committee, Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and the Social and Ethics Committee, the activities of which are dealt with more fully below. The Board is satisfied that all committees have met their respective responsibilities for the period under review.

All these committees operate in terms of established and approved terms of reference, which act as a guide for their activities. With the exception of the Executive Committee, chaired by the Chief Executive Officer, all other committees are chaired by an independent non-executive director.

Particulars of the composition of the Board of directors and committees appear on pages 25, 27, 29 and 30 of this report. The charters of the Board committees are reviewed on an ongoing basis to ensure that the committees' duties and responsibilities are aligned with the requirements of good corporate governance as well as keeping up to date with the new regulations and other developments.

The Audit and Risk Management Committee is the Statutory Committee which complies with the requirements of the Companies Act, 2008 and the recommendations set out in King III. The shareholders elect the members of this Committee annually at the Annual General Meeting.

Audit and Risk Management Committee

Composition of Audit and Risk Management Committee

Members of the Audit and Risk Management Committee during the year were:

2011 Member	Independent non-executive
KH Pon (Chairman)	Yes
CY Wu	No
M Chong	Yes
DL Tam	Yes

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.

Meetings

This Audit and Risk Management Committee meets periodically, at least four times per year, with executive management and invites the external and internal auditors to attend its meetings at least twice a year. The external auditors have unrestricted access to the Audit and Risk Management Committee and its Chairman, thus ensuring their independence and the impartiality of their reports.

Responsibilities

The Audit and Risk Management Committee reviews the annual 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. Review of the Group's reporting processes is undertaken to ensure that they are aligned and are not conflicting.

The Audit and Risk Management Committee is also responsible for ensuring that management has processes, strategies and systems in place for the identification, management and control of all Group risks.

The appointment, management and monitoring of the work of both the external and internal auditors are amongst the responsibilities of the Audit and Risk Management Committee.

We believe that the members of the Audit and Risk Management Committee are properly qualified and experienced in finance, accounting and risk management and are knowledgeable about the affairs of the Group.

Audit and Risk Management Committee Charter

The Audit and Risk Management Committee Charter sets out the responsibilities of the Committee, which include:

- The preparation of financial reporting and statements in compliance with all required legislation, accounting standards and corporate governance;
- The Group's compliance with legal and regulatory requirements;
- Overseeing the internal and external auditors' function;
- Evaluating the risk profile and risk management of the Group; and
- Assisting the Board relating to the safeguarding of assets and operation of effective internal control systems and compliance with the ethical standards adopted.

The Audit and Risk Management Committee also attends to the following responsibilities required by King III and the JSE Listing Requirements:

- Evaluating and confirming the independence of the external auditors; and
- Reviewing the expertise, resources and the experience of the Group's Chief Financial Officer.

Re-appointment of the independent auditors

The Audit and Risk Management Committee considered the independence of the external auditors, PricewaterhouseCoopers Inc. in accordance with section 90(1) of the Companies Act. The Audit and Risk Management Committee considered the following aspects to satisfy itself that PricewaterhouseCoopers Inc. is independent:

- Identifying the potential threats to the audit independence of any non-audit work which the firm undertakes and, if any, what safeguards the firm has put in place;
- Determining whether the firm, engagement partner and staff directly or indirectly hold any shares in South Ocean Holdings; and
- Assessing any other factors which could impact or be considered to impact their independence.

Having considered all facts the Audit and Risk Management Committee is satisfied that PricewaterhouseCoopers Inc. is independent and nominated PricewaterhouseCoopers Inc. to be re-appointed as the registered auditor for the 2012 financial year. The Board re-appointed PricewaterhouseCoopers Inc. and Ms Lynne Loots, the audit partner, as the independent auditors of South Ocean Holdings. The appointment is subject to shareholders' approval at the Annual General Meeting.

PricewaterhouseCoopers Inc. is accredited in terms of the JSE list of accredited auditors as contemplated in paragraph 3.86 of the JSE Listings Requirements.

Internal audit

The Audit and Risk Management Committee has appointed Deloitte as independent internal auditors to fulfil the Group's internal audit function for the 2011 financial year.

The Audit and Risk Management Committee considered the independence of the internal auditor, Deloitte.

The Audit and Risk Management Committee considered the following aspects to satisfy itself that Deloitte is independent:

- Identifying the potential threats to the internal audit independence of each area of non-internal audit work, which the firm undertakes and, if any, what safeguards the firm has put in place;
- Determining whether the firm, engagement partner and staff directly or indirectly hold any shares in South Ocean Holdings; and
- Assessing any other factors, which could impact or be considered to impact on their independence.

The role of the internal audit is to review internal controls, systems and procedures. The Audit and Risk Management Committee is satisfied that the internal controls are adequate in safeguarding the assets, preventing and detecting errors and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements.

The internal auditor reports to the Audit and Risk Management Committee and has unrestricted access to the Chief Executive Officer and the Chairman of the Audit and Risk Management Committee.

The internal audit plan is approved by the Audit and Risk Management Committee and the internal auditors report to the Audit and Risk Management Committee on their findings after completion of their audit. This meeting is also attended by the external auditors.

Risk management

Risk management is the responsibility of the Audit and Risk Management Committee.

The development, implementation and maintenance of strategies to minimise Group risk is geared towards achieving the Group's strategic operations, reporting and compliance objectives and ensuring value creation for the shareholders.

The Audit and Risk Management Committee is responsible for:

- Reviewing, on behalf of the Board, the effectiveness and integrity of systems and controls relating to risk management, and the associated monitoring processes and procedures;

- Reviewing the approach through which risk management is conducted and the effectiveness of these processes and systems;
- Ensuring that the disclosure regarding risk is comprehensive, timely and relevant; and
- Reviewing reports from management and the internal auditors on the effectiveness and integrity of risk management systems.

Risk management is a dynamic process and the Group has accepted the challenge and responsibility to address it comprehensively and has set the following objectives:
- Recommend policies, processes, systems and procedures to manage the risk;
- Create a culture of risk awareness and ownership through communication and education;
- Clarify the roles, responsibilities and accountabilities for identification, assessment, and management, monitoring and reporting of all financial and non-financial risks;
- Guide the establishment and maintenance of a robust and measurable approach for risk identification and assessment;
- Assist management to identify, assess, manage, monitor and report effectively on the risks;
- Establish a process that requires all material changes to the business to be subject to adequate risk assessment and due diligence prior to commencement; and
- Enable effective and comprehensive independent and ongoing assessment to be provided by internal audit around the appropriateness and adequacy of risk management.

Attendance of meetings

The Audit and Risk Management Committee met five times in 2011. Attendance at meetings was as follows:

2011 Director	25 Feb	2 Jun	25 Jul	28 Sept	16 Nov
KH Pon (Chairman)	✔	✔	✔	✔	✔
CY Wu	✔	✔	✔	✔	✔
M Chong	✔	✔	✔	✔	✔
DL Tam	✔	✔	✔	✔	✔

Executive Committee

Composition of Executive Committee

The Executive Committee consists of the Chief Executive Officer, Chief Financial Officer, Managing Director and Financial Directors of the subsidiary companies. All matters of policy and strategy are referred to the Board.

Meetings

The executive directors constitute an Executive Committee that meets at least on a bi-monthly basis to plan, review, and manage the day-to-day activities of the Group.

Responsibilities

The Executive Committee is responsible for:
- Implementation of strategies and policies of the Group;
- Monitoring the business and affairs of the Group;
- Prioritising the allocation of capital, technical and human resources;
- Establishing the best management practices and functional standards of the Group;
- Senior management appointments and monitoring the performance of senior management;
- Ensuring that regular, detailed reports on the Group's activities and performance against strategies and operational plans are received and submitted to the Board;
- Ensuring that regular, detailed reports on the Group's financial performance and forecasts against budgets are received and submitted to the Board.

Remuneration Committee

Composition of Remuneration Committee

Members of the Remuneration Committee during the year were:

2011 Member	Independent non-executive
KH Pon (Chairman)	Yes
EG Dube	Yes
HL Li	No
EHT Pan	No

The Remuneration Committee, comprising four members, two of whom are independent non-executive directors and two non-executive directors, is responsible for ensuring that the Group's directors and senior executives are fairly remunerated.

Meetings

The Remuneration Committee meets periodically, at least twice per annum.

Responsibilities

The Board has established a Remuneration Committee to advise the Board on all the remuneration-related matters. In addition to ensuring the fair remuneration of the senior management of the Group, the Remuneration Committee also evaluates and reviews the performance of the senior Group executives.

The Remuneration Committee has, during the year, reviewed all the Group's remuneration policies to ensure that these are aligned with the Group strategy and are linked to individual performance.

Remuneration Committee Charter

The Remuneration Committee's responsibilities include the following:
- Overseeing the setting and administering of remuneration at senior levels in the Group;
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- Reviewing the outcomes of the implementation of the remuneration policy as to whether the set objectives are being achieved;

- Ensuring that the mix of fixed and variable pay, in cash, short- and long-term incentives and other elements, meets the Group's needs and strategic objectives;
- Considering the results of the evaluation of the performance of the Chief Executive Officer and other executive directors, both as directors and as executives in determining remuneration;
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of rules; and
- Advising on the remuneration of non-executive directors.

Remuneration to directors and senior management consists of:
- A total cost-to-company package determined on position, qualification and experience which is divided into:
  - Fixed monthly guaranteed remuneration calculated as a percentage of the total cost-to-company package;
  - Performance bonus equal to the balance of the total cost-to-company package payable annually after performance assessment is done;
- Short-term incentives aim to motivate management to maximise results in the short term and are paid annually if management meets certain financial targets which relate to Profit Before Tax (PBT); and
- Long-term incentives, which is a share appreciation scheme, aimed to retain senior management, and the main elements are:
  - Allocations to key staff to ensure retention;
  - Allocations are done annually;
  - Payments are due three years after allocation was made, but can be extended for one more year;
  - Maximum value of allocation is calculated at between 33% and 83% of guaranteed pay; and
  - Paid in cash after the specified period.

Attendance of meetings

The Remuneration Committee met three times in 2011. Attendance at meetings was as follows:

2011 Director	25 Feb	20 Jun	16 Nov
KH Pon (Chairman)	✔	✔	✔
EG Dube	✔	✔	✔
HL Li	✔	✔	✔
ETH Pan	α	α	✔

α Appointed by the Board effective from 1 October 2011.

Nomination Committee

Composition of Nomination Committee

Members of the Nomination Committee during the year were:

2011 Member	Independent non-executive
KH Pon (Chairman)	Yes
EG Dube	Yes

Meetings

The Nomination Committee will only meet if there is a vacancy to be filled on the Board.

Nomination Committee Charter

The Nomination Committee is responsible for finding suitable candidates for any vacancies on the Board. The Nomination Committee may make use of an employment agency to find suitable candidates who will be short listed and interviewed. The Nomination Committee will then recommend the best qualified candidate to the Board for approval.

The Board has established a Nomination Committee to advise the Board to:
- Ensure the establishment of a formal process for the appointment of directors, including:
  - Identifying suitable persons to be appointed;
  - Performing of reference and background checks of candidates prior to nomination; and
  - Formalising the appointment of directors through an agreement between the Company and the director;
- Oversee the development of a formal induction programme for new directors;
- Ensure that inexperienced directors are developed through a mentorship programme;
- Oversee the development and implementation of continuing professional development programmes for directors;
- Ensure that directors receive regular briefings on changes in risks, laws and the environment in which the companies operate;
- Consider the performance of directors and take steps to remove directors who do not make an appropriate contribution; and
- Ensure that formal succession plans for the Board, Chief Executive Officer and senior management are developed and implemented.

No meetings were held during the year.

Social and Ethics Committee

Composition of Social and Ethics Committee

2011 Member	Independent non-executive
M Chang (chairperson)	Yes
PJM Ferreira	No
JP Bekker	No

During the 2011 financial year the Group formed a Social and Ethics Committee which consists of one independent non-executive director (chairperson) and two executive directors. The directors have approved the terms of reference for the Social and Ethics Committee and an initial meeting was held during 2011.

The Companies Act, 2008 requires a member of the Social and Ethics Committee to report to shareholders at the Annual General Meeting. At this stage there are no matters to report.

Information technology

There is a policy in place regarding the use and safeguarding of the information system and networks.

The information technology environment risks are continuously being evaluated and there are proper security measures, back-up procedures and access controls in place to ensure that the information technology environment function properly and can be relied on. Disaster recovery plans are being implemented for any unforeseen circumstances to ensure the minimum disruption as any interruption in the information technology system can have a material impact on the business.

Dealing in Company securities

No employee or director may deal, directly or indirectly, in South Ocean Holdings shares on the basis of unpublished price-sensitive information regarding the business or affairs of the Group during the closed periods. These closed periods include the period from the last day of the interim period results, 30 June, and final period results, 31 December, to publication of the relevant interim and year-end results on the Stock Exchange News Services (SENS) and include any other period during which the Company is trading under a cautionary announcement.

All directors are required to obtain written approval from the Chairman or the Chief Executive Officer before dealing in South Ocean Holdings shares to protect themselves against any possible and unintentional contravention of the insider trading laws and stock exchange regulations.

In terms of the JSE Listing Requirements, dealings in the Company's securities by directors of South Ocean Holdings and its subsidiary companies, their immediate family and associates are to be announced on SENS. The Group strictly adheres to the code relating to insider trading as set out in terms of the JSE Listing Requirements. The Group also ensures that all its policies are aligned to the Security Services Act, which regulates such activities.

None of the directors dealt in any of South Ocean Holdings' securities during the financial year.

Relationship with stakeholders and investors

The Group continues to promote dialogue with its shareholders, business analysts, business advisors and all other stakeholders. These include timeous, honest, relevant and accessible announcements and circulars to shareholders in accordance with the JSE Listing Requirements. All shareholders are encouraged to attend the Annual General Meeting and to ask questions about the Group, its results and prospects.

The Group encourages stakeholders to approach executive directors whenever they wish.

The Group also subscribes to the principle of fair communication and disclosure. There are ongoing interactions between the executive management team and a wide range of institutional investors and analysts and potential investors during the non-closed periods. These interactions include one-on-one meetings and presentations at institutional road shows. It presents results to the investor community in Johannesburg and Cape Town twice a year. The interim and final results are also published in two newspapers, in English and Afrikaans, on the South Ocean Holdings' web site and released on SENS. There are regular engagements with the media in various methods to ensure fair communication through media liaison.

Affirmative action

The Group is an equal opportunity employer and will not countenance discrimination on the basis of ethnicity or gender. 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 to operate effectively for the foreseeable future. Accordingly, the Board is satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Remuneration Committee report

The Remuneration Committee operates under a mandate from the Board and written terms of reference approved by the Board.

Composition

The Remuneration Committee consists of two independent non-executive directors and two non-executive directors.

Meetings

The Remuneration Committee meets at least twice a year, unless additional meetings are required.

The Chief Executive Officer and Chief Financial Officer attend the meetings by invitation, but do not participate in discussions on their own remuneration.

Reporting

The Remuneration Committee Chairman reports formally to the Board on its proceedings after each meeting and attends the Annual General Meeting to respond to any questions from stakeholders regarding the Remuneration Committee's areas of responsibility.

Responsibilities

The Remuneration Committee does not assume the functions of management, which remain the responsibility of the Executive Directors and senior management.

The Remuneration Committee's main task is to assist the Board in ensuring that the remuneration to directors and executives is fair and market-related.

The remuneration report provides an overview and understanding of the Group's remuneration philosophy and practices. It deals mostly with the remuneration of the executive directors and senior management.

Remuneration policy

South Ocean Holdings has an integrated approach to remuneration strategy based on ensuring that an appropriate balance is achieved between the interests of shareholders and the strategic and operational requirements of the Group by providing attractive and market-related remuneration to the executives.

Remuneration to non-executives and executives is determined as follows:

Non-executive directors' remuneration

The Group's philosophy in respect of non-executive remuneration is to pay market-related fees, as determined by market surveys, while taking into account the contribution of the individual directors to the Group and the demands placed on them in respect of Remuneration Committee work.

Non-executive directors' remuneration is subject to shareholder approval at the Annual General Meeting.

Executive directors and senior management remuneration

The remuneration philosophy of the Group is to pay executive directors and senior managers and staff a market-related remuneration aimed at encouraging sustainable performance by employees and providing incentives to achieve motivation and retention. 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 challenges of the enterprise and who excel in the achievement of the objectives of the enterprise.

Remuneration package

Senior executives' remuneration comprises four components;

- A guaranteed package;
- A performance-linked bonus;
- Short-term profit-sharing bonus; and
- A long-term incentive scheme.

The guaranteed package

An all-inclusive total cost-to-company package is determined for each employee based on the annual market-worth of the required position, assuming that performance targets are met and that the targets are at a higher level than in the previous year. The guaranteed pay is calculated at between 75,0% and 80,0% for directors and 92,4% for senior management of the total cost-to-company package.

The performance bonus

Each senior executive is required to enter into a performance contract with the manager to which he or she reports. 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 are reviewed by executive directors and reported on to the Remuneration Committee, giving it better insight into how risks are being managed and controlled internally within each business unit, and into succession planning at both the holding company and subsidiary levels. The performance ratings in terms of this performance management system will be the basis for an annual performance bonus. The performance bonus amount is calculated for directors at between 20,0% and 25,0% and for senior management at 7,6% of total cost-to-company package.

The profit-sharing bonus

Senior executive and senior line managers employed by the Group will share in profit share pools in the event that earnings (profit before taxation), exceed the target earnings as proposed by the Remuneration Committee and approved by the Board for the financial year.

The target earnings as defined will be the inflation adjusted three-year-moving average of earnings for the past three years multiplied by the growth factor equal to expected inflation as defined. The targets for 2011 were negotiated targets to make some allowance for the slow recovery in the economy. It is intended that targets from 2012 onwards will be based on inflation-adjusted three-year moving averages of earnings for the past three years. For the purposes of the profit-sharing bonus scheme, a nominated percentage of excess earnings for the holding company and for each subsidiary company, ranging between 10% and 20% in 2011, is allocated to profit-share pools and shared by eligible senior executives in the subsidiary company and holding company in proportion to their respective guaranteed remuneration for the year.

The long-term incentive scheme

A long-term incentive plan has been in place since 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 on equity growth. The scheme does not confer any rights on employees to acquire, hold or subscribe for South Ocean Holdings 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 this long-term incentive scheme:

- Separate schemes have been established for the holding company and for each subsidiary company;
- Share appreciation rights have been defined for the holding company and for each subsidiary 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 were allocated rights in relation to a certain value of ordinary shares, based on the volume-weighted quoted share price of the holding company during the month 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 as follows:
  - In relation to a certain value of shares, to the extent of 75%, based on the shares of that subsidiary company;
  - In terms of a valuation of the shares of that subsidiary company which is in turn based on its financial results in its last three financial years;
  - As to 25%, based on the shares of the holding company, in terms of the volume-weighted quoted share price during the month preceding the allocation; and
  - 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 of allocations will be three years, which may be extended to four years at the option of the participant; and
- The quantum of the allocations will be in the range between 33,3% and 83,3% of the annual guaranteed pay of each participant in the years following.

Annual review by the Remuneration Committee

In relation to all Group executive directors, including the executive directors of each subsidiary company, the total cost-to-company 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 policy which affects all Group senior executives and senior line managers, being the members of an executive committee or management committee.

Executive directors' remuneration

Executive directors' remuneration paid was as follows:

Company	2011 R'000	2010 R'000
South Ocean Holdings Limited	**11 860**	6 958
South Ocean Electric Wire Company Proprietary Limited	**2 732**	1 954

Details of the remuneration of individual directors are listed in note 22 in the financial statements section of this report.

Non-executive directors' remuneration

The fees for non-executive directors during 2011 were as follows:

	Fixed fee per annum 2011 R
Chairman of the Board	**346 680**
Member of the Board	**115 560**
Chairman of the Audit and Risk Management Committee	**173 340**
Member of the Audit and Risk Management Committee	**37 450**
Chairman of the Remuneration Committee	**53 500**
Member of the Remuneration Committee	**37 450**
Chairperson of a Special Committee	**2 500/hour**
Member of a Special Committee	**1 500/hour**

Interest of directors in share capital of the Company

The details of the individual director's interest in the share capital of the Company are disclosed in the Directors' Report on page 46.

Interest of directors in contracts

The directors have certified that they had no material interest in any transaction of any significance with the Company or any of its subsidiaries.

Share appreciation scheme

Details of the payments related to the share appreciation scheme are set out in note 15 of the financial statements.

Prescribed officers of the Group who are not executive directors

King III recommends that the salaries of the prescribed officers, excluding executive directors, should be disclosed. These officers were identified and their earnings were disclosed including any bonus and share appreciation rights paid out. Remuneration and benefits paid and incentives paid in respect of 2011 and 2010 are set out in note 22 to the financial statements.

Remuneration Committee members

The Remuneration Committee members during the year were:

KH Pon	–	Chairman	
EG Dube	–	Member	
EHT Pan	–	Member	(Appointed 1 October 2011)
HL Li	–	Member	

Audit and Risk Management Committee report

The Audit and Risk Management Committee is a statutory committee of the Board and forms an integral component of the Group's governance framework. In addition to having specific statutory responsibilities to the shareholders in terms of section 94 of the Companies Act, the Audit and Risk Management Committee assists the Board by examining, reviewing and advising on financial reporting; the risk management process; internal financial controls; external and internal audit functions; and statutory and regulatory compliance.

Composition

The Audit and Risk Management Committee consists of three independent non-executive directors and one non-executive director. All the members have the required financial and commercial skills and experience to contribute to the Committee's deliberations.

Meetings

The Audit and Risk Management Committee meets at least four times a year. The Chairman of the Board, the Chief Executive Officer, Chief Financial Officer, Board members who are not Audit and Risk Management Committee members and representatives from the external and internal auditors attend the Audit and Risk Management Committee meetings by invitation. The attendance of these meetings is shown in the table set out on page 29 of this report.

Responsibilities

In execution of its compliance duties the Audit and Risk Management Committee has:

- Recommended the re-appointment of PricewaterhouseCoopers Inc. as external auditors and Ms Lynne Loots as the designated auditor, after satisfying itself through enquiry that PricewaterhouseCoopers Inc. is independent as defined in terms of the Companies Act. This will be Ms Lynne Loots' first year as designated auditor of the Company;
- Confirmed that PricewaterhouseCoopers Inc. and the designated auditor, Ms Lynne Loots, are accredited by the JSE;
- At the end of each meeting during the year, met with the external auditors where management was not present, during which no matters of concern were raised by the auditors;
- Determined the fees to be paid to PricewaterhouseCoopers Inc. as disclosed below, and its terms of engagement;
- Approved a non-audit services policy which determines the nature and extent of any non-audit services which the external auditors may provide to the Group;
- Pre-approved any proposed contract with PricewaterhouseCoopers Inc. for the provision of non-audit services to the Group;
- Overseen the effectiveness of the Group's internal control systems, ensuring that they are designed in response to identified key business and control risks, and have been effective throughout the year;
- Reviewed the scope and effectiveness of the external and internal audit functions;
- Ensured that adequate books and records have been maintained;
- Monitored proposed changes in accounting policies;
- Considered the accounting and taxation implications of major transactions;
- Reviewed and reported on compliance with IFRS, King III and the JSE Listing Requirements;
- Tested that the Group's going concern assertion remains appropriate;
- Reviewed the interim and annual financial statements to ensure that they give fair presentation consistent with information known to the Audit and Risk Management Committee, before submission to the Board;
- Met with the external auditors to discuss the annual financial statements prior to their presentation to the Board for approval;
- Reviewed the valuation of goodwill before recommending any impairment to the Board for approval;
- Recommended to the Board not to declare a dividend;
- Considered the appropriateness of the expertise and experience of the Chief Financial Officer on an annual basis;
- Evaluated the independence of the internal audit function; and
- Evaluated the activities and the effectiveness of the internal audit function.

Risk management

The Audit and Risk Management Committee's main responsibilities, from a risk management perspective, include overseeing the Group's risk management programme. The responsibility for identifying, evaluating and managing risk resides with management.

The risk management process involves a formalised system to identify and assess risk, both at strategic and operational level including the business continuity plan. The process includes the evaluation of the mitigating controls and other assurances in identifying and assessing the risks.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans and monitoring compliance with these action plans. Every employee has a role to play in this endeavour and in achieving the Group's goals and objectives.

The evaluation of the business continuity plan is in progress and will be completed during 2012.

During the year under review the Audit and Risk Management Committee discharged all of its duties in respect of risk management. Management is responsible for:

- Ensuring that appropriate systems were in place to identify and monitor risks affecting the Group;
- Evaluating the adequacy of the effectiveness of the risk management process;
- Reviewing and assessing issues such as compliance with legislation and in particular, the Companies Act, 2008, and corporate governance matters, the impact that significant litigation could have on the Group, the adequacy of the insurance cover as well as the effectiveness of controls over areas of risks;
- Providing Board level oversight of the management of sustainability issues; and
- Ensuring that IT governance and risk management continued to form an integral part of the Group's risk management processes.

For further information regarding major business risks refer to page 4.

Internal financial controls and risk management

The Board recognises its responsibility to report a balanced and accurate financial position in terms of International Financial Reporting Standards, its business and operations.

The Audit and Risk Management Committee has:

- Reviewed the effectiveness of the Group's system of internal financial controls including receiving assurance from management and internal audit;

- Reviewed significant issues raised by the external auditors in their reports; and
- Reviewed policies and procedures for preventing and detecting fraud.

Systems of controls and procedures are in place to ensure the accuracy of accounting records and to effectively monitor the Group's business and performance.

These include:
- An approved framework of different authority limits;
- A detailed budgeting system;
- The preparation of forecasts, which are regularly reviewed and updated;
- Monthly reporting of results and financial position; and
- Monthly reporting of areas of risk.

Based on the processes and assurances obtained, the Audit and Risk Management Committee believes that the significant internal financial controls are effective. Where weaknesses in specific controls have been identified, management undertook to implement appropriate corrective actions to mitigate the weaknesses identified.

Legal and regulatory compliance

The Audit and Risk Management Committee reports that, to its knowledge, South Ocean Holdings and its subsidiaries are in compliance with all the legislative provisions and JSE requirements applicable to its operational environment at the close of the financial year.

External audit

The Audit and Risk Management Committee has satisfied itself through process and resources received that the external auditors are independent and approved the following fees for work done by them.

	2011 R'000	2010 R'000
Audit fees	**1 351**	1 343
Non-audit fees	**35**	40

The re-appointment of PricewaterhouseCoopers Inc. was recommended by the Audit and Risk Management Committee based on satisfaction with services received from them and other requirements.

Internal audit

The Audit and Risk Management Committee is responsible for overseeing the internal audit function.

The internal auditors, Deloitte, report directly to the Audit and Risk Management Committee and the Chief Financial Officer. Annually, the internal auditors execute a proposed audit plan jointly with management that ensures sufficient evidence will be obtained to evaluate the effectiveness of all internal control procedures prioritised by the relevant degree of inherent risk in each activity. The activities and output of this function are reviewed and approved by the Audit and Risk Management Committee.

The Audit and Risk Management Committee was satisfied regarding:
- The competence of the internal audit firm;
- The audit plan proposed; and
- Co-ordination between internal and external auditors.

Review of Chief Financial Officer

The Audit and Risk Management Committee has reviewed the performance, appropriateness and expertise of the Chief Financial Officer, Mr JP Bekker, and confirms his suitability in terms of the JSE Listing Requirements.

Integrated reporting

The Audit and Risk Management Committee has evaluated the integrated annual report of the Group for the year ended 31 December 2011. Based on the information provided to the Committee, it considers that the Group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards. The integrated annual report is recommended to the Board and shareholder for approval and adoption.

Going concern

The Audit and Risk Management Committee has reviewed the management documented assessment and the key assumptions of the going concern status of the Group. The Audit and Risk Management Committee recommended to the Board, giving due cognisance to the Group's current financial position and cash flows, that the Group is a going concern.

Committee members

The Audit and Risk Management Committee members during the year were:

KH Pon – Chairperson
CY Wu – Member
M Chong – Member
DL Tam – Member

On behalf of the Audit and Risk Management Committee:

Henry Pon CA(SA)
Audit and Risk Management Committee Chairman

27 February 2012

Henry Pon

King III Gap Analysis

As required by the JSE Listings Requirements, the following table discloses the status of South Ocean Holdings' compliance with King III and reasons for non-compliance, if applicable:

King III Index	
Ethical leadership and corporate citizenship	
Effective leadership based on an ethical foundation	●
Responsible corporate citizen	●
Effective management of ethics	●
Assurance statement on ethics in the integrated report	●
Board of directors	
The Board is the focal point for, and custodian of, corporate governance	●
The Board appreciates that strategy, risk, performance and sustainability are inseparable	●
Provide effective leadership based on an ethical foundation	●
Ensure that the company is and is seen to be a responsible corporate citizen	●
The company's ethics are managed effectively	●
The company has an effective and independent audit committee	●
Responsible for the governance of risk	●
Responsible for information technology (IT) governance	●
The company complies with applicable laws and considers adherence to non-binding rules, codes and standards	❍[1]
Ensure that there is an effective risk-based internal audit	●
Appreciate that stakeholders' perceptions affect the company's reputation	●
Ensure the integrity of the company's integrated report	●
Report on the effectiveness of the company's system of internal controls	●
Consider business rescue proceedings or other turnaround mechanisms as soon as the group is financially distressed as defined in the Act	●
Directors act in the best interests of the Group	●
The Chairman of the Board is an independent non-executive director	●
A framework for the delegation of authority has been established	●
The Board comprises a balance of power with a majority of non-executive directors. The majority of non-executive directors should be independent	●

King III Index	
Directors are appointed through a formal process	●
Formal induction and ongoing training of directors is conducted	❍[2]
The Board is assisted by a competent, suitably qualified and experienced Company Secretary	●
Annual performance evaluations of the Board, its committees and individual members is performed	●
Separate Audit and Risk Management, Remunerations, Nominations and Social and Ethics Committees have been established	●
Board and committees regulated through formal charters	●
An agreed governance framework between the Group and its subsidiary boards is in place	●
Directors and executives are fairly and responsibly remunerated	●
Remuneration of directors and most highly paid employees is disclosed	●
The Group's remuneration policy is approved by the shareholders	●
Audit Committee	
Effective and independent	●
Suitably skilled and experienced independent non-executive directors	●
Chaired by an independent non-executive director	●
Oversees integrated reporting	●
A combined assurance model is applied to improve efficiency in assurance activities	●
Satisfied itself of the expertise, resources and experience of the Group's finance function	●
Oversees internal audit	●
Integral component of the risk management process	●
Recommends the appointment of the external auditor and oversees the external audit	●
Reports to the Board and shareholders on how it has discharged its duties	●
Governance of risk	●
The Board is responsible for the governance of risk	●
The Board determines the levels of risk tolerance	●
The Audit and Risk Management Committee assists the Board in carrying out its risk responsibilities	●

Legend

● *Comply* ◑ *Partially comply* ❍ *Did not comply/under review*

King III Index	
The Board has delegated the process of risk management to management	●
The Board ensures that risk assessments are performed on a continual basis	●
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	●
The Board ensures that management implements appropriate risk responses	●
The Board ensures continual risk monitoring by management	●
The Board receives assurance regarding the effectiveness of the risk management process	●
Sufficient risk disclosure to stakeholders	●

Governance of information technology

The Board is responsible for the governance of information technology (IT)	●
IT is aligned with the performance and sustainability objectives of the Group	●
Management is responsible for the implementation of an IT governance framework	●
The Board monitors and evaluates significant IT investments and expenditure	●
IT is an integral part of the Group's risk management	●
IT assets are managed effectively	●
The Audit and Risk Management Committee assists the Board in carrying out its IT responsibilities	●

Compliance with laws, rules, codes and standards

The Board ensures that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards	●
The Board and each individual director and senior manager has a working understanding of the effects of laws, rules, codes and standards applicable to the Group and its business	●
Compliance risk forms an integral part of the Group's risk management process	●
The implementation of an effective compliance framework and process has been delegated to management	●

Internal audit ●

King III Index	
The Board ensures that there is an effective risk-based internal audit	●
Internal audit follows a risk-based approach to its plan	●
Internal audit provides a written assessment of the effectiveness of the Group's system of internal controls and risk management	●
The Audit and Risk Management Committee is responsible for overseeing internal audit	●
Internal audit should be strategically positioned to achieve its directives	●

Governing stakeholders' relationships

The Board appreciates that stakeholders' perceptions affect the Group's reputation	●
Management proactively deals with stakeholder relationships	●
The Board strives to achieve an appropriate balance between its various stakeholder groupings in the best interests of the Group	●
Equitable treatment of shareholders	●
Transparent and effective communication with stakeholders	●
Disputes are resolved effectively, efficiently and as expeditiously as possible	●

Integrated reporting and disclosure

The Board ensures the integrity of the Group's integrated report	●
Sustainability reporting and disclosure should be integrated with the Group's financial reporting	●
Sustainability reporting and disclosure should be independently assured	❍[3]

[1] *The group is in the process of doing a detail audit of compliance of laws, codes and standards.*

[2] *A formal induction programme is in the process of being developed. Regular updates and changes in laws and risks are circulated to the Board.*

[3] *The entire integrated report is reviewed by the Audit and Risk Management Committee and recommended to the Board. The Board has not found it necessary to obtain an independent assurance for sustainability reporting as it is comfortable with the accuracy of the sustainability reporting.*

Legend

● *Comply* ◑ *Partially comply* ❍ *Did not comply/under review*

Annual Financial Statements
for the year ended December **2011**

Contents

The reports and statements set out below comprise the financial statements presented to the shareholders:

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the South African Companies Act.

Preparer

JP Bekker, (CA)SA
Chief Financial Officer

Published

27 February 2012

Report of the Audit and Risk Management Committee

The Audit and Risk Management Committee submits this report, as required in terms of the South African Companies Act, 2008, in respect of the year ended 31 December 2011. The Audit and Risk Management Committee consists of three non-executive directors who act independently and one non-executive director as described in section 94 of the Act. During the period, four meetings were held and the Audit and Risk Management Committee members attended all the meetings. At the meetings the members fulfilled all their functions as prescribed by the Act. A detailed list of the functions of the Audit and Risk Management Committee is contained in the corporate governance statement. The Audit and Risk Management Committee has satisfied itself that the auditors are independent of the Company and the Group and are therefore able to conduct their audit without any influence from the Group.

KH Pon, CA(SA)
Chairman of the Audit and Risk Management Committee

Johannesburg
27 February 2012

Directors' responsibilities and approval

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 directors are required, in terms of the South African Companies Act, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and the South African Companies Act, 2008. 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 Group and the Company as at the end of the financial year.

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

The directors, supported by the Audit and Risk Management 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 annual 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 directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within pre-determined procedures and constraints.

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 forecasts and available cash resources.

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2012 and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on page 43.

Approval of financial statements

The financial statements set out on pages 44 to 88, which have been prepared on the going concern basis, were approved by the Board on 27 February 2012 and were signed on its behalf by:

EG Dube
Independent Non-executive Chairman

PJM Ferreira
Chief Executive Officer

Statement of Company Secretary

In terms of section 88(2)(e) of the South African Companies Act, 2008 as amended, I certify that the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

WT Green
Company Secretary

Johannesburg
27 February 2012

Independent auditors' report

To the members of South Ocean Holdings Limited and its subsidiary companies

We have audited the financial statements of South Ocean Holdings Limited and its subsidiary companies, which comprise the consolidated and separate statements of financial position as at 31 December 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information and the directors' report as set out on pages 44 to 88.

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 requirements of the South African Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' 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 auditors' judgement, 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 auditors consider 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 and its subsidiary companies as at 31 December 2011, 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 the requirements of the South African Companies Act.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: P Pope
Registered auditor

Johannesburg
27 February 2012

Directors' report

The directors present their report which forms part of the audited financial statements of the Group and Company for the year ended 31 December 2011.

1. Nature of business and operations

South Ocean Holdings Limited is the holding company of a group of four 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, Anchor Park Investments 48 Proprietary Limited, a property investment company and SOH Calibre International Limited, a procurement agency on behalf of the Group companies based in Hong Kong.

2. Financial results

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

3. Share capital

Authorised share capital

The authorised share capital amounts to R5 000 000, being 500 000 000 ordinary shares of R0,01 each. There were no changes in the authorised share capital during the year under review.

Issued share capital

The issued share capital amounts to R1 563 788, being 156 378 794 ordinary shares of R0,01 each. There were no changes in the issued share capital during year under review.

4. Special resolutions

At the Annual General Meeting of the Company held on 22 June 2011, shareholders approved the following special resolutions:

Approval of non-executive directors' fees for the financial year ending 31 December 2011

Resolved that the non-executive directors' fees, to be paid to directors in their capacity as non-executive directors only, for the year ending 31 December 2011 be as follows:

Chairman of the Board	R346 680
Non-executive director	R115 560
Chairman of the Audit Committee	R173 340
Member of the Audit Committee	R37 450
Chairman of the Remuneration Committee	R53 500
Member of the Remuneration Committee	R37 450
Chairman of a Special Committee	R2 500 per hour
Member of a Special Committee	R1 500 per hour

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the year ending 31 December 2011 in accordance with section 66(9) of the Companies Act, 2008. The passing of this special resolution will have the effect of approving the remuneration of each of the non-executive directors for the Company for the year ending 31 December 2011 in accordance with section 66(9) of the Companies Act, 2008.

Approval of loans or other financial assistance

Resolved that the Board of Directors may authorise the Company to provide direct or indirect financial assistance to a director or prescribed officer of the Company or of a related or inter-related company, or to a related or inter-related company, or to a member of a related or inter-related company, or to a person related to such a company, director, prescribed officer or member, pursuant to the authority hereby conferred upon the Board of directors for these purposes.

The reason for this special resolution is to approve generally the provision of financial assistance to the potential recipients as set out in this special resolution.

5. Borrowing limitations

In terms of the Memorandum of Incorporation of the Company, the directors may exercise their right to acquire funding as they consider appropriate.

On behalf of the Company, the directors have established credit facilities with various financial institutions for use by the Company and its subsidiary companies. The directors did not exceed any authorised levels of borrowings during the year under review.

6. Directors' emoluments

The directors' emoluments are set out in note 22 to the financial statements.

7. Dividends

The Board of Directors did not declare a dividend for the year ended 31 December 2011 (2010: R nil).

8. Directors' and officers' interests in contracts

No material contracts in which directors have an interest were entered into during the year, other than the transactions detailed in note 34 to the financial statements.

9. Management by third and related parties

Neither the business of the Company, nor its subsidiaries, nor any part thereof, has been managed by a third-party person or a company in which a director had an interest during the year under review.

10. Directors

The directors of the Company during the year and to the date of this report are as follows:

Name	Nationality	Changes
Independent non-executive		
EG Dube		
KH Pon		
M Chong		
DL Tam		
CC Wu (alternate)		Appointed 27 February 2012
Non-executive		
EHT Pan	Brazilian	
CY Wu	Taiwanese	
HL Li	Taiwanese	
CH Pan (Alternate)	Taiwanese	
WP Li (Alternate)	Taiwanese	Appointed 27 February 2012
Executive		
PJM Ferreira		Appointed 1 July 2011
JP Bekker		

11. Secretary

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

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

12. Interests in subsidiaries

Details of the Company's investment in subsidiaries are set out in notes 5 and 35 to the financial statements.

13. Directors' interests in share capital

The interests of directors in the issued share capital of the Company as at 31 December 2011 were as follows:

Director – number of ordinary shares	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2011				
PJM Ferreira	**1 412 880**	**–**	**1 412 880**	**0,90**
JP Bekker	**491 807**	**–**	**491 807**	**0,31**
EHT Pan	**4 728 238**	**27 734 563**	**32 462 801**	**20,76**
	6 632 925	**27 734 563**	**34 367 488**	**21,97**
2010				
PJM Ferreira	1 412 880	–	1 412 880	0,90
JP Bekker	491 807	–	491 807	0,31
EHT Pan	4 728 238	27 734 563	32 462 801	20,76
	6 632 925	27 734 563	34 367 488	21,97

No shares were traded by any director during the year under review or from 31 December 2011 until the date of this report.

14. Share-based payments

The Group has a long-term incentive plan for identified senior management in each of the operating entities. Details of the scheme and rights allocated are disclosed in note 15.

15. Auditors

PricewaterhouseCoopers Inc. will continue in office as auditors of the Company in accordance with section 90(1) of the South African Companies Act, subject to shareholders' approval at the upcoming Annual General Meeting.

16. Events after the reporting period

The directors are not aware of any other matter or circumstance arising since the end of the financial year, nor 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.

Statements of financial position

As at 31 December 2011

		Group		Company	
	Notes	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**305 929**	259 642	**151**	10
Intangible assets	4	**337 222**	343 991	**–**	–
Investments in subsidiaries	5	**–**	–	**1 016 463**	1 016 463
		643 151	603 633	**1 016 614**	1 016 473
Current assets					
Inventories	7	**244 966**	188 579	**–**	–
Trade and other receivables	8	**165 296**	131 476	**730**	3 751
Amounts owing by Group companies	9	**–**	–	**302**	4 216
Taxation receivable		**574**	1 353	**–**	–
Cash and cash equivalents	10	**27 715**	44 600	**2 351**	1 418
		438 551	366 008	**3 383**	9 385
Total assets		**1 081 702**	969 641	**1 019 997**	1 025 858
Equity and liabilities					
Equity					
Share capital	11	**441 645**	441 645	**1 118 864**	1 118 864
Reserves		**(352)**	(706)	**–**	–
Retained earnings/(accumulated loss)		**341 701**	295 912	**(105 402)**	(105 173)
		782 994	736 851	**1 013 462**	1 013 691
Liabilities					
Non-current liabilities					
Interest-bearing borrowings	13	**70 055**	71 513	**–**	–
Deferred taxation	14	**33 842**	28 566	**–**	–
Share-based payments	15	**1 756**	2 370	**402**	1 423
		105 653	102 449	**402**	1 423
Current liabilities					
Trade and other payables	16	**139 496**	77 446	**6 118**	4 978
Interest-bearing borrowings	13	**38 226**	35 526	**–**	–
Amounts owing to Group companies	9	**–**	–	**–**	2 999
Taxation payable		**1 401**	1 848	**11**	–
Dividend payable		**4**	4	**4**	4
Derivative financial instruments	17	**30**	680	**–**	–
Share-based payments	15	**–**	5 010	**–**	2 763
Bank overdraft	10	**13 898**	9 827	**–**	–
		193 055	130 341	**6 133**	10 744
Total liabilities		**298 708**	232 790	**6 535**	12 167
Total equity and liabilities		**1 081 702**	969 641	**1 019 997**	1 025 858

Statements of comprehensive income

for the year ended 31 December 2011

		Group		Company	
	Notes	**2011 R'000**	**2010 R'000**	**2011 R'000**	**2010 R'000**
Revenue	18	**1 261 019**	1 138 130	**14 989**	20 855
Cost of sales	20	**(1 036 271)**	(900 285)	**–**	–
Gross profit		**224 748**	237 845	**14 989**	20 855
Other operating income	19	**2 871**	7 344	**–**	–
Administration expenses	20	**(66 200)**	(64 370)	**(11 499)**	(15 849)
Distribution expenses	20	**(24 378)**	(27 927)	**–**	–
Operating expenses	20	**(61 335)**	(64 395)	**(3 735)**	–
Operating profit/(loss)		**75 706**	88 497	**(245)**	5 006
Finance income	23	**310**	1 701	**28**	154
Finance costs	24	**(10 976)**	(13 455)	**(1)**	–
Profit/(loss) before taxation		**65 040**	76 743	**(218)**	5 160
Taxation	25	**(19 251)**	(24 267)	**(11)**	(469)
Profit/(loss) for the year		**45 789**	52 476	**(229)**	4 691
Other comprehensive income:					
Exchange differences on translating foreign operations	12	**354**	(706)	**–**	–
Total comprehensive income/(loss)		**46 143**	51 770	**(229)**	4 691
Total comprehensive income/(loss) attributable to:					
Ordinary shareholders		**46 143**	51 770	**(229)**	4 691
Earnings per share					
Per share information:					
Basic and diluted earnings per share (cents)	26	**29,30**	33,60	**–**	–

Statements of changes in equity

for the year ended 31 December 2011

	Share capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Retained earnings/ (accumulated loss) R'000	Total equity R'000
Group						
Balance at 1 January 2010	1 274	440 371	441 645	–	248 127	689 772
Changes in equity						
Total comprehensive income for the year	–	–	–	(706)	52 476	51 770
Dividends	–	–	–	–	(4 691)	(4 691)
Total changes	–	–	–	(706)	47 785	47 079
Balance at 1 January 2011	**1 274**	**440 371**	**441 645**	**(706)**	**295 912**	**736 851**
Changes in equity						
Total comprehensive income for the year	**–**	**–**	**–**	**354**	**45 789**	**46 143**
Total changes	**–**	**–**	**–**	**354**	**45 789**	**46 143**
Balance at 31 December 2011	**1 274**	**440 371**	**441 645**	**(352)**	**341 701**	**782 994**
Company						
Balance at 1 January 2010	1 564	1 117 300	1 118 864	–	(105 173)	1 013 691
Changes in equity						
Total comprehensive income for the year	–	–	–	–	4 691	4 691
Dividends	–	–	–	–	(4 691)	(4 691)
Total changes	–	–	–	–	–	–
Balance at 1 January 2011	**1 564**	**1 117 300**	**1 118 864**	**–**	**(105 173)**	**1 013 691**
Changes in equity						
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(229)**	**(229)**
Total changes	**–**	**–**	**–**	**–**	**(229)**	**(229)**
Balance at 31 December 2011	**1 564**	**1 117 300**	**1 118 864**	**–**	**(105 402)**	**1 013 462**

Statements of cash flows

for the year ended 31 December 2011

		Group		Company	
	Notes	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Cash flows from operating activities					
Cash generated from operations	28	**63 835**	83 763	**171**	14 265
Finance income	23	**310**	1 701	**28**	154
Finance costs	24	**(10 976)**	(13 455)	**(1)**	–
Taxation paid	29	**(13 643)**	(24 456)	**–**	(469)
Net cash flows from operating activities		**39 526**	47 553	**198**	13 950
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(61 936)**	(33 210)	**(180)**	(10)
Proceeds from sale of property, plant and equipment	31	**271**	449	**–**	–
Purchase of intangible assets	4	**(413)**	(2 086)	**–**	–
Loans to Group companies repaid/(advanced)		**–**	–	**3 914**	(4 216)
Repayment of loans from Group companies		**–**	–	**(2 999)**	(5 097)
Net cash flows from investing activities		**(62 078)**	(34 847)	**735**	(9 323)
Cash flows from financing activities					
Proceeds from interest-bearing borrowings		**47 297**	–	**–**	–
Repayment of interest-bearing borrowings		**(46 055)**	(31 316)	**–**	–
Dividends paid	30	**–**	(4 691)	**–**	(4 691)
Net cash flows from financing activities		**1 242**	(36 007)	**–**	(4 691)
Net movement in cash and cash equivalents for the year		**(21 310)**	(23 301)	**933**	(64)
Cash and cash equivalents at beginning of the year		**34 773**	58 780	**1 418**	1 482
Effect of exchange rate movement on foreign entity balances		**354**	(706)	**–**	–
Total cash and cash equivalents at end of the year	10	**13 817**	34 773	**2 351**	1 418

Accounting policies

for the year ended 31 December 2011

1. Presentation of financial statements

General information

South Ocean Holdings Limited ("the Company") is a holding company of a number of subsidiaries whose businesses are involved in the manufacture and distribution of electrical wires, importing and distribution of light fittings, lamps and electrical accessories and rental of property.

The Company is a public limited company, which is listed on the Johannesburg Stock Exchange and is incorporated in South Africa.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of South Ocean Holdings Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC Interpretations and the South African Companies Act. The consolidated financial statements have been 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 consolidated financial statements are presented in South African Rand (R), which is the Company's functional and the Group's presentation currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 1.18.

IFRS 3 requires that an entity formed to issue equity instruments to effect a business combination cannot be identified as the acquirer and therefore South Ocean Electric Wire Company Proprietary Limited, the operating entity, has been identified as the acquirer. As a result, the principle of reverse acquisition has been applied to a transaction undertaken in 2007 when the Group was established. 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 at the pre-combination date has been used as those of the Group.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities, including special purpose entities, which are controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries

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. The purchase method of accounting is used to account 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 exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the 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 statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. Presentation of financial statements continued

1.1 Consolidation continued

Subsidiaries continued

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions, which result in changes in ownership levels, where the Group has control of the subsidiary, both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity. The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in the statement of comprehensive income as part of the gain or loss on disposal of the controlling interest.

Investments in subsidiaries

Investments 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.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Buildings	50 years
Leasehold improvements	Period of the lease
Plant and machinery	3 – 20 years
Furniture and equipment	3 – 10 years
Motor vehicles	5 – 7 years
Computer equipment	3 – 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 the proceeds with the carrying amount and are recognised within 'operating expenses' in the statement of comprehensive income.

Where the estimated residual value of an asset is above the carrying value, no depreciation is raised.

1. Presentation of financial statements continued

1.3 Leases

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases

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 statement of comprehensive income 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 statement of financial position. 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.

1.4 Share capital

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

1.5 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income' and 'operating expenses'.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. The cost of merchandise and demonstration inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for slow-moving goods and obsolete inventories.

1. Presentation of financial statements continued

1.7 Intangible assets

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 acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and 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 purpose 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 was identified according to operating segment.

Trade names and customer relationships

Trade names and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The trade names and customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected lives, as follows:

Item	Useful life
Trade names	20 years
Customer relationships	5 years

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software costs recognised as assets are amortised over their estimated useful lives of three years.

1.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, 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 in operating expenses in the statement of comprehensive income 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).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised as an expense immediately, and are recorded in the statement of comprehensive income, unless the relevant assets are carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the relevant 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 assets are carried at the revalued amount under another standard, in which case the impairment loss is treated as a revaluation increase under the relevant standard.

1.9 Financial instruments

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

1. Presentation of financial statements continued

1.9 Financial instruments continued

Recognition and measurement continued

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other expenses/income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Interest on available for sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available for sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial instruments designated as at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

Financial instruments designated as available-for-sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

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 maturities greater than 12 months, after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'loans to Group companies' in the statement of financial position.

Impairment of financial assets

(a) Assets carried at amortised cost

The Company and Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company and Group first assess whether objective evidence of impairment exists.

The criteria that the Company and Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract such as a default or delinquency in interest or principal payments;
- the Company and Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender will not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

1. Presentation of financial statements continued

1.9 Financial instruments continued

Impairment of financial assets continued

(a) Assets carried at amortised cost continued

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 clients' accounts are 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 statement of comprehensive income within 'other operating expenses'. Where a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating income' in the statement of comprehensive income.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1. Presentation of financial statements continued

1.9 Financial instruments continued

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 end of the reporting period.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The Group does not apply hedge accounting. Any gains or losses are taken directly to the statement of comprehensive income.

1.10 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation. 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-tax 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.

1.11 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's directors.

1.12 Employee benefits

Defined contribution plans

Group companies operate a number of defined contribution plans. The schemes are generally funded through payments to insurance companies or trustee administered funds determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit-sharing and 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 or where there is a past practice that has created a constructive obligation.

1. Presentation of financial statements continued

1.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has full discretion over the channel and price to sell the products and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales are recorded based on list prices and returns at the time of sale. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice.

Other income not included in revenue is recognised as follows:

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Management fees

Management fees are recognised when services are rendered to the respective entities within the Group.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1. Presentation of financial statements continued

1.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

1.16 Tax

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax 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 tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes, assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Secondary Taxation on Companies ("STC")

Dividends declared by South African companies are subject to STC. 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 statement of comprehensive income in the period that the dividend is recognised. 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.

1.17 Share-based payments

Cash-settled share-linked instruments have been granted to certain employees in the Group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to payment.

The fair value of the instrument granted is measured using generally accepted valuation techniques taking into account the terms and conditions upon which the instruments are granted. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employees' remuneration in the statement of comprehensive income.

1.18 Significant judgements and sources of estimation uncertainty

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

1. Presentation of financial statements continued

1.18 Significant judgements and sources of estimation uncertainty continued

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.

The estimates and judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of inventory

The inventory obsolescence provision is management's estimate, based on historic sales trends and its assessment of quality and volume, and the extent to which the merchandise for resale on hand at reporting date will not be sold.

Impairment of trade receivables

Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt. Where management has determined that the recovery of the debt is doubtful, the amount is provided for immediately.

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 4).

Residual values and useful lives

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

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 reporting date (note 6).

Share-based payments

The Group has issued cash-settled equity-linked units that are valued at each reporting date. In calculating the fair value of these units, management makes use of estimates (note 15).

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.19 Related-party transactions

All subsidiaries, associated companies, major shareholders and key management personnel of the Group are related parties. A list of all transactions with major subsidiaries, associated companies, major shareholders and key management personnel is included in note 34. All transactions entered into with subsidiaries were on terms no more favourable than those with third parties and have been eliminated in the consolidated Group accounts. Directors' and key management personnel's emoluments as well as transactions with other related parties are set out in note 22. There were no other material contracts with related parties.

1. Presentation of financial statements continued

1.20 Earnings per share

Earnings per share is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on the earnings per share.

1.21 Headline earnings per share

Headline earnings per share is based on the same calculation as above, except that attributable profit specifically excludes items as set out in Circular 3/2009: 'Headline Earnings' issued by The South African Institute of Chartered Accountants. Fully diluted headline earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings per share.

1.22 Contingencies and commitments

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain events and principally consists of contract-specific third-party obligations underwritten by banking institutions. Items are classified as commitments where the Group commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 24: Related Party Disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- the name of the government and nature of the relationship; and
- information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 1 January 2011.

The Group has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

IFRS 3: 2010 Annual Improvements Project: Amendments to IFRS 3: Business Combinations

The amendment clarifies the initial measurement of non-controlling interests. Only those interests which represent a present ownership interest shall be measured at either fair value or the present ownership's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest shall be measured at their acquisition date fair values, unless otherwise required by IFRS.

It further provides transitional provisions for dealing with contingent consideration arrangements in a business combination that occurred before the effective date of the revised IFRS 3.

For equity-settled share-based payment transactions of the acquiree that the acquirer does not exchange for its share-based payment transactions, vested transactions shall be measured as part of non-controlling interest at market-based measure. Unvested transactions shall be measured at market-based measure as if acquisition date were grant date. This measure is then allocated to non-controlling interest based on the ratio of vesting period completed to greater of total vesting period or original vesting period.

The effective date of the amendment is for years beginning on or after 1 July 2010.

The Group has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

IFRS 7: 2010 Annual Improvements Project: Amendments to IFRS 7: Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures.

The effective date of the amendment is for years beginning on or after 1 January 2011.

The Group has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year continued

IAS 1: 2010 Annual Improvements Project: Amendments to IAS 1: Presentation of Financial Statements

The amendment now requires that an entity must present, either in the statements of changes in equity or in the notes, an analysis of other comprehensive income by item.

The effective date of the amendment is for years beginning on or after 1 January 2011.

The Group has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

IAS 21: 2010 Annual Improvements Project: Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates

The amendment provides transitional provisions as a result of changes to IAS 27 (AC 132): Consolidated and Separate Financial Statements.

The effective date of the amendment is for years beginning on or after 1 July 2010.

The Group has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

IAS 34: 2010 Annual Improvements Project: Amendments to IAS 34: Interim Financial Reporting

The amendment provides additional examples of events and transactions which would be considered significant and therefore required to be disclosed in the interim financial report. In addition, the amendment removes references to only reporting certain items when they are material. Therefore, the list of items to be presented in addition to significant transactions and events are required irrespective of whether they are material.

The effective date of the amendment is for years beginning on or after 1 January 2011.

The Group has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods:

IFRS 9: Financial Instruments (effective from 1 January 2013)

This new standard is the first phase of a three-phase project to replace IAS 39: Financial Instruments: Recognition and Measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All available for sale financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

2. New standards and interpretations

2.2 Standards and interpretations not yet effective continued

IAS 27: Separate Financial Statements (effective from 1 January 2013)

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IFRS 10: Consolidated Financial Statements (effective from 1 January 2013)

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determining control where this is difficult to assess.

IFRS 12: Disclosure of Interests in Other Entities (effective from 1 January 2013)

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IFRS 13: Fair Value Measurements (effective from 1 January 2012)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 32 (Amendment): Offsetting of Financial Assets and Financial Liabilities (effective from 1 January 2014)

The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32, but clarify that the right of set-off must be available today that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency of bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both: (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements.

IFRS 7 (Amendment): Financial Instruments: Disclosures, IFRS 9 Transitional Disclosures (effective from 1 January 2015)

The amendment requires additional disclosure on the transition from IAS 39 to IFRS 9. This additional disclosure is only required when an entity adopts IFRS 9 for financial period beginning on/after 1 January 2013. If an entity adopts IFRS 9 for the financial periods beginning on/after 1 January 2012 and before 1 January 2012 and before 1 January 2013, the entity can either provide the additional disclosure or restate prior periods. The additional disclosure highlights the changes in classification of financial assets and financial liabilities upon the adoption of IFRS 9.

IFRS 7 (Amendment): Financial Instruments: Disclosures Offsetting of Financial Assets and Financial Liabilities (effective from 1 January 2013)

The amended disclosures will require more extensive disclosures than those currently required under IFRS. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements, irrespective of whether they are offset.

The Group intends to apply these standards from the effective dates. Adoption of these standards by the Group in future reporting periods is not expected to have a significant impact on the financial statements of the Group.

3. Property, plant and equipment

	2011 Cost R'000	2011 Accumulated depreciation R'000	2011 Carrying value R'000	2010 Cost R'000	2010 Accumulated depreciation R'000	2010 Carrying value R'000
Group						
Land and buildings	**204 178**	**(5 537)**	**198 641**	183 665	(3 842)	179 823
Plant and machinery	**141 596**	**(50 373)**	**91 223**	106 899	(41 136)	65 763
Furniture and equipment	**24 459**	**(13 431)**	**11 028**	20 694	(10 995)	9 699
Motor vehicles	**12 137**	**(7 189)**	**4 948**	10 560	(6 203)	4 357
Leasehold improvements	**118**	**(29)**	**89**	–	–	–
Total	**382 488**	**(76 559)**	**305 929**	321 818	(62 176)	259 642
Company						
Furniture and equipment	**190**	**(39)**	**151**	10	–	10

Reconciliation of property, plant and equipment

Group 2011	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Closing balance R'000
Land and buildings	**179 823**	**20 513**	**–**	**–**	**(1 695)**	**198 641**
Plant and machinery	**65 763**	**34 601**	**–**	**186**	**(9 327)**	**91 223**
Furniture and equipment	**9 699**	**4 684**	**(56)**	**(186)**	**(3 113)**	**11 028**
Motor vehicles	**4 357**	**2 020**	**(133)**	**–**	**(1 296)**	**4 948**
Leasehold improvements	**–**	**118**	**–**	**–**	**(29)**	**89**
	259 642	**61 936**	**(189)**	**–**	**(15 460)**	**305 929**

Group 2010	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Closing balance R'000
Land and buildings	161 628	19 479	–	–	(1 284)	179 823
Plant and machinery	66 505	7 926	(84)	(185)	(8 399)	65 763
Furniture and equipment	8 459	4 109	–	185	(3 054)	9 699
Motor vehicles	3 907	1 696	(120)	–	(1 126)	4 357
	240 499	33 210	(204)	–	(13 863)	259 642

Company 2011	Opening balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Furniture and equipment	**10**	**180**	**(39)**	**151**

Company 2010	Opening balance R'000	Additions R'000	Closing balance R'000
Furniture and equipment	–	10	10

3. Property, Plant and Equipment continued

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Security				
Carrying value of assets pledged as security for interest-bearing borrowings (note 13):				
Mortgage bonds				
Land and buildings	**198 641**	179 823	**–**	–
Instalment sale agreements				
Plant and machinery	**22 938**	14 604	**–**	–
Motor vehicles	**–**	634	**–**	–
Borrowing costs capitalised				
Borrowing costs capitalised to qualifying assets	**2 365**	–	**–**	–
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	**7,0%**	–	**–**	–

4. Intangible assets

Group	2011 Cost R'000	2011 Accumulated amortisation and impairment R'000	2011 Carrying value R'000	2010 Cost R'000	2010 Accumulated amortisation and impairment R'000	2010 Carrying value R'000
Goodwill	**323 108**	**–**	**323 108**	323 108	–	323 108
Trade names	**14 347**	**(5 285)**	**9 062**	14 347	(2 451)	11 896
Customer relationships	**10 074**	**(8 551)**	**1 523**	10 074	(6 536)	3 538
Computer software	**10 394**	**(6 865)**	**3 529**	9 981	(4 532)	5 449
Total	**357 923**	**(20 701)**	**337 222**	357 510	(13 519)	343 991

Reconciliation of intangible assets

Group 2011	Opening balance R'000	Additions R'000	Amortisation R'000	Impairment loss R'000	Closing balance R'000
Goodwill	**323 108**	**–**	**–**	**–**	**323 108**
Trade names	**11 896**	**–**	**(717)**	**(2 117)**	**9 062**
Customer relationships	**3 538**	**–**	**(2 015)**	**–**	**1 523**
Computer software	**5 449**	**413**	**(2 333)**	**–**	**3 529**
	343 991	**413**	**(5 065)**	**(2 117)**	**337 222**

Group 2010	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Goodwill	323 108	–	–	323 108
Trade names	12 613	–	(717)	11 896
Customer relationships	5 552	–	(2 014)	3 538
Computer software	5 157	2 086	(1 794)	5 449
	346 430	2 086	(4 525)	343 991

4. Intangible assets continued

Other information

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. All these assets relate to the acquisition of Radiant Group Proprietary Limited, in the lighting and electrical accessories segment. The Lohuis trade name in the lighting and electrical accessories segment has been assessed as having no value to the Group and has therefore been impaired in full in the current year.

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 seven year period. The estimated growth rates applied are in line with that of the industry in which the Company operates and is materially similar to assumptions of external market sources. The cash-generating units' recoverable amount is most sensitive to the growth rate assumptions applied. If the revenue growth in the forecast period declines to below 10%, the Group will need to recognise an impairment charge. 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 seven year period are extrapolated using the estimated growth rate stated below. The discount rates used are pre-tax and 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 – (Weighted average growth rate used to extrapolate cash flows into perpetuity) 6,0% (2010: 6,5%)
Discount rate – (Weighted pre-tax discount rate applied to the cash flow projections) 14,9% (2010: 15,3%)

Based on the value in use calculations it was determined that there was no impairment of goodwill (2010: R nil).

	Group		Company	
	2011 R'000	**2010 R'000**	**2011 R'000**	**2010 R'000**
5. Investments in subsidiaries				
Subsidiaries at cost			**1 115 453**	1 115 453
Accumulated impairment			**(98 990)**	(98 990)
			1 016 463	1 016 463
Aggregate profits before taxation attributable to the Company amounted to	**65 035**	78 758	**–**	–
Aggregate losses before taxation attributable to the Company amounted to	**(71)**	–	**–**	–
The carrying amounts of subsidiaries are shown net of impairment losses. The amounts are considered to be recoverable and are all denominated in South African Rands. Details of interest in subsidiaries are set out in note 35.				
6. Available-for-sale financial asset				
Available-for-sale				
JS Technology Company Limited	**1 582**	1 582	**1 582**	1 582
Less: Impairment	**(1 582)**	(1 582)	**(1 582)**	(1 582)
	–	–	**–**	–

JS Technology Company Limited is a research and development company for LED Technology and is based in Taiwan. As at 31 December 2011, the investment in JS Technology Company Limited was considered to be impaired.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
7. Inventories				
Raw materials	**54 295**	25 016	**–**	–
Consumable stores	**8 855**	6 450	**–**	–
Work-in-progress	**24 025**	23 556	**–**	–
Finished goods	**17 321**	15 552	**–**	–
Merchandise	**98 879**	97 877	**–**	–
Goods in transit	**41 109**	20 128	**–**	–
Demonstration units	**482**	–	**–**	–
	244 966	188 579	**–**	–
The cost of inventories recognised as an expense and included in cost of sales is R976 594 000 (2010: R851 365 000). Inventory with a carrying value of R18 972 000 (2010: R19 640 000) is carried at net realisable value.				
8. Trade and other receivables				
Net trade receivables	**157 214**	124 235	**–**	–
Other receivables	**3 507**	6 608	**86**	289
Receiver of Revenue – VAT receivable	**4 060**	633	**206**	–
Deposits	**515**	–	**–**	–
Amounts owing by subsidiaries	**–**	–	**438**	3 462
	165 296	131 476	**730**	3 751
Trade and other receivables past due but not impaired				
Trade receivables of R77 453 000 (2010: R44 795 000) 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:				
Two months	**61 099**	36 468	**–**	–
Three months	**13 882**	7 815	**–**	–
Over three months	**2 472**	512	**–**	–
	77 453	44 795	**–**	–
Trade and other receivables impaired				
As at 31 December 2011, trade receivables of R8 730 000 (2010: R6 057 000) were impaired and provided for. The amount of the provision in respect of these debtors was R2 568 000 (2010: R4 240 000). It was assessed that a portion of these trade receivables were considered to be recoverable. The aging of these receivables is as follows:				
Two months	**7 418**	3 165	**–**	–
Three months	**603**	822	**–**	–
Over three months	**709**	2 070	**–**	–
	8 730	6 057	**–**	–
Reconciliation of provision for impairment of trade and other receivables				
Balance at beginning of year	**4 240**	6 015	**–**	–
Provision for receivables impairment	**49**	1 555	**–**	–
Utilised during the year	**(990)**	(314)	**–**	–
Unused amounts reversed	**(387)**	(3 016)	**–**	–
Bad debts recovered	**(344)**	–	**–**	–
Balance at the end of year	**2 568**	4 240	**–**	–

8. Trade and other receivables continued

The creation and release of the provision for impaired receivables has been included in the other operating expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Individually impaired receivables mainly relate to customers who are in difficult economic situations.

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

As at 31 December 2011, trade receivables of R81 681 000 (2010: R84 864 000) were fully performing.

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 32.

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited and the Group utilises them to perform the necessary credit checks. South Ocean Electric Wire Company Proprietary Limited is exposed to a maximum credit risk of R400 000 for all trade receivables that are within its approved credit limits and 100% of the fair value of trade receivables that are in excess of its 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 its credit limits. The maximum credit exposure is R19 952 000. The Group does not hold any collateral as security.

Trade receivables have been ceded as security for banking facilities as stated in note 10.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
9. Loans to (from) Group companies				
Subsidiaries				
Anchor Park Investments 48 Proprietary Limited	-	-	-	3 324
Radiant Group Proprietary Limited	-	-	-	892
South Ocean Electric Wire Company Proprietary Limited	-	-	-	(2 999)
Radiant Matla Renewable Energy Corporation Proprietary Limited	-	-	302	-
	-	-	302	1 217
Current assets	-	-	302	4 216
Current liabilities	-	-	-	(2 999)
	-	-	302	1 217

The loan from South Ocean Electric Wire Company Proprietary Limited and loan to Anchor Park Investments 48 Proprietary Limited were unsecured, interest free and were not subject to any fixed terms of repayment. The loans have been repaid during the year. The loans to Radiant Matla Renewable Energy Corporation Proprietary Limited and from SOH Calibre International Limited are unsecured, and are not subject to any fixed terms of repayment, and will only be paid when there are sufficient cash resources. The amounts are considered to be recoverable and are all denominated in South African Rands.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
10. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	**27 678**	44 568	**2 351**	1 418
Cash on hand	**37**	32	**–**	–
Bank overdraft	**(13 898)**	(9 827)	**–**	–
	13 817	34 773	**2 351**	1 418
Current assets	**27 715**	44 600	**2 351**	1 418
Current liabilities	**(13 898)**	(9 827)	**–**	–
	13 817	34 773	**2 351**	1 418
Denominated in South African Rands	**10 794**	31 804	**2 351**	1 418
Denominated in United States Dollars	**2 105**	2 969	**–**	–
Denominated in Hong Kong Dollars	**918**	–	**–**	–

Banking facilities

The following securities are held with the Group's bankers:

First National Bank, a division of FirstRand Bank Limited

South Ocean Electric Wire Company Proprietary Limited has an overdraft facility with First National Bank of R90 million. The facility is secured by a cession of South Ocean Electric Wire Company Proprietary Limited's trade receivables, a cession of trade receivables cover policy with Credit Guarantee Insurance Corporation of Africa Limited as well as noting bank's interest and a deed of negative pledge of assets. The facility, when utilised, bears interest at prime less one percent. The unused facility at year-end amounted to R86 million (2010: R75 million) (refer note 32). The facility is renewable annually in May. South Ocean Electric Wire Company Proprietary Limited has an unsecured credit card facility of R400 000.

Radiant Group Proprietary Limited has an overdraft facility with First National Bank of R30 million. The facility is secured by a cession of Radiant Group Proprietary Limited trade and other receivables, to the maximum of R20 million, with a reversionary cession to Futuregrowth Asset Management Proprietary Limited, acting on behalf of various lenders. The facility, when utilised, bears interest at prime less one percent. The unused facility at year-end amounted to R19,7 million (2010: R nil) (refer note 32). The facility is renewable annually in May.

South Ocean Holdings Limited has an unsecured credit card facility of R100 000.

Investec Bank Limited

The Group had an overdraft facility of R10 million (2010: R10 million) with Investec Bank Limited. The facility was closed in April 2011 with the simultaneous opening of the First National Bank Facility as disclosed above. The unused facility at 31 December 2010 was R0,17 million.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
11. Share capital				
Authorised				
500 000 000 ordinary shares of R0,01 each	**5 000**	5 000	**5 000**	5 000
Issued				
156 378 794 ordinary shares	**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

As a consequence of the reverse acquisition in 2007, as described in the basis of preparation, 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 on consolidation are those of the operating company, South Ocean Electric Wire Company Proprietary Limited, including the value of any shares issued thereafter.

12. Other comprehensive income

Components of other comprehensive income

Group – 2011	Gross R'000	Tax R'000	Net R'000
Exchange differences on translating foreign operations			
Exchange differences arising during the year	**354**	**–**	**354**

Group – 2010	Gross R'000	Tax R'000	Net R'000
Exchange differences on translating foreign operations			
Exchange differences arising during the year	(706)	–	(706)

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
13. Interest-bearing borrowings				
Mortgage bonds				
Futuregrowth Asset Management Proprietary Limited	**31 463**	44 652	**–**	–
Investec Asset Management Proprietary Limited	**13 917**	19 750	**–**	–
Bank of Taiwan South Africa Branch	**–**	4 452	**–**	–
First National Bank	**23 527**	–	**–**	–
	68 907	68 854	**–**	–
Other loans				
Futuregrowth Asset Management Proprietary Limited	**15 029**	27 017	**–**	–
Investec Asset Management Proprietary Limited	**3 757**	6 754	**–**	–
Instalment sale agreements	**20 588**	4 414	**–**	–
	39 374	38 185	**–**	–
	108 281	107 039	**–**	–
Non-current liabilities				
Mortgage bonds	**49 910**	50 522	**–**	–
Other loans	**20 145**	20 991	**–**	–
	70 055	71 513	**–**	–
Current liabilities				
Mortgage bonds	**18 997**	18 332	**–**	–
Other loans	**19 229**	17 194	**–**	–
	38 226	35 526	**–**	–
	108 281	107 039	**–**	–
The maturity of non-current borrowings is as follows:				
Between one and two years	**27 163**	33 876	**–**	–
Between two and five years	**29 839**	37 637	**–**	–
Over five years	**13 053**	–	**–**	–
	70 055	71 513	**–**	–

13. Interest-bearing borrowings continued

Borrowing powers

The maximum permitted borrowing powers in terms of the Company's Memorandum of Incorporation is unlimited.

Securities

The interest-bearing borrowings are secured as follows:

Mortgage bonds

Futuregrowth Asset Management Proprietary Limited

The loan is secured by an irrevocable guarantee from Radiant Group Proprietary Limited, a joint first ranking mortgage bond, with Investec Asset Management Proprietary Limited, registered over all fixed properties, except for Erf 685 Alrode, as disclosed in note 3 and cession of rentals due from Radiant Group Proprietary Limited, South Ocean Holdings Limited and South Ocean Electric Wire Company Proprietary Limited.

The loan bears interest at one month JIBAR plus 1,80%. At year-end, the one month JIBAR rate was 5,395% (2010: 5,42%). The loan is payable in monthly capital instalments totalling R994 933 (2010: R994 933) plus interest.

Investec Asset Management Proprietary Limited

The loan is secured by an irrevocable guarantee from Radiant Group Proprietary Limited, a joint first ranking mortgage bond, with Futuregrowth Asset Management Proprietary Limited registered over all fixed properties, except for Erf 685 Alrode, as disclosed in note 3 and cession of rentals due from Radiant Group Proprietary Limited, South Ocean Holdings Limited and South Ocean Electric Wire Company Proprietary Limited.

The loan bears interest at one month JIBAR plus 1,80%. At year-end, the one month JIBAR rate was 5,395% (2010: 5,42%). The loan is payable in monthly capital instalments totalling R440 000 (2010: R440 000) plus interest.

Bank of Taiwan South Africa Branch

The loan was secured by first covering mortgage bond over Erf 685 Alrode Extension 2 Township and a limited suretyship of R5 565 000 issued by South Ocean Holdings Limited. The interest has been payable at Standard Bank of South Africa Limited's prime lending rate less 1,60% per annum. Prime at year end was 9% (2010: 9%). The loan was fully repaid during the year.

First National Bank, a division of FirstRand Bank Limited

The loan is secured by first covering mortgage bond over Erf 685 Alrode Extension 2 Township and a limited suretyship of R28 800 000 and a cession of all rights, title and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 1,0% per annum. Prime at year end was 9% (2010: 9,0%). The loan is repayable in monthly instalments of R295 044 inclusive of interest.

Other loans

Futuregrowth Asset Management Proprietary Limited

This loan bears interest at the three month JIBAR rate plus 1,80%. At year-end, the three month JIBAR rate was 7,375% (2010: 7,815%). The loan is repayable in quarterly capital instalments totalling R3 000 000 (2010: R3 000 000), plus interest. The loan is secured with an irrevocable guarantee from Anchor Park Investments 48 Proprietary Limited, a first ranking mortgage bond registered over all fixed properties as disclosed in note 3 and a cession of rentals due from Radiant Group Proprietary Limited and South Ocean Electric Wire Company Proprietary Limited.

Investec Asset Management Proprietary Limited

This loan bears interest at the three month JIBAR rate plus 1,80%. At year-end, the three month JIBAR rate was 7,375% (2010: 7,815%). The loan is repayable in quarterly capital instalments totalling R750 000 (2010: R750 000), plus interest. The loan is secured with an irrevocable guarantee from Anchor Park Investments 48 Proprietary Limited, a first ranking mortgage bond registered over all fixed properties as disclosed in note 3 and a cession of rentals due from Radiant Group Proprietary Limited and South Ocean Electric Wire Company Proprietary Limited.

Instalment sale agreements

Secured by vehicles, plant and equipment (note 3), bears interest at prime minus 1,15%, and are repayable in monthly instalments of R471 814 (2010: R509 679), inclusive of interest.

for the year ended 31 December 2011

	Group		Company	
	2011 R'000	**2010 R'000**	**2011 R'000**	**2010 R'000**
14. Deferred taxation				
Deferred tax liability				
At beginning of the year	**28 566**	26 818	**–**	–
Current year temporary differences	**5 276**	1 748	**–**	–
At the end of the year	**33 842**	28 566	**–**	–
The balance comprises:				
Provisions	**(336)**	(682)	**–**	–
Capital allowances	**34 178**	29 248	**–**	–
	33 842	28 566	**–**	–

Group	Capital allowances R'000	Provisions R'000	Total R'000
31 December 2011			
Opening balance	**29 248**	**(682)**	**28 566**
Charge to the statement of comprehensive income	**4 930**	**346**	**5 276**
Closing balance	**34 178**	**(336)**	**33 842**
31 December 2010			
Opening balance	28 021	(1 203)	26 818
Charge to the statement of comprehensive income	1 227	521	1 748
Closing balance	29 248	(682)	28 566

	Group		Company	
	2011 R'000	**2010 R'000**	**2011 R'000**	**2010 R'000**
Taxation losses at the end of the year arising from taxable losses	**8 076**	7 533	**–**	1 287
Unprovided deferred tax asset	**2 261**	2 109	**–**	360

15. Share-based payments

Share Appreciation Rights (SAR) long-term incentive plan

The Group has a 100% cash-settled SAR plan, which has been in place since 2009. The next SARs are eligible to be exercised in 2012. The grant value to employees of South Ocean Electric Wire Company Proprietary Limited (SOEW) and Radiant Group Proprietary Limited (Radiant Group) will be allocated 75% of the value to SAR linked to the shares of the entity and 25% of the value linked to the shares of South Ocean Holdings Limited (SOH). The fair value of the rights was calculated using the Black Scholes Pricing Market Model. The assumptions used in determining the fair value of each SAR granted are summarised as follows:

	2011	2010
Share price (VWAP)	**R1,43**	R2,05
Strike price: SOH	**R2,05**	R1,50
Strike price: SOEW	**R26,50**	R25,66
Strike price: Radiant Group	**R10,66**	R14,29
Spot price: SOH	**R1,40**	R2,35
Spot price: SOEW	**R22,98**	R25,76
Spot price: Radiant Group	**R9,25**	R10,29
Dividend yield	**0,23%**	1,39%
Volatility	**51,57%**	65,31%

Expected SAR life: Three years, may be extended at the option of the holder for one more year.
Risk free rate: Zero coupon perfect fit swap curve from the Bond Exchange of South Africa.

The volatility was determined by applying the equally weighted methodology to the historical share prices of South Ocean Holdings Limited. The spot price of the rights in the subsidiaries is determined using three year average profit after tax.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Reconciliation of liability				
Opening balance	**7 380**	–	**4 186**	–
(Credit)/charge in statements of comprehensive income	**(539)**	7 380	**(99)**	4 186
Encashment of units	**(4 163)**	–	**(2 763)**	–
Equity units forfeited	**(922)**	–	**(922)**	–
Closing balance	**1 756**	7 380	**402**	4 186
Current liabilities	**–**	5 010	**–**	2 763
Non-current liabilities	**1 756**	2 370	**402**	1 423
	1 756	7 380	**402**	4 186
Reconciliation of units				
Opening balance	**10 382**	6 036	**7 351**	4 432
Units granted	**4 634**	4 346	**2 366**	2 919
Transfer within the Group	**–**	–	**1 466**	–
Equity units forfeited	**(3 376)**	–	**(3 376)**	–
Encashment of units	**(5 024)**	–	**(4 432)**	–
Closing balance	**6 616**	10 382	**3 375**	7 351

Units comprise a combination of South Ocean Holdings Limited, South Ocean Electric Wire Company Proprietary Limited and Radiant Group Proprietary Limited's units.

Directors' interest in long-term incentive plans 2011	Number of SAR units '000	Value R'000
PJM Ferreira	**1 467**	**214**
JP Bekker	**1 908**	**188**
	3 375	**402**
2010		
PJM Ferreira	957	1 576
JP Bekker	2 591	1 476
EHT Pan	4 760	2 710
	8 308	5 762

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
16. Trade and other payables				
Trade payables	**103 217**	56 771	**670**	1 132
Accruals	**10 174**	6 165	**–**	95
Amounts owing to Group companies	**–**	–	**1 881**	–
Deposits received	**99**	117	**–**	–
Other payables	**14 268**	5 549	**1 153**	278
Payroll accruals	**9 639**	7 950	**2 414**	3 254
Receiver of Revenue – VAT payable	**2 099**	894	**–**	219
	139 496	77 446	**6 118**	4 978
The trade and other payables will be settled in the following currencies:				
South African Rands	**98 904**	37 179	**6 118**	4 978
United States Dollars	**40 592**	40 138	**–**	–
European Euros	**–**	129	**–**	–
	139 496	77 446	**6 118**	4 978
Trade and other payables are unsecured, and are repayable within a period of 12 months. The carrying amount and fair value of the current borrowings are included in note 32.				
17. Derivative financial instrument				
Liability				
Forward exchange contracts	**30**	680	**–**	–
The notional principal amount of the outstanding forward exchange contracts at 31 December 2011 was R3 627 000 (2010: R20 264 000). Trading derivatives are classified as a current asset or current liability. The fair value of the derivatives is determined with reference to observable market data and rely as little as possible on entity specific estimates.				
18. Revenue				
Sale of goods	**1 261 019**	1 138 130	**–**	–
Management fees	**–**	–	**14 989**	13 680
Dividends received	**–**	–	**–**	7 175
	1 261 019	1 138 130	**14 989**	20 855
19. Other operating income				
Rental income	**777**	1 509	**–**	–
Bad debts recovered	**344**	616	**–**	–
Profit on exchange differences	**1 583**	4 420	**–**	–
Profit on sale of property, plant and equipment	**82**	245	**–**	–
Other income	**85**	554	**–**	–
	2 871	7 344	**–**	–

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
20. Expenses by nature				
Advertising and promotions	**5 571**	8 695	**444**	382
Amortisation of intangible assets	**5 065**	4 525	**–**	–
Auditors' remuneration				
– Audit fees	**1 260**	1 397	**362**	319
– Expenses	**15**	16	**14**	–
– Under/(over) provision prior year	**91**	(54)	**91**	(82)
– Other services	**35**	40	**35**	35
Bad debt provision movement	**(1 328)**	(1 461)	**–**	–
Bad debts written off	**1 192**	379	**–**	–
Changes in finished goods inventories and work-in-progress	**(6 627)**	15 955	**–**	–
Depreciation	**15 460**	13 863	**39**	–
Electricity and water	**9 890**	7 566	**–**	–
Employee benefit expense (note 21)	**113 899**	124 509	**9 664**	12 843
Enterprise development expenses	**1 254**	–	**–**	–
Freight	**12 848**	12 404	**–**	–
Foreign exchange loss	**1 454**	665	**7**	–
Impairment of intangible assets	**2 117**	–	**–**	–
Insurance				
– Trade receivables	**1 819**	1 768	**–**	–
– Other	**2 599**	871	**76**	–
Legal fees	**474**	591	**99**	18
Motor vehicle expenses	**3 964**	3 186	**67**	–
Other expenses	**10 235**	9 556	**1 570**	856
Operating leases				
– Warehouse premises	**829**	–	**384**	–
Professional fees	**2 596**	3 460	**2 374**	1 478
Purchase of merchandise	**214 805**	174 344	**–**	–
Rates and taxes	**1 633**	1 562	**–**	–
Raw materials and consumables used	**770 839**	661 066	**–**	–
Repairs and maintenance	**8 780**	7 494	**8**	–
Software expenses	**4 345**	2 037	**–**	–
Security expenses	**3 070**	2 543	**–**	–
Total cost of sales, administration, distribution and other operating expenses	**1 188 184**	1 056 977	**15 234**	15 849
21. Employee benefit expense				
Directors' remuneration	**15 876**	12 560	**10 498**	8 057
Share-based payment – directors	**(1 020)**	4 186	**(1 020)**	4 186
Salaries, wages and bonuses	**94 558**	98 569	**186**	600
Share-based payment – staff	**(440)**	3 194	**–**	–
Pension fund contributions	**4 925**	6 000	**–**	–
	113 899	124 509	**9 664**	12 843

The employees of the Group are the members of the following contribution plans:

- Metal Industries Pension Fund
- Dynamique Pension Fund
- Momentum Funds at Work
- MEIBC Provident Fund
- MPF Provident Fund

	Group		Company	
Number of employees at 31 December				
full time	**699**	634	**3**	3
part time	**12**	7	**7**	7
	711	641	**10**	10

22. Directors' emoluments

	Salary R'000	Performance bonus R'000	Medical and group benefit contributions R'000	Provident fund R'000	Income gratuity R'000	Share appreciation rights exercised R'000	Total R'000
Group							
2011							
Executive							
PJM Ferreira	**2 788**	**569**	**32**	**235**	**–**	**1 401**	**5 025**
JP Bekker	**2 470**	**482**	**68**	**279**	**–**	**974**	**4 273**
EHT Pan	**2 212**	**–**	**18**	**275**	**1 000**	**1 789**	**5 294**
	7 470	**1 051**	**118**	**789**	**1 000**	**4 164**	**14 592**

	Salary R'000	Performance bonus R'000	Medical and group benefit contributions R'000	Provident fund R'000	Total R'000
Group					
2010					
Executive					
PJM Ferreira	1 020	824	12	98	1 954
JP Bekker	2 226	482	63	240	3 011
EHT Pan	2 870	657	30	390	3 947
	6 116	1 963	105	728	8 912

	Salary R'000	Performance bonus R'000	Medical and group benefit contributions R'000	Provident fund R'000	Income gratuity R'000	Share appreciation rights exercised R'000	Total R'000
Company							
2011							
Executive							
PJM Ferreira	**1 593**	**566**	**16**	**118**	**–**	**–**	**2 293**
JP Bekker	**2 470**	**482**	**68**	**279**	**–**	**974**	**4 273**
EHT Pan	**2 212**	**–**	**18**	**275**	**1 000**	**1 789**	**5 294**
	6 275	**1 048**	**102**	**672**	**1 000**	**2 763**	**11 860**

	Salary R'000	Performance bonus R'000	Medical and group benefit contributions R'000	Provident Fund R'000	Total R'000
Company					
2010					
Executive					
EHT Pan	2 870	657	30	390	3 947
JP Bekker	2 226	482	63	240	3 011
	5 096	1 139	93	630	6 958

22. Directors' emoluments continued

	2011 Directors' fees R'000	2010 Directors' fees R'000
Non-executive		
EG Dube	**384**	359
EHT Pan	**47**	–
KH Pon	**343**	320
M Chong	**168**	107
DL Tam	**153**	27
HL Li	**153**	143
CY Wu	**153**	143
	1 401	1 099

	2011			2010		
	Salary R'000	Provident fund R'000	Total R'000	Salary R'000	Provident fund R'000	Total
Prescribed officer 1	**1 491**	**172**	**1 663**	1 245	147	1 392
Prescribed officer 2	**1 183**	**138**	**1 321**	1 030	127	1 157
Prescribed officer 3	**1 008**	**55**	**1 063**	–	–	–
	3 682	**365**	**4 047**	2 275	274	2 549

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Total directors' remuneration				
Executive directors	**14 592**	8 912	**11 860**	6 958
Non-executive directors	**1 401**	1 099	**1 401**	1 099
Prescribed officers	**4 047**	2 549	**–**	–
Less: Share appreciation rights exercised	**(4 164)**	–	**(2 763)**	–
	15 876	12 560	**10 498**	8 057

23. Finance income

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Interest received				
Subsidiaries	**–**	–	**–**	94
Bank	**276**	1 700	**28**	60
Receiver of Revenue	**34**	1	**–**	–
	310	1 701	**28**	154

24. Finance costs

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Mortgage bonds	**4 977**	6 314	**–**	–
Bank	**4 683**	3 751	**1**	–
Instalment sale agreements	**1 371**	451	**–**	–
Other loans	**2 085**	2 875	**–**	–
Receiver of Revenue	**89**	64	**–**	–
Capitalised to property, plant and equipment	**(2 365)**	–	**–**	–
Other interest paid	**136**	–	**–**	–
	10 976	13 455	**1**	–

25. Taxation

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Major components of the tax expense				
Current				
South African normal tax	**14 341**	21 849	**11**	–
Arising from prior period adjustments	**(366)**	201	**–**	–
Secondary taxation on companies	**–**	469	**–**	469
	13 975	22 519	**11**	469
Deferred				
Originating and reversing temporary differences	**5 083**	1 538	**–**	–
Arising from prior period adjustments	**193**	210	**–**	–
	5 276	1 748	**–**	–
	19 251	24 267	**11**	469
Reconciliation of the tax expense				
Profit/(loss) before taxation	**65 040**	76 743	**(218)**	5 160
Tax at the applicable tax rate of 28% (2010: 28%)	**18 211**	21 488	**(61)**	1 445
Adjusted for:				
Exempt income	**–**	–	**–**	(2 009)
Prior year (over)/under provision current tax	**(366)**	201	**–**	–
Prior year under provision deferred tax	**193**	210	**–**	–
Secondary taxation on companies	**–**	469	**–**	469
Expenses not deductible	**360**	132	**329**	107
Foreign subsidiary tax rate difference	**(50)**	(34)	**–**	–
Unprovided deferred tax	**1 168**	1 801	**28**	457
Unrecognised tax losses utilised	**(265)**	–	**(285)**	–
South African normal taxation	**19 251**	24 267	**11**	469

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
26. Earnings per share				
Basic and diluted earnings per share (cents)	**29,30**	33,60	**–**	–
Earnings attributable to ordinary shareholders	**45 789**	52 476	**–**	–
Headline and diluted headline earnings per share (cents)	**30,60**	33,40	**–**	–
Reconciliation between earnings and headline earnings				
Earnings attributable to ordinary shareholders	**45 789**	52 476	**–**	–
Adjusted for:				
Surplus on disposal of property, plant and equipment net of taxes	**(59)**	(176)	**–**	–
Impairment of intangible assets	**2 117**	–	**–**	–
Headline earnings	**47 847**	52 300	**–**	–
Number of shares in issue	**156 379**	156 379	**–**	–
27. Dividends per share				
Dividends paid	**–**	4 691	**–**	–
Paid during the year relating to prior year	**–**	(4 691)	**–**	–
	–	–	**–**	–
Dividend per share	**–**	–	**–**	–
Number of shares in issue	**156 379**	156 379	**–**	–
28. Cash generated from operations				
Profit/(loss) before taxation	**65 040**	76 743	**(218)**	5 160
Adjustments for:				
Depreciation, amortisation and impairments	**22 642**	18 388	**39**	–
Profit on disposal of property, plant and equipment	**(82)**	(245)	**–**	–
Finance income	**(310)**	(1 701)	**(28)**	(154)
Finance costs	**10 976**	13 455	**1**	–
Fair value movements of derivative financial instruments	**(650)**	680	**–**	–
Share-based payment (reversed)/expensed	**(1 460)**	7 380	**(1 021)**	4 186
Changes in working capital:				
Inventories	**(56 387)**	(41 915)	**–**	–
Trade and other receivables	**(33 820)**	(7 473)	**3 021**	3 910
Trade and other payables	**62 050**	18 451	**1 140**	1 163
Share-based payments	**(4 164)**	–	**(2 763)**	–
	63 835	83 763	**171**	14 265
29. Taxation paid				
Net amounts owing at the beginning of the year	**(495)**	(2 432)	**–**	–
Charged to the statement of comprehensive income	**(13 975)**	(22 519)	**(11)**	(469)
Net amount owing at the end of the year	**827**	495	**11**	–
	(13 643)	(24 456)	**–**	(469)
30. Dividends paid				
Balance at beginning of the year	**(4)**	(4)	**(4)**	(4)
Dividends declared	**–**	(4 691)	**–**	(4 691)
Balance at end of the year	**4**	4	**4**	4
	–	(4 691)	**–**	(4 691)
31. Proceeds on disposal of property, plant and equipment				
Net book amount of assets disposed of	**189**	204	**–**	–
Profit on disposal	**82**	245	**–**	–
	271	449	**–**	–

32. 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.

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 returns 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.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt plus net overdraft divided by total equity. The Group's strategy was to maintain the gearing ratio below 50%. At 31 December 2011, the gearing ratio was 16,9% (2010: 14,6%). The gearing ratio declined primarily as a result of the settlement of liabilities.

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. The table below shows the credit limit and balances of the major counter-parties at the reporting date:

Group	2011 Credit limit R'000	2011 Balance R'000	2010 Credit limit R'000	2010 Balance R'000
Counterparty				
First National Bank	**120 500**	**(13 898)**	75 000	–
Investec Bank Limited	**–**	**–**	10 000	(9 827)
	120 500	**(13 898)**	85 000	(9 827)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2011 Group	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
Interest-bearing borrowings	45 111	31 705	34 666	15 328
Trade and other payables	117 485	–	–	–
Dividend payable	4	–	–	–
Derivative financial instruments	3 627	–	–	–
Bank overdraft	13 898	–	–	–

At 31 December 2010	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000
Interest-bearing borrowings	43 907	40 002	36 369
Trade and other payables	62 320	–	–
Dividend payable	4	–	–
Derivative financial instruments	20 264	–	–
Bank overdraft	9 827	–	–

Credit risk

Potential concentrations of credit risk consist primarily of 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. Details of credit risk for trade receivables is disclosed in note 8.

The Group limits its exposure arising from the money market by dealing with well established financial institutions of high standing.

32. Financial risk management continued

Foreign exchange risk

The Group operates and trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar. The Group buys its major machinery and the majority of the light fittings and accessories in United States Dollar. 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 2011, if the currency had weakened/strengthened against the United States Dollar by 4% with all other variables held constant, profit after tax would have decreased/increased by R1 108 426 (2010: R1 159 690), 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 at the end of the reporting period:

	2011		2010	
	Foreign currency '000	Rand equivalent R'000	Foreign currency '000	Rand equivalent R'000
Assets – bank accounts				
United States Dollar	**262**	**2 105**	448	2 969
Hong Kong Dollar	**883**	**918**	–	–
		3 023		2 969
Liabilities – trade payables				
United States Dollar	**4 898**	**40 592**	6 045	40 138
European Euros	**–**	**–**	14	129
		40 592		40 267

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

	Settlement dates	Foreign currency US$'000	Rand Equivalent R'000
2011	04 January 2012	**448**	**3,627**
2010	05 January 2011	2 282	15 692
	05 January 2011	665	4 572

Price risk

The Group is exposed to commodity price risk with regards 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 United States Dollar, which exposes the Group to the risk that fluctuations in the South African Rand/United States Dollar exchange rates may also have an impact on current or future earnings. The Company does not have specific procedures in place to manage this risk; however, management plans to keep inventory levels as low as possible. Any change in the price of the copper price has an impact on both sales values and purchase values. The Group is not exposed to equity securities price risk, as the Group did not hold any equity securities as at 31 December 2011.

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 and current 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. Details of interest rates on borrowings are disclosed in notes 10 and 13.

32. Financial risk management continued

Interest rate risk continued

All Group borrowings are denominated in South African Rands. The Group may be exposed to interest rate risk as it borrows funds at floating interest rates. To minimise the portion of interest risk, the period of the instalment sale agreements for plant and machinery and motor vehicles are kept as short as possible. Interest rate exposure is not analysed on a specific basis but should the interest rates increase/decrease by 2% the profit after tax will decrease/increase by R1 559 246 (2010: R1 541 362).

Fair value estimation

The carrying value less impairment provision of trade receivables and payables and interests-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 carrying value R'000	Group fair value R'000	Company carrying value R'000	Company fair value R'000
2011				
Trade and other receivables	**160 721**	**160 721**	**524**	**524**
Amount owing by subsidiaries	**–**	**–**	**302**	**302**
Cash and cash equivalents	**27 678**	**27 678**	**2 351**	**2 351**
Trade and other payables	**(117 485)**	**(117 485)**	**(670)**	**(670)**
Interests-bearing borrowings	**(108 281)**	**(108 281)**	**–**	**–**
Shareholders for dividends	**(4)**	**(4)**	**(4)**	**(4)**
Derivative financial instruments	**(3 627)**	**(3 627)**	**–**	**–**
Bank overdraft	**(13 898)**	**(13 898)**	**–**	**–**
2010				
Trade and other receivables	125 557	125 557	3 462	3 462
Amounts owing by subsidiaries	–	–	4 216	4 216
Cash and cash equivalents	44 568	44 568	1 418	1 418
Interests-bearing borrowings	(107 039)	(107 039)	–	–
Trade and other payables	(62 320)	(62 320)	(1 132)	(1 132)
Amounts owing to subsidiaries	–	–	(2 999)	(2 999)
Shareholders for dividends	(4)	(4)	(4)	(4)
Bank overdraft	(9 827)	(9 827)	–	–
Derivative financial instruments	(20 264)	(20 264)	–	–

33. Commitments

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Capital commitments				
Authorised and not contracted for	**3 791**	15 098	**–**	–
Authorised and contracted for	**11 588**	25 384	**–**	–
	15 379	40 482	**–**	–

The expenditure will be financed from new credit facilities from Wesbank, a division of FirstRand Bank Limited.

34. Related parties

Transactions between Group companies

In the ordinary course of business, the companies in the Group enter into transactions with each other. These inter-group transactions have been eliminated on consolidation. The following transactions were entered into between the Company and its subsidiaries during the year:

Related party transactions

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Interest received from related parties				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**–**	94
Administration fees received from related parties				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**7 180**	5 594
Radiant Group Proprietary Limited	**–**	–	**7 809**	8 086
	–	–	**14 989**	13 680
Dividends received				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**–**	3 184
Radiant Group Proprietary Limited	**–**	–	**–**	3 991
	–	–	**–**	7 175
Rental paid to related parties				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**(384)**	–

Details of amounts owing (to)/by subsidiaries are disclosed in notes 8, 9 and 16. No impairment was considered to be necessary in respect of related party balances as they are considered to be fully recoverable.

Transactions with directors and prescribed officers

Details relating to the directors' and prescribed officers' remuneration and interests are disclosed in notes 21 and 22 of the financial statements and in the directors' report.

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

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, and include directors of subsidiaries, divisional directors and departmental managers.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Compensation to key management				
Employee benefits	**6 270**	10 311	**–**	–

Short-term employment benefits comprise salaries, commission and bonuses paid. Other employment benefits comprise travel allowances, fringe benefits on the use of the Company vehicles and contributions to medical aid funds. Information regarding the earnings of the directors, executive and non-executive, have been disclosed separately in notes 21 and 22.

35. Interest in subsidiaries

Direct holdings	Issued share capital and proportion held 2011 R'000	2010 R'000	Shares at cost 2011 R'000	2010 R'000	Indebtedness by/(to) 2011 R'000	2010 R'000
South Ocean Electric Wire Company Proprietary Limited	**100**	100	**712 165**	712 165	**–**	(2 999)
Radiant Group Proprietary Limited	**100**	100	**488 038**	488 038	**–**	892
Anchor Park Investments 48 Proprietary Limited	**100**	100	*****	*	**–**	3 324
Radiant Matla Renewable Energy Corporation Proprietary Limited	**55**	–	*****	–	**302**	–
SOH Calibre International Limited**	**100**	–	*****	–	*****	–
			1 200 203	1 200 203	**302**	1 217
Less: Dividends received from pre-acquisition profits (prior to 2009)			**(84 750)**	(84 750)	**–**	–
Less: Impairment			**(98 990)**	(98 990)	**–**	–
			1 016 463	1 016 463	**302**	1 217

** Denotes amounts of less than R1 000.*

Indirect holdings	Issued share capital and proportion held 2011	2010	Nature of business
Radiant Lighting Proprietary Limited	**100**	100	Dormant
Lohuis Properties Proprietary Limited	**100**	100	Dormant
Lohuis SA Proprietary Limited	**100**	100	Dormant
Ripple Effect 55 Proprietary Limited	**100**	100	Dormant
Wild Break 116 Proprietary Limited	**100**	100	Dormant
Razz Ma Tazz Lighting Proprietary Limited	**100**	100	Dormant
Diaspara Developers Proprietary Limited	**100**	100	Dormant
Stand 53 Atlas Gardens Proprietary Limited	**100**	100	Dormant
Stand 431 Wynberg Proprietary Limited	**100**	100	Dormant
Radiant Lighting and Electrical International Limited**	**100**	100	Trading

*** Incorporated in Hong Kong.*

36. Segmental reporting

The Group is organised into three main business segments:

- Electrical wires – manufacturing and distribution of electric wire;
- Lighting and electrical accessories – import and distribution of light fittings, lamps and electrical accessories; and
- Property investments.

The activities of other Group companies that are not significant enough and do not warrant to be regarded as a segment on their own are reported together with the corporate activities as other assets or liabilities or other overheads.

The chief operating decision-maker, who has been identified as the Group's executive committee, reviews the Group's internal reporting in order to assess performance and has determined the operating segments based on these reports.

The assessment of the performance of the operating segments is based on the operating profit before interest, tax, depreciation and amortisation (EBITDA) and inter-group management fees. This measurement basis excludes the effect of non-recurring expenditure from the operating segments, such as restructuring costs, profit on disposal of property, plant and equipment and impairments.

The reported total assets and liabilities exclude available for sale financial assets, current and deferred taxation and inter-company balances.

36. Segmental reporting continued

The details of the business segments are reported as follows:

	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
2011				
Electrical wires	**897 338**	**50 259**	**336 080**	**108 794**
Lighting and electrical accessories	**363 681**	**47 114**	**540 137**	**79 431**
Property investments	**19 457**	**17 099**	**200 531**	**70 311**
	1 280 476	**114 472**	**1 076 748**	**258 536**
2010				
Electrical wires	777 133	62 412	233 846	23 066
Lighting and electrical accessories	360 998	44 845	549 920	100 087
Property investments	17 550	15 477	182 804	70 101
	1 155 681	122 734	966 570	193 254

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. Segment assets exclude available-for-sale financial assets and any inter-group loans existing at reporting date. Segment liabilities comprise operating liabilities and exclude current and deferred taxation and any inter-group liabilities existing at reporting date.

Reconciliation of segment results to statements of comprehensive income and financial position.

	Group 2011 R'000	Group 2010 R'000
Revenue		
Reported segment revenue	**1 280 476**	1 155 681
Inter-segment revenue (property rentals)	**(18 680)**	(16 041)
Property revenue disclosed in other income	**(777)**	(1 510)
Revenue per consolidated statement of comprehensive income	**1 261 019**	1 138 130
EBITDA		
Adjusted EBITDA	**114 472**	122 734
Corporate and other overheads	**(16 124)**	(15 849)
Depreciation	**(15 460)**	(13 863)
Impairment of intangible assets	**(2 117)**	–
Amortisation of intangible assets	**(5 065)**	(4 525)
Operating profit	**75 706**	88 497
Finance income	**310**	1 701
Finance costs	**(10 977)**	(13 455)
Profit before taxation	**65 039**	76 743
Assets		
Reportable segment assets	**1 076 748**	966 570
Corporate and other assets	**4 380**	1 718
Taxation receivable	**574**	1 353
Total assets per statement of financial position	**1 081 702**	969 641
Liabilities		
Reportable segment liabilities	**258 536**	193 254
Corporate and other liabilities	**4 930**	9 122
Deferred tax	**33 842**	28 566
Taxation payable	**1 401**	1 848
Total liabilities per statement of financial position	**298 709**	232 790

36. Segmental reporting continued

The Group operates primarily in South Africa. No geographical segmental information is disclosed as there are no separately defined segments that contribute more than 10% of revenue, results, assets or liabilities.

The revenue from external customers earned in South Africa is R1 222 939 000 and earned from other countries is R38 080 000. Revenue in excess of 10% of total revenue was derived from a single external customer.

The total of non-current assets other than financial instruments and deferred tax assets located in South Africa is R643 029 000 and the total of these non-current assets located in other countries is R122 000.

Analysis of ordinary shareholders

at 31 December 2011

Shareholder spread	Number of shareholders	% of total shareholders	Shares held	% held
1 – 1 000 Shares	178	20,37	108 245	0,07
1 001 – 10 000 Shares	390	44,62	1 671 029	1,07
10 001 – 100 000 Shares	217	24,83	7 797 583	4,99
100 001 – 1 000 000 Shares	65	7,44	19 954 023	12,76
1 000 001 Shares and over	24	2,74	126 847 914	81,11
Total	**874**	**100,00**	**156 378 794**	**100,00**
Distribution of shareholders				
Public Companies	3	0,34	53 863 069	34,44
Retail Shareholders	657	75,17	31 152 590	19,92
Trusts	84	9,61	27 503 361	17,59
Hedge Funds	6	0,69	13 284 322	8,49
Collective Investment Schemes	9	1,03	11 990 570	7,67
Retirement Benefit Funds	28	3,20	5 159 662	3,30
Custodians	5	0,57	5 046 337	3,23
Foundations and Charitable Funds	10	1,16	4 685 976	3,00
Private Companies	29	3,32	1 668 090	1,07
Close Corporations	29	3,32	1 144 467	0,73
Insurance Companies	2	0,23	334 489	0,21
Assurance Companies	1	0,11	205 260	0,13
Investment Partnerships	3	0,34	127 400	0,08
Stockbrokers and Nominees	4	0,46	124 623	0,08
Managed Funds	3	0,34	62 178	0,04
Medical Aid Funds	1	0,11	26 400	0,02
Total	**874**	**100,00**	**156 378 794**	**100,00**
Shareholder type				
Non-Public shareholders	6	0,68	66 140 638	42,30
Directors and associates of the company (direct holding)	3	0,34	6 632 925	4,24
Directors and associates of the company (indirect holding)	2	0,23	27 734 563	17,74
Holders holding more than 10% (excluding directors' holding)				
Hong Tai Electric Industrial Co. Ltd	1	0,11	31 773 150	20,32
Public shareholders	868	99,32	90 238 156	57,70
Total	**874**	**100,00**	**156 378 794**	**100,00**
Beneficial shareholdings (>5%)			Total shareholding	Held
Hong Tai Electric Industrial Co. Ltd			31 773 150	20,32
Metallic City International Ltd			20 069 919	12,83
HS Family Trust			14 245 992	9,11
Peregrine Group			12 629 126	8,08
Investec			10 025 222	6,41
Total			**88 743 409**	**56,75**
Top 5 Fund Managers				
Investec Asset Management			15 507 499	9,92
Peregrine Capital			13 284 322	8,49
Flagship Asset Management			1 200 000	0,77
Cogito Capital			850 000	0,54
36One Asset Management			338 700	0,22
Total			**31 180 521**	**19,94**

Total number of shareholders	**874**
Total number of shares in issue	**156 378 794**
Share price performance	
Opening price 03 January 2011	R 2,35
Closing price 30 December 2011	R 1,40
Closing low for the period (9 and 22 November 2011)	R 1,25
Closing high for the period (3, 4, 17, 18 Jan 2011 and 4 March 2011)	R 2,35
Total volume traded (31 Dec 10 – 30 Dec 2011)	12 872 644
Rand value traded (31 Dec 10 – 30 Dec 2011)	R 21 591 506

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of shareholders of South Ocean Holdings Limited ("the Company") will be held in the Boardroom, 16 Botha Street, Alrode, on Friday, 29 June 2012 at 11h00. To ensure that registration procedures are completed by 11h00, please register for the Annual General Meeting from 10h30. Only shareholders who are listed in the shareholders' register as at Friday, 22 June 2012 will be eligible to vote at the Annual General Meeting.

The purpose of the Annual General Meeting is to propose the passing of the following ordinary and special resolutions:

1. Ordinary resolution number 1

Approval of annual financial statements

Resolved that the annual financial statements of the Company and its subsidiary companies for the year ended 31 December 2011, together with the reports of the directors, auditors and Audit and Risk Management Committee be and are hereby considered and adopted.

2. Ordinary resolution number 2

Appointment of auditors

Resolved that PricewaterhouseCoopers Inc. be and are hereby re-appointed auditors of the Company and that Ms Lynne Loots is hereby appointed as the designated auditor to hold office for the ensuing year.

The Company's Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as auditors of the Company with Ms Lynne Loots being appointed as the designated auditor for the current financial year.

3. Ordinary resolution number 3

Appointment of Ms M Chong as a director

Resolved that Ms M Chong, who retires in terms of the Company's Memorandum of Incorporation, be and is hereby re-appointed a director of the Company.

The *Curriculum Vitae* for Ms Chong appears on page 7 of this annual report.

4. Ordinary resolution number 4

Appointment of Mr HL Li as a director

Resolved that Mr HL Li, who retires in terms of the Company's Memorandum of Incorporation, be and is hereby re-appointed a director of the Company.

The *Curriculum Vitae* for Mr Li appears on page 6 of this annual report.

5. Ordinary resolution number 5

Appointment of Audit and Risk Management Committee members

Resolved that Mr KH Pon (Chairman), Ms M Chong, Ms DL Tam and Mr C Wu be appointed as the Company's Audit and Risk Management Committee members and whose appointments shall be valid up to the date of the next Annual General Meeting of the Company.

6. Ordinary resolution number 6

Remuneration Committee report for the financial year ended 31 December 2011

The Remuneration Committee report for the financial year ended 31 December 2011, as set out in the annual report (page 32) accompanying the notice of this Annual General Meeting, will be tabled at the Annual General Meeting.

Resolved that, as a non-binding advisory vote, the Remuneration Committee report as tabled be and is hereby approved.

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

7. Special resolution number 1

Non-executive directors' fees for the financial year ending 31 December 2012 and quarter ending 31 March 2013

Resolved that the non-executive directors' fees, to be paid to the non-executive directors for their services as directors, for the year ending 31 December 2012 and the quarter ending 31 March 2013 be approved as follows:

	31 December 2012
• Chairperson	R367 481,00
• Deputy vice chairperson	R212 000,00
• Non-executive director	R122 494,00
• Chairperson of the Audit Committee	R183 740,00
• Member of the Audit Committee	R39 697,00
• Chairperson of the Remuneration Committee	R56 498,00
• Member of the Remuneration Committee	R39 697,00
• Chairperson of the Social and Ethics Committee	R56 498,00
• Chairperson of special committee	R2 500,00
• Member of special committee	R1 500,00

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the year ending 31 December 2012 and for the quarter ending 31 March 2013 in accordance with Section 66(9) of the Companies Act, 2008. The passing of this special resolution will have the effect of approving the remuneration of each of the non-executive directors of the Company for the year ending 31 December 2012 and quarter ending 31 March 2013. The fees payable for the quarter ending 31 March 2013 will be based on a quarter of the fees as approved above. Shareholders will be requested to approve any adjustment to the fees payable for the quarter ending 31 March 2013 at the 2013 Annual General Meeting.

8. Special resolution number 2

Loans or other financial assistance

Resolved that the Board of directors may authorise the Company, in terms of Section 45 of the Companies Act, 2008, to authorise the Company to provide any direct or indirect financial assistance that the Board of directors may deem fit to any related or inter-related companies as defined in Section 2 of the Companies Act, 2008.

Reason and effect of special resolution number 2

The reason and effect of special resolution number 2 is to approve generally the provision of financial assistance to the Company's related or inter-related companies and as, from time to time, may be required in the normal course of the Company's businesses.

9. Special resolution number 3

Adoption of new Memorandum of Incorporation

Resolved that, in terms of Section 16(1)(c)(ii) of the Companies Act, 2008 and Item 4(2) of Schedule 5 to the Companies Act, the existing Memorandum of Incorporation of the Company be and is hereby substituted in its entirety by the adoption of a new Memorandum of Incorporation signed by the Chairperson of the Annual General Meeting on the first page thereof for identification purposes, with effect from the date of filing of the new Memorandum of Incorporation with the Companies and Intellectual Property Commission.

Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to adopt a new Memorandum of Incorporation which falls in line with the new Companies Act, 2008.

A summary of the salient features of the new Memorandum of Incorporation has been set out in Annexure 1 to this annual report. A copy of the new Memorandum of Incorporation will be available for inspection by any shareholder of the Company at the Head Office of the Company, 16 Botha Street, Alrode, during normal office hours up to the date of the Annual General Meeting.

10. Ordinary resolution number 7

General authority over unissued shares

Resolved that all the issued shares in the unissued authorised ordinary shares in the Company be and are hereby placed under the control of the directors until the date of the next Annual General Meeting, subject to the provisions of the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company.

No issue of these shares is contemplated at the present time and no issue will be made that could effectively change the control of the Company without the prior approval of shareholders in a general meeting.

11. Ordinary resolution number 8

General authority to issue shares for cash

Resolved that the directors of the Company be and are hereby authorised by way of a general authority to issue shares for cash (as contemplated in the JSE Listings Requirements) up to 10% of the authorised but unissued shares in the capital of the Company as and when they in their discretion deem fit, subject to the Companies Act, No. 71 of 2008, as amended, the Memorandum of Incorporation of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time.

The reason for the above ordinary resolution number 8 is to give the directors authority to issue up to 10% of the unissued shares for cash in order to pursue suitable BEE partners.

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares (as defined in the JSE Listings Requirements) for cash under the above general authority if the following JSE Listings Requirements are met:

(a) the shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;

(b) the general authority shall only be valid until the Company's next Annual General Meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;

(c) a paid press announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the price of the issue was agreed in writing between the Company and party/ies subscribing for such shares and the expected effect on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of shares in issue prior to that issue;

(d) that issues in the aggregate in any 1 (one) financial year may not exceed 5% (five percent) of the number of the shares of the Company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;

(e) in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the Company and the party/ies subscribing for the shares; and

(f) any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

12. Ordinary resolution number 9

Directors' or Company Secretary's authority to implement special and ordinary resolutions

Resolved that any director of the Company or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting.

General instructions and information

The annual report to which this notice of Annual General Meeting is attached, provides details of:

- the directors of the Company on pages 6 to 7;
- the major shareholders of the Company on page 88;
- the directors' shareholding in the Company on page 46;
- the share capital of the Company in note 44 on page 70; and

There are no material changes to the Company's financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Company between 31 December 2011 and 22 May 2012.

The directors, whose names are given on pages 6 to 7 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and beliefs 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 annual report and this notice contains all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the Annual General Meeting.

Entitlement to attend and vote at the Annual General Meeting in person or by proxy

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name in the Company sub-register), as at Friday, 22 June 2012, then:

- you may attend and vote at the Annual General Meeting; alternatively
- you may appoint an individual as a proxy, (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in your place at the Annual General Meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on page 103 of the annual report, by no later than 11h00 on Wednesday, 27 June 2012, being 48 (forty-eight) hours prior to the time appointed for the holding of the Annual General Meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the Annual General Meeting.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE") held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- if you wish to attend the Annual General Meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the Annual General Meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the Annual General Meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the Annual General Meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on page 103 of the annual report, by no later than 11h00 on Wednesday, 27 June 2012, being 48 (forty-eight) hours prior to the time appointed for the holding of the Annual General Meeting.

Shareholders of the Company who wish to participate in the Annual General Meeting should note that any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) must provide satisfactory identification before they may so participate.

By order of the Board

W T Green
Company Secretary

Johannesburg
22 May 2012

Material amendments to the Memorandum of Incorporation of South Ocean Holdings Limited ("the Company")

The following is an overview of the material changes to the Memorandum of Incorporation ("MOI") of the Company, which are currently in force ("Current MOI") and which are to be substituted by the proposed Memorandum of Incorporation ("Proposed MOI"). Please note that this is intended as a summary for information purposes only, and is not intended as a substitute for the thorough perusal of the document to which it relates. Shareholders are individually requested to familiarise themselves with the contents of the Proposed MOI, which is available for inspection at the Head Office of the Company, 16 Botha Street, Alrode.

1. New additions

The following items constitute additions to the provisions of the Current MOI of the Company (references to articles in brackets are to articles of the Proposed MOI for the Company):

1.1 The requirements of Schedule 10 to the Listings Requirements ("Listings Requirements") of the JSE Limited ("JSE")

All provisions required to be included in the MOI of the Company in terms of the Listings Requirements of the JSE, insofar as these did not previously appear in the MOI, have been included and approved by the JSE, namely the insertion of the following:

Alteration and amendment of the MOI

1.1.1 No alteration or amendment may be effected to the MOI unless the JSE:

1.1.1.1 Has approved the proposed amendment/s;

1.1.1.2 In addition, where an amendment relates to the variation of the preferences, rights and other terms attaching to a class of securities (where there are more than 1 (one) in issue), the affected securities holders may vote at the general meeting of ordinary shareholders provided that their votes shall carry no special rights or privileges and shall not exceed 24.99% (twenty-four point nine, nine percent) of the aggregate voting rights of all shareholders at the meeting; and

1.1.1.3 The approvals contemplated above are not required if an amendment is ordered by a court in terms of section 16 of the Companies Act, 2008 ("Companies Act") (article 3.3.1.4).

1.1.2 **Company rules**

The Board of the Company may not make or amend any rules of the Company (article 3.4).

1.1.3 **Variation of rights and other terms attaching to shares in response to "external fact/s"**

The application of the provisions of sections 37(6) and 37(7) of the Companies Act have been excluded (article 4.1.1.1).

1.1.4 ***Pari passu***

All listed securities in each class rank *pari passu* (article 4.1.1.2).

1.1.5 **Rights attaching to ordinary shares**

Ordinary shareholders shall have only one vote in respect of each ordinary share held (article 4.1.1.3).

1.1.6 **Alteration of authorised securities**

No alteration of share capital or authorised securities may be made except in compliance with the Listings Requirements (article 4.2).

1.1.7 **Issues of capitalisation shares**

1.1.7.1 The Board may *inter alia* approve the issue of capitalisation shares as set out in Section 47(1) of the Companies Act; and

1.1.7.2 Scrip dividends may be awarded *in lieu* of cash dividends, or cash dividends *in lie*u of capitalisation or bonus shares (article 4.3.2).

1.1.8 **Power of Board to issue securities for special consideration restricted**

Securities for which listings are sought must be fully paid up and transferable and the power of the Board in section 40(5) of the Companies Act is excluded (article 5.2).

1.1.9 **Issues of securities**

1.1.9.1 Issues of securities, convertible securities or options may only be effected in compliance with the Listings Requirements (article 5.1); and

1.1.9.2 The manner and procedures for pre-emptive offers on issue are set out in detail (article 5.3).

1.1.10 **Acquisition by the Company of its own shares**

The acquisition by the Company of its own shares or that of its holding company in terms of section 48 of the Companies Act is subject to approval by special resolution and the Listings Requirements (article 9).

1.1.11 **No liens**

Paid up securities of the Company may not be subject to liens in favour of the Company (article 10).

1.1.12 **Record date**

Despite section 59 of the Companies Act, record dates must be determined with reference to the Listings Requirements (article 13).

1.1.13 **Compliance with the Listings Requirements**

The Company is required to hold meetings to adhere to the Listings Requirements in addition to those contemplated in the Companies Act and is not restricted from doing so (articles 14.2.3 and 14.3).

1.1.14 **Conduct of shareholders' meetings**

All shareholders' meetings required in terms of the Listings Requirements are to be held in person, and may not be conducted by means of a written resolution as contemplated in section 60 of the Companies Act (article 14.4.1).

1.1.15 **Quorum for shareholders' meetings**

1.1.15.1 Quorum for shareholders' meetings shall be at least 3 shareholders, and shareholders holding at least 25% (twenty-five percent) of the voting rights exercisable at the relevant meeting (article 14.8.1); and

1.1.15.2 Any shareholders' meeting which ceases to be quorate must be adjourned immediately (article 14.8.3).

1.1.16 **Notices of shareholders' meetings**

Notices of general and annual general meetings must be delivered to each shareholder entitled to vote at such meeting and who has elected to receive such documents (article 14.9.2).

1.1.17 **Ratification of *ultra vires* acts prohibited**

The ratification of *ultra vires* acts by shareholders is prohibited where this would be contrary to the Listings Requirements or the other provisions of the MOI (article 14.11).

1.1.18 **Appointment of directors and alternate directors**

1.1.18.1 All directors must be elected by the shareholders entitled to exercise voting rights (article 15.2.1);

1.1.18.2 Sufficient time must be allowed after receipt of a notice calling for nominations in respect of the appointment of directors for shareholders to provide the Company with their written nominations from any part of the Republic of South Africa (article 15.2.2);

1.1.18.3 At least 50% (fifty percent) of any alternate directors must be elected by shareholders entitled to exercise voting rights (article 15.2.3);

1.1.18.4 Each director may nominate his or her alternate for election (article 15.2.4);

1.1.18.5 The appointment of any person by the Board to fill a casual vacancy or as an addition to the Board must be confirmed at the next Annual General Meeting of the Company, failing which such person must vacate his or her office (article 15.2.10);

1.1.18.6 Where the number of directors falls below the minimum number prescribed in the MOI, the remaining directors must within 3 (three) months fill such vacancies or call a general meeting to do so (article 15.2.11); and

1.1.18.7 A failure to have such minimum number of directors during the 3 (three) month period does not limit or negate the authority of the Board or invalidate anything done by the Board during such period but, after such 3 (three) month period, the remaining directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings of the Company (article 15.2.11).

1.1.19 **Round robin resolutions of directors**

A written resolution may be adopted by the majority of the directors on any decision that could be voted on at a meeting of the Board (article 15.5).

1.1.20 **Quorum for directors' meetings**

If the quorum requirements for directors are amended to provide that 2 (two) directors shall constitute a quorum and only 2 (two) or less directors are present at a meeting of directors, then the Chairperson of the meeting shall not have a casting vote (article 15.6.4).

1.1.21 **Payment policy**

1.1.21.1 Any distribution by the Company must be in compliance with section 46 of the Companies Act and the Listings Requirements (article 16.1.1);

1.1.21.2 Dividends are payable to shareholders registered as at a date subsequent to the declaration or confirmation of the dividend, whichever is later (article 16.1.3);

1.1.21.3 Any dividend or payment due to shareholders on or in respect of a share must be held in trust by the Company indefinitely (subject to the laws of prescription) (article 16.1.15); and

1.1.21.4 Payments to all holders of securities in the Company must be made in accordance with the Listings Requirements and capital shall not be repaid on the basis that it may be called up again (article 16.4).

1.1.22 **Financial statements**

A copy of the financial statements must be distributed to the shareholders by no less than 15 (fifteen) business days prior to the Annual General Meeting or in accordance with other relevant provisions of the Listings Requirements (article 17.1).

1.2 Other provisions included

1.2.1 **Securities register**

The information and duties of any person entitled to have their name entered into the securities register of the Company are set out in detail (article 4.4).

1.2.2 **Directors' right to decline to register a transfer/instrument of transfer**

1.2.2.1 The directors may decline to recognise an instrument of transfer which is not accompanied by the certificate of the securities to which it relates or such other evidence as the directors may require, or where the securities transfer tax payable thereon has not been paid (article 6.5.4); and

1.2.2.2 The directors may decline to register any proposed transfer if the transfer is to a minor or person of unsound mind (article 6.5.6.4);

1.2.3 **Financial assistance**

The Board may not authorise the provision of financial assistance in terms of section 44 of the Companies Act unless the provision thereof complies with the Listings Requirements (article 8).

1.2.4 **Electronic participation in shareholders' meetings**

1.2.4.1 Each shareholders' meeting must be reasonably accessible within the Republic of South Africa for electronic participation by the shareholders, as contemplated in section 61(10) of the Companies Act; and

1.2.4.2 The manner and procedures for electronic participation by shareholders are set out in detail (article 14.7).

1.2.5 **Alternate directors**

1.2.5.1 Alternate directors shall only be appointed to act in place of a director during the absence or inability of a director to act as regards meetings of the Board, and such alternates may not attend meetings of any committee of the Board (article 15.2.6.4); and

1.2.5.2 The Chairperson may nominate an alternate director from the ranks of existing alternate directors to fill any vacancy created as a result of the disqualification or resignation of any alternate director during the absence or inability to act of any director whom he or she represents (article 15.2.6.5).

1.2.6 **Minutes of directors' meetings**

The requirements for minutes taken of directors' meetings are set out in detail insofar as these are not contemplated in the Companies Act (article 15.7.2).

1.2.7 **Executive directors**

1.2.7.1 The remuneration of executive directors may be in terms of an incentive scheme as approved by the Board and may comprise two or more methods of remuneration contemplated in the MOI (article 15.10.3.3); and

1.2.7.2 The directors may appoint a Chief Executive Officer or joint Chief Executive Officers (article 15.10.4).

1.2.8 **Board committees**

1.2.8.1 Any delegation by the Board of its authority to a committee may be wholly or partially withdrawn by the non-executive directors, subject to the requirements of the King Report on Governance for South Africa, 2009 (article 15.11.1.2).

1.2.8.2 A Board committee articles 15.11.2.3 to article 15.11.2.6:

1.2.8.2.1 may with the prior approval of the Board consult with or receive advice from any person, at the expense of the Company;

1.2.8.2.2 shall have the full authority of the Board in respect of matters referred to it, save that in the exercise of such authority and in carrying out its duties, such committee must comply with any mandates or instructions given to it by the Board;

1.2.8.2.3 may make recommendations to the Board on matters within its remit, provided that final decisions on such matters are to be taken by the Board; and

1.2.8.2.4 may include persons who are not directors, but such committee members may not vote on any matter decided by the committee.

1.2.9 **Register of mortgages and charges affecting property of the Company**

The directors shall cause a proper register to be kept of mortgages and charges affecting the property of the Company (article 15.14.3).

1.2.10 Payment policy:

1.2.10.1 If the declaration of a dividend results in shareholders becoming entitled to fractions of specific assets of the Company, such fractions will be rounded up or down to the nearest full number of shares or debentures to determine participation in such dividend (article 16.1.10);

1.2.10.2 The payment of dividends, interest or other monies payable to a registered shareholder by cheque or warrant shall be good discharge to the Company in respect thereof, and the notification of changes of registered addresses or instructions as to payment on or before the last day to trade for the purposes of receiving a dividend or return of capital which would have the effect of changing the currency of payment shall become effective only after such payment (article 16.1.11);

1.2.10.3 The directors may resolve that any return of capital to shareholders whose registered addresses are outside of the Republic of South Africa, or who request payment to such addresses, may be paid only in Rands (article 16.3.6); and

1.2.10.4 If the ordinary shareholders resolve to apply for the Company to be struck off the register of companies, the directors may nominate trustees as paying agents for the final repayment of capital and all amounts unclaimed in respect of dividends not forfeited by the shareholders, to be held by such trustees for the benefit of persons entitled thereto until claimed, or until such amounts become liable to be paid into the Guardians Fund (article 16.3.7).

1.2.11 **Annual financial statements**

The Company may, at the discretion of the directors, deliver copies of the financial statements of the Company by sending such statements by electronic mail and/or by transmitting such statements as a data file attached to an electronic mail message, provided that shareholders have furnished the Company with a current email address (article 17.4).

1.3 Provisions amended

The following articles of the Current MOI have been amended:

1.3.1 **Capitalisation shares**

Article 29.2 of the Current MOI provides that any cash payment in lieu of the issue of a capitalisation share due to a shareholder will not be paid to that shareholder if less than R5,00 (five Rand), and will be forfeited to a charity of the directors' choice: this figure has been amended to R10,00 (ten Rand) (article 4.3.4).

1.3.2 **Loss of certificated securities**

Article 5.10 of the Current MOI provides that the directors may determine such terms as to evidence, indemnity and payment of the out-of-pocket expenses of the Company of investigating evidence of a lost or destroyed certificate, as well as the cost of advertising with regard thereto: the wording of this article has been amended to provide better procedural clarity for the protection of the Company (article 4.4.7.6).

1.3.3 **Forms of proxy**

Article 16.6 of the Current MOI provides that forms of proxy shall be in the form provided in that article, or as the directors may approve: in terms of the Proposed MOI, forms of proxy must be in substantially the same form as set out in schedule 1 to the Proposed MOI, which form complies with the requirements of the Companies Act (article 12.3).

1.3.4 **Right to call a meeting**

Whereas article 12.2 of the Current MOI provides that members may not convene a general meeting of the Company, except where all the directors have become incapacitated or have ceased to be directors, in which event any 2 (two) members may convene a general meeting, the Proposed MOI provides:

1.3.4.1 If there are insufficient directors in the Republic of South Africa capable of forming a quorum, shareholders holding 10% (ten percent) of the issued shares of the Company may convene a shareholders' meeting; and

1.3.4.2 The Company Secretary or any prescribed officer of the Company may call a meeting for the purposes of section 61(11) of the Companies Act (article 14.2).

1.3.5 **Location of shareholders' meetings**

Article 12.4 of the Current MOI provides *inter alia* that general meetings shall be held at such time and place as the directors shall decide: in terms of the Proposed MOI, shareholders' meetings may only be held in the Republic of South Africa (article 14.5).

1.3.6 **Notice of shareholders' meetings**

Article 13.1 of the Current MOI provides that not less than 21 (twenty-one) clear days' notice shall be given for general meetings called for the passing of a special resolution, and 14 (fourteen) clear days' notice shall be given for any other general meeting: in the Proposed MOI, the minimum notice period for the delivery of notices of shareholders' meetings is as contemplated in the Companies Act, being 15 (fifteen) business days before the meeting is to begin (article 14.9.1).

1.3.7 **Composition of the board**

Article 17.1 of the Current MOI provides that the minimum number of directors shall be 4 (four): in terms of the Proposed MOI, the Board shall comprise the minimum number of directors required in terms of the JSE Listings Requirements, being at least 4 (four) directors (article 15.1).

1.3.8 **Board meetings by electronic communication**

Article 25.3 of the Current MOI provides that, if directors are not available to attend a directors' meeting, such directors may attend the meeting by way of video or telephone conferencing: the wording of this article has been amended to provide better procedural clarity in that the Proposed MOI provides:

1.3.8.1 Board meetings may be conducted by electronic communication, as contemplated in section 73(3) of the Companies Act; and

1.3.8.2 The manner and procedures for the conducting of Board meetings by electronic communication are set out in detail (article 15.6.3).

1.3.9 **Quorum for board meetings**

Article 25.2 of the Current MOI provides that a quorum for Board meetings is 4 (four) directors: the Proposed MOI provides that quorum shall be 50% (fifty percent) of the directors or their alternates (article 15.6.4).

1.3.10 **Payment policy**

Article 29.1 of the Current MOI provides that any dividend due to a shareholder will not be paid to that shareholder if less than R5,00 (five Rand), and will be forfeited to a charity of the directors' choice: this figure has been amended to R10,00 (ten Rand) (article 16.1.16).

2. Exclusions

The Proposed MOI excludes or departs from the provisions of the Current MOI of the Company in various aspects, either as a result of a direct conflict with the Companies Act and/or the Listings Requirements, or by virtue of the fact that such items unnecessarily duplicate the provisions of the Companies Act, and/or are no longer relevant or applicable to the Company.

Shareholders' diary

2011 financial year-end

Annual General Meeting	29 June 2012

Financial year-end

Financial year-end	31 December

Reports

Interim report	August 2012
Final results	March 2013
Publication of annual report	June 2013

Dividends payments

Final	April 2013

2012 Annual General Meeting

Annual General Meeting	June 2013

Form of proxy

Form of proxy for use at the Annual General Meeting of South Ocean Holdings Limited ("the Company") to be held at the Head Office of the Company, situated at 16 Botha Street, Alrode, at 11h00 on Friday, 29 June 2012. Shareholders listed in the shareholder register as at Friday, 22 June 2012 will be eligible to vote at the Annual General Meeting.

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the Annual General Meeting, and at any adjournment thereafter.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the Annual General Meeting;
- the appointment of the proxy is revocable; and
- you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the Companies Act, 2008 requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We ______________________________

(block letters)

of ______________________________

Telephone: Work (   ) ______________ Telephone: Home (   ) ______________

being the holder/s of [   ] ordinary shares in the Company, hereby appoint (refer to note 1)

1. or failing him/her, ______________________________

2. or failing him/her, ______________________________

3. the Chairman of the Annual General Meeting,

as my/our proxy to attend, participate in and speak and vote at the meeting in my/our place and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my behalf at the Annual General Meeting, provided that my/our proxy:

- may only delegate his/her authority to act on my behalf at the Annual General Meeting to a director of the Company; and
- must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the Annual General Meeting by no later than 11h00 on Wednesday, 27 June 2012, being 48 (forty-eight) hours before the general meeting to be held at 11h00 on Friday, 29 June 2012; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my behalf at the Annual General Meeting.

Form of proxy

Number of votes (one vote per ordinary share)	**For**	**Against**	**Abstain**
Ordinary resolution number 1: Adoption of annual financial statements			
Ordinary resolution number 2: Appointment of the auditors and designated auditor			
Ordinary resolution number 3: Election of Ms M Chong as a director			
Ordinary resolution number 4: Election of Mr HL Li as a director			
Ordinary resolution number 5: Appointment of Audit and Risk Management Committee members			
Ordinary resolution number 6: Approval of Remuneration Committee report			
Special resolution number 1: Approval of non-executive directors' fees			
Special resolution number 2: Approval of loans or other financial assistance to related or inter-related companies			
Special resolution number 3: Adoption of new Memorandum of Incorporation			
Ordinary resolution number 7: Placing unissued shares under the control of the directors			
Ordinary resolution number 8: General authority to issue shares for cash			
Ordinary resolution number 9: Directors' and Company Secretary's authority to implement ordinary and special resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 3).

Signed at _______________ on _______________ 2012

Signature: _______________

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9) Telephone number: _______________

ince.motiv

Summary of shareholders rights in respect of proxy appointments as contained in section 58 of the Companies Act, 2008

Please note that in terms of section 58 of the Companies Act, 2008:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at the Annual General Meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- If this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act, 2008 or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

1. Only shareholders listed in the shareholder register as at Friday, 22 June 2012 will be eligible to vote at the Annual General Meeting to which this proxy forms part.

2. The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to act as a proxy to the exclusion of those whose names which follow thereafter.

3. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.

4. 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 box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.

5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

6. Proxy forms must be lodged at the Head Office of the Company, 16 Botha Street, Alrode, 1451 or posted to the Company Secretary at PO Box 260362, Excom, 2023, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).

7. Forms of proxy must be received or lodged by no later than 11h00 on Wednesday, 27 June 2012, being 48 (forty-eight) hours before the Annual General Meeting to be held at 11h00 on Friday, 29 June 2012.

8. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.

9. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.

10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

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

Registered address

12 Botha Street
Alrode, 1451
South Africa
Postal address
PO Box 123738
Alrode, 1451
South Africa
Telephone: +27 11 864 1606
Telefax: +27 86 628 9523

Company Secretary

Whitney Thomas Green
21 West Street
Houghton, 2198
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 Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor
70 Marshall Street
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

EMPOWERDEX

Economic Empowerment Rating Agency

Generic B-BBEE Verification Certificate

South Ocean Holdings Limited

Including Subsidiaries:

South Ocean Electric Wire Company (Pty) Ltd (1989/006650/07)

Radiant Group (Pty) Ltd (2002/022677/07)

Registration.Number2007/002381/06

Address: 16 Botha Street, Alrode, Alberton, 1451

Level Six Contributor

Scorecard information	Actual Score	Target Score	Analysis	Results
Ownership	5.62	20.00	Procurement Recognition Level	[illegible]
Management	5.67	10.00	Black Ownership	2.06%
Employment Equity	4.53	15.00	Black Women Ownership	0.00%
Skills Development	7.49	15.00	VAT Number	[illegible]
Preferential Procurement	7.33	20.00	Value Adding Enterprise	No
Enterprise Development	13.00	15.00	Issue Date	22 May 2012
Socio-Economic Development	4.32	5.00	Expiry Date	21 May 2013
Total Score	45.96	100.00	Re-Issue Date	N/A

For EMPOWERDEX (Pty) Ltd

22 MAY 2012

Date

This verification certificate and the verification report are based on information provided to Empowerdex and represent an independent opinion based on the verification and analysis compiled by Empowerdex. The calculation of the scores has been determined in accordance with the Department of Trade and Industry's Codes of Good Practice on Broad Based Black Economic Empowerment as Gazetted on 9 February 2007.

Empowerdex (Pty) Ltd Reg. 2001/027963/07

Directors: C Will, V Jack, L Raseema, J Stumbles

G12J00234

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BBBEE Verification Agency

BVA 030

Certificate