INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER

2012

South Ocean HOLDINGS

OVERVIEW

VISION AND MISSION

South Ocean Holdings Limited 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, and manufacturing electrical cables.

VALUES

CUSTOMER EXCELLENCE

- Our customers are our future.
- Build long-term relationships, based on mutual respect.
- Dedicated to satisfying customer needs.

OUR EMPLOYEES

- Support and show concern for our employees.
- Involve, develop and advance our employees to their full potential.
- Value and encourage diversity.
- Promote open and honest debate.
- Build awareness of fraud and dishonest conduct.
- Individual performance and team work are essential.

INTEGRITY AND ETHICS

- Subscribe to sound corporate governance and business ethics.
- Act with honesty and integrity.

CORPORATE RESPONSIBILITY

- 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.

South Ocean Holdings Limited ("South Ocean Holdings" or "the Company") is an investment holding company that is listed on the main board of the Johannesburg Stock Exchange. The Group manufactures low-voltage electrical cables through its subsidiary, South Ocean Electric Wire Company Proprietary Limited ("SOEW"), and imports and distributes light fittings, lamps and electrical accessories in Southern Africa through its subsidiary, Radiant Group Proprietary Limited ("Radiant"). Its products are sold to wholesalers and distributors who supply mainly to 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

The scope of South Ocean Holdings' integrated annual report includes the Group's main business units and key functions as shown on pages 2 and 3. The integrated annual report aims to provide a concise and balanced account of performance over the financial year 1 January 2012 to 31 December 2012. There has been no significant change to the organisational structure, nor were there any significant restatements of data during the year.

The integrated report aims to provide South Ocean Holdings' stakeholders with an enhanced understanding of how the Group operates; its strategic objectives; challenges and risks; key measures of its performance; and governance framework in which it operates.

REPORTING FRAMEWORKS

South Ocean Holdings' annual integrated report conforms to the requirements of the South African Companies Act 2008 and Johannesburg Stock Exchange (JSE) Listings Requirements. The Group continues to use the Global Reporting Initiative (GRI) guidelines to inform its sustainable development reporting.

This annual integrated report has been reviewed by the Audit and Risk Management Committee and prepared by Mr J P Bekker, the Group Chief Financial Officer.

SOUTH OCEAN ELECTRIC WIRE COMPANY PROPRIETARY LIMITED ("SOEW")

RADIANT GROUP PROPRIETARY LIMITED ("RADIANT")

ANCHOR PARK INVESTMENTS 48 PROPRIETARY LIMITED ("ANCHOR PARK")

SOH CALIBRE INTERNATIONAL LIMITED ("SOH CALIBRE")

SOEW is a manufacturer and distributor of low-voltage electrical cables based in Alrode, south of Johannesburg, sells to wholesalers and distributors and employs 430 people. Products include general-purpose insulated wires from 1mm^2 to 630mm^2, a range of flexible conductors, steel wire armoured cables, flat twin and earth cables, ACSR, ABC, and the popular "Norsk" cable, branded Surfcab.

- Revenue
  R1 058,3 million
- Contribution to Group revenue
  74,9%
- EBITDA
  R64,3 million

Radiant is an importer and distributor of light fittings, lamps and electrical accessories to wholesalers, distributors and lighting consultants. The majority of Radiant's products are imported and distributed to customers in Southern Africa. Radiant has diversified its product range during the year and it now also imports and distributes corporate gifts to wholesalers. The company operates from offices, warehouses and showrooms located in Johannesburg, Durban and Cape Town and employs 373 people. Radiant is a significant supplier in the light fittings market, a major supplier of lamps and is growing its market share in the electrical accessories market.

- Revenue
  R354,3 million
- Contribution to Group revenue
  25,1%
- EBITDA
  R20,3 million

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

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

AFRICAN FOOTPRINT

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

FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008	2007
Net revenue (Rm)	**1 406,3**	1 261,0	1 138,1	958,0	1 136,6	852,6
Operating (loss) profit (Rm)	**(91,1)**	75,7	88,5	60,2	132,7	185,4
Net (loss) profit after tax (Rm)	**(118,3)**	45,8	52,5	31,7	61,1	125,8
Headline earnings per share (cents)	**36,3**	30,6	33,4	24,1	65,7	96,6
Dividend per share (cents)*	**–**	–	–	3,0	7,0	26,0
Total assets (Rm)	**1 025,8**	1 081,7	969,6	924,2	987,4	937,0
Net cash and cash equivalents (Rm)	**(122,2)**	13,8	34,8	58,8	(6,2)	45,3
Shareholders' equity (Rm)	**664,9**	783,0	736,9	689,8	658,1	639,2
Net tangible asset value per share (cents)	**324,2**	285,1	251,2	219,6	197,1	160,1

PERFORMANCE HIGHLIGHTS

During 2012, South Ocean Holdings:

- Established Gestures, a division within Radiant importing and distributing corporate gifts;
- Increased production capacity in the factory;
- Increased revenue from R1 261,0 million to R1 406,3 million;
- SOEW increased both volumes and market share; and
- SOEW improved efficiencies in manufacturing process.

Revenue increased from R1 261,0 million to R1 406,3 million

INVESTMENT CASE

- Credible management team with extensive experience;
- Two robust operational businesses with long-standing track records;
- Established relationships with key suppliers;
- Good corporate citizen with strong corporate governance principles;
- Large and established customer base;
- Solid relationships with financial institutions; and
- Creates value for shareholders.

OVERVIEW (CONTINUED)

OUR STRATEGY

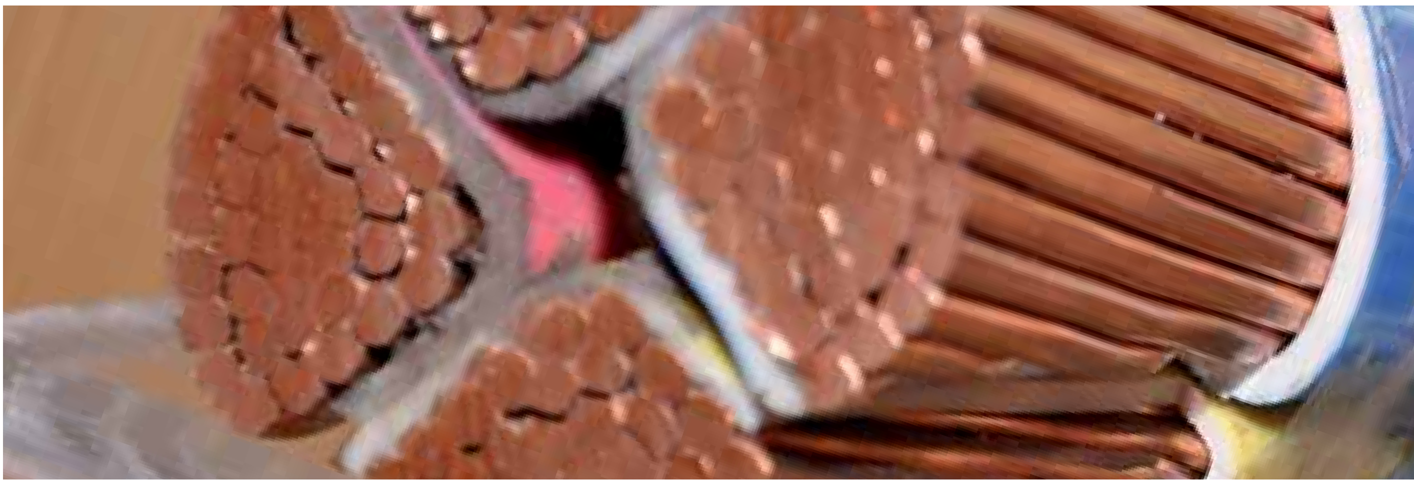
South Ocean Holdings' strategy is to deliver sustainable returns for all its stakeholders, excellent service to its customers, and to maintain a reputation as the preferred provider of electrical cables, light fittings, lamps and electrical accessories. Underpinning this is commitment to good corporate 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.

OUR TOP THREE STRATEGIC IMPERATIVES

- **Ensuring sustainable returns for our 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 our stakeholders.

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

- **Develop globally competitive businesses**
  In its quest to compete in the rest of Africa, South Ocean Holdings' 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.



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 concluded before expansion opportunities are pursued.
OPERATIONAL	
Stock availability	Adequate planning and inventory management systems to manage stock availability.
Fraud prevention	Good internal controls consistently 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 volatility	Exchange rate movements are closely monitored and cover is taken per the Group policy.
Working capital cycle	Working capital is monitored daily and inventory levels are kept as low as possible, but still having sufficient stock to run operation productively. Sufficient overdraft facilities are in place.
Internal financial controls	Internal auditors reporting on the effectiveness and integrity of the systems and controls in place.
Electricity supply	Backup generators for office use are installed. The two plant premises are supplied from different power grids. Backup power sources for the two plant premises are not economically viable at this stage.

BOARD OF DIRECTORS

Ethan Gilbert Dube (53)

MSc (Statistics)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

BOARD COMMITTEES:
NOMINATION
AND REMUNERATION

Ethan was appointed as director of South Ocean Holdings in February 2007 and chairman in 2009. He has gained significant corporate finance and asset management experience over the years. In 1998 he founded Vunani Limited, a financial services company, where he is currently CEO and in 1996 he founded Infinity Asset Management with three other partners. Ethan worked for Southern Asset Managers for three years as a Senior Analyst and for Standard Chartered and Merchant Bank for two years in the Corporate Finance department. Ethan is non-executive director of Hyprop Investments Limited and Esorfranki Limited.

Edward Hwei-Ti Pan (65)

BSc (Eng)
(Tri-State, Indiana)

NON-EXECUTIVE DEPUTY VICE-CHAIRMAN

BOARD COMMITTEE:
NONE

Edward founded SOEW in 1989 in King William's Town and was Chief Executive Officer of South Ocean Holdings until his retirement at the end of September 2011. He has been 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 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 also Chairman of the Johannesburg Taiwanese Chamber of Commerce.

Paulo (Paul) José Monteiro Ferreira (43)

CHIEF EXECUTIVE OFFICER

BOARD COMMITTEE:
SOCIAL AND ETHICS

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 cables for the past 21 years.

Jacobus (Koos) Petrus Bekker (56)

BCom, BCom (Hons), CA (SA)

CHIEF FINANCIAL OFFICER

BOARD COMMITTEE:
SOCIAL AND ETHICS

Koos has been Financial Director of South Ocean Holdings since 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-Ying (Joe) Wu (48)

BSc Business Administration
(Montana, USA)

NON-EXECUTIVE DIRECTOR

BOARD COMMITTEE:
NONE

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 Principal Financial and Accounting Officer of Hong-Tai Electrical Industrial Co., Limited. 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 the manager of the internal audit department in 2005.

Hung-Lung (Eric) Li (61)

MSc, Industrial & System Engineering (San José 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 a full non-executive director in August 2009. Eric is the Vice President of Telecommunication Cable Business at Hong-Tai in Taiwan. Eric joined Hong-Tai in 2004 as the vice president, Information Technology Center before he was transferred to Telecommunication Cable Business. He was previously involved in the software engineering and semi-conductor manufacturing business in Silicon Valley in the US for more than 20 years. Eric has held the positions of general manager at VLI Communications, vice president at Everlasting Software Company and software engineering director at Sun Microsystems.

BOARD OF DIRECTORS (CONTINUED)

Kwok Huen (Henry) Pon (76)

BCom (Rand), CA (SA)

INDEPENDENT
NON-EXECUTIVE DIRECTOR

BOARD COMMITTEES:
AUDIT AND RISK MANAGEMENT (CHAIRMAN), REMUNERATION (CHAIRMAN) AND 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 fields. 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.

Debbie Lau Tam (43)

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 operations management, and leadership coaching and mentoring. 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.

Melanie Chong (36)

BCom, BCom (Hons), CA (SA)

INDEPENDENT
NON-EXECUTIVE DIRECTOR

BOARD COMMITTEES:
AUDIT AND RISK MANAGEMENT AND 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.

Min Hui (Mariam) Lee (48)

BAdmin

ALTERNATE
NON-EXECUTIVE DIRECTOR

Mariam was appointed to the South Ocean Holdings' Board in November 2012 as an alternate director to Joe Wu. Mariam is an Industrial Management Consultant with managerial experience working for foreign investment manufacturers in South Africa. She is currently responsible for new establishment planning and assisting existing factories to reach their goals and long-term vision, and working closely with government in the process.

Chia Chao Wu (37)

MCom, CA (SA), CFA

ALTERNATE
NON-EXECUTIVE DIRECTOR

Chia Chao was appointed to 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 is also a Certified Financial Analyst qualified through the CFA Institute.

Chung-Hsiang (Choice) Pan (55)

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 a non-executive director of South Ocean Holdings in August 2009 and was appointed alternate director to 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 & Cable Industrial Association.

Ethan Dube, Chairman

CHAIRMAN'S REPORT

South Ocean Holdings continued to build on its position as a significant player in the light fittings, lamps and electrical accessories and electrical wire markets, during 2012. The Group refined its corporate strategy, serviced its key target markets while seeking opportunities in new markets to create value for its stakeholders.

The Group made capital investments during the year to increase capacity, improve productivity to ensure that SOEW continued to expand its product range, all the while extracting cost efficiencies. This resulted in SOEW growing its market share in a highly competitive market.

Backed by research, skills and expertise accumulated over the years, Radiant was able to respond to market demands for affordable, high-quality energy saving lighting solutions in both the residential and corporate markets. Radiant's strength in procurement also enabled the Company to diversify into new product lines related to its core business through the Hong-Kong-based company, SOH Calibre.

The Group also continued exploring opportunities to leverage synergies between its two main subsidiaries.

MARKET REVIEW

Notwithstanding a challenging economic environment, with lacklustre GDP growth of 2,5%, South Ocean Holdings continued to deliver on its stated strategic intentions. South Africa's national economic landscape was negatively affected by downgrades by several international ratings agencies, slower private-sector and consumer spending, higher inflation as well as high unemployment. Against this backdrop, the Group, particularly its operating subsidiaries, faced a tough market with persistently high reported household debt to disposable income ratios of 75,8%. In addition, growth in household consumption expenditure was just 3,5% over the year, down from 4,8% in 2011.

A key target market for electrical wire and light fittings, lamps and electrical accessories remains the residential property market, which remained restrained. Average house prices rose 5% over 2012 compared to 2011. This was a slight improvement from 3,3% in the prior year and the Group remains cautiously optimistic that this will improve over the next year. The retail and commercial property market fared better and the Group will focus its energies on securing contracts in this more resilient sector.

It is encouraging that from a public sector investment perspective, an estimated R642 billion has been spent on infrastructure over the past three years. Following this, the budgeted spending for public-sector infrastructure will total R827 billion over the medium-term expenditure framework (MTEF) period, until 2016. The value of major infrastructure projects in progress or under consideration in the public sector totals R3,6 trillion, signalling opportunities for both the SOEW and Radiant divisions and boding well for the recovery of the construction industry in general.

DIRECTOR CHANGES

The South Ocean Holdings' Board represents a diversity of skills and experience and all Board members are actively involved in the decision-making process at Group level. Mr W P Li and Mr C C Wu were appointed as alternate directors to Mr C Y Wu and Mr E H T Pan during February 2012 and March 2012 respectively. Mr W P Li resigned during November 2012 and was replaced by Ms M H Lee who was appointed to the Board with effect from November 2012. The Group is very grateful for the contribution made by each and every member of our Board.

South Ocean Holdings Board of Directors

SUSTAINABILITY

Value creation remains an important goal for South Ocean Holdings. The Group remains cognisant of the role that it can play in fulfilling the country's national growth and development objectives. The Board acknowledges that it has a leading role to play in translating and practically implementing these at business unit level and accepts overall responsibility for the advancement of sustainable development, with the assistance of Board sub-committees.

Through its annual integrated report, the Group aims to support the information needs of long-term investors, by showing the broader and longer-term consequences of decision-making and demonstrate the inter-connections between environmental, social, governance and financial factors in decisions that affect its long-term performance.

The Group's human capital underpins its long-term growth strategy and it continues to seek ways of promoting diversity in the workplace. A strategic plan is in place to meet Broad-Based Black Economic Empowerment (BBBEE) requirements and actively promote the empowerment of staff members and the communities in which it operates.

South Ocean Holdings views enterprise development as an integral part of developing and fostering the growth of SMEs as part of its poverty alleviation initiatives. The Group provided financial as well as non-financial support to a number of SMEs to ensure business success.

South Ocean Holdings also continues to be an active sponsor of educational initiatives in the communities in which it operates. The past year saw South Ocean Holdings involved in projects including the provision of light fittings worth more than R550 000 to a school to improve the learning environment for disadvantaged learners. The Group also continued to improve its safety record and reduce its environmental footprint.

STAKEHOLDER MANAGEMENT

South Ocean Holdings has identified ways in which to strengthen its engagement efforts with critical stakeholder groups. These include organised labour, environmental groups, as well as regular dialogue with communities within the surrounds of our operations. The Group is a member of various industry organisations and through these industry organisations 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 26.

PROSPECTS

Economic growth is forecast to remain modest at 2,7% during 2013. Households are likely to remain cautious and will face ongoing financial pressure, driven by above-CPI inflation rises in municipal rates and utilities tariffs. This could exert pressure on the housing market, especially at the higher end. However, strong capital investment by the public sector, the addition of electricity-generating capacity, relatively stable inflation and low interest rates do support improved growth rates over the medium term.

South Ocean Holdings continues to identify opportunities, particularly in the state tender market and stands to benefit from the provision of energy saving solutions to corporate and industrial clients.

APPRECIATION

I would like to thank all our stakeholders for the role that they continue to play in South Ocean Holdings' growth. As the Group continues to build on past achievements, the commitment and efforts of management and staff has been invaluable. My gratitude extends to my fellow directors who not only strengthen and deepen South Ocean Holdings' governance and skills set, but enable the Group to continue leveraging its competitive advantages in its chosen markets for long-term success.

Ethan

Ethan Dube
Chairman

Paul Ferreira, Group Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REPORT

During 2012 South Ocean Holdings reported higher revenue on the back of increased production at SOEW. The Group's operating subsidiaries experienced mixed fortunes. SOEW's gross margins improved and the stability in the Rand Copper Price contributed positively to the subsidiary's performance. On the other hand, Radiant's profit margins were affected by increased competition, pricing pressure, the national transport strike, and exchange rate weakness. Overall, the Group's prospects look set to improve in the year ahead.

FINANCIAL OVERVIEW

Earnings

Group revenue for the year to 31 December 2012 increased by 11,5% (2011: 10,8%) to R1 406 million (2011: R1 261 million). The Group's gross profit increased by 0,9% (2011: 5,5% decrease) to R226,8 million (2011: R224,7 million) and operating profit decreased by 220,3% (2011: 14,5% increase) to a loss of R91,1 million (2011: R75,7 million profit) after an impairment loss of R175 million compared to the prior year.

The Group loss before tax of R105,3 million is 262,0% (2011: 15,3%) lower when compared to a prior year profit of R65,0 million. The basic earnings per share decreased by 358,0% (2011: 12,8% increase) to a loss per share of 75,6 cents from earnings per share of 29,3 cents in the prior year, with the headline earnings per share increasing by 18,5% (2011: 8,6% decrease) to 36,3 cents (2011: 30,6 cents) compared to the prior year.

Headline earnings increased by 18,5% (2011: 8,6% decrease) to R56,7 million (2011: R47,8 million) compared to the prior year.

Following a decrease in the earnings of Radiant during the year and the further disruption to business because of the national transport sector strike in September 2012, the Group had to impair the goodwill which arose through the acquisition of Radiant in 2007. An amount of R175,0 million was charged against the operating costs resulting in a Group operating loss of R91,1 million. The earnings per share before accounting for the impairment charge of R175,0 million would have been 36,3 cents representing an increase of 23,9% compared to prior year. Management has already taken steps to improve the profitability of this segment, which should materialise during the 2013 financial year.

The continued efforts by management to control costs resulted in lower operational costs compared to the prior year.

Cash flow and working capital management

The cash utilisation of R71,3 million (2011: R39,5 million generation) was mainly as a result of an increased investment in working capital, which was financed from short-term borrowings.

Inventory levels increased due to delays in receiving inventory as a result of the national transport strike. This was also a contributing factor which led to a decline in sales of Radiant for October and November 2012 when compared to the same period in the prior year.

The increase in trade receivables was due to an increase in revenue during the last month of the year as a consequence of the strike. Trade payables in the prior year amounting to R103,2 million included an amount of R26,4 million in respect of copper imports at year end, while in the current year no copper imports were outstanding.

The Group invested R32,7 million (2011: R62,3 million) in capital expenditure, which was mainly financed by long-term borrowings during the year and utilised R46,3 million (2011: R53,7 million) to repay its long-term interest-bearing borrowings. The Group's net cash utilised during the period of R136,2 million (2011: R21,3 million) reduced the cash balance as at the beginning of the year from R13,8 million to an overdraft balance of R122,2 million.

SEGMENT RESULTS

Electrical cable manufacturer – SOEW

SOEW made capital investments to improve efficiencies and increase capacity towards the end of the year. The benefits from this investment are only expected to come on stream in the second quarter of 2013. The revenue at the electrical cable subsidiary increased compared to the prior year, resulting in gross margins increasing mainly as a result of an increased production, and the stability in the Rand Copper Price ("RCP"). Revenue increased by 17,9% (2011: 15,4%) to R1 058,3 million (2011: R897,3 million).

The reported increased production during the year resulted in increased operating expenses during the year. Additional working capital was required to finance the increase in inventory and trade receivables relating to the increase in volumes, which was funded from normal credit facilities.

Lighting and electrical accessories – Radiant

Radiant reported lower returns compared to the prior year as it experienced highly competitive market conditions and changes in consumer buying trends. The national transport strike inflicted a further blow to its performance by delaying both the receipt and despatch of inventory thereby contributing to the lower sales volume for the period compared to the prior year. There was a noticeable change in consumer spending trends and market conditions remained stagnant.

Revenue decreased from R363,7 million in 2011 to R354,3 million in 2012 which represents a decrease of 2,6% (2011: 0,7% increase). The management of operational costs resulted in a decrease of 4,1% compared to the prior year. Lower margins were due to supplier price increases and the volatile exchange rate, which was partially absorbed by the Company.

Cash on hand decreased from R9,8 million at the end of December 2011 to an overdraft position of R20,1 million at the end of December 2012. The funds were utilised to finance working capital.

SOH Calibre

The Group's objectives regarding SOH Calibre are to strengthen the Group's procurement ability of quality imported products as well as increasing the level of communication between suppliers and Radiant. SOH Calibre is also being utilised to help improve the diversity of the Group's product range.

Property investments – Anchor Park

Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries. The term loans financing the properties are approaching the end of their term, hence the reduced interest expenditure. During the year a further R5,3 million (2011: R20,5 million) capital investment was made.

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 dividend.

PROSPECTS

Based on the trading history and exogenous market factors going forward, the 2013 year's results are expected to show an improvement, unless unforeseen circumstances occur and the Group continues to strive for increased market share and expansion of its product range. South Ocean Holdings remains committed to ensuring earnings enhancement, whilst improving the return on equity on a sustainable basis by diversifying its revenue streams and promoting internal efficiencies. Management will continue to focus on cost control and improving working capital management, as these are key to survival during these difficult times.

The Group has for the first time entered the tender market and has submitted a number of tenders which will increase revenues, if successful.

APPRECIATION

As South Ocean Holdings continues to grow into new markets up the African continent, and exploring opportunities in Dubai and the Middle East. I wish to extend my gratitude and appreciation to the Board and the rest of the executive team for their contribution and valuable insight. I further express my heartfelt gratitude to all our employees who work tirelessly to shape South Ocean Holdings into a significant player in its chosen markets, and our customers and stakeholders for their continued trust in our products.

Paul Ferreira
Group Chief Executive Officer

COMMENTARY (CONTINUED)

REVIEW OF OPERATIONS

Paul Ferreira (43)

CHIEF EXECUTIVE OFFICER

Paul has been the Chief Executive Officer of the South Ocean Holdings since July 2011. He was the Chief Operating Officer of South Ocean Holdings prior to this. 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 cables for the past 21 years.

Yasmin Mahomed (46)

EXECUTIVE DIRECTOR: SALES AND MARKETING

Yasmin was appointed Sales Director of SOEW in March 2010. She joined SOEW in October 2002 as a sales consultant. She was appointed Sales Manager in 2007 and she was in the cable industry for 16 years before joining SOEW. She started her working career in 1987 at a large cable manufacturer in South Africa.

Johan Prinsloo (39)

DIVISIONAL DIRECTOR: FACTORY OPERATIONS

Johan was appointed Divisional Director of 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.

Dean Johnson (46)

DIVISIONAL DIRECTOR: FINANCE

Dean was appointed Divisional Director of 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.

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.

ELECTRICAL CABLES

Through subsidiary South Ocean Electric Wire Company (SOEW), the Group 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:

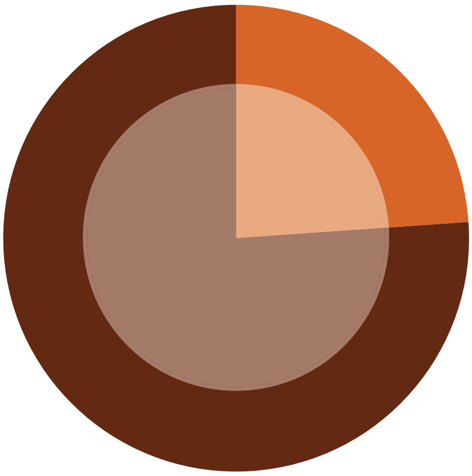
- Bare copper earth wire
- General purpose house wire
- Flat twin & earth
- Surface wiring
- Twin illumination cable
- Cabtyre
- Single core flex
- Solid panel wire
- Flex power
- Ripcord
- Mainscord
- Submersible pump cable
- Nitrile trailing cable
- PVC nitrile welding cable
- Flame retardant (FR) copper armoured cable 0.6/1.0kv
- Low halogen (LH) copper armoured cable 0.6/1.0kv
- Flame retardant (ECC) copper armoured cable 0.6/1.0kv
- Armoured cable (FR) 1.8/3.3kv
- Flame retardant copper armoured cable (FR) 1.9/3.3kv
- Single core XLPE PVC cable 0.61/1.0kv
- Single core double PVC AWA PVC cable 0.61/1.0kv
- Aluminium Conductor Steel Reinforced (ACSR)
- Low voltage aerial Bundle Conductor (ABC)
- Airdac (SNE) cable
- Airdac (CNE) cable

REVIEW OF OPERATIONS (CONTINUED)

The new SOEW Alrode facility is fully operational, and has contributed to increased volumes and growth in market share in a difficult market. The Rand Copper Price (RCP), strikes in the transport and mining sectors, and the continued subdued performance of the building and construction industry affected SOEW's bottom line, but a healthy rise in operating profits has put the Company on an upward growth trajectory.

REVIEW OF OPERATIONS (CONTINUED)

REVENUE



RADIANT: R354,3 MILLION

SOEW: R1 058,3 MILLION

PERFORMANCE

SOEW once again expanded its production capacity, building on its strong relationships with its customers, promoting profitable products as well as utilising its competitive advantage to secure market share. The RCP was more stable over the course of 2012, reaching a peak of R67 482 (2011: R70 943) per ton, with the average RCP for the year of R64 109 (2011: R63 361) per ton representing an increase of 1,2%. The increase in RCP from 31 December 2011 to 31 December 2012 was 10,1%. Due to interruptions in local supply, SOEW was forced to increase its buffer stocks by importing copper during the year.

The capital invested in new machinery led to an increase in the plant's capacity, resulting in an increase in production volumes for the year. On the back of this increased production, operational expenses increased 20,4%, while revenues increased to R1 058,3 million. This resulted in an EBITDA of R64,3 million.

OPERATIONS

The Company's investment in new production capacity is paying off, with SOEW not only able to diversify its product range, but also to utilise technological improvements to expand volumes.

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.

PEOPLE

SOEW employs 430 people including electrical, engineering, administration, marketing, skilled and semi-skilled personnel. This represents an increase of 21,8% from the prior year which was as a result of changes in shifts to decrease overtime costs.

The existence of a permanent health and safety officer contributed to the large decrease in the number of reportable incidents to 1 (2011: 6). Health and Safety signage was updated and photographs of firefighters and first aid volunteers displayed for easy reference. SOEW has more than 50 noticeboards situated around its factory floors and undertakes monthly meetings with staff to communicate ongoing developments at the Company.

As part of its efforts to develop its staff, SOEW enrolled 21 employees on its learnership programme. Employees from a variety of levels of the organisation attended various training courses, a detailed description of which is found on page 24.

All the employees enrolled for learnerships are permanently employed.

PROSPECTS

The new production capacity enables SOEW to produce both copper and aluminium cable, as well as PVC which is used in the production process. All lines are now being utilised fully. Opportunities abound in the low-cost housing market for the Company. In addition, SOEW has submitted a tender supplying cable to Eskom for the first time in its history. SOEW will increase its tender business in the years ahead.

The building and construction industries are unlikely to see a huge resurgence in activity in 2013 and pressure on margins is expected to continue. Management will continue to focus on maximising productive efficiencies, cost-reduction strategies, and providing excellent service to SOEW's loyal customers.

COMMENTARY (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Farhad Ally (39)

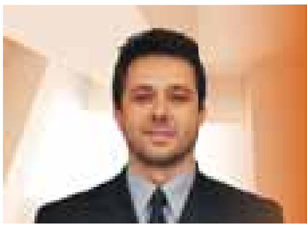
EXECUTIVE DIRECTOR: MANAGING DIRECTOR

Farhad was appointed Managing Director of the Radiant Group with effect from 1 February 2013. He was previously appointed General Manager: Finance and IT in 2010 and as executive Financial 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.

Gerard Pillay (54)

EXECUTIVE DIRECTOR: PROCUREMENT

Gerard was redeployed as Procurement Director towards the end of 2012 to strengthen Radiant's procurement division, which is the lifeline of the business. He was previously the Managing Director of Radiant from May 2010 to November 2012. 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 32 years' experience in the lighting industry.



Louis-Jacques Avenant (33)

FINANCIAL MANAGER

Louis was appointed as the Financial Manager of the Radiant Group from July 2012, having the responsibility of overseeing the outsourced IT function of the Group. After matriculating in 1998, Louis completed Microsoft's MCSE and MCSD courses. Thereafter, he obtained his BAcc. and BCompt. (Hons) degrees. He qualified as a Chartered Accountant in 2009. From March 2010 until June 2012, Louis was employed as the Group Financial Accountant at Vox Telecom Limited. Louis is a member of the South African Institute of Chartered Accountants.

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.

LIGHT FITTINGS, ELECTRICAL AND LAMPS

Through the Group, we create lighting and electrical solutions which are beautiful by design and inspired by the environment. Our products include the following:

Lighting solutions

Over 5 200 fittings which include:

- Downlights
- Spotlights
- Lamps
- Wall lights
- Ceiling lights
- Pendants
- Effect lighting
- Utility lights
- Foot lights
- Outdoor lights
- Accessories

Radiant 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:

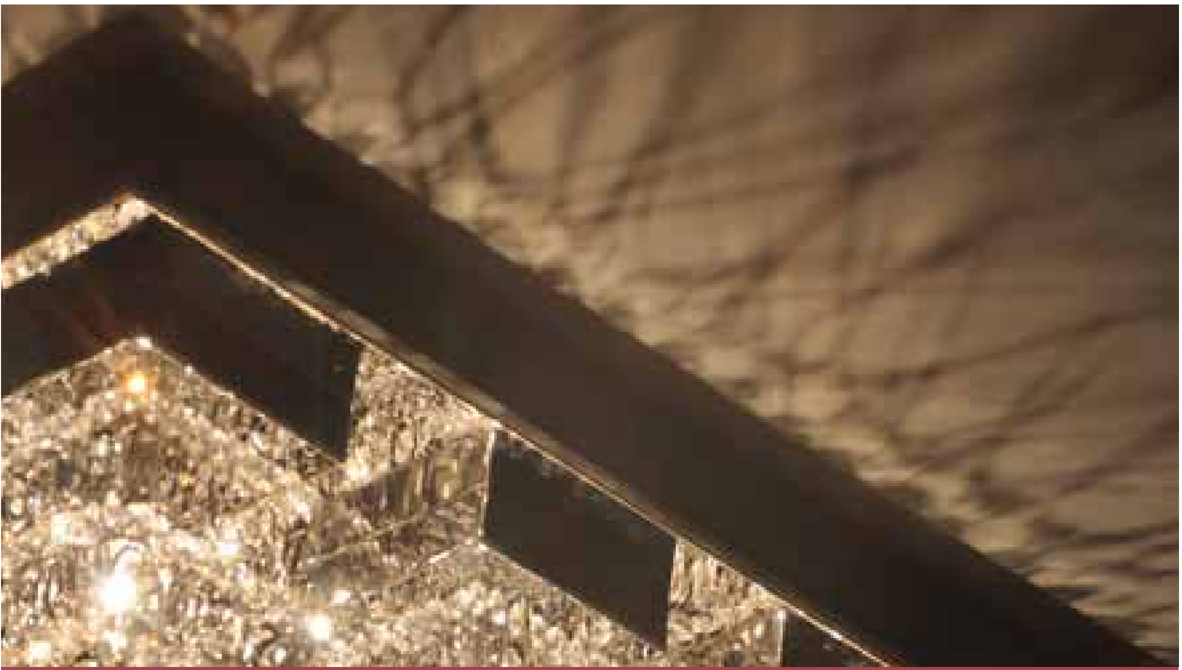
- Wall extension boxes
- Tools instruments
- Adaptors
- Multi-plugs and plug tops
- Extension cords and reels
- Dimmers
- Sensors
- Timers
- Wireless automation
- Cable management and accessories
- Office systems

Corporate gifts

Over 500 different products which include:

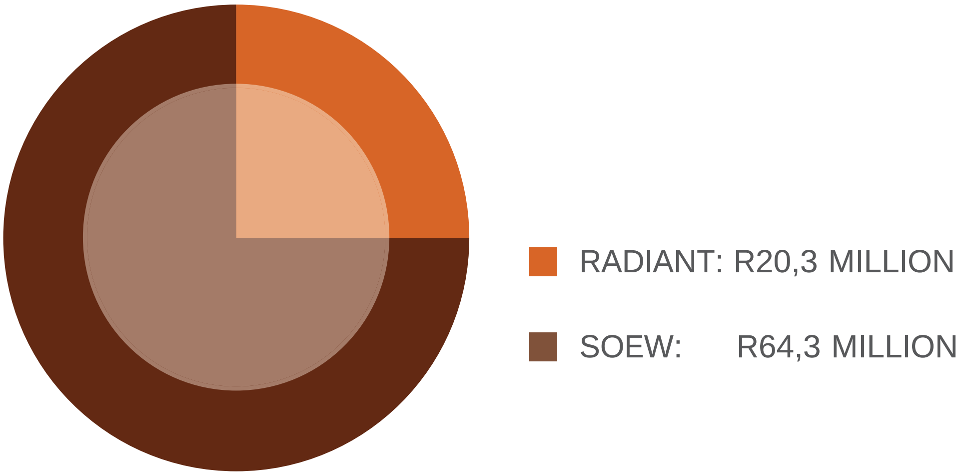
- Wall clocks
- Stationery
- Clothing
- Knives
- Photo frames
- Mugs
- Umbrellas
- Gardening equipment
- Camping chairs
- Braai sets
- Picnic sets

REVIEW OF OPERATIONS (CONTINUED)



Radiant is a wholly-owned subsidiary of South Ocean Holdings. It accounted for 25,1% (2011: 28,8%) of Group revenues and 24,0% (2011: 41,6%) of Group EBITDA for 2012.

EBITDA



The Company is well positioned to meet the demand for energy saving lighting solutions as electricity price increases and environmental awareness drive consumers to focus on more affordable options such as LED lamps and fittings. In addition, the launch of a nationwide energy saving campaign has seen Eskom undertake three phases of a residential roll-out plan delivering LED and CFL lamps free of charge to South African consumers who have applied for their programme. Radiant will tender for the third phase of the Eskom roll-out. The Company has a competitive advantage in that it offers a wide range of LEDs to suit different lighting applications and can provide lamps and fittings as a combined package. In addition, Radiant has established two local testing laboratories to ensure that its products meet the highest quality standards and can be benchmarked against other products in the market.

PERFORMANCE

The Company's performance was affected by a number of factors including: the transport strike during the second half of the year, delays in new building projects, depressed market conditions, Eskom's inability to provide electricity supply for big projects as well as increased competition. As a result, revenue decreased 2,6% to R354,3 million in 2012.

Radiant operates in a highly price competitive market. It continued to focus on growing market share and volumes in both the retail and electrical accessories markets. Its procurement drive has shifted from high-end, expensive chandeliers to reasonably priced, standard fittings in line with consumer demands and spending patterns.

Management continued to focus on cost containment, and as a result operating expenses were down 4,0% on the previous year, despite inflationary increases.

Export volumes grew 2% on the back of increased sales into Africa. Radiant has built a presence in seven African countries over the past 12 years and has seen sales to wholesalers steadily increase year-on-year over this period. A recovery in the construction sector in major markets in Africa is expected as growth rates on the continent outstrip the Eurozone and more developed markets.

Given that Radiant procures the majority of its products from various international manufacturers, input prices are correlated with the foreign exchange movements of the Rand. The average Rand versus US Dollar exchange rate weakened by 4,3% during 2012 and the Company was forced to absorb some of this increase in costs so as not to pass it on to customers. As a result there was an increase in cost of sales which negatively impacted gross profits.

OPERATIONS

Radiant experienced good growth in the retail segment, with the Company's excellent follow-up service and high-quality products continuing to foster trust in the brand. In addition, a partnership approach with major retailers has opened the possibility of delivering white label products for a number of stores.

A new marketing manager was appointed to focus on both internal and external communication, with an emphasis on relationship-building events and customer service improvement projects. Brand awareness remained a priority throughout the African region, with a focus on mining and commercial projects.

A new catalogue for fittings was launched nationally and events at Radiant showrooms showcased the Company's extensive range of lamps and fittings. A number of customer days, showroom tours, breakfasts and sponsorships were held during the year to increase the profile of the Radiant brand.

Radiant's reputation as a lighting project specialist has grown with the delivery of end-to-end energy saving solutions to a number of high-profile clients in the retail and financial services sectors. Large corporates are upgrading entire lighting systems, utilising the latest technology and electronic control systems to cut down on energy usage and improve the lifespan of lamps and light fittings, and Radiant is ideally positioned to offer energy saving solutions to these customers. The Company continues to explore new opportunities in this market.

Radiant relocated its assembly operations to newly renovated buildings adjacent to its bulk warehouse premises, during 2012. The new facility houses the latest technology, efficiency enhancing machinery and state-of-the-art assembly lines. This has enabled Radiant to expand its product range and provide more control over quality and input prices.

Innovation lies at the heart of Radiant and the Company established SOH Calibre, a company situated in Hong-Kong whose main aim is to source and export a range of products to South Africa that are not only linked to lighting and electrical products. The first shipment of air-conditioners and hand dryers will be delivered during the second quarter of 2013 and SOH Calibre will continue to be on the lookout for new import opportunities.

In addition, Radiant established a clearance warehouse near its Wynberg head office which offers discontinued stock direct to the public.

In light of the Consumer Protection Act, all Radiant suppliers must comply with quality and safety guidelines. Approximately 95% 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.

PEOPLE

Radiant's 373 employees (2011: 347) continue to play a vital role in the Company's success. The Company is headed by Farhad Ally (Managing Director), while Gerard Pillay heads up the procurement division. Louis Avenant, a Chartered Accountant, was employed during the year to head up the financial division.

Radiant continued to invest in the development of its staff, with training focusing on basic computer and management skills. During 2012, 19 employees were admitted to Radiant's learnership scheme where they commenced a National Certificate in Wholesale and Retail Distribution, funded by the Company. The employees are permanently employed.

PROSPECTS

Innovation remains an important focus for Radiant and, through its product development unit, Radiant will continue to source new technologies and innovative lighting solutions aimed at both corporate and residential customers.

The importing of energy efficient products and technology is a priority for the next year.

Operating conditions are expected to continue to be challenging for the Company, however Radiant is well-positioned to drive efficiencies, strengthen customer relationships and grow into new markets.

SUSTAINABILITY REPORT

South Ocean Holdings regards sustainability as an essential part of the way it does business. The Board integrates health, safety, environmental, social and economic factors into its decision-making.

IDENTIFYING MATERIAL SUSTAINABILITY ISSUES

By analysing internal risks, reviewing daily local media coverage and issues raised in the global electronic media pertaining to its markets and industry, South Ocean Holdings has identified a number of material issues that have been prioritised for attention. Amongst these are: ensuring transparent governance and reporting; making a positive contribution to society; ensuring meaningful engagement with stakeholders; developing employees; keeping employees safe and healthy.

• Transparent sustainability governance and reporting

The Group's management has been tasked with the role of implementing and periodically reviewing and reporting on progress on sustainability issues of the Group. Where non-compliance is noted, a reason for that is reported to the Board with an action plan on how to achieve compliance.

The Board of Directors and its sub-committees 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 and risk management.

The Code of Ethics 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 28 to 37.

EMPLOYEES

• Limiting staff turnover

The Group's employment processes are geared towards 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. The Group's workforce has increased to 813, with 102 new employees employed across different levels in the past year, mainly due to expansion of capacity at SOEW. The average staff age of the employees is 36 years.

The integrity of new employees is assessed by doing personal interviews and background checks.

• Developing employees

Attracting, employing and developing people with the appropriate skills provides the Group with a competitive advantage and is critical to its long-term sustainability. South Ocean Holdings is committed to providing a work environment in which everyone is treated fairly and with respect and has the opportunity to maximise their potential. The Group values promoting from within and seeks to build a high-performance organisation through fair reward and recognition.

To support the long-term needs of a growing South Ocean Holdings, a formalised human resources strategy is in place. This positions the Group to find, retain and develop its personnel in line with its strategic objectives. A well-balanced workforce aligned to the demographic profile, both regionally and nationally, where the Group operates forms part of management's sustainability strategy.

Employment equity legislation provides for the establishment of equity and training committees to ensure that the process of employment equity is monitored in the workplace. South Ocean Holdings' profile indicates that 80% (2011: 82%) of employees within the Group are from the designated groups. Approximately 33% of senior management staff is from the designated groups while 19% (2011: 15%) of the workforce is female.

Workforce profile

	White		ACI		Non-Resident		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Total workforce	**133**	124	**652**	583	**28**	4	**813**	711
Less non-executive directors and non-permanent staff	**–**	–	**(7)**	(9)	**–**	(3)	**(7)**	(12)
	133	124	**645**	574	**28**	1	**806**	699
Gender profile								
Male	**86**	87	**540**	505	**23**	1	**649**	593
Female	**47**	37	**105**	69	**5**	–	**157**	106
	133	124	**645**	574	**28**	1	**806**	699
Occupational level								–
Directors	**2**	2	**–**	–	**–**	–	**2**	2
Male	**2**	2	**–**	–	**–**	–	**2**	2
Female	**–**	–	**–**	–	**–**	–	**–**	–
Senior management	**17**	15	**10**	6	**1**	–	**28**	21
Male	**13**	13	**6**	4	**1**	–	**20**	17
Female	**4**	2	**4**	2	**–**	–	**8**	4
Professionally qualified and middle management	**17**	20	**16**	9	**2**	1	**35**	30
Male	**12**	15	**13**	7	**2**	1	**27**	23
Female	**5**	5	**3**	2	**–**	–	**8**	7
Skilled and technical	**45**	50	**84**	84	**10**	–	**139**	134
Male	**32**	34	**64**	70	**6**	–	**102**	104
Female	**13**	16	**20**	14	**4**	–	**37**	30
Semi-skilled and unskilled	**52**	37	**535**	475	**15**	–	**602**	512
Male	**27**	23	**458**	424	**14**	–	**499**	447
Female	**25**	14	**77**	51	**1**	–	**103**	65
	133	124	**645**	574	**28**	1	**806**	699
Disability profile								–
Disabled	**3**	–	**13**	–	**–**	–	**16**	–
Male	**3**	–	**13**	–	**–**	–	**16**	–
Female	**–**	–	**–**	–	**–**	–	**–**	–
Non disabled	**130**	124	**632**	574	**28**	1	**790**	699
Male	**83**	87	**527**	505	**23**	1	**633**	593
Female	**47**	37	**105**	69	**5**	–	**157**	106
	133	124	**645**	574	**28**	1	**806**	699

SUSTAINABILITY REPORT (CONTINUED)

Employees are encouraged to pursue development opportunities that empower them to add more value to the Group.

Equal career advancement opportunities exist for male and female employees.

A new system to track individual employees' training achievements and to identify future training requirements was introduced during 2012. This has enabled the Group to gather and analyse data, develop individual training files and assess each employee's competencies. Information is updated on a quarterly basis.

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.

During the reporting period, 39 learnership opportunities were provided to the Group's employees. In addition, the Group allocated R1,1 million towards training middle management.

A number of South Ocean Holdings employees attended training courses covering the following areas:

- IT and computer literacy;
- Human resource administration;
- Equity training;
- Sales and marketing;
- Forklift driving and related skills training;
- Machine operators' on-the-job training;
- Health and safety; and
- Learnership NQF level 2 and 3 courses.

The Group prioritises skills that are key to its operations. During 2012, most training and development was aimed at improving compliance and quality control. In keeping with this strategy, a further 140 people will be trained in quality assurance in the year ahead.

- **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**

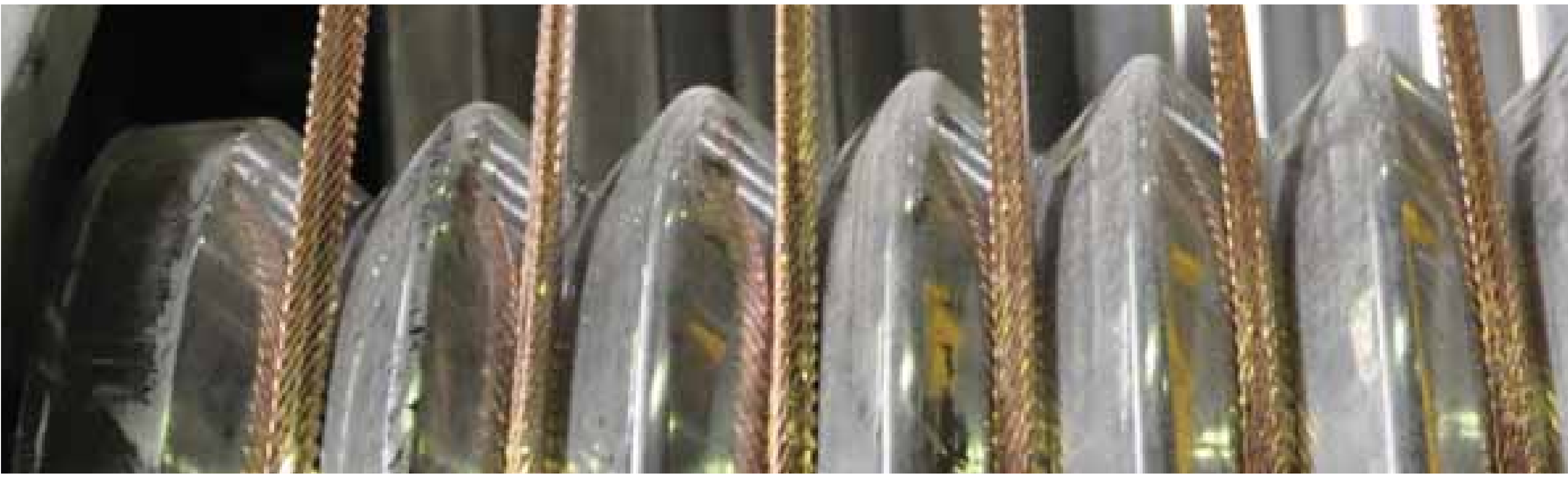
To attract, nurture and retain suitable qualified employees, the Group has various incentive schemes which are geared both to shop-floor staff as well as the most senior employees within the Group. The Group has in place a short-term incentive scheme as well as a long-term incentive scheme, in which 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 (refer page 39).

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 payable at the end of the year.

- **Broad-based black economic empowerment (BBBEE)**

The Group has engaged the services of a BEE consulting firm to advise on and assist in its BBBEE implementation.

The Group is a level 6 contributor.



SUSTAINABILITY REPORT (CONTINUED)

- 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 rules 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 confidentiality.

- HIV/AIDS

The Group continues to provide HIV/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/or 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.

- 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 are 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. These have been amalgamated under South Ocean Holdings as of 2012.

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.

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

STAKEHOLDERS

- Meaningful engagement with our stakeholders

South Ocean Holdings aims to engage regularly, openly and honestly with stakeholders involved in and affected by its operations. This 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 had employed 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. A stakeholder engagement map can be found on page 26.

- 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

GOVERNANCE (CONTINUED)

SUSTAINABILITY REPORT (CONTINUED)

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	• 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 interviews • Road shows • Presentations

ENVIRONMENT

- **Reducing climate change impacts**

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

- **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 November of this year, a granulating system to separate PVC casings from scrap copper cabling was installed. This improved the recovery rate of scrap and 100 tonnes of waste was separated in this fashion.

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 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.

- **Making a positive contribution to society**

The Group's Value Added Statement on page 27 demonstrates that South Ocean Holdings continues to contribute to the overall growth and well-being of the country, shareholders and employees. Total wealth created and total value distributed increased by 10,9% during 2012. Besides reinvesting the value created back into the Group, our employees are always the biggest receiver of value. Value added per employee and wealth created per employee reduced by 3.7% due to an increase in the number of employees. Gross contributions to central and local governments reduced by 0.4% to R17,8 million representing South Ocean Holdings' economic value add to the economies in which it operates. Despite challenging economic conditions, South Ocean Holdings has been able to sustain favourable returns to shareholders.

SUSTAINABILITY REPORT (CONTINUED)

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	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Revenue	**1 406 317**	1 261 019	1 138 130	957 972	1 136 617
Paid to suppliers and providers of services	**(1 171 047)**	(1 047 886)	(905 445)	(770 945)	(801 330)
Value added	**235 270**	213 133	232 685	187 027	335 287
Income from investment	**3 950**	2 670	7 630	14 535	4 283
Total value created	**239 220**	215 803	240 315	201 562	339 570
Distributed as follows:					
Employees	**129 557**	112 906	123 880	117 947	102 694
Providers of capital	**14 788**	10 976	18 146	18 531	69 852
Finance costs	**14 788**	10 976	13 455	18 531	27 630
Dividends	**–**	–	4 691	–	42 222
Government	**17 781**	17 860	26 383	17 949	48 981
Income taxation	**13 340**	13 975	22 519	15 493	47 108
Rates and taxes	**2 189**	1 633	1 562	812	183
Skills development levy	**993**	993	629	649	631
Customs and excise	**1 259**	1 259	1 673	995	1 059
Retained for growth	**77 094**	74 061	71 906	47 135	118 043
Depreciation, amortisation and impairment	**195 635**	22 642	18 388	18 157	57 282
Deferred taxation	**(417)**	5 276	1 748	(2 679)	(340)
Retained profit	**(118 124)**	46 143	51 770	31 657	61 101
	239 220	215 803	240 315	201 562	339 570
Value added statements ratio analysis:					
Number of employees	**813**	711	641	651	661
Revenue per employee (units)	**1 730**	1 774	1 776	1 472	1 720
Value added per full time employee	**289**	300	363	287	507
Average salary per employee	**159**	159	193	181	155

- ### Corporate Social Investment

South Ocean Holdings develops partnerships that promote social and economic development and benefit the communities in which it operates. 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.

Palm Ridge School

The Group donated various Radiant light fittings to Palm Ridge School, near Alrode. The comprehensive school services the feeder areas of Palm Ridge, Eden Park, Silumaview, Greenfields, Phola Park, Sinwaba Park, Katlehong and Thokoza. Since these are largely low-income working class communities, the school has officially been declared a 'no fees school' to cater for the needs of these communities. Palm Ridge school has about 2 360 learners and the governing body continually seeks other avenues to supplement the school's income. The donation from South Ocean Holdings will assist the school to undertake further fundraising and to cover some of its operating costs.

Molwent enterprise development initiative

Radiant donated several stock items to Molwent, an SME operating in Cape Town. The stock will be used to help kick-start the company. In addition, Radiant has identified non-financial support as an important ingredient of business success and provides ongoing advice and support to the company as part of its enterprise development programme.

BEE Printing Company

Space was allocated rent-free for a BEE printing company in the Radiant Building. The company sells some of Radiant's products which it will brand for clients as per their specification. The company also does printing for its client base. Radiant also made use of the company to brand some of its products for clients.

PRODUCT QUALITY

SABS and ISO standards

Quality approved products are supplied to customers and our products comply with standards laid down by the South African Bureau of Standards. The Group is certified compliant with ISO 9001:2000 Quality Management Standard and with the new revised ISO 9001:2008 Quality Management Standard. The Group has quality control facilities and a Testing Laboratory to ensure that all products perform optimally.

CORPORATE GOVERNANCE

INTRODUCTION

The South Ocean Holdings' Board of Directors recognises that sound corporate governance practices are essential to the success and sustainability of the Group, and is committed to applying the recommendations of the King Report on Governance for South Africa 2009 (King III Code) where relevant. An assessment of the Group's compliance with the principles contained in King III Code was undertaken during the year under review and areas of non-compliance are explained in this report.

South Ocean Holdings' commitment to compliance with effective corporate governance is unquestionable as the Directors feel it is a pre-requisite to ensuring 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 its stakeholders.

Executive management, with the guidance of the Board and the Company Secretary, continue to occupy centre stage in ensuring existence of efficient and effective governance processes. The Board is still the accountable structure and is responsible for the Group corporate governance system and its performance and has therefore considered and reviewed the King III Code and its application to governance processes at various intervals.

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

The Board 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 system and controls relating to risk management is effective.

The Risk management and internal control processes have been in place for the period under review and to the date of approval of the annual report.

The system of internal control is designed to manage rather than eliminate the risk of failure or opportunity risk.

The system of internal control can only provide reasonable but absolute assurance.

The business continuation plans are in process of being implemented.

ENDORSEMENT AND COMPLIANCE WITH KING III CODE

The King III Code requires the Board 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 interest with the principal need to secure sustainable returns and maximise profits. As a result, the Group is governed appropriately and conducts its affairs with prudence, transparency, accountability, fairness and in a socially responsible manner.

EXCEPTIONS TO KING III CODE

King III Code has been substantially applied within the Group governance processes since its implementation.

The following key principles have not been fully implemented, with explanations as to why the Group is not complying:

- An external assurance provider to provide assurance over material elements of the sustainability section of the integrated annual report has not been appointed.
  - o 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 provider for sustainability reporting as it is comfortable with the accuracy of the sustainability reporting.
- The Group does not have an independent compliance function and the responsibility for compliance rests with the Company Secretary, Compliance Officer and the internal audit function who consult with our legal advisors where necessary.
  - o There is no intention to establish an independent compliance function.
- The Group has not adopted formal dispute resolution processes for external disputes.
  - o The adoption of a formal dispute resolution mechanism is in process.
- The remuneration of each individual director and each prescribed officer is disclosed, the names of the prescribed officers who are not directors and who received the highest salaries have not been disclosed.
  - o The Board does not consider it appropriate to disclose the names of the prescribed officers who are not directors and who received the highest salaries. Legal opinion was obtained confirming the Group's view. The salaries have been disclosed in note 21 to the financial statements.

Director	Independent non-executive	Non-executive	Executive
E G Dube (Chairman)	✓		
E H T Pan (Deputy Vice Chairman)		✓	
K H Pon	✓		
C Y Wu		✓	
H L Li		✓	
D L Tam	✓		
M Chong	✓		
C C Wu (Alternate)		✓	
C H Pan (Alternate)		✓	
M H Lee (Alternate)		✓	
J P Bekker			✓
P J M Ferreira			✓

BOARD OF DIRECTORS

Board composition

The Board consists of three non-executive directors and four independent non-executive directors and two executive directors namely, the Chief Executive Officer and the Chief Financial Officer.

Messrs W P Li and C C Wu were appointed as alternate non-executive directors to Messrs C Y Wu and E H T Pan during February and March 2012 respectively. Mr W P Li resigned as an alternate on 22 November 2012. He was replaced by Ms M H Lee, who was appointed as an alternate director on 27 November 2012.

The Board is authorised to appoint new directors between Annual General Meetings with the appointees required to retire and stand for re-election at the subsequent Company's Annual General Meeting.

The Board takes initiative to ensure that all its members are of the highest ethical standard and they take the lead in directing the activities of the Group in a manner consistent with these ethical standards. The Board views its standing as a corporate citizen in the same manner as the Group's financial performance, as such it takes care to ensure it occupies the centre stage in its review and oversight of the operating environment.

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

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 Code, must exist with regard to conflicts of interest and the maintenance of a register of directors' interest;
- 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 Group along sound governance principals;
- 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;

CORPORATE GOVERNANCE (CONTINUED)

- ensuring that the Company 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 risks 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 review of the Charter is done periodically and it is 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 its duties and responsibilities at any stage.

Meetings

The directors are requested to table their interests in any material contracts and shareholding in outside companies at every Board meeting. Where a conflict of interest is a possibility, the affected directors are requested to excuse themselves from discussions in meetings where these conflicts exist. The Board is required to meet at least four times per year.

During Board meetings the directors review 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.

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.

All the directors retire at their first Annual General Meeting of the Company and a third of the directors retire annually. The directors to retire are those that have been longest in office since the last election and are eligible for re-election at that meeting.

Non-executive directors are of suitable calibre and their views carry significant weight in Board decisions. The director's review performed during the year on directors has confirmed their suitability to continue in the office and their ability to add value to the oversight of the Group operations.

Executive directors

The Executive Directors are permanent employees of the Company with a three months notice period. The Chief Executive Officer and Chief Financial Officer serve as Executive Directors on the Board and are responsible for the day-to-day running of operations.

The Chairman

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

The Board elects the Chairman based on his experience and potential contribution to the achievement of its objectives as stated in the Charter. The Board succession planning process provides for the Deputy-Vice Chairman to take over from the Chairman should there be any need. The existing independent non-executive directors are also 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

The Chief Executive Officer, Paul Ferreira, is responsible for the operational management of the Group. 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.

To effectively execute the activities assigned to him by the Board, the Chief Executive Officer facilitates and chairs the Executive Committee meetings.

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 Company Secretary

Mr W T Green, Company Secretary FCIS

Mr W T 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.

CORPORATE GOVERNANCE (CONTINUED)

The Company Secretary's duties include:

- providing guidance to directors regarding their duties, responsibilities and powers;
- ensuring that Board and Board Committee procedures are followed;
- keeping records of Board and Board Committee minutes and resolutions, attendance registers, directors' declarations of interest and notices and announcements made by the Company;
- maintaining statutory records and submitting statutory returns;
- advising the Board on corporate governance and regulatory changes;
- ensuring compliance with the JSE Listings Requirements and statutory requirements;
- ensuring that the Board and Board Committee Charters and terms of reference are kept up to date; and
- assisting the Board in conducting annual evaluations of the Board, Board Committees and individual directors.

The appointment and removal of the Company Secretary is a matter for determination by the entire Board. All directors have access to the advice and the services of the Company Secretary and, in appropriate circumstances, are entitled and authorised, at the Group's expense, to 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 48 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

On the appointment of the new director, the Board has a process that provides 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 new director has the necessary experience, obtained from being a member of various other companies' boards, Company-specific development will be provided. A periodic update of legislative changes is 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 Group and its operating businesses.

Director evaluation

The South Ocean Holdings Board has implemented a Board self-evaluation system, which it uses to evaluate the performance of the individual directors and the Board as a whole. During the year, a Board self-evaluation was performed by the members of the Board and this confirmed the suitability of all the directors to continue adding value to the Group.

Attendance of meetings

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

Director	27 Feb	23 May	1 Aug	22 Nov
E G Dube (Chairman)	✓	✓	✓	✓
E H T Pan (Deputy Vice Chairman)	✓	✓	✓	✓
K H Pon	✓	✓	✓	✓
H L Li	✓	✓	✓	✓
C Y Wu	✓	✓	✓	✓
M Chong	✓	✓	✓	✓
D L Tam	✓	✓	✓	✓
J P Bekker	✓	✓	✓	✓
P J M Ferreira	✓	✓	✓	✓

✓ = Present

Board committees

To enable the Board to discharge its responsibilities and duties, during the year 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 year 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 29 and 31 to 36 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 corporate governance and keep trend with all new developments.

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

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Ethics

The Code of Ethics, which was formally adopted by the Board, is made available to all senior executives and employees within the Group. All Group employees are expected to conduct themselves with integrity in their internal and external dealings and are expected to adhere consistently and uncompromisingly to the highest standards of ethical behaviour.

CORPORATE GOVERNANCE (CONTINUED)

The Group's 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. Our intention is that our 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 that ensures that the employees and other parties that 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 organisation;
- 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.

Integrity

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

Delegation of authority

The delegation of authority is linked to the position. Employees promoted to position of authority are properly evaluated by Human Resource Division and management.

AUDIT AND RISK MANAGEMENT COMMITTEE

Composition of Committee

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

Mr Henry Pon, Chairman (Audit and Risk Management-, Remuneration- and Nomination Committee)

Member	Independent non-executive
K H Pon (Chairman)	Yes
M Chong	Yes
D L Tam	Yes

During the year, Mr C Y Wu, a non-executive director, resigned from the Audit and Risk Management Committee to ensure the Audit and Risk Management Committee consists of only independent non-executive directors in compliance with the requirements of the King III Code. 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 auditors and internal auditors to attend its meetings at least twice a year. The external and internal auditors have unrestricted access to the Audit and Risk Management Committee and its Chairman, thus ensuring their independence and the impartiality of their reports.

Responsibility

This 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 and internal 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 to review and 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.

CORPORATE GOVERNANCE (CONTINUED)

The Board is confident that the members of the 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 Listings 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 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 or 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 2013 financial year. The Board re-appointed PricewaterhouseCoopers Inc. and Mr Wikus Roos, 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 recommended the appointment of BDO Risk Advisory Services (Pty) Limited ("BDO") as independent internal auditors to fulfil the Group's internal audit function.

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

The Audit and Risk Management Committee considered the following aspects to satisfy itself that BDO 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 directly or indirectly holds any shares in South Ocean Holdings; and
- assessing any other factors which could impact or be considered to impact their independence.

The role of the internal audit is to review the 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 programme 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. Their reporting 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 our 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;
- receiving reports from the Compliance Officer on the adequacy and effectiveness of risk management arrangements;
- ensure 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

CORPORATE GOVERNANCE (CONTINUED)

- 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 committee met five times in 2012. Attendance at meetings was as follows:

Director	24 Feb	23 May	31 Jul	18 Oct	22 Nov
K H Pon (Chairman)	✓	✓	✓	✓	✓
M Chong	✓	✓	✓	✓	✓
D L Tam	✓	✓	✓	✓	✓

✓ = Present

The audit committee has reviewed the Annual Integrated Report and has recommended the report to the Board for approval.

EXECUTIVE COMMITTEE

Composition of Committee

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

Meetings

The Executive Committee meets on a monthly basis to plan, review and manage the day-to-day activities of the Group.

Responsibility

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 strategic operational plans are received and submitted to the Board; and
- 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 Committee

Members of the Remuneration Committee during the year were:

Member	Independent non-executive
K H Pon (Chairman)	Yes
E D Dube	Yes
H L Li	No

Mr E H T Pan resigned as a Remuneration Committee member during the year to ensure that the majority of the Remuneration Committee Members are independent non-executive directors.

The Remuneration Committee, comprising three members, two of which are independent non-executive directors and one non-executive director, 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 year.

Responsibility

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

CORPORATE GOVERNANCE (CONTINUED)

The committee has, during the year, reviewed all the Group 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 all levels in the company;
- 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 Company'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:
  - o fixed monthly guaranteed remuneration calculated as a percentage of the total-cost-to-company package; and
  - o 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 meet certain financial targets which relate to Profit Before Tax.
- long-term incentives, which is a share appreciation scheme, aim to retain senior management, and the main elements are:
  - o allocations to key staff to ensure retention;
  - o allocations are done annually;
  - o payments are due three years after allocation was made, but can be extended for one more year;
  - o maximum value of allocation is calculated at between 33% and 83% of guaranteed pay; and
  - o paid in cash after the specified period.

Attendance of meetings

The committee met three times during the year. Attendance at meetings was as follows:

Director	24 Feb	23 May	22 Nov
K H Pon (Chairman)	✓	✓	✓
E G Dube	✓	✓	✓
H L Li	✓	✓	✓

✓ = Present

NOMINATION COMMITTEE

Composition of Committee

Members of the Nomination Committee during the year were:

Member	Independent non-executive
K H Pon (Chairman)	Yes
E G Dube	Yes

Meetings

The Nomination Committee had no set meetings in the financial year. The committee will 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 which will be short listed and interviewed. The Nomination

CORPORATE GOVERNANCE (CONTINUED)

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:
  - o identification of suitable persons to be appointed;
  - o performance of reference and background checks of candidates prior to nomination; and
  - o 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 appointments are developed and implemented.

No meetings were held during the year.

SOCIAL AND ETHICS COMMITTEE

Composition of the Social and Ethics Committee

Members of the Social and Ethics Committee during the year were:

Member	Independent non-executive
M Chong (Chairperson)	Yes
P J M Ferreira	No
J P Bekker	No

Meetings

The Social and Ethics Committee is scheduled to meet at least three times during the year.

Attendance of meetings

The committee met four times during the year. Attendance at meetings was as follows:

Director	9 Feb	29 Mar	12 Jul	8 Nov
M Chong (Chairperson)	✓	✓	✓	✓
P J M Ferreira	✓	✓	✓	✓
J P Bekker	✓	✓	✓	✓

✓ = Present

Social and Ethics Committee Charter

The Social and Ethics Committee has the following functions:

- to monitor the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
  - o social and economic development, including the Group's standing in terms of the goals and purposes of:
    - – the 10 principles set out in the United Nations Global Compact Principles;
    - – the OECD recommendations regarding corruption;
    - – the Employment Equity Act; and
    - – the Broad Based Black Economic Empowerment Act;
  - o good corporate citizenship, including the Group's:
    - – promotion of equality, prevention of unfair discrimination, and reduction of corruption;
    - – contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
    - – record of sponsorship, donations and charitable giving;
  - o the environment, health and public safety, including the impact of the Group's activities and its products or services;
  - o consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws;
  - o labour and employment, including:
    - – the Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions;
    - – the Group's employment relationships and contribution toward the educational development of its employees;
    - – to draw matters within its mandate to the attention of the Board as occasion requires;
    - – to report, through one of its members, to the shareholders at the Group's Annual General Meeting on the matters within its mandate.

INFORMATION TECHNOLOGY

The Group has a policy in place regarding the safeguarding and management of the information technology systems and network environments.

The risks associated with the information technology environment are continually being evaluated as to whether they are properly identified, managed and reported. This is to establish whether the information technology systems can be relied upon to produce a functional environment for the management of the enterprise data. Proper security controls, backup procedures and access controls are in place for the management of the information technology and its associated data.

Disaster recovery plans are being implemented for any unforeseen circumstances to ensure 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 includes 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 JSE Listings Requirements.

CORPORATE GOVERNANCE (CONTINUED)

In terms of the JSE Listings Requirements, dealings in the Company's securities by directors of South Ocean Holdings and 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 Listings 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 the Company's securities during the financial year.

RELATIONSHIP WITH STAKEHOLDERS AND INVESTORS

The Group continues to promote dialogue with its shareholders, business analysts, business advisers and all other stakeholders. These include timeous, honest, relevant and accessible announcements and circulars to the shareholders in accordance with the JSE Listings 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 one English newspaper, on the company's web site and on SENS. There are regular engagements with the media in various methods to ensure fair communication through media liaison.

EMPLOYMENT EQUITY

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.

CORPORATE SOCIAL INVESTMENT

The Group aims to contribute to the economic well-being and social development of the communities in which it operates through job creation, donations and educational and cultural contributions. The Social and Ethics Committee addresses these areas.

PREFERENTIAL PROCUREMENT

In terms of discretionary spend, the Group seeks to secure products and services from black-owned and managed enterprises as far as it is commercially viable.

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 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 one non-executive director.

MEETINGS

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

The Chief Executive Officer attends the meetings by invitation, but does not participate in discussions on his 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 committee's areas of responsibility.

REMUNERATION COMMITTEE'S ROLES AND 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.

South Ocean Holdings' remuneration philosophy:

- plays an integral part in supporting the implementation of business strategies;
- motivates and reinforces individual and team performance;
- is applied equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

The Group's application of remuneration practices in all businesses and functions:

- aims to be market competitive in specific labour markets in which people are employed;
- determines the value proposition of the various positions within job families or functions;
- ensures that performance management forms an integral part of remuneration, thereby influencing the remuneration components such as guaranteed packages and incentives; and
- applies good governance to remuneration practices within approved structures.

The alignment of these remuneration principles aims to meet the strategic objectives of:

- attracting, retaining and motivating key and talented people;
- competing in the marketplace with the intention of being a preferred employer;
- rewarding individual and business performance and encouraging superior performance.

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

Non-executive director 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 Board and 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 mix 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 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% and 80% for directors and 92,4% for senior management of 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 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% and 25% 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.

REMUNERATION COMMITTEE REPORT (CONTINUED)

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. 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 2012, 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 is in place with effect from 1 January 2009. The objective of this plan is to both align the interest 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 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:
  - o In relation to a certain value of shares, to the extent of 75%, based on the shares of that subsidiary company;
  - o 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;
  - o 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
  - o 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 from related companies

Executive directors' remuneration paid for 2012 was as follows:

Company	2012 R'000	2011 R'000
South Ocean Holdings Limited	**7 222**	11 860
South Ocean Electric Wire Company (Pty) Ltd	**–**	2 732

Details of the remuneration of individual directors are listed in note 21 in the financial statements section of this report.

Non-executive directors' remuneration

The fees for non-executive directors during 2012 were as follows:

	FIXED FEE PER ANNUM 2012 R
Chairman of the Board	**367 481**
Deputy Vice Chairperson	**212 000**
Member of the Board	**122 494**
Chairman of the Audit and Risk Management Committee	**183 740**
Member of the Audit and Risk Management Committee	**39 697**
Chairman of the Remuneration Committee	**56 498**
Member of the Remuneration Committee	**39 697**
Chairperson of the Social and Ethics Committee	**56 498**
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 directors' interest in share capital of the company are disclosed in the Director's Report on page 51.

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 share appreciation scheme are set out in note 14 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 2012 and 2011 are set out in note 21 to the financial statements.

Remuneration Committee members

The Remuneration Committee members during the year were:

K H Pon	–	Chairman
E G Dube	–	Member
H L Li	–	Member

During the year Mr E H T Pan resigned as member of the Remuneration Committee.

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee was established in terms of section 72 of the Companies Act, 2008 and operates under a mandate from the Board and within the terms of approval by the Board.

The Social and Ethics Committee is a formal sub-committee of the Board.

COMPOSITION

The Social and Ethics Committee comprises:

- M Chong (Chairperson, independent non-executive director);
- P J M Ferreira (Chief Executive Officer); and
- J P Bekker (Chief Financial Officer).

MEETINGS

The Social and Ethics Committee meets at least three times a year, unless additional meetings are required.

During the year under review, the Social and Ethics Committee met four times.

REPORTING

The Social and Ethics Committee Chairperson reports formally to the Board on its proceedings after each meeting and attends the Annual General Meeting to report and respond to any questions from stakeholders regarding its functions and activities.

RESPONSIBILITIES

The mandate of this committee is to assist the Board in, *inter alia,* monitoring the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development, relating to the Group's standing in terms of the goals and purposes of:
  - o The 10 principles set out in the United Global Compact Principles;
  - o The OECD recommendations regarding corruption;
  - o The Employment Equity Act; and
  - o The Broad-Based Black Economic Empowerment Act.
- Good Corporate Citizenship, in terms of the:
  - o Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - o Contribution to development of the communities in which the Group's activities are predominantly conducted or within which its products and services are predominantly conducted; and
  - o Record of sponsorship, donation and charitable donations;
- The environment, health and public safety, and the impact of the Group's activities and of its products or services;
- Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws;
- Labour and Employment, including:
  - o The Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - o The Group's employment relationships and its contribution towards the educational development of its employees;
- Drawing matters within its mandate to the attention of the Board as required; and
- Reporting to shareholders at the Group's Annual General Meeting on the matters within its mandate.

The Committee is satisfied with the Group's progress in the different areas for the 2012 financial year and with the plans for the 2013 financial year. The Committee is aware its function will continue to evolve as it addresses all the responsibilities within its mandate.

Melanie Chong
Chairperson

15 April 2013

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 GAP ANALYSIS (CONTINUED)

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	
The Board ensures that there is an effective risk-based internal audit	●

King III Index	
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 will be doing a detail audit of compliance of laws, codes and standards during 2013.

[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.

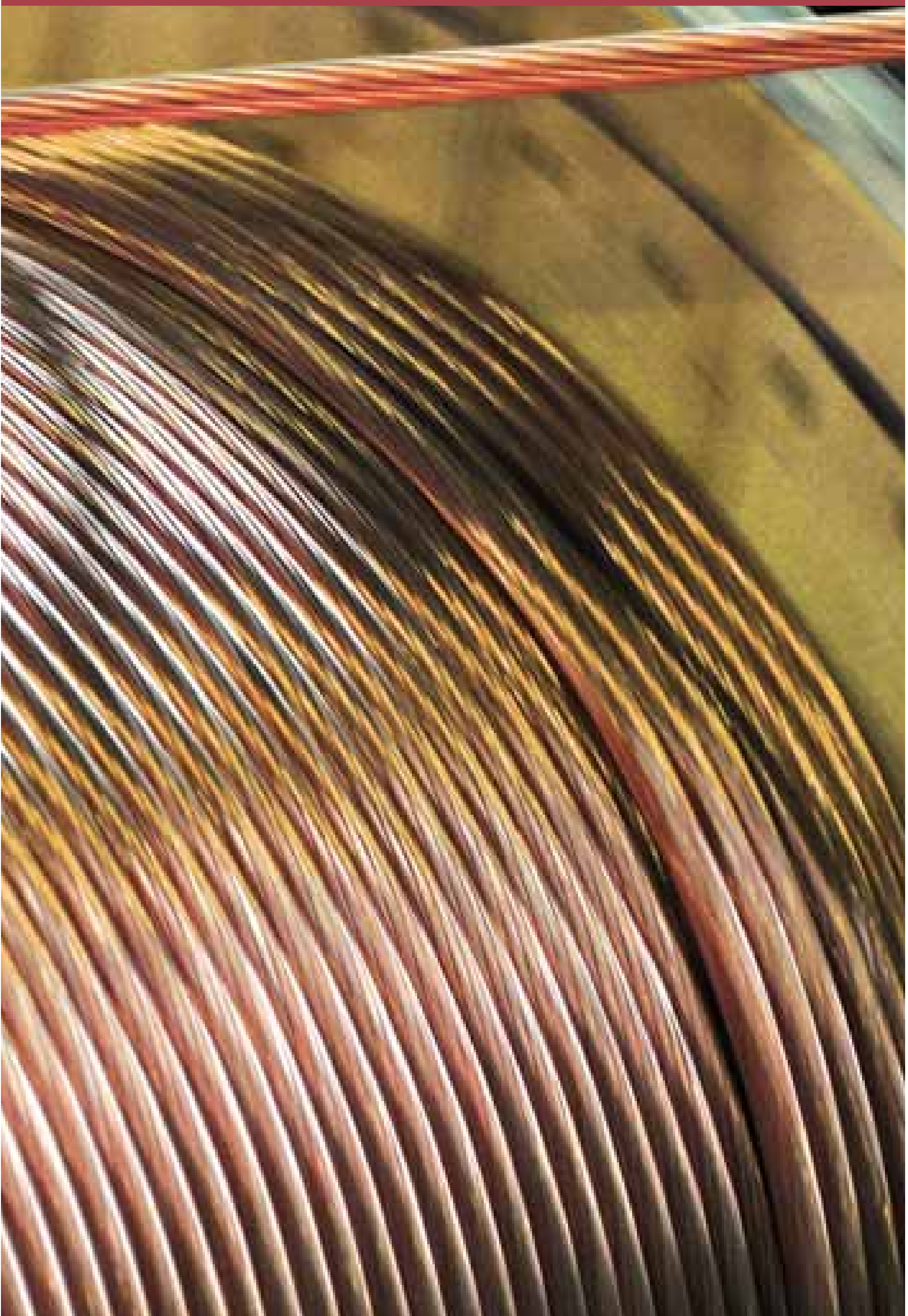
Legend

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

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER

2012



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

J P Bekker CA (SA)
Chief Financial Officer

PUBLISHED

27 February 2013

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2012.

The Audit and Risk Management Committee is a statutory committee of the Board and forms an integral component of the Group's governance framework. The Audit and Risk Management Committee has written terms of reference that deal with its membership, authority and duties. 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 the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information; the risk management process; internal financial controls; external and internal audit functions; and statutory and regulatory compliance.

The Audit and Risk Management Committee has an independent role with accountability to both the Board of Directors and shareholders.

1. COMPOSITION

The members of the Audit and Risk Management Committee, who are all independent non-executive directors of the Group, are: Mr K H Pon – CA (SA) (Chairman), Ms D L Tam – B Com (Hons), and Ms M Chong – CA (SA).

The committee is satisfied that the members have the required knowledge and experience as set out in section 94(5) of the Companies Act 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

All the members have the required financial and commercial skills and experience to contribute to the Committee's deliberations. The Board is satisfied that the Audit and Risk Management Committee members act independently.

2. TERMS OF REFERENCE

The Audit and Risk Management Committee functions within the scope provided by approved terms of reference which were reviewed and updated during the year. The Audit and Risk Management Committee has acted upon its statutory duties and functions during the year. The Board will assess the performance of the Audit and Risk Management Committee and its members.

3. MEETINGS

The Audit and Risk Management Committee performs the duties laid upon it by section 94(7) of the Companies Act of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The committee held five scheduled meetings during 2012 and all the members of the committee attended all the meetings. 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.

Duties

For the year ended 31 December 2012 the Audit and Risk Management Committee objectives were met and carried out the following duties:

4. EXTERNAL AUDITOR

The Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as the independent auditor and Lynne Loots as the designated auditor, who is a registered independent auditor, for appointment of the year ended 31 December 2012 audit. The appointment of the auditors for the 2013 financial year will be discussed at the next Audit and Risk Management Committee.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act 71 of 2008 and as per the standards stipulated by the auditing profession. Requisite assurance was sought that internal governance processes within PricewaterhouseCoopers support and demonstrate the claim to independence.

The Audit and Risk Management Committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The Audit and Risk Management Committee has considered and pre-approved all non-audit services provided by the external auditors and the fees relative thereto so as to ensure the independence of the external auditors is maintained.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

At the end of each meeting during the year, the Audit and Risk Management Committee met with the external auditors where management was not present, during which no matter of concern were raised by the auditors.

The Audit and Risk Management Committee reviewed the external auditor's reports and management responses to matters raised.

The Audit and Risk Management Committee has evaluated and is satisfied with the quality and effectiveness of the external auditors.

The Audit and Risk Management Committee has satisfied itself through representations that the external auditors are independent and approved the following fees for work done by them. The fees charged during the year for audit services amounted to R2 041 805 (2011: R1 360 000) and fees charged for non-audit services amounted to R115 195 (2011: R35 000).

5. FINANCIAL STATEMENTS AND ACCOUNTING CONTROLS

The Audit and Risk Management Committee has reviewed the Annual Financial Statements for the year ended 31 December 2012 and commented on the accounting practices and the effectiveness of the internal controls with regards to:

- the appropriateness and consistent application in the adoption of accounting policies and any changes in accounting policies and practices;
- significant financial estimates based on judgement which are included in the annual financial statements;
- the appropriateness of major adjustments processed at the interim and at year-end;
- the going concern assumption;
- compliance with both local and international accounting standards;
- whether the Annual Financial Statements present a balanced and understandable assessment of the Group's position, performance and prospects; and
- the directors' statement included in the Annual Financial Statements, including the statement on effectiveness of the system of internal control.

Reviewed the valuation of goodwill before recommending impairment to the Board for approval.

Reviewed the content of the summarised financial information for whether it provides a balanced view.

Following the review of the financial statements, the Audit and Risk Management Committee recommend to the Board the approval thereof.

The Audit and Risk Management Committee will review the integrated report and make recommendations to the Board for approval. The Committee will also comment on the state of the internal financial control's environment in the integrated report once it has been prepared.

6. INTERNAL AUDITORS

The Audit and Risk Management Committee has:

- recommended the appointment of BDO Risk Advisory Services (Pty) Limited as the Group's internal auditors;
- satisfied itself with the competence of the internal auditors and adequacy of the internal audit staffing;
- satisfied itself through enquiry that BDO Risk Advisory Services (Pty) Limited is independent;
- approved the annual risk-based internal audit plan;
- reviewed the internal auditors' assessment of internal controls and confirmed that nothing has come to their attention to indicate any material failure of internal control systems;
- reviewed the internal audit reports and management's response to matters raised; and
- reviewed and is satisfied with the quality and effectiveness of internal audit.

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.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

7. INTERNAL CONTROLS AND RISK MANAGEMENT

Oversight of risk management

In its oversight of risk management, the Audit and Risk Management Committee has:

Received assurances that the processes and procedures followed in terms of risk management are adequate to ensure that financial risks are identified and monitored;

Satisfied itself that the following areas have been appropriately addressed:

- financial reporting risks;
- financial control risks;
- fraud risks as they relate to financial reporting; and
- information technology risks as they relate to financial reporting;

Reviewed tax and information technology risks and in particular how they are managed.

Performed an analysis of strategic risks to which the Group is exposed and recorded those risks in a risk register. The risk register is amended when appropriate strategies for mitigating the identified risks are developed and implemented on an ongoing basis.

Internal financial controls

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 and internal auditors in their reports; and
- reviewed policies and procedures for preventing and detecting fraud;

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

8. 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 the legislative provisions and JSE requirements applicable to its operational environment.

9. REVIEW OF FINANCIAL FUNCTION AND CHIEF FINANCIAL OFFICER

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

10. 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 of the Group's current financial position and cash flows, that the Group is a going concern.

On behalf of the Audit and Risk Management Committee

K H Pon CA (SA)
Chairman of the Audit and Risk Management Committee

Johannesburg
27 February 2013

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, 2008, 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. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards ("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 Committee 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 predetermined 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 2013 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 were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors, and committees of the Board. The directors believe that all representations made to the independent auditors during the audit are valid and appropriate.

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 49.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 48 to 98, which have been prepared on the going concern basis, were approved by the Board on 27 February 2013 and were signed on its behalf by:

E G Dube
Independent Non-Executive Chairman

P J M 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.

W T Green
Company Secretary

Johannesburg
27 February 2013

INDEPENDENT AUDITORS' REPORT

To the members of South Ocean Holdings Limited

We have audited the consolidated and separate financial statements of South Ocean Holdings Limited, set out on pages 53 to 98, which comprise the statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of South Ocean Holdings Limited as at 31 December 2012, 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 Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and, accordingly, do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: L Loots
Registered Auditor

Johannesburg
27 February 2013

DIRECTORS' REPORT

The directors present their report of the Group and Company for the year ended 31 December 2012.

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 29 June 2012, shareholders approved the following special resolutions:

Approval of 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:

Chairperson	R367 481
Deputy Vice Chairperson	R212 000
Non-executive director	R122 494
Chairperson of the Audit Committee	R183 740
Member of the Audit Committee	R39 697
Chairperson of the Remuneration Committee	R56 498
Member of the Remuneration Committee	R39 697
Chairperson of Social and Ethics Committee	R56 498
Chairperson 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 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.

Approval of 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.

The reason for and effect of this special resolution 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.

DIRECTORS' REPORT (CONTINUED)

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 Board of Directors 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.

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

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.

6. DIRECTORS' EMOLUMENTS

The directors' emoluments are set out in note 21 of the financial statements.

7. DIVIDENDS

The Board of Directors did not declare a dividend for the year ended 31 December 2012 (2011: Rnil).

8. DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

No material contracts in which directors have an interest were entered into during the year.

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		
E G Dube		
K H Pon		
M Chong		
D L Tam		
Non-executive		
E H T Pan	Brazilian	
C Y Wu	Taiwanese	
H L Li	Taiwanese	
C H Pan (Alternate)	Taiwanese	
W P Li (Alternate)	Taiwanese	Appointed 27 February 2012, resigned 22 November 2012
C C Wu (Alternate)		Appointed 01 March 2012
M H Lee (Alternate)		Appointed 27 November 2012
Executive		
P J M Ferreira		
J P Bekker		

DIRECTORS' REPORT (CONTINUED)

11. SECRETARY

The secretary of the Company is W T Green, whose business and postal addresses are as follows:

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

12. INTEREST IN SUBSIDIARIES

Details of the Company's investment in subsidiaries are set out in notes 5 and 33 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 2012 were as follows:

Director – number of ordinary shares	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2012				
P J M Ferreira	**1 412 880**	**–**	**1 412 880**	**0,90**
J P Bekker	**491 807**	**–**	**491 807**	**0,31**
E H T Pan	**4 728 238**	**27 734 563**	**32 462 801**	**20,76**
	6 632 925	**27 734 563**	**34 367 488**	**21,97**
2011				
P J M Ferreira	1 412 880	–	1 412 880	0,90
J P Bekker	491 807	–	491 807	0,31
E H T 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 2012 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 14.

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, 2008, 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, not otherwise dealt with in the financial statements, which would affect the operations of the Company and the Group or the results of those operations significantly.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**321 122**	305 929	**134**	151
Intangible assets	4	**157 938**	337 222	**–**	–
Investments in subsidiaries	5	**–**	–	**968 463**	1 016 463
		479 060	643 151	**968 597**	1 016 614
Current assets					
Inventories	6	**283 166**	244 966	**–**	–
Trade and other receivables	7	**226 698**	165 296	**648**	730
Amounts owing by group companies	8	**–**	–	**698**	302
Taxation receivable		**4 127**	574	**–**	–
Cash and cash equivalents	9	**32 764**	27 715	**1 148**	2 351
		546 755	438 551	**2 494**	3 383
Total assets		**1 025 815**	1 081 702	**971 091**	1 019 997
EQUITY AND LIABILITIES					
EQUITY					
Share capital	10	**441 645**	441 645	**1 118 864**	1 118 864
Reserves		**(191)**	(352)	**–**	–
Retained earnings (accumulated loss)		**223 416**	341 701	**(153 084)**	(105 402)
		664 870	782 994	**965 780**	1 013 462
LIABILITIES					
Non-current liabilities					
Interest-bearing borrowings	12	**46 059**	70 055	**–**	–
Deferred taxation	13	**33 425**	33 842	**–**	–
Share-based payments	14	**2 301**	1 756	**878**	402
		81 785	105 653	**878**	402
Current liabilities					
Trade and other payables	15	**94 413**	139 496	**4 111**	6 118
Interest-bearing borrowings	12	**28 834**	38 226	**–**	–
Taxation payable		**252**	1 401	**140**	11
Dividend payable		**–**	4	**–**	4
Derivative financial instruments	16	**219**	30	**–**	–
Share-based payments	14	**465**	–	**182**	–
Bank overdraft	9	**154 977**	13 898	**–**	–
		279 160	193 055	**4 433**	6 133
Total liabilities		**360 945**	298 708	**5 311**	6 535
Total equity and liabilities		**1 025 815**	1 081 702	**971 091**	1 019 997

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
	Notes	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Revenue	17	**1 406 317**	1 261 019	**15 252**	14 989
Cost of sales	19	**(1 179 536)**	(1 036 271)	**–**	–
Gross profit		**226 781**	224 748	**15 252**	14 989
Other operating income	18	**8 050**	2 871	**4**	–
Administration expenses	19	**(65 235)**	(66 200)	**(12 733)**	(11 499)
Distribution expenses	19	**(23 866)**	(24 378)	**–**	–
Operating expenses	19	**(236 816)**	(61 335)	**(49 984)**	(3 735)
Operating (loss) profit		**(91 086)**	75 706	**(47 461)**	(245)
Finance income	22	**512**	310	**32**	28
Finance costs	23	**(14 788)**	(10 976)	**(1)**	(1)
(Loss) profit before taxation		**(105 362)**	65 040	**(47 430)**	(218)
Taxation	24	**(12 923)**	(19 251)	**(252)**	(11)
(Loss) profit for the year		**(118 285)**	45 789	**(47 682)**	(229)
Other comprehensive income:					
Exchange differences on translating foreign operations	11	**161**	354	**–**	–
Total comprehensive (loss) income		**(118 124)**	46 143	**(47 682)**	(229)
Total comprehensive (loss) income attributable to:					
Ordinary shareholders		**(118 124)**	46 143	**(47 682)**	(229)
Earnings per share:					
Per share information					
Basic and diluted earnings per share (cents)	25	**(75,60)**	29,30	**–**	–

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	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 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 1 January 2012	**1 274**	**440 371**	**441 645**	**(352)**	**341 701**	**782 994**
Changes in equity						
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**161**	**(118 285)**	**(118 124)**
Total changes	**–**	**–**	**–**	**161**	**(118 285)**	**(118 124)**
Balance at 31 December 2012	**1 274**	**440 371**	**441 645**	**(191)**	**223 416**	**664 870**
Company						
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 1 January 2012	**1 564**	**1 117 300**	**1 118 864**	**–**	**(105 402)**	**1 013 462**
Changes in equity						
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(47 682)**	**(47 682)**
Total changes	**–**	**–**	**–**	**–**	**(47 682)**	**(47 682)**
Balance at 31 December 2012	**1 564**	**1 117 300**	**1 118 864**	**–**	**(153 084)**	**965 780**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
	Notes	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Cash flows from operating activities					
Cash (used in) generated from operations	26	**(38 953)**	63 835	**(669)**	171
Finance income	22	**512**	310	**32**	28
Finance costs	23	**(14 788)**	(10 976)	**(1)**	(1)
Taxation paid	27	**(18 042)**	(13 643)	**(123)**	–
Net cash flows from operating activities		**(71 271)**	39 526	**(761)**	198
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(32 748)**	(61 936)	**(42)**	(180)
Proceeds from sale of property, plant and equipment	29	**1 220**	271	**–**	–
Purchase of intangible assets	4	**–**	(413)	**–**	–
Loans to group companies repaid/ (advanced)		**–**	–	**(396)**	3 914
Repayment of loans from group companies		**–**	–	**–**	(2 999)
Net cash flows from investing activities		**(31 528)**	(62 078)	**(438)**	735
Cash flows from financing activities					
Proceeds from interest bearing borrowings		**5 817**	47 297	**–**	–
Repayment of interest bearing borrowings		**(39 205)**	(46 055)	**–**	–
Dividends paid	28	**(4)**	–	**(4)**	–
Net cash flows from financing activities		**(33 392)**	1 242	**(4)**	–
Net movement in cash and cash equivalents for the year		**(136 191)**	(21 310)	**(1 203)**	933
Cash and cash equivalents at the beginning of the year		**13 817**	34 773	**2 351**	1 418
Effect of exchange rate movement on foreign entity balances		**161**	354	**–**	–
Total cash and cash equivalents at end of the year	9	**(122 213)**	13 817	**1 148**	2 351

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

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 1.17.

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 plus costs directly attributable to the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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. The results of the subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Company'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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.1 Consolidation (continued)

Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the statements of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Company.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Transactions which result in changes in ownership levels, where the Company has control of the subsidiary both before and after the transaction are regarded as equity transaction 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	10 – 20 years
Furniture and equipment	3 – 10 years
Motor vehicles	5 – 7 years
Computer equipment	3 – 4 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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.2 Property, plant and equipment (continued)

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.

1.3 Leases

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 (losses)/gains – net'.

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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.6 Inventories (continued)

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.

1.7 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 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 is carried at a revalued amount under another standard, in which case the impairment loss is treated as 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 recognised for the asset or cash generating unit in prior years.

1.9 Financial instruments

Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.9 Financial instruments (continued)

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.

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 use 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 would 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.

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 asset's carrying amount 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.

Cash and cash equivalents

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

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.9 Financial instruments (continued)

Trade and other receivables (continued)

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 Company 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 the 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.

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 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.

1.11 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. 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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.11 Employee benefits (continued)

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.

1.12 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 customer'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 customer, and either the customer 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 30 days, which is consistent with the 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.

1.13 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:

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.13 Borrowing costs (continued)

- 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.

1.14 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 performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

1.15 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 prior to 1 April 2012 were 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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.15 Tax (continued)

Secondary taxation on companies ("STC") (continued)

The new dividends tax became effective on 1 April 2012. This tax is levied on the shareholders (provided they are not exempt) rather than on the company itself. The company is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As the tax is levied on the shareholders and not the company, the dividends tax does not form part of the tax expense recognised in profit or loss or in other comprehensive income; instead the liability to shareholders on the declaration of a dividend is reduced and a liability for the amount payable to the SARS is recognised.

1.16 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 remeasured 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.

1.17 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.

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).

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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.17 Significant judgements and sources of estimation uncertainty (continued)

Taxation

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.

1.18 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 32. 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 21. There were no other material contracts with related parties.

1.19 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.

1.20 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 3/2012: "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.

1.21 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the profit or loss (separately).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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:

IFRS 7 – Amendments to IFRS 7 Disclosures – Transfers of financial assets (effective from 1 July 2011)

Amended the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

The effective date of the amendment is for years beginning on or after 01 July 2011.

The Group has adopted the amendment for the first time in the 2012 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 01 January 2013 or later periods:

IFRS 9 – Financial Instruments (effective from 1 January 2015)

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from 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 an asset 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.
- Financial liabilities shall not be reclassified.
- 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.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

In December 2011, the effective date of IFRS 9 was delayed. The original effective date for annual periods beginning on/after 1 January 2013 has been delayed to annual periods beginning on/after 1 January 2015. The amendment also modifies the relief from restating prior periods, in that if IFRS 9 is adopted for reporting periods: beginning before 1 January 2012, comparatives need not be restated nor does the additional disclosure requirements of IFRS 7 need to be provided; beginning on/after 1 January 2012 and before 1 January 2013, either the additional disclosure required by IFRS 7 must be provided or the prior periods need to be restated; beginning on/after 1 January 2013, the IFRS 7 additional disclosure is required but the entity need not restate prior periods.

The effective date of the standard is for years beginning on or after 01 January 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 Standards and interpretations not yet effective (continued)

IFRS 9 – Financial Instruments (effective from 1 January 2015) (continued)

The Group expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the standard will have a material impact on the Group's financial statements.

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. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

The effective date of the standard is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the Group's financial statements.

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.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2013 financial statements.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

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

The standard sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the Group's financial statements.

IFRS 13 – Fair Value Measurement (effective from 1 January 2013)

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 IFRS. The requirements, which are largely aligned between IFRS 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.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the Group's financial statements.

IAS 1 – Presentation of Financial Statements (effective from 1 July 2012)

The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 Standards and interpretations not yet effective (continued)

IAS 1 – Presentation of Financial Statements (effective from 1 July 2012) (continued)

The effective date of the amendment is for years beginning on or after 01 July 2012.

The Group expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

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

Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2014.

The Group expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

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

Amendment requires additional disclosures for financial assets and liabilities which are offset and for financial instruments subject to master netting arrangements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2013 financial statements.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

IFRS 10, 11, and 12 – Consolidated Financial Statement, Joint Arrangements and Disclosures of Interest in Other Entities: Transitional Guidance (effective from 1 January 2013)

Transitional guidance for the application of IFRS 10, IFRS 11 and IFRS 12. The amendment limits the requirement to provide adjusted comparative information to only the preceding comparative period.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2013 financial statements.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

IAS 32 – Annual improvements for 2009 – 2011 Cycle (effective from 1 January 2013)

Tax effects of distributions made to holders of equity instruments. The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2013 financial statements.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 Standards and interpretations not yet effective (continued)

IAS 34 – Annual Improvements for 2009 – 2011 Cycle (effective from 1 January 2013)

Clarification on reporting of segment assets and segment liabilities in interim financial reports. Such reporting is only required when it is regularly reported to the chief operating decision maker, and when there has been a material change from the previous annual financial statements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2013 financial statements.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 01 January 2013 or later periods but are not relevant to its operations:

IFRS 11 – Joint Arrangements (effective from 1 January 2013)

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

IAS 19 – Employee Benefits Revised (effective from 1 January 2013)

The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group does not envisage the adoption of the amendment until such time as it becomes applicable to the Group's operations.

IAS 28 – Associates and Joint Ventures (effective from 1 January 2013)

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

IFRS 16 – Annual Improvements for 2009 (effective from 1 January 2013)

Spare parts, stand by equipment and servicing equipment should only be classified as property, plant and equipment if they meet the definition.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 Standards and interpretations not yet effective (continued)

IFRS 1 – Government Loans (Amendment to IFRS 1) (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.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

IFRS 1 – Annual improvement for 2009 – 2011 Cycle (effective from 1 January 2013)

The amendment allows an entity to be a first time adopter of IFRS more than once, if its previous financial statements did not contain an explicit unreserved statement of compliance with IFRS. In addition, borrowing costs capitalised in accordance with previous GAAP before the date of transition to IFRS may be applied unadjusted at the transition date.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

IAS 1 – Annual improvements for 2009 – 2011 Cycle (effective from 1 January 2013)

Clarification is provided on the requirements for comparative information. Specifically, if a retrospective restatement is made, a retrospective change in accounting policy or a reclassification, the statement of financial position at the beginning of the previous period is only required if the impact on the beginning of the previous period is material. Related notes are not required, other than disclosure of specified information.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

3. PROPERTY, PLANT AND EQUIPMENT

	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Carrying value R'000	2011 Cost R'000	2011 Accumulated depreciation R'000	2011 Carrying value R'000
Group						
Land and buildings	**209 535**	**(7 257)**	**202 278**	204 178	(5 537)	198 641
Leasehold improvements	**100**	**(58)**	**42**	118	(29)	89
Plant and machinery	**161 855**	**(60 112)**	**101 743**	141 596	(50 373)	91 223
Furniture and equipment	**27 564**	**(16 305)**	**11 259**	24 459	(13 431)	11 028
Motor vehicles	**14 197**	**(8 397)**	**5 800**	12 137	(7 189)	4 948
Total	**413 251**	**(92 129)**	**321 122**	382 488	(76 559)	305 929
Company						
Furniture and equipment	**232**	**(98)**	**134**	190	(39)	151

Reconciliation of property, plant and equipment

Group – 2012	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Foreign exchange movements R'000	Depre-ciation R'000	Closing balance R'000
Land and buildings	**198 641**	**5 357**	**–**	**–**	**–**	**(1 720)**	**202 278**
Leasehold improvements	**89**	**–**	**–**	**(18)**	**3**	**(32)**	**42**
Plant and machinery	**91 223**	**21 601**	**(1 015)**	**–**	**–**	**(10 066)**	**101 743**
Furniture and equipment	**11 028**	**3 253**	**(4)**	**18**	**–**	**(3 036)**	**11 259**
Motor vehicles	**4 948**	**2 537**	**(188)**	**–**	**–**	**(1 497)**	**5 800**
	305 929	**32 748**	**(1 207)**	**–**	**3**	**(16 351)**	**321 122**

Reconciliation of property, plant and equipment

Group – 2011	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depre-ciation R'000	Closing balance R'000
Land and buildings	179 823	20 513	–	–	(1 695)	198 641
Leasehold property	–	118	–	–	(29)	89
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
	259 642	61 936	(189)	–	(15 460)	305 929

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment

Company – 2012	Opening balance R'000	Additions R'000	Depre-ciation R'000	Closing balance R'000
Furniture and equipment	**151**	**42**	**(59)**	**134**
Reconciliation of property, plant and equipment – Company – 2011				
Furniture and equipment	10	180	(39)	151
Security				
Carrying value of assets encumbered as security for interest bearing borrowings (note 12):				
Mortgage bonds				
Land and buildings	202 278	198 641	–	–
Instalment sale agreements				
Plant and machinery	26 366	22 938	–	–
Motor vehicles	1 967	–	–	–
The fair value of land and buildings is R228 683 000 (2011: R218 135 642) whilst the carrying value of all other property, plant and equipment approximates their fair values.				
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

	2012			2011		
	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000
Group						
Goodwill	**148 108**	**–**	**148 108**	323 108	–	323 108
Trade names	**14 347**	**(5 866)**	**8 481**	14 347	(5 285)	9 062
Customer relationships	**10 074**	**(10 074)**	**–**	10 074	(8 551)	1 523
Computer software	**10 394**	**(9 045)**	**1 349**	10 394	(6 865)	3 529
Total	**182 923**	**(24 985)**	**157 938**	357 923	(20 701)	337 222

4. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible assets

Group – 2012	Opening balance R'000	Amortisation R'000	Impairment loss R'000	Closing balance R'000
Goodwill	323 108	–	(175 000)	148 108
Trade names	9 062	(581)	–	8 481
Customer relationships	1 523	(1 523)	–	–
Computer software	3 529	(2 180)	–	1 349
	337 222	(4 284)	(175 000)	157 938

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

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, the lighting and electrical accessories segment. The Lohuis trade name in the lighting and electrical accessories segment was assessed as having no value to the Group and was therefore impaired in the prior 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 five-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. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted gross margin based on past performance and its expectations of market developments. Cash flows beyond the five-year period are extrapolated using the estimated growth 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) 5,0% (2011: 6,0%)

Discount rate – Radiant Group Proprietary Limited (CGU) (Weighted pre-tax discount rate applied to the cash flow projections) 15,4% (2011:14,9%)

Discount rate – South Ocean Electric Wire Company Proprietary Limited (CGU) (Weighted pre-tax discount rate applied to the cash flow projections) 14,6% (2011:14,9%)

Impairment of goodwill

The impairment charge arose as a result of declining profits in the Radiant CGU resulting from the current market conditions and a further disruption to the business due to the nationwide strike in September 2012. An impairment charge of R175 million has been recognised in other operating expenses for the year, resulting to the carrying amount of the CGU being written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

4. INTANGIBLE ASSETS (CONTINUED)

Sensitivity analysis

If the increase in turnover used in the value-in-use calculation for the Radiant CGU's operations had been 1% lower than estimates at 31 December 2012, the company would have recognised an additional impairment against goodwill of R45 million. If the increase in turnover used in the value-in-use calculation for the Radiant CGU's operations had been 1% higher than estimates at 31 December 2012, the impairment charge against goodwill would have decreased by R7 million. If the estimated gross margin used in the value-in-use calculation for the Radiant CGU's operations had been 1% lower than estimates at 31 December 2012, the company would have recognised an additional impairment against goodwill of R25 million. If the estimated gross margin used in the value-in-use calculation for the Radiant CGU's operations had been 1% higher than estimates at 31 December 2012, the impairment charge against goodwill would have decreased by R29 million.

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
5. INVESTMENTS IN SUBSIDIARIES				
Subsidiaries at cost			**1 115 453**	1 115 453
Accumulated impairment			**(146 990)**	(98 990)
			968 463	1 016 463
Aggregate profits before taxation attributable to the company amounted to:	**69 088**	65 035	**–**	–
Aggregate losses before taxation attributable to the company amounted to:	**(17)**	(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 Rand.

Details of interest in subsidiaries are set out in note 33

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
6. INVENTORIES				
Raw materials	**53 638**	54 295	**–**	–
Consumable stores	**9 818**	8 855	**–**	–
Work in progress	**21 709**	24 025	**–**	–
Finished goods	**56 055**	17 321	**–**	–
Merchandise	**129 263**	98 879	**–**	–
Goods in transit	**12 201**	41 109	**–**	–
Demonstration units	**482**	482	**–**	–
	283 166	244 966	**–**	–
Inventories carried at net realisable value	**35 986**	18 972	**–**	–

The cost of inventories recognised as an expense and included in cost of sales is R1 102 021 000 (2011: R976 594 000).
The cost of inventories pledged as security is disclosed in note 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
7. TRADE AND OTHER RECEIVABLES				
Net trade receivables	**210 406**	157 214	**–**	–
Other receivables	**257**	1 060	**–**	–
Receiver of Revenue – VAT receivable	**5 395**	4 060	**9**	206
Government grants	**3 632**	–	**–**	–
Prepayments	**6 567**	2 447	**5**	86
Deposits	**441**	515	**–**	–
Trade receivables owing by subsidiaries	**–**	–	**634**	438
	226 698	165 296	**648**	730
Trade and other receivables past due but not impaired				
Trade receivables of R93 562 000 (2011: R77 453 000) 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 receivable is as follows:				
2 months	**58 956**	61 099	**–**	–
3 months	**29 960**	13 882	**–**	–
Over 3 months	**4 646**	2 472	**–**	–
	93 562	77 453	**–**	–
Trade and other receivables impaired				
As at 31 December 2012, trade receivables of R13 330 000 (2011: R8 730 000) were impaired. The amount of the provision in respect of these debtors was R1 841 000 (2011: R2 568 000). It was assessed that a portion of these trade receivables were considered to be recoverable. The aging of these receivables is as follows:				
2 months	**4 705**	7 418	**–**	–
3 months	**7 476**	603	**–**	–
Over 3 months	**1 149**	709	**–**	–
	13 330	8 730	**–**	–
Reconciliation of provision for impairment of trade and other receivables				
Balance at beginning of year	**2 568**	4 240	**–**	–
Provision for receivables impairment	**342**	49	**–**	–
Utilised during the year	**(810)**	(990)	**–**	–
Unused amounts reversed	**(51)**	(387)	**–**	–
Bad debts recovered	**(208)**	(344)	**–**	–
Balance at the end of year	**1 841**	2 568	**–**	–

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2012, trade receivables of R103 514 000 (2011: R81 681 000) were fully performing.

The carrying amounts of trade and other receivables are all denominated in South African Rand. The fair value of trade and other receivables is disclosed in note 30.

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 their approved credit limits and 100% of the fair value of trade receivables that are in excess of their credit limits. Radiant Group Proprietary Limited is exposed to 15% of the fair value of trade accounts receivables within the credit limits and 100% of all the trade receivables that are in excess of their credit limits. The maximum credit exposure is R14 797 000 (2011: 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 9.

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
8. LOANS TO (FROM) GROUP COMPANIES				
Subsidiaries				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**387**	–
Radiant Matla Renewable Energy Corporation Proprietary Limited	**–**	–	**311**	302
	–	–	**698**	302
Non-current assets	**–**	–	**–**	–
Current assets	**–**	–	**698**	302
	–	–	**698**	302

The loan to Anchor Park Investments 48 Proprietary Limited is unsecured, bears interest at 7% per annum and is repayable on demand. The loan to Radiant Matla Renewable Energy Corporation Proprietary Limited is unsecured, interest free and is repayable on demand. The amounts are considered to be recoverable and are all denominated in South African Rand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
9. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Bank balances	**32 714**	27 678	**1 148**	2 351
Cash on hand	**50**	37	**–**	–
Bank overdraft	**(154 977)**	(13 898)	**–**	–
	(122 213)	13 817	**1 148**	2 351
Current assets	**32 764**	27 715	**1 148**	2 351
Current liabilities	**(154 977)**	(13 898)	**–**	–
	(122 213)	13 817	**1 148**	2 351
Denominated in South African Rand	**(124 156)**	10 794	**1 148**	2 351
Denominated in United States Dollars	**1 864**	2 105	**–**	–
Denominated in Hong Kong Dollars	**78**	918	**–**	–
Denominated in Chinese Yuan Renminbi	**1**	–	**–**	–

Banking facilities

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

First National Bank Limited, a division of FirstRand Bank Limited

South Ocean Electric Wire Company Proprietary Limited has an overdraft facility with First National Bank of R160 million (2011: 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. It is also secured by a general notarial covering bond limited to R40 million over the personal and moveable property of South Ocean Electric Wire Company Proprietary Limited. The facility, when utilised, bears interest at prime less 0,75%. The unused facility at year end amounted to R61.9 million (2011: R86 million) (refer note 30). The facility is renewable annually in May. South Ocean Electric Wire Company Proprietary Limited has an instalment sale facility of R40 million with the same bank of which an amount of R19.6 million has not been utilised.

Radiant Group Proprietary Limited has an overdraft facility with First National Bank of R40 million (2011: R30 million). The facility is secured by a cession of Radiant Group Proprietary Limited trade receivables, to the maximum of R20 million, with a reversionary cession of trade receivables to Futuregrowth Asset Management Proprietary Limited, acting on behalf of various lenders. It is also secured by a general notarial covering bond limited to the capital sum of R40 million and an additional sum of R8 million over the personal and moveable property of South Ocean Electric Wire Company Proprietary Limited. The facility, when utilised, bears interest at prime less 0,75% percent. The unused facility at year end amounted to R0.2 million (2011: R19.7 million) (refer note 30). The facility is renewable annually in May.

Bank of Taiwan, South Africa Branch

South Ocean Electric Wire Company Proprietary Limited has a usance letter of credit facility amounting to US$8 million (R68 720 000 at 31 December 2012). This facility is secured by a deposit of up to 30% of the amount outstanding. When utilised it attracts interest at prime less 1,75%. The unused facility at 31 December 2012 was R51.6 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
10. 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, 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.

	Gross R'000	Tax R'000	Net R'000
11. OTHER COMPREHENSIVE INCOME			
Components of other comprehensive income – Group – 2012			
Exchange differences on translating foreign operations			
Exchange differences arising during the year end	161	–	161
Components of other comprehensive income – Group – 2011			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	354	–	354

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
12. INTEREST-BEARING BORROWINGS				
Mortgage bonds				
Futuregrowth Asset Management Proprietary Limited	**19 524**	31 463	**–**	–
Investec Asset Management Proprietary Limited	**8 636**	13 917	**–**	–
First National Bank	**21 766**	23 527	**–**	–
	49 926	68 907	**–**	–
Other loans				
Futuregrowth Asset Management Proprietary Limited	**3 002**	15 029	**–**	–
Investec Asset Management Proprietary Limited	**750**	3 757	**–**	–
Instalment sale agreements	**21 215**	20 588	**–**	–
	24 967	39 374	**–**	–
	74 893	108 281	**–**	–
Non-current liabilities				
Mortgage bonds	**30 745**	49 910	**–**	–
Other loans	**15 314**	20 145	**–**	–
	46 059	70 055	**–**	–
Current liabilities				
Mortgage bonds	**19 181**	18 997	**–**	–
Other loans	**9 653**	19 229	**–**	–
	28 834	38 226	**–**	–
	74 893	108 281	**–**	–
The maturity of non-current borrowings is as follows:				
Between one and two years	**18 976**	27 163	**–**	–
Between two and five years	**16 726**	29 839	**–**	–
Over five years	**10 357**	13 053	**–**	–
	46 059	70 055	**–**	–

Borrowing powers

The Company's Memorandum of Incorporation does not limit the Company's borrowing powers.

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 extension 2 Township, 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 5,019% (2011: 5,395%). The loan is payable in monthly capital instalments totalling R994 933 (2011: R994 933) plus interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

12. INTEREST BEARING BORROWINGS (CONTINUED)

Mortgage bonds (continued)

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 Extension 2 Township, 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 5,019% (2011: 5,395%). The loan is payable in monthly capital instalments totalling R440 000 (2011: R440 000) plus interest.

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 is 8,5% (2011: 9,0%). The loan is repayable in monthly instalments of R289 417 (2011: R295 044) inclusive of interest.

Other loans

Futuregrowth Asset Management Proprietary Limited

This loan bears interest at three months JIBAR rate plus 1,80%. At year end, the three months JIBAR rate was 5,125% (2011: 7,375%). The loan is repayable in quarterly capital instalments totalling R3 000 000 (2011: 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, except for Erf 685 Alrode extension 2 Township, 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 three months JIBAR rate plus 1,80%. At year end, the three months JIBAR rate was 5,125% (2011: 7,375%). The loan is repayable in quarterly capital instalments totalling R750 000 (2011: 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, except for Erf 685 Alrode extension 2 Township, 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% (2011: 1,15%), and are repayable in monthly instalments of R602 258 (2011: R471 814), inclusive of interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
13. DEFERRED TAXATION				
Reconciliation of deferred tax liability				
At beginning of the year	**(33 842)**	(28 566)	**–**	–
Current year temporary differences	**(2 679)**	(5 276)	**–**	–
Unrecognised tax losses	**3 096**	–	**–**	–
	(33 425)	(33 842)	**–**	–
Deferred tax liability to be recovered after more than twelve months.				
Recognition of deferred tax asset				
Deferred tax is calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2011: 28,0%). Deferred income taxation assets and liabilities are offset when the income taxes relate to the same fiscal authority, and there is a legal right to offset at settlement. The following amounts are shown in the consolidated statement of financial position:				
The balance comprises:				
Provisions	**722**	336	**–**	–
Accelerated tax depreciation	**(37 243)**	(34 178)	**–**	–
Unrecognised tax losses	**3 096**	–	**–**	–
	(33 425)	(33 842)	**–**	–

	Tax losses R'000	Capital allowances R'000	Provisions R'000	Total R'000
Group				
2012				
Opening balance	**–**	**(34 178)**	**336**	**(33 842)**
Charge to the statement of comprehensive income	**3 096**	**(3 065)**	**386**	**417**
Closing balance	**3 096**	**(37 243)**	**722**	**(33 425)**

	Capital allowances R'000	Provisions R'000	Total R'000
Group			
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)

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
Taxation losses at the end of the year arising from taxable losses	**11 059**	8 076	**–**	–
Unprovided deferred tax asset	**681**	2 261	**525**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

14. SHARE-BASED PAYMENTS

Share Appreciation Rights (SAR) – Long-term incentive plan

The Group has a 100% cash-settled Share Appreciation Rights (SAR) plan in place, which has been in place since 2009. The next SARs are eligible to be exercised in 2013. 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:

	2012	2011
Share price (Volume Weighted Average Price)	**R1,51**	R1,43
Strike price: SOH	**R1,43**	R2,05
Strike price: SOEW	**R22,98**	R26,50
Strike price: Radiant Group	**R8,94**	R10,66
Spot price: SOH	**R1,50**	R1,40
Spot price: SOEW	**R28,41**	R22,98
Spot price: Radiant Group	**R7,61**	R9,25
Dividend yield (%)	**0,0**	0,23
Volatility (%)	**46,23**	51,57

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	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Reconciliation of liability				
Opening balance	**1 756**	7 380	**402**	4 186
Charge in statements of comprehensive income	**1 772**	(539)	**658**	(99)
Encashment of units	**(390)**	(4 163)	**–**	(2 763)
Equity units forfeited	**(372)**	(922)	**–**	(922)
Closing balance	**2 766**	1 756	**1 060**	402
Current liabilities	**465**	–	**182**	–
Non-current liabilities	**2 301**	1 756	**878**	402
	2 766	1 756	**1 060**	402
Reconciliation of units				
Opening balance	**6 616**	10 382	**3 375**	7 351
Units granted	**4 732**	4 634	**3 203**	2 366
Transfer within the Group	**–**	–	**–**	1 466
Equity units forfeited	**(888)**	(3 376)	**–**	(3 376)
Encashment of units	**(293)**	(5 024)	**–**	(4 432)
Closing balance	**10 167**	6 616	**6 578**	3 375

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Number of SAR units '000	Value R'000
14. SHARE-BASED PAYMENTS (CONTINUED)		
Directors' interest in long-term incentive plans		
2012		
P J M Ferreira	**3 407**	**705**
J P Bekker	**3 171**	**355**
	6 578	**1 060**
2011		
P J M Ferreira	1 467	214
J P Bekker	1 908	188
	3 375	402

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
15. TRADE AND OTHER PAYABLES				
Trade payables	**64 311**	103 217	**536**	670
Accruals	**10 434**	10 174	**555**	–
Amounts owing to group companies	**–**	–	**–**	1 881
Deposits received	**–**	99	**–**	–
Other payables	**8 233**	14 268	**328**	1 153
Payroll accruals	**11 272**	9 639	**2 692**	2 414
Receiver of Revenue – VAT payable	**163**	2 099	**–**	–
	94 413	139 496	**4 111**	6 118
The trade and other payables will be settled in the following currencies:				
South African Rand	**79 727**	98 904	**4 111**	6 118
United States Dollars	**14 631**	40 592	**–**	–
Hong Kong Dollar	**55**	–	**–**	–
	94 413	139 496	**4 111**	6 118
Trade and other payables are unsecured, and are repayable within a period of twelve months. The carrying amount and fair value of the current borrowings are included in note 30.				
16. DERIVATIVE FINANCIAL INSTRUMENT				
Liability				
Forward exchange contracts	**219**	30	**–**	–

The notional principal amount of the outstanding forward exchange contracts at 31 December 2012 was R6 851 000 (2011: R3 627 000). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
17.	**REVENUE**				
	Sale of goods	**1 406 317**	1 261 019	**–**	–
	Management fees	**–**	–	**15 252**	14 989
		1 406 317	1 261 019	**15 252**	14 989
18.	**OTHER OPERATING INCOME**				
	Rental income	**–**	777	**–**	–
	Bad debts recovered	**208**	344	**–**	–
	Profit on exchange differences	**3 483**	1 583	**4**	–
	Profit on sale of property, plant and equipment	**45**	82	**–**	–
	Other income	**610**	85	**–**	–
	Government grant received	**3 704**	–	**–**	–
		8 050	2 871	**4**	–
19.	**EXPENSES BY NATURE**				
	Advertising and promotions	**6 199**	5 571	**181**	444
	Amortisation of intangible assets	**4 284**	5 065	**–**	–
	Auditors' remuneration				
	– Audit fees	**2 157**	1 401	**787**	502
	Bad debt provision movement	**(727)**	(1 328)	**–**	–
	Bad debts written off	**720**	1 192	**–**	–
	Changes in finished goods inventories and work-in-progress	**(63 468)**	(6 627)	**–**	–
	Deficit on disposal of property, plant and equipment	**32**	–	**–**	–
	Depreciation	**16 351**	15 460	**59**	39
	Electricity and water	**12 365**	9 890	**–**	–
	Employee benefit expense (note 20)	**130 550**	113 899	**10 496**	9 664
	Enterprise development expenses	**1 060**	1 254	**–**	–
	Freight	**12 670**	12 848	**–**	–
	Foreign exchange loss	**590**	1 454	**–**	7
	Impairment of intangible assets	**–**	2 117	**–**	–
	Insurance – trade receivables	**1 981**	1 819	**–**	–
	Insurance – other	**2 741**	2 599	**86**	76
	Impairment of goodwill	**175 000**	–	**–**	–
	Legal fees	**879**	474	**177**	99
	Impairment of investments	**–**	–	**48 000**	–
	Motor vehicle expenses	**4 975**	3 964	**–**	67
	Other expenses	**3 994**	10 074	**1 472**	1 470
	Operating leases				
	– Warehouse premises	**380**	829	**300**	384
	Professional fees	**1 332**	2 596	**1 005**	2 374
	Purchase of merchandise	**249 491**	214 805	**–**	–
	Rates and taxes	**2 189**	1 633	**–**	–
	Raw materials and consumables used	**920 481**	770 839	**–**	–
	Repairs and maintenance	**12 456**	8 780	**3**	8
	Software expenses	**3 184**	4 345	**–**	–
	Secretarial fees	**186**	161	**151**	100
	Security expenses	**3 401**	3 070	**–**	–
	Total cost of sales, administration, distribution and other operating expenses	**1 505 453**	1 188 184	**62 717**	15 234

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
20. EMPLOYEE BENEFIT EXPENSE				
Salaries, wages and bonuses	**123 384**	110 434	**9 838**	10 684
Share-based payment – staff	**1 400**	(1 460)	**658**	(1 020)
Pension fund contributions	**5 766**	4 925	**–**	–
	130 550	113 899	**10 496**	9 664

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 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Number of employees at 31 December				
Full time	**806**	699	**3**	3
Part time	**7**	12	**7**	7
	813	711	**10**	10

21. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	Salary R'000	Performance bonus R'000	Medical group benefit contributions R'000	Provident fund R'000	Total R'000
Group					
2012					
Executive					
P J M Ferreira	**3 373**	**302**	**35**	**235**	**3 945**
J P Bekker	**2 678**	**247**	**73**	**279**	**3 277**
	6 051	**549**	**108**	**514**	**7 222**

	Salary R'000	Perfor-mance bonus R'000	Medical group benefit contri-butions R'000	Provident fund R'000	Income gratuity R'000	Share appreciation rights exercised R'000	Total R'000
Group							
2011							
Executive							
P J M Ferreira	2 788	569	32	235	–	1 401	5 025
J P Bekker	2 470	482	68	279	–	974	4 273
E H T Pan	2 212	–	18	275	1 000	1 789	5 294
	7 470	1 051	118	789	1 000	4 164	14 592

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

21. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS (CONTINUED)

	Salary R'000	Performance bonus R'000	Medical and group benefit contributions R'000	Provident fund R'000	Total R'000
Company					
2012					
Executive					
P J M Ferreira	3 373	302	35	235	3 945
J P Bekker	2 678	247	73	279	3 277
	6 051	549	108	514	7 222

	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							
E H T Pan	2 212	–	18	275	1 000	1 789	5 294
P J M Ferreira	1 593	566	16	118	–	–	2 293
J P Bekker	2 470	482	68	279	–	974	4 273
	6 275	1 048	102	672	1 000	2 763	11 860

	2012 Directors' fees R'000	2011 Directors' fees R'000
Company and Group		
Non-executive		
2012		
E G Dube	407	384
E H T Pan	232	47
K H Pon	363	343
M Chong	219	168
D L Tam	162	153
H L Li	162	153
C Y Wu	142	153
	1 687	1 401

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Total directors' and prescribed officers' remuneration				
Executive directors	7 222	14 592	7 222	14 592
Non-executive directors	1 687	1 401	1 687	1 401
Prescribed officers	4 311	4 047	–	–
Less: share appreciation rights	–	(4 164)	–	(4 164)
	13 220	15 876	8 909	11 829

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

21. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	Emoluments	Pension fund	Total
Group			
Prescribed officers			
2012			
Prescribed officer 1	**1 532**	**190**	**1 722**
Prescribed officer 2	**1 230**	**149**	**1 379**
Prescribed officer 3	**1 148**	**62**	**1 210**
	3 910	**401**	**4 311**
2011			
Prescribed officer 1	1 491	172	1 663
Prescribed officer 2	1 183	138	1 321
Prescribed officer 3	1 008	55	1 063
	3 682	365	4 047

Directors' interests in share capital

The interest of directors in the issued share capital of the Company as at 31 December 2012 were as follows:

	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2012				
P J M Ferreira	**1 412 880**	**–**	**1 412 880**	**0,90%**
J P Bekker	**491 807**	**–**	**491 807**	**0,31%**
E H T Pan	**4 728 238**	**27 734 563**	**32 462 801**	**20,76%**
	6 632 925	**27 734 563**	**34 367 488**	**21,97%**
2011				
P J M Ferreira	1 412 880	–	1 412 880	0,90%
J P Bekker	491 807	–	491 807	0,31%
E H T 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 2012 until the date of this report.

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
22. FINANCE INCOME				
Interest received				
Bank	**313**	276	**25**	28
Receiver of Revenue	**199**	34	**–**	–
Subsidiaries	**–**	–	**7**	–
	512	310	**32**	28

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
23. FINANCE COSTS				
Mortgage bonds	**4 419**	4 977	**–**	–
Bank	**7 477**	4 683	**1**	1
Instalment sale agreements	**1 743**	1 371	**–**	–
Other loans	**929**	2 085	**–**	–
Receiver of Revenue	**34**	89	**–**	–
Capitalised to property, plant and equipment	**–**	(2 365)	**–**	–
Other interest paid	**186**	136	**–**	–
	14 788	10 976	**1**	1
24. TAXATION				
Major components of the tax expense				
Current				
South African normal tax	**14 827**	14 286	**252**	11
Arising from prior period adjustments	**(1 576)**	(366)	**–**	–
Foreign income tax	**89**	55	**–**	–
	13 340	13 975	**252**	11
Deferred				
Originating and reversing temporary differences	**(405)**	5 083	**–**	–
Arising from prior period adjustments	**(12)**	193	**–**	–
	(417)	5 276	**–**	–
	12 923	19 251	**252**	11
Reconciliation of the tax expense				
(Loss) profit before taxation	**(105 362)**	65 040	**(47 430)**	(218)
Tax at the applicable tax rate of 28% (2011: 28%)	**(29 501)**	18 211	**(13 280)**	(61)
Adjusted for:				
Exempt income	**(1 220)**	–	**–**	–
Prior year under provision – current tax	**(1 576)**	(366)	**–**	–
Prior year (over) under provision – deferred tax	**(12)**	193	**–**	–
Expenses not deductible	**49 064**	360	**13 439**	329
Foreign subsidiary tax rate difference	**(55)**	(50)	**–**	–
Unprovided deferred tax	**(1 409)**	1 168	**93**	28
Unrecognised tax losses utilised	**(2 242)**	(265)	**–**	(285)
Tax allowance	**(126)**	–	**–**	–
South African normal taxation	**12 923**	19 251	**252**	11

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
25. EARNINGS PER SHARE				
Basic and diluted (loss) earnings per share (cents)	**(75,60)**	29,30	**–**	–
(Loss) earnings for the year	**(118 285)**	45 789	**–**	–
Headline earnings per share				
Headline and diluted headline earnings per share (cents)	**36,30**	30,60	**–**	–
Reconciliation between earnings and headline earnings				
(Loss) earnings for the year	**(118 285)**	45 789	**–**	–
Adjusted for:				
Surplus on disposal of property, plant and equipment – net of taxes	**(13)**	(59)	**–**	–
Impairment of intangible assets	**–**	2 117	**–**	–
Impairment of goodwill	**175 000**	–	**–**	–
Headline earnings	**56 702**	47 847	**–**	–
Number of shares in issue ('000)	**156 379**	156 379	**–**	–
26. CASH (USED IN) GENERATED FROM OPERATIONS				
(Loss) profit before taxation	**(105 362)**	65 040	**(47 430)**	(218)
Adjustments for:				
Depreciation, amortisation and impairments	**20 635**	22 642	**59**	39
Profit on disposal of property, plant and equipment	**(13)**	(82)	**–**	–
Finance income	**(512)**	(310)	**(32)**	(28)
Finance costs	**14 788**	10 976	**1**	1
Impairment loss	**175 000**	–	**48 000**	–
Fair value movements of derivative financial instruments	**189**	(650)	**–**	–
Share-based payment expensed/(reversed)	**1 400**	(1 460)	**658**	(1 021)
Foreign exchange movement on property, plant and equipment	**(3)**	–	**–**	–
Changes in working capital:				
Inventories	**(38 200)**	(56 387)	**–**	–
Trade and other receivables	**(61 402)**	(33 820)	**82**	3 021
Trade and other payables	**(45 083)**	62 050	**(2 007)**	1 140
Share based payments	**(390)**	(4 164)	**–**	(2 763)
	(38 953)	63 835	**(669)**	171
27. TAXATION PAID				
Net amounts owing at the beginning of the year	**(827)**	(495)	**(11)**	–
Charged to the statement of comprehensive income	**(13 340)**	(13 975)	**(252)**	(11)
Balance at end of the year	**(3 875)**	827	**140**	11
	(18 042)	(13 643)	**(123)**	–
28. DIVIDENDS PAID				
Balance at beginning of the year	**(4)**	(4)	**(4)**	(4)
Balance at end of the year	**–**	4	**–**	4
	(4)	–	**(4)**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
29. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Net book amount of assets disposed of	**1 207**	189	**–**	–
Profit on disposal	**13**	82	**–**	–
	1 220	271	**–**	–

30. 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 capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 & 12, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statements of financial position.

The Group maintains overdraft facilities with reputable financial institutions for short-term financing needs. Where operational needs require prolonged use of overdraft facilities, the Group seeks opportunities to use long-term financing. To this extent, management is in the process of increasing the Group's long-term borrowings by applying to the relevant financial institutions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total debt plus net overdraft divided by total equity. The Group's strategy is to maintain the ratio below 50%. At 31 December 2012, the gearing ratio was 34.6% (2011: 16.9%). 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:

	2012 Credit limit R'000	2012 Balance R'000	2011 Credit limit R'000	2011 Balance R'000
Group				
Counter party				
First National Bank – Overdraft	**(200 000)**	**(137 841)**	(120 500)	(13 898)
Bank of Taiwan South African Branch – Letter of credit facility	**(68 720)**	**(17 129)**	–	–
	(268 720)	**(154 970)**	(120 500)	(13 898)

The table overleaf analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	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
30. FINANCIAL RISK MANAGEMENT (CONTINUED)				
Group				
At 31 December 2012				
Interest-bearing borrowings	**33 117**	**21 901**	**19 845**	**11 577**
Trade and other payables	**82 978**	**–**	**–**	**–**
Derivative financial instruments	**6 852**	**–**	**–**	**–**
Bank overdraft	**154 977**	**–**	**–**	**–**
At 31 December 2011				
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	–	–	–

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 7.

The Group manages outstanding trade receivables using a combination of Credit Guarantee and outside collections agents. The Credit Guarantee terms require that before the outstanding accounts are handed over to them for management, an effort must have been made by management to collect the outstanding amounts. The amount not recoverable from Credit Guarantee is limited to an aggregate of the first R400 000 in respect of South Ocean Electric Wire Company Proprietary Limited and the first R10 000 of the loss per debtor in respect of Radiant Group Proprietary Limited. The amounts recoverable from Credit Guarantee are only recoverable 60 to 90 days after they have been handed over to Credit Guarantee for management.

The overdraft is renewable annually in May and all indications are that the facility will be renewed.

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 Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities when they are denominated in a currency that is not the entity's functional currency. Entities within the Group use forward exchange contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. In general, the Group's policy is to enter into forward foreign exchange contracts as and when required by the businesses and these are limited to orders placed with suppliers.

At 31 December 2012, 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 R421 372 (2011: R1 108 426), 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

	2012 Foreign currency '000	2012 Rand equivalent R000	2011 Foreign currency '000	2011 Rand equivalent R000
Assets – bank accounts				
United States Dollar	**213**	**1 864**	262	2 105
Hong Kong Dollar	**75**	**78**	883	918
Chinese Yuan Renminbi	**1**	**1**	–	–
		1 943		3 023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 Foreign currency '000	2012 Rand equivalent R000	2011 Foreign currency '000	2011 Rand equivalent R000
30. FINANCIAL RISK MANAGEMENT (CONTINUED)				
Liabilities – trade payables				
United States Dollar	**1 671**	**14 631**	4 898	40 592
Hong Kong Dollar	**53**	**55**	–	–
		14 686		40 592

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

	Settlement dates	Foreign currency US$'000	Rand equivalent R'000
2012	**04 January 2013**	**782**	**6 852**
2011	04 January 2012	448	3 627

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 Dollars which exposes the Group to the risk that fluctuations in the South African Rand/United States Dollar exchange rates may also have on current or future earnings. The Company does not hedge any Copper purchases; however management keep inventory levels as low as possible and buys only enough Copper for the next months production. 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 2012.

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 when there are indications that rates may change 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 9 and 12.

All Group borrowings are denominated in South African Rand. The Group may be exposed to interest rate risk as it borrows funds at floating interest rates. 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 078 459 (2011: R1 559 246).

Fair value estimation

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

	Group carrying value R'000	Group fair value R'000	Company carrying value R'000	Company fair value R'000
2012				
Trade and other receivables	**214 736**	**214 736**	**639**	**639**
Amount owing by subsidiaries	**–**	**–**	**698**	**698**
Cash and cash equivalents	**32 764**	**32 764**	**1 148**	**1 148**
Trade and other payables	**(82 978)**	**(82 978)**	**(1 419)**	**(1 419)**
Interest bearing borrowings	**(74 893)**	**(74 893)**	**–**	**–**
Derivative financial instruments	**(6 852)**	**(6 852)**	**–**	**–**
Bank overdraft	**(154 977)**	**(154 977)**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group carrying value R'000	Group fair value R'000	Company carrying value R'000	Company fair value R'000
30. FINANCIAL RISK MANAGEMENT (CONTINUED)				
2011				
Trade and other receivables	160 721	160 721	524	524
Amounts owing by subsidiaries	–	–	302	302
Cash and cash equivalents	27 678	27 678	2 351	2 351
Interest bearing borrowings	(108 281)	(108 281)	–	–
Trade and other payables	(117 485)	(117 485)	(670)	(670)
Shareholders for dividends	(4)	(4)	(4)	(4)
Bank overdraft	(13 898)	(13 898)	–	–
Derivative financial instruments	(3 627)	(3 627)	–	–

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
31. COMMITMENTS				
Capital commitments				
Authorised and not contracted for	**2 500**	3 791	**–**	–
Authorised and contracted for	**12 440**	11 588	**–**	–
	14 940	15 379	**–**	–
The expenditure will be financed from existing credit facilities from Wesbank, a division of FirstRand Bank Limited.				
32. RELATED PARTIES				
Transactions between group companies				
In the ordinary course of business, the companies in the Group entered into transactions with each other. These intergroup transactions have been eliminated on consolidation. The following transactions were entered into between the Company and its subsidiaries during the year:				
Related party transactions				
Interest received from related parties				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**7**	–
Management fees received from related parties				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**8 175**	7 180
Radiant Group Proprietary Limited	**–**	–	**7 077**	7 809
	–	–	**15 252**	14 989

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
32. RELATED PARTIES (CONTINUED)				
Rental paid to related party				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**(300)**	(384)

Details of amounts owing (to)/by subsidiaries are disclosed in notes 7, 8 and 15. No impairment was considered to be necessary in respect of related party balances as they are considered to be fully recoverable.

Transactions with directors

Detail relating to the directors' remuneration and interests is disclosed in note 21 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 and divisional directors.

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
Compensation to key management				
Salaries and short term benefits	**15 564**	24 909	**–**	–

Short-term employment benefits comprise salaries, commission and bonuses paid.

Other employment benefits comprise travel allowances, fringe benefits on the use of Company's vehicles and contributions to medical aid funds.

Information regarding the earnings of the directors, executive and non-executive, have been disclosed separately in note 21.

33. INTEREST IN SUBSIDIARIES

	Issued share capital and proportion held 2012 %	Issued share capital and proportion held 2011 %	Shares at cost 2012 R'000	Shares at cost 2011 R'000	Indebtedness by/(to) 2012 R'000	Indebtedness by/(to) 2011 R'000
Direct holdings						
South Ocean Electric Wire Company Proprietary Limited	**100**	100	**712 165**	712 165	**–**	–
Radiant Group Proprietary Limited	**100**	100	**488 038**	488 038	**–**	–
Anchor Park Investments 48 Proprietary Limited	**100**	100	*****	*	**387**	–
Radiant Matla Renewable Energy Corporation Proprietary Limited	**55**	55	*****	–	**311**	302
SOH Calibre International Limited**	**100**	100	*****	–	**–**	–
			1 200 203	1 200 203	**698**	302
Less: Dividends received from pre acquisition profits (prior to 2009)			**(84 750)**	(84 750)	**–**	–
Less: Impairment			**(146 990)**	(98 990)	**–**	–
			968 463	1 016 463	**698**	302

** Denotes amounts of less than R1 000*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

33. INTEREST IN SUBSIDIARIES (CONTINUED)

	Issued share capital and proportion held		
Indirect holdings	**2012 %**	**2011 %**	**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*

34. 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 and are included in corporate and other assets in the reconciliation of total assets.

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 current and deferred taxation and intercompany balances.

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
2012				
Electrical wires	**1 058 277**	**72 657**	**425 596**	**177 622**
Lighting and electrical accessories	**354 321**	**29 285**	**391 237**	**92 919**
Property investments	**21 360**	**18 749**	**202 725**	**51 284**
	1 433 958	**120 691**	**1 019 558**	**321 825**
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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

34. SEGMENTAL REPORTING (CONTINUED)

Segment liabilities comprises 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		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Revenue				
Reported segment revenue	**1 433 958**	1 280 476		
Inter-segment revenue (property rentals)	**(21 360)**	(18 680)		
Inter-segment revenue – other	**(6 281)**	–		
Property revenue disclosed in other income	**–**	(777)		
Revenue per consolidated statement of comprehensive income	**1 406 317**	1 261 019		
EBITDA				
Adjusted EBITDA	**120 691**	114 472		
Corporate and other overheads	**(16 142)**	(16 124)		
Depreciation	**(16 351)**	(15 460)		
Impairment of intangible assets (note 4)	**–**	(2 117)		
Amortisation of intangible assets – lighting and electrical accessories segment	**(4 284)**	(5 065)		
Impairment of goodwill – lighting and electrical accessories segment	**(175 000)**	–		
Operating profit	**(91 086)**	75 706		
Operating profit	**(91 086)**	75 706		
Finance income	**512**	310		
Finance costs	**(14 788)**	(10 976)		
Profit before taxation	**(105 362)**	65 040		
Assets				
Reportable segment assets	**1 019 558**	1 076 748		
Corporate and other assets	**2 130**	4 380		
Taxation receivable	**4 127**	574		
Total assets per statement of financial position	**1 025 815**	1 081 702		
Liabilities				
Reportable segment liabilities	**321 825**	258 536		
Corporate and other liabilities	**5 443**	4 929		
Deferred tax	**33 425**	33 842		
Taxation payable	**252**	1 401		
Total liabilities per statement of financial position	**360 945**	298 708		

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 Group revenue earned in South Africa is R1 367 458 000 (2011: R1 222 939 000) and earned from other countries is R38 859 000 (2011: R38 080 000). Revenue in excess of 25.9% (2011: 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 R478 980 000 (2011: R643 029 000) and the total of these non-current assets located in other countries is R80 000 (2011: R122 000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

35. CHANGES IN ACCOUNTING ESTIMATE

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. The following change in accounting estimate occurred in the current year:

Change in the useful lives of certain asset categories

During the year, the Radiant Group Proprietary Limited changed its accounting estimate with respect to the useful lives assessment of Plant and Machinery, Furniture and Fixtures, Office Equipment and Computer Equipment. In order to conform with the benchmark treatment in IAS 8, paragraph 39 Radiant Group Proprietary Limited discloses the effect of this change.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 31 December 2012 is as follows:

	GROUP		COMPANY	
	2012 R'000	**2011 R'000**	**2012 R'000**	**2011 R'000**
Profit or loss				
Depreciation				
Previously stated	**(4 124)**	–	**–**	–
Adjustment	**1 068**	–	**–**	–
	(3 056)	–	**–**	–
Current taxation				
Previously stated	**1 155**	–	**–**	–
Adjustment	**(299)**	–	**–**	–
	856	–	**–**	–

The effect of the change in accounting estimate on future periods has not been disclosed as it was considered impracticable to measure.

36. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

37. EVENTS AFTER THE REPORTING PERIOD

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

ANALYSIS OF ORDINARY SHAREHOLDERS

AT 31 DECEMBER 2012

	Number of shareholdings	% of total shareholdings	Shares held	% held
1 – 1 000 Shares	156	20,23	93 067	0,06
1 001 – 10 000 Shares	330	42,80	1 428 259	0,91
10 001 – 100 000 Shares	198	25,68	7 170 137	4,59
100 001 – 1 000 000 Shares	60	7,78	17 294 264	11,06
1 000 001 Shares and over	27	3,51	130 393 067	83,38
Total	**771**	**100,00**	**156 378 794**	**100,00**
Distribution of shareholders				
Public Companies	3	0,39	56 263 069	35,98
Retail Shareholders	579	75,10	30 369 780	19,42
Trusts	67	8,69	26 306 725	16,82
Collective Investment Schemes	10	1,30	13 571 587	8,68
Hedge Funds	5	0,65	10 019 443	6,41
Retirement Benefit Funds	33	4,28	5 498 491	3,52
Custodians	4	0,52	4 758 259	3,04
Foundations and Charitable Funds	8	1,04	3 748 476	2,40
Stockbrokers and Nominees	4	0,52	1 809 795	1,16
Private Companies	21	2,72	1 693 325	1,08
Close Corporations	24	3,11	1 191 695	0,76
Assurance Companies	1	0,13	573 394	0,37
Insurance Companies	2	0,26	334 489	0,21
Investment Partnerships	5	0,64	114 000	0,07
Managed Funds	4	0,52	99 866	0,06
Medical Aid Funds	1	0,13	26 400	0,02
Total	**771**	**100,00**	**156 378 794**	**100,00**
Shareholder type				
Non-public shareholders	6	0,78	68 540 638	43,83
Directors and associates of the company (direct holding)	3	0,39	6 632 925	4,24
Directors and associates of the company (indirect holding)	2	0,26	27 734 563	17,74
Holders holding more than 10% (excluding directors holding)				
Hong-Tai Electric Industrial Company Ltd	1	0,13	34 173 150	21,85
Public shareholders	765	99,22	87 838 156	56,17
Total	**771**	**100,00**	**156 378 794**	**100,00**
Beneficial shareholdings (>5%)			**Total shareholding**	**held**
Hong-Tai Electric Industrial Company Ltd			34 173 150	21,85
Metallic City International Ltd			20 069 919	12,83
H.S. Family Trust			14 245 992	9,11
Peregrine Group			11 153 834	7,13
Investec			9 865 330	6,31
Total			**89 508 225**	**57,23**
Top 5 Fund Managers				
Investec Asset Management			16 293 834	10,42
Peregrine Capital			10 019 443	6,41
Flagship Asset Management			3 000 000	1,92
Cogito Capital			1 025 000	0,66
Cannon-Asset Management			728 586	0,47
Total			**31 066 863**	**19,88**

Total number of shareholders	**771**
Total number of shares in issue	**156 378 794**
Share price performance	
Closing price 30 December 2011	R1,40
Closing price 31 December 2012	R1,50
Closing low for the period (3 and 4 January 2012)	R1,40
Closing high for the period (15 and 16 March 2012)	R2,25
Total volume traded (3 January 12 – 31 Dec 12)	19 726 292
Rand value traded (3 January 12 – 31 Dec 12)	R35 592 019

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of shareholders of South Ocean Holdings Limited ("the Company") will be held in the Conference room, 16 Botha Street, Alrode, on Wednesday, 26 June 2013 at 11h00. To ensure that registration procedures are completed by 11h00, please register for the Annual General Meeting from 10h30. Only those shareholders listed in the shareholders' register as at Friday, 21 June 2013 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

Adoption of annual financial statements

Resolved that the annual financial statements of the Company and its subsidiary companies for the year ended 31 December 2012, 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 and designated auditor

Resolved that PricewaterhouseCoopers Inc. be and are hereby re-appointed auditors of the Company and that Mr Wikus Roos is hereby appointed as the designated auditor to hold office for the current financial year.

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

3. ORDINARY RESOLUTION NUMBER 3

Re-election of Mr E G Dube as a director

Resolved that Mr E G Dube, who retires in terms of the Company's Memorandum of Incorporation, be and is hereby re-elected a director of the Company.

The Curriculum Vitae for Mr Dube appears on page 8 of this annual report.

4. ORDINARY RESOLUTION NUMBER 4

Re-election of Ms D L Tam as a director

Resolved that Ms D L Tam, who retires in terms of the Company's Memorandum of Incorporation, be and is hereby re-elected a director of the Company.

The Curriculum Vitae for Ms Tam appears on page 9 of this annual report.

5. ORDINARY RESOLUTION NUMBER 5

Re-election of Mr C Y Wu as a director

Resolved that Mr C Y Wu, who retires in terms of the Company's Memorandum of Incorporation, be and is hereby re-elected a director of the Company.

The Curriculum Vitae for Mr Wu appears on page 8 of this annual report.

6. ORDINARY RESOLUTION NUMBER 6

Appointment of Audit and Risk Management Committee members

Resolved that Mr K H Pon (Chairman), Ms M Chong and Ms D L Tam 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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. ORDINARY RESOLUTION NUMBER 7

Remuneration Policy

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 38 of the annual report, for the financial year ended 31 December 2012, will be tabled at the Annual General Meeting.

Resolved that, as a non-binding advisory vote, the Remuneration Policy, 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.

8. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' fees for the financial year ending 31 December 2013 and quarter ending 31 March 2014

Resolved that the fees, to be paid to the non-executive directors for their services as directors of the Company, for the year ending 31 December 2013 and for the quarter ending 31 March 2014 (being a quarter of the fees payable for the year ending 31 December 2013) be approved as follows:

	31 December 2013
• Chairperson	R389 530,00
• Deputy vice-chairperson	R224 720,00
• Non-executive director	R129 843,00
• Chairperson of the Audit Committee	R194 765,00
• Member of the Audit Committee	R42 079,00
• Chairperson of the Remuneration Committee	R59 888,00
• Member of the Remuneration Committee	R42 079,00
• Chairperson of the Social and Ethics Committee	R59 888,00
• Chairperson of special committee	R2 650,00 per hour
• Member of special committee	R1 590,00 per hour

and that the increase in fees payable to the directors, for the quarter ended 31 March 2013, amounting to R24 712,10, be and is hereby ratified and approved. Shareholders approved the payment of a quarter of the 2013 fees at the previous Annual General Meeting of the Company.

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 financial year ending 31 December 2013 and for the quarter ending 31 March 2014 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the increase in the fees payable to the directors for the quarter ended 31 March 2013. 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 financial year ending 31 December 2013 and quarter ending 31 March 2014 as well as confirming and ratifying the increase in the fees paid to the directors for the quarter ended 31 March 2013. The fees payable for the quarter ending 31 March 2014 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 2014 at the 2014 Annual General Meeting.

9. 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 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 terms of section 2 of the Companies Act, 2008.

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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

10. ORDINARY RESOLUTION NUMBER 8

General authority over unissued shares

Resolved that all the authorised unissued 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 9

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 terms of the JSE Listings Requirements) for up to 10% of the authorised 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 9 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 10% (ten 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 10

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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

13. SOCIAL AND ETHICS COMMITTEE

A report by the Social and Ethics Committee, in terms of Regulation 43 of the Companies Act, 2008, has been included in the annual report (page 40). The report sets out the matters as required in terms of the Social and Ethics Committee's terms of reference. Shareholders will not be asked to vote on any matters contained in the Social and Ethics Committee's terms of reference but may raise any questions they may have regarding the said terms of reference.

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 8 to 9;
- the major shareholders of the Company on page 99;
- the directors' shareholding in the Company on page 52; and
- the share capital of the Company in note 10 on page 79.

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 2012 and 31 May 2013.

The directors, whose names are given on pages 8 to 9 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, 21 June 2013, 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 the inside back cover of the annual report, by no later than 11h00 on Monday, 24 June 2013, 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.

Any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. 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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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 the inside back cover of the annual report, by no later than 11h00 on Monday, 24 June 2013, being 48 (forty-eight) hours prior to the time appointed for the holding of the Annual General Meeting.

By order of the Board

W T Green
Company Secretary

Johannesburg
28 May 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 Wednesday, 26 June 2013. Shareholders listed in the shareholder register as at Friday, 21 June 2013 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)

Address: ______________________________

Contact telephone number: ______________________________

being the holder/s of [ ] ordinary shares in the Company, hereby appoint:

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;
- 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 Monday, 24 June 2013, being 48 (forty-eight) hours before the Annual General Meeting to be held at 11h00 on Wednesday, 26 June 2013; 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 (CONTINUED)

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: Re-election of Mr E G Dube as a director			
ORDINARY RESOLUTION NUMBER 4: Re-election of Ms D L Tam as a director			
ORDINARY RESOLUTION NUMBER 5: Re-election of Mr C Y Wu as a director			
ORDINARY RESOLUTION NUMBER 6: Appointment of Audit and Risk Management Committee members			
ORDINARY RESOLUTION NUMBER 7: Approval of Remuneration Committee policy			
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			
ORDINARY RESOLUTION NUMBER 8: Placing unissued shares under the control of the directors			
ORDINARY RESOLUTION NUMBER 9: General authority to issue shares for cash			
ORDINARY RESOLUTION NUMBER 10: 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.

Signed at on 2013

Signature:

(Authority of signatory to be attached if applicable – see notes 8 and 10)

Telephone number:

NOTES TO THE FORM OF PROXY

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, 21 June 2013 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 Monday, 24 June 2013, being 48 (forty-eight) hours before the time appointed for the Annual General Meeting of the Company to be held at 11h00 on Wednesday, 26 June 2013.
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 initialed 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.

SHAREHOLDERS' DIARY

2012 FINANCIAL YEAR-END

Annual General Meeting	26 June 2013

FINANCIAL YEAR-END

Financial year-end	31 December

REPORTS

Interim report	August 2013
Final results	March 2014
Publication of annual report	June 2014

DIVIDEND PAYMENT

Final	April 2014

2013 ANNUAL GENERAL MEETING

Annual General Meeting	June 2014

GENERAL INFORMATION

COMPANY REGISTRATION NUMBER
2007/002381/06

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Holding company

DIRECTORS
E G Dube
E H T Pan
K H Pon
M Chong
D L Tam
H L Li
C Y Wu
C H Pan (Alternate)
C C Wu (Alternate)
M H Lee (Alternate)
P J M Ferreira
J P Bekker

REGISTERED OFFICE
12 Botha Street
Alrode
1451

Business address
16 Botha Street
Alrode
1451

Postal address
PO Box 123738
Alrode
1451

BANKERS
First National Bank, a division of FirstRand Bank Limited

AUDITORS
PricewaterhouseCoopers Inc.

COMPANY SECRETARY
W T Green

TRANSFER SECRETARY
Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street,
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

www.southoceanholdings.com