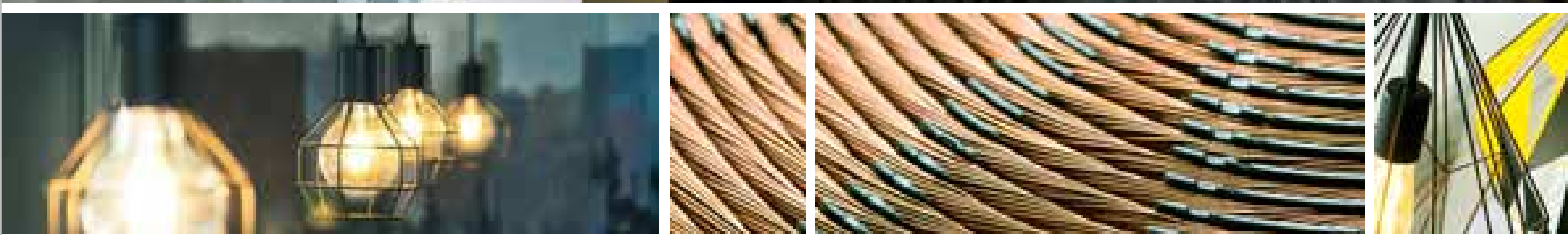
South Ocean
HOLDINGS



Integrated annual report

for the year ended 31 December 2017

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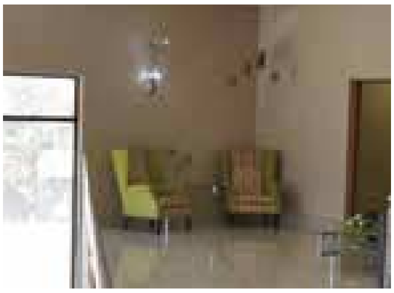

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About this report

South Ocean Holdings Limited is pleased to present its Integrated Annual Report for the year ended 31 December 2017.

Key data

South Ocean Holdings Limited

(Registration number 2007/002381/06)

Incorporated in the Republic of South Africa

(“**South Ocean Holdings**” or “**the Group**” or “**the Company**”)

Share code: SOH

Listing date: 2007

Sector: Electronic and Electrical Equipment

ISIN: ZAE000092748

Scope and boundary

Our 2017 Integrated Annual Report provides a comprehensive overview of the activities of South Ocean Holdings as well as financial and non-financial performance for the 12 months from 1 January 2017 to 31 December 2017. The report also gives a detailed overview of the Group’s business model and strategy, and all financial and non-financial matters that are considered to be material for stakeholders to make an informed assessment of the performance and prospects of the Group.

South Ocean Holdings is an investment holding company, comprising the following four operating subsidiaries:

- South Ocean Electric Wire Company Proprietary Limited (“**SOEW**”), a manufacturer of low voltage electrical cables;
- Radiant Group Proprietary Limited (“**Radiant**”), an importer and distributor of light fittings, lamps, electrical accessories and audio visual hardware and accessories;
- Anchor Park Investments 48 Proprietary Limited (“**Anchor Park**”), a property holding company; and
- Icembu Services Proprietary Limited (“**Icembu**”), a light fittings assembly company.

Accordingly, all references to the “Group” in the context of this report denote the Company and its subsidiaries. The scope of this report encompasses these businesses, which mainly operate in South Africa, with a limited footprint into the continent.

Corporate information

South Ocean Holdings’ Chief Executive Officer (“CEO”) is Mr Koos Bekker. The Company’s Independent Non-Executive Chairman is Mr Henry Pon.

Mr Bekker can be contacted at 16 Botha Street, Alrode, tel: +27(0) 11 864 1606, email: Koos@southoceanholdings.co.za. South Ocean Holdings welcomes feedback and any suggestions for the Company’s future reports. Please forward any comments to Mr Bekker.

The capitals

South Ocean Holdings has identified financial capital, intellectual capital, human capital, social and relationship capital and natural capitals as imperatives for its ability to create value for its business and its stakeholders.

This report is not structured according to these capitals, however, the capitals are embedded and discussed within the relevant sections of the integrated report.

Reporting framework

This report has been prepared in accordance with the following frameworks:

- International Financial Reporting Standards (IFRS);
- Companies Act, No 71 of 2008, of South Africa;
- JSE Listings Requirements;
- King Report on Corporate Governance; and
- Consideration of the International Integrated Reporting Council’s Integrated Reporting <IR> Framework.

Assurance

The non-financial content of this report was prepared by management and approved by South Ocean Holdings’ Board of Directors through its relevant committees. PricewaterhouseCoopers Inc. have audited the consolidated and separate Annual Financial Statements, and expressed an unmodified opinion for the year ended 31 December 2017.

External assurance of non-financial matters has been limited to our broad-based black economic empowerment (B-BBEE) scorecard, verified by an accredited ratings agency Siyandisa Solutions.

Shareholders who require access to information regarding the signed audited financial statements of SOH can view such documents at the registered office of the Company.

Forward-looking statements

This report includes forward-looking statements that involve known and unknown risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated. Words such as believe, anticipate, intend, seek, will, plan, could, may, endeavour, project and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made, and South Ocean Holdings does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Statement of responsibility

The Audit and Risk Management Committee and the Board of Directors acknowledge their responsibility to ensure the integrity of this Integrated Annual Report. The Financial Statements included in this Integrated Annual Report have been audited by the external auditors.

Henry Pon CA(SA)
Chairperson

Koos Bekker CA(SA)
Chief Executive Officer and acting Chief Financial Officer

Natasha Lalla CA(SA)
Audit and Risk Management Committee Chairperson

Our Group at a glance

CONTRIBUTION TO GROUP REVENUE	CONTRIBUTION TO GROUP RESULTS
SOEW R1 423.8 MILLION	SOEW R0.8 MILLION (LOSS)
Radiant Group R303.0 MILLION	Radiant Group R52.3 MILLION (LOSS)

GROUP REVENUE	GROSS PROFIT	OPERATING LOSS
R1.729 BILLION down 2.7%	R139.9 MILLION down 9.0%	R15.2 MILLION down 52.2%

South Ocean Holdings is a solid South African manufacturer, wholesaler, importer and distributor of lighting and cable products.

South Ocean Holdings is among the preferred suppliers in the local markets supplying wholesalers and distributors who service the building and construction industries. We have four businesses in our Group:

1. SOEW, a manufacturer of low voltage electrical cables;
2. Radiant, an importer and distributor of light fittings, lamps, electrical accessories and audio visual hardware and accessories, trading under the trade name What 4 Electronics;
3. Anchor Park, a property holding company; and
4. Icembu, a light fittings assembly company.

INVESTMENT CASE

- Credible and experienced management team;
- Key players in the respective industries;
- Strong recognisable brands;
- Large and established customer base;
- Strong established relationships with key suppliers;
- Commitment to being a strong corporate citizen with solid corporate governance foundation; and
- Strong and enduring relationship with financial institutions.

OUR VISION

South Ocean Holdings strives to position its subsidiaries as major market players and preferred suppliers in their respective markets based on product quality and customer service, in South Africa and in the rest of the continent.

OUR MISSION

To maximise profitability of our subsidiaries through strategic management to deliver excellent returns to our shareholders;

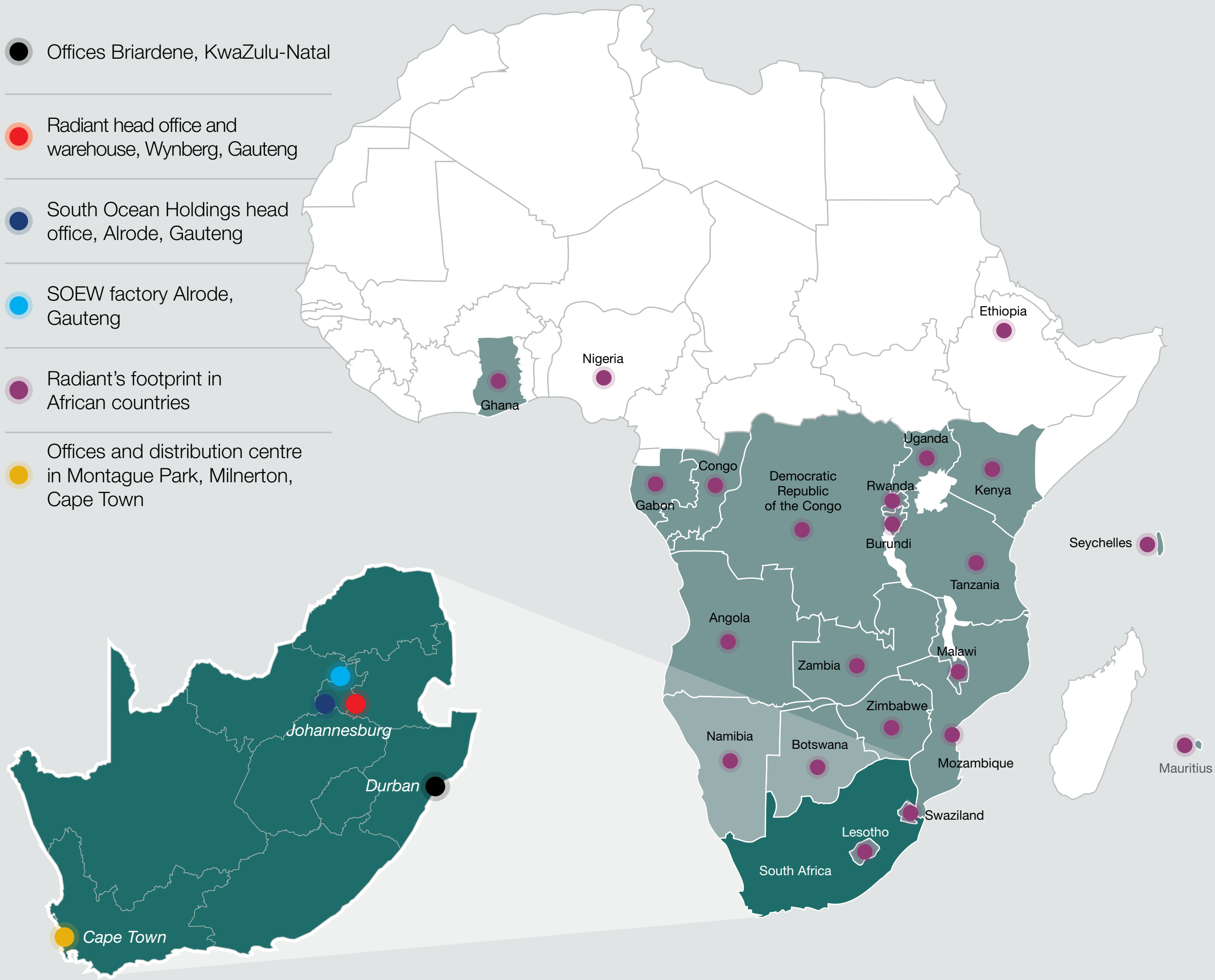
To respond to changing market dynamics, extracting cost efficiencies and focusing on growing our main businesses in established and new markets;

To manufacture, import and supply consistent high quality standard products to the market;

To provide excellent customer service; and

To create an environment that develops our employees to attain their true potential.

Our footprint and Company structure



South Ocean Holdings Limited

South Ocean HOLDINGS

- 100% South Ocean Electric Wire Company Proprietary Limited (SOEW SOUTH OCEAN)
- 100% Anchor Park Investments 48 Proprietary Limited (Anchor Park Investments)
- 100% Icembu Services Proprietary Limited (ICEMBU)
- 100% Radiant Group Proprietary Limited (RADIANT)
  - What4 Electronics

Values

Our values encompass the pillars of our business sustainability and have remained constant for years. Our customers and employees are vital for our growth and success. Our integrity, ethical and corporate responsibility are the foundation on which we build and operate our business.

Customer excellence	Our employees	Integrity and ethics	Corporate responsibility	Empowerment
Our customers are our future Build long-term relationships, based on mutual respect Dedicated to satisfying customer needs	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	Subscribe to sound corporate governance and business ethics Act with honesty and integrity	Contribute to the improvement of communities in our surrounding areas Utilise business practices that minimise any potential harmful impact on the environment	Equal opportunities to grow in a supportive environment

Our people

648
employees

Previously disadvantaged
male – 65%
female – 18%

Previously disadvantaged senior managers
male – 35%
female – 14%

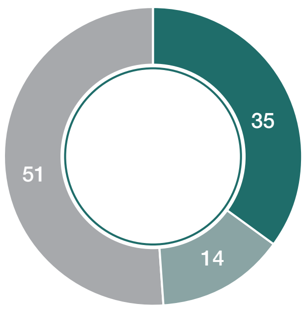
Training during 2017

Number of learners on learnerships
29 previously disadvantaged disabled learners
29 unemployed disabled people

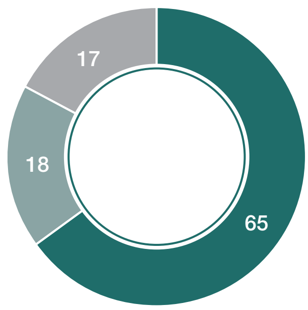
Cost of learnerships
R3.4 million over two years

Training spend
Total spend on training and development for the year – **R1.6 million**

MANAGERS
(Percentage)

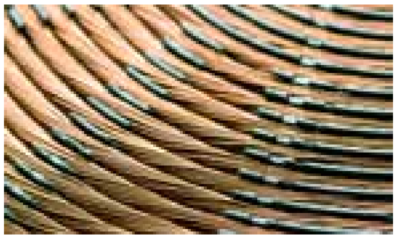


PERMANENT EMPLOYEES
(Percentage)



Black males Black females Other

Our strategy



Effective strategy to value creation

The three pillars of our strategy are designed to deliver superior returns and growth for all our stakeholders. On an on-going basis we monitor our progress, benchmarking our performance against our key financial and non-financial performance indicators. Our strategy is underpinned by a commitment to good corporate governance, a responsible approach to risk management and dedication to taking care of our employees. Overall, South Ocean Holdings aims to make a positive contribution to the environment and communities in which it operates.

South Ocean Holdings has evolved into a competitive, strategically focused and robust Company that, despite market turbulence and external challenges, has emerged a stronger and more resilient operator.

Our top three strategic imperatives

1 Ensuring sustainable returns for our stakeholders

South Ocean Holdings is focused on business management at high efficiency levels to generate sustainable returns over the long term, ensuring a sustainable business that is beneficial to all its stakeholders.

2 To be a formidable player in the cable manufacturing, light fittings, lamps, electrical accessories and electronics market

Gaining recognition in its chosen area of operation by increasing market share through organic growth and where possible will look for opportunities for growth through acquisitions.

3 Develop a globally competitive business

In its quest to compete on the African continent, businesses have been streamlined to ensure we are competitive within our target markets. The Group continuously strives to find ways to ensure its competitive advantage is maintained at all times.

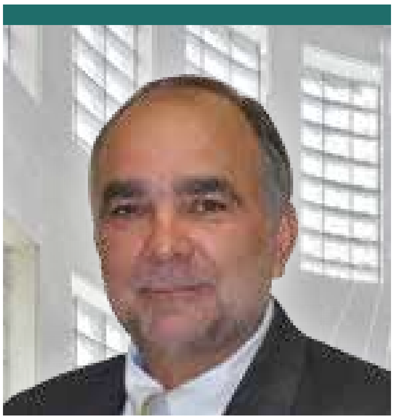
Top risks

- Cash flow risk.
- Compliance with B-BBEE/Improving B-BBEE rating.
- Poor economic climate, volatile exchange rate, unstable rand copper price (RCP) and unstable political environment.
- Industrial action – strikes.
- Loss of key staff.
- Loss of data and corruption of IT systems.

Critical **Extreme** **High** **Medium**

Board of Directors

Executive Directors



Jacobus (Koos) Petrus Bekker (61)

BCom, BCom (Hons), CA(SA)

Chief Executive Officer

Appointed: February 2007 Chief Financial Officer; Acting Chief Executive Officer effective September 2015; Chief Executive Officer effective August 2016; acting Chief Financial Officer effective 1 February 2018.

Board committee: Social and Ethics

Koos was appointed Acting Chief Executive Officer from September 2015 and Chief Executive Officer ("CEO") from August 2016. He joined SOEW in July 2001 as Administration and Financial Operational Manager. He entered the accounting profession in 1978 and was appointed audit partner in 1986. Koos served as the CEO of Radiant from August 2009 until July 2010. Koos was appointed the Chief Financial Officer (CFO) of South Ocean Holdings in 2007 when the Company listed on Johannesburg Stock Exchange (JSE). He held this position for nine years until August 2016, when he was appointed Group CEO. Koos has also held the position of acting CEO from September 2015 until August 2016. Koos is a member of the South African Institute of Chartered Accountants. He has also been appointed acting Chief Financial Officer until a suitable replacement has been found.

Mantsu Kabelo Lehloenya (38)

BCom, BCom (Hons), CA(SA)

Chief Financial Officer

Appointed: Chief Financial Officer effective August 2016.

Board committee: Social and Ethics

Kabelo was appointed Group Chief Financial Officer in August 2016. Prior to joining South Ocean Holdings Kabelo was the Group Internal Auditor for a multi-national pharmaceutical company. Kabelo started her career at one of the big four accounting firms in January 2006. She left the public accounting profession in 2011 to join the finance department of a State Owned Entity. Kabelo is a member of the South African Institute of Chartered Accountants. Kabelo resigned as the Group Chief Financial Officer effective 31 January 2018.

Independent non-executive

Kwok Huen (Henry) Pon (81)

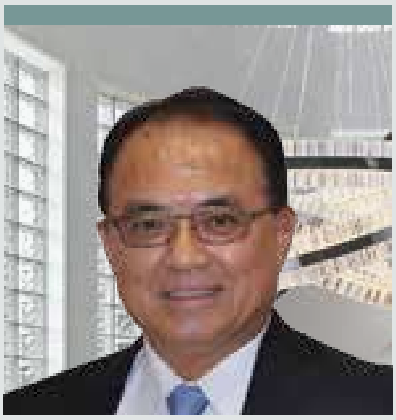
BCom (Rand), CA(SA)

Independent Non-Executive Chairperson

Appointed: November 2007; Chairperson of the Board effective April 2014.

Board committees: Audit and Risk Management; Remuneration; Nomination (Chairperson)

Henry joined South Ocean Holdings Board from November 2010. Henry entered the accounting profession as a Chartered Accountant in 1962. Henry is still active in the accounting and auditing field. During his many years of practice, Henry has had exposure to the different fields of commerce and industry and has gained extensive experience in finance, tax, auditing, accounting and management. Henry is a member of the South African Institute of Chartered Accountants and Independent Regulatory Board for Auditors.



Hung-Lung (Eric) Li (66)

MSc, Industrial & System Engineering (San Jose State University, USA)

Independent Non-Executive Director; Deputy Vice-Chairman

Appointed: March 2008 alternate Director to Choice Pan; Non-Executive Director effective August 2009; Deputy Vice-Chairman effective February 2016.

Board committees: Audit and Risk Management; Remuneration (Chairperson); Nomination

Eric joined Hong-Tai in 2004 as the Vice President of the Information Technology Center (ITC). In 2008. He was assigned to start and manage Hong-Tai's Photovoltaic Business Division, and he returned to ITC in 2014. 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 retired from Hong-Tai in 2017 as the Chief Information Officer and is currently retired.

Natasha Lalla (43)

BCom, BCom (Hons), CA(SA)

Independent Non-Executive Director

Appointed: June 2014.

Board committees: Audit and Risk Management (Chairperson); Social and Ethics (Chairperson)

Prior to joining the Board of South Ocean Holdings, Natasha was the Head of Audit in the internal audit division specialising in corporate and investment banking in one of the big four banks, a role she continues to hold. Natasha started her career as an auditor at one of the big four accounting firms in January 1998. She left the public accounting profession to work as a finance manager in a treasury department of one of the big four banks. Natasha is a member of the South African Institution of Chartered Accountants and the Institute of Internal Auditors South Africa.

Non-Executive Director

Chi-Yung (Joe) Wu (53)

BSc Business Administration (Montana, USA)

Non-Executive Director

Appointed: January 2007.

Board committees: Nomination; Remuneration

Joe joined Hong-Tai in 1996, and was appointed the assistant manager of the accounting department in 2002, the manager of the internal audit department in 2005, and the assistant president of management service department and principal financial and accounting officer in 2008. In 2015, Joe was appointed the assistant president of the Development Division of Hong-Tai Electric Industrial Co. Ltd (Hong-Tai), a position which he continues to hold. Joe was also appointed assistant president of the South Africa Division of Hong-Tai Electric Industrial Co. Ltd effective 1 March 2018.

Alternate Non-Executive Director

Daphne JC Pan (34)

BS Hotel and Tourism Management (USA), Certificate in Finance (USA) (Brazilian)

Alternate Non-Executive Director

Appointed: August 2014 alternate Director to Mr Edward Pan, who resigned in February 2016; alternate Director to Mr Hung-Lung (Eric) Li effective February 2016.

Daphne started her career in sales at an international hotel chain in Taiwan in 2005. After completing further studies in finance in 2009, Daphne joined a real estate firm in New York City, project managing the development of various real estate assets, including a hotel and other properties. She has a wide range of experience in real estate valuation and in financing of projects. Daphne is now working as a manager of real estate development and financing at a private investment company.

Chairman's report

While the Group is facing significant challenges, a strategy is in place to mitigate the impact thereof.

South Ocean Holdings Limited (SOH) continued to face many challenges during the 2017 financial year, mainly due to socio-economic and political instability within the country. This was further complicated by regulatory constraints, which the Group has been focusing on addressing. Together, these factors had a direct impact on both sales and profitability, but SOH remains a going concern with opportunities for growth evident in both the industrial and retail sectors.

Macro-economic factors

The greatest challenge for the Group was the fact that the macro-economic situation remained weak throughout the period, with the country falling into a technical recession in the first quarter of the reporting period after two consecutive quarters of negative growth.

This was followed by two of the three largest ratings agencies, S&P Global and Fitch, downgrading South Africa's sovereign credit rating to junk status (BB+) in April. As both the electrical wiring segment business and the lighting segment business have to accommodate the changing costs of imports, the effect of this was immediate, with production at SOEW having to be scaled back in April to cater for decreased demand.

The situation was further complicated by the volatility of the exchange rate and the RCP, which fluctuated throughout the year.

A marginal recovery in Gross Domestic Product (GDP) in the second, third and fourth quarters did, however, enable the Group to recover some of the ground lost during the first quarter, but GDP growth for the year averaged only 1.3%. While this was above the National Treasury's projection of 1%, it was still significantly lower than GDP growth in both the SADC region and in the countries further afield that are South Africa's major trading partners.

CPI inflation also remained high at an average of 5.6% for the year, impacting on sales in all markets served by the Group. A further downgrade by S&P in November – from BB+ to BB – led to an immediate sell-off of the rand and only served to entrench the short- and medium-term outlook in negative territory. Only the decision by Moody's, the third of the "Big Three" ratings agencies, to maintain the country's foreign and local currency debt rating on the lowest investment grade prevented an even larger sell-off of currency and a further weakening of the rand's value.

Business challenges

The most significant challenges facing the Group continue to be its current Broad-Based Black Economic Empowerment (B-BBEE) status, its gearing status and the highly competitive nature of the sectors in which it operates.

As I mentioned in the Integrated Annual Report for 2016, B-BBEE is a government programme aimed at addressing the economic inequalities of the past. In order to obtain B-BBEE certification, which enables companies to trade with large corporates, mines, government departments, state-owned entities and municipal-owned entities, they have to comply with the B-BBEE Codes of Good Practice.

The most notable of these codes is the requirement that at least 26% – but preferably 51% – of the Company's equity should be owned by black shareholders. Other criteria include compliance with employment equity and skills development targets, black representation in both management and the workforce, support for socio-economic development, and preferential procurement from black-owned companies.

As SOH has a majority foreign shareholding, it is currently rated as a Level 8 B-BBEE contributor, which directly impacts on its ability to trade in the South African environment. This is especially true as all of its major competitors, especially in the cabling sector, have B-BBEE ratings of Level 1 or Level 2.

With this in mind, the Group has, for the past two years, been exploring the possibility of bringing a B-BBEE partner that would have a 51% shareholding on board. This would give it an empowerment rating comparable to its competitors and would open up significant new markets, particularly in the public sector. A partnership of this nature is essential if the business is to remain both competitive and sustainable in the long term. While several deals have been explored and proposed, the majority shareholders have elected not to sell a majority stake in the Group to a B-BBEE partner and this places the business at a serious impasse.

The most viable alternative at this stage is to explore the possibility of making an empowerment deal that would involve selling between 26% and 49% of the shares currently in issue to a B-BBEE partner. This would enable SOH to improve its B-BBEE rating to Level 4 or Level 3. While this would undoubtedly be an improvement on its current rating, the Group would nevertheless still not be able to compete with companies that have better B-BBEE ratings.

From a governance point of view, the Board is fully committed to upholding the principles of and guidelines expressed in the King Report on Corporate Governance (2016) (King IV). In line with this, compliance with government regulations, policies and procedures is constantly monitored, and both the Board and management actively support an ongoing process of continuous improvement.

Shareholders have, however, voted not to remunerate myself and the other Non-Executive Directors serving on the Board for the past two financial years. As I have continued to serve as Chairman despite this – and as I have been able to successfully appeal to the other Non-Executive Directors to do the same – the Group has remained fully governance compliant throughout this period. This is, however, a situation that cannot continue and, should we be unable to reach a resolution that is acceptable to all parties, the Group's ability to remain governance compliant would be severely compromised.

To elaborate, should I or any one of the independent Non-Executive Directors resign, SOH would immediately be non-complaint with Section 94 (2) of the Companies Act, which stipulates that a minimum of three independent Non-Executive Directors are required to constitute an Audit Committee. In this event, the JSE would be duty bound to issue a warning and suspend listing if the problem were not to be immediately rectified.

I have not only been patient in remaining on the Board under these circumstances but, as mentioned, I have also appealed to the other Non-Executive Directors to be equally patient in the hope that shareholders will see their way clear to approving appropriate Non-Executive Directors remuneration. It is essential that the current stalemate be resolved as it is not my intention to see the Group fall into the position of being non-compliant with either the law or corporate governance guidelines.

With regard to transformation and skills development throughout the Group, this too remains a key focus. At present, less than 50% of the Board is made up of people of colour, while, at management level, 49% of employees are people of colour. At workforce level, the percentage is 83%, which more closely reflects the demographics of the country. In terms of gender, 14% of senior managers are female and 18% of the general staff complement is female which, to some extent, reflects the nature of the business and the sectors in which it operates.

As always, the health, safety and well-being of employees is one of the Group's top priorities. Safety in the workplace is constantly emphasised and all staff regularly undergo safety training. The stringent controls specified by the Controller of Safety, Health, the Environment and Quality (SHEQ) are carefully monitored and adhered to.

From a financial perspective, the Group continues to be highly geared, as it was in the previous reporting period, and currently has a gearing ratio of 30.3%. Last year's downgrades of South Africa's sovereign credit rating to "junk" status has had a huge impact on the cost of managing such a high gearing ratio and the bank has increased its interest on the Company's borrowings. The Group is in the process of a rights issue, and stakeholders will be kept updated in this regard as developments occur.

The Group's high gearing ratio has, in the past year, been offset to some extent by a significant rationalisation of inventory, particularly in the lighting segment, which has resulted in improved cash flow. Inventory rationalisation continues to be a key focus in all areas of the business.

Chairman's report (continued)

Group results

The Group's results naturally reflect the impact of all of these factors. Market conditions resulted in a 2.7% decline in revenue and profitability was affected by a number of both internal and external issues. Operating loss for the period did, however, decrease by 52.2% to R15.2 million compared to the previous period (2016: R31.8 million loss).

The most notable contributing factor to the Group's results is the fact that the Radiant Group (Pty) Limited (Radiant) has not been profitable for a number of years. The Board has therefore taken the decision to find a suitable buyer for the Company, a process which is currently underway. The Group expects to be able to find a buyer during the course of the current financial year.

A further factor that influenced profitability was a significantly higher effective tax rate of 39.2% (2016: 27.7%), which was due to debit-deferred tax to the amount of R6.7 million provided for at Radiant in the previous year being reversed. The higher tax rate was also due to the fact no debit-deferred tax was provided for on the loss of R41.2 million in the current reporting period.

SOH nevertheless remains a going concern and its financial statements for the reporting period received an unmodified opinion from its auditors, PricewaterhouseCoopers Inc.

Significant events

As noted in the Integrated Annual Report 2016, the Competition Commission referred a complaint to the Competition Tribunal in November 2014 in which it alleged that SOEW, 11 other companies and the Association of Electric Cable Manufacturers of South Africa (AECMSA) had contravened the Competition Act by fixing the prices of power cables and/or the trading conditions relating to the sale of power cables.

The case arose from a complaint first initiated by the Competition Commission on 16 March 2010, which was referred to in a SENS announcement by SOEW on 16 March 2010.

During the course of the reporting period, SOEW agreed to a settle the matter and to pay a fine of R13 262 855 imposed by the Commission, being a percentage of the Company's annual turnover for the year ending 31 December 2010. This sanction was agreed to by the Competition Tribunal. The fine will be paid in four equal instalments, with interest payable from June 2018. The first payment was made in December 2017.

Other than this the Directors are not aware of any other significant events that could affect the Group or its operating entities during the course of the current financial year.

Outlook

While the Group continues to face significant challenges, it has a strategy in place to mitigate the impact of these.

From an operational point of view, the Group will continue its process of inventory rationalisation, and will undertake its planned sell-off of Radiant with the intention of returning to profitability and sustainability as expeditiously as possible. It will also continue to pursue a suitable B-BBEE deal that will be acceptable to shareholders. The Board and the management team have the skills and experience necessary to guide the Group through all of these processes, and remain committed to the Company's strategic and operational objectives.

On a macro-economic level, the outlook remains uncertain, even though there have been some positive political and economic developments since the election of the new President, the Honourable Cyril Ramaphosa. Growth is nevertheless expected to remain extremely muted and it will doubtless take the country some time to regain an overall sovereign credit rating of investment grade. Inflation is also expected to remain at the top of the targeted range which, together with poor growth, will continue to make South Africa less economically competitive than its peers.

In addition, the Group anticipates that there will continue to be both political and labour uncertainty throughout the current year. This, like the country's sovereign credit rating, is expected to continue to impact on direct foreign investment and therefore on the economy as a whole. Within this context, the Group anticipates that trading conditions will remain challenging for the foreseeable future.

Changes to the Board

There were several resignations from the Board during the course of the year.

Ms M Chong, who was an independent Non-Executive Director, resigned on 11 August 2017, while Mr JH Yeh, who was also an independent Non-Executive Director, and Mr WP Li, who was a non-executive alternate Director, both resigned on 17 May 2017.

A further resignation followed in the first month of the current financial year. Ms MK Lehloenya, who was the Chief Financial Officer, resigned on 31 January 2018. Mr JP Bekker has been appointed as acting Chief Financial Officer until such time as a replacement has been appointed.

Dividend and executive remuneration

As the Group incurred a loss in the 2017 financial year, no dividend was declared. Resumption of the payment of dividends at the earliest possible time remains a priority.

Executive remuneration is carefully monitored and maintained within a market-related range. As previously mentioned, remuneration for Non-Executive Directors has not be paid since 1 April 2016.

Appreciation

In conclusion, I would like to thank the Group's Directors for their invaluable contribution throughout the reporting period, as well as for their wisdom in dealing with the many challenges the business has had to face.

I would also like to express the Board's appreciation to management and staff for their hard work and commitment under such difficult trading conditions. Last but not least, special thanks are also due to our valued customers, suppliers, advisors, business partners, shareholders and stakeholders for their continued support and commitment to SOH.

Henry Pon CA(SA)
Chairperson

Chief Executive Officer's report

While market conditions remain challenging and the Group is hampered by its low B-BBEE rating, its prospects are sound, especially if it is able to improve its empowerment rating.

It is my pleasure to present the integrated annual report for South Ocean Holdings Limited (SOH) for the year ending 31 December 2017. While the Group had to face many challenges during this period, a number of positive developments brought greater stability, laying the foundation for future growth.

I have been serving as CEO since 4 August 2016 and, since that time, the subdued macro-economic climate has had a noticeable impact on the business. Some improvement in key economic indicators towards the end of 2017, such as the exchange rate and business confidence levels, indicate the possibility that there may be an economic recovery over the next three years. Management anticipates that performance will improve in line with this.

Macro-economic and segmental review

The South African economy nevertheless remained under considerable pressure throughout 2017, with political instability affecting the growth rate, the exchange rate, direct foreign investment, unemployment and business confidence in general.

Initial sovereign credit rating downgrades to junk status (BB+) in April were followed by a further shock in November, when S&P Global downgraded the country's credit rating to full "junk" status (BB). Only one of the three international ratings agencies, Moody's, has maintained a rating at the lowest investment grade (Baa3), but it has placed this under review.

These downgrades, which put South Africa in the Company of such countries as Colombia, Croatia, India, Romania and Turkey, will undoubtedly take many years to recover from. From a Group perspective, the resulting volatility of the rand and fluctuations in commodity prices continued to impact on the cost of sales which has, in turn, impacted negatively on both revenue and profitability.

Within this rather subdued context, the most promising development in recent years was government's adoption of the National Infrastructure Plan in 2012. This aims to address some of the country's most pressing infrastructure needs, especially in the areas of low-cost housing, transport, logistics and energy, which naturally presents many opportunities for a Group such as ours.

However, in order to be able to benefit from infrastructure expenditure in the public sector, SOH needs to improve its B-BBEE rating, which is currently at Level 8. As mentioned in last year's integrated annual report, the Group requires at least a Level 3 B-BBEE rating in order to be able to compete for public sector contracts.

Finding a suitable B-BBEE partner was therefore a key organisational focus in 2017. While a suitable deal was under negotiation during the reporting period, the two major shareholders were not in favour of reducing their combined 51% shareholding in order to enable a B-BBEE shareholder to take a 51% shareholding in the Group. Further, neither this potential partner nor any others identified by the Group were interested in purchasing a minority shareholding. This leaves the issue of the Group's B-BBEE rating unresolved.

Operational review

While the macro-economic environment remained severely constrained throughout the year, results for the fourth quarter were better than expected under the circumstances. This was partly due to an increase in sales volumes at South Ocean Electric Wire Company (Pty) Limited (SOEW), which put spare manufacturing capacity to good use, as well as to a concerted effort in this area of the business to dramatically reduce scrap rates.

In general, there were a number of positive developments in the electric wiring segment during the course of the year. Mining, one of the largest sectors served by SOEW, showed important signs of improvement, mainly due to increases in the prices of coal, iron ore, chrome and manganese. SOEW was nevertheless unable to take full advantage of this situation due to its low B-BBEE rating. Optimism about these industry developments should also be tempered with realism. On average, investors in this sector saw a notable decrease in dividends in 2017, while market capitalisation dropped to June 2015 levels (Source: SA Mine, 9th Edition).

At Company level, the gains resulting from positive developments in the mining sector were partially offset by a go-slow during wage negotiations in July and August 2017, as well as by the impact of the depressed economy on the construction industry as a whole, which significantly reduced demand. This situation was further complicated by volatility in the RCP which, as in the previous period, impacted negatively on profitability. This occurs due to the fact that customers place orders based on movements in the RCP, which results in lower margins.

All of these factors, together with aggressive pricing by competitors, led to SOEW experiencing a 0.7% decrease in revenue in the reporting period. The Company's fundamentals nevertheless remain sound, and it is the Group's intention to restore the Company to profitability during the course of the current year. It intends to do this partly through the fulfilment of back orders, as well as by potentially gaining new customers in the event that the Group is able to improve its B-BBEE rating.

These efforts will be supported by classic operational management measures, such as maintaining the reliability of supply, investing in plant and equipment, and reducing the overtime bill by employing new staff whenever feasible. As much as possible, SOEW is re-employing previously retrenched staff, which is enabling it to secure some of the institutional knowledge lost during the retrenchment process undertaken in 2016.

From a health and safety perspective, SOEW experienced only one serious injury during the course of the year. Overall injury statistics remained well within industry standards.

On the consumer side of the business, Radiant significantly reduced its level of stock, which resulted in a much more positive cash flow scenario than in the 2016 financial year. Demand also picked up as consumer spending eased slightly in response to early signs of some recovery in the construction industry. The business nevertheless remained unprofitable, partly due to the reputational damage suffered during the changeover to a new inventory management system in 2014 and 2015, and a decision has been taken by the Board to seek a suitable buyer for the Company.

Against this backdrop and while discussions and negotiations with potential B-BBEE partners have been in progress the Group has continued to implement solid measures aimed at securing the business's market position and long-term sustainability. These have included capital expenditure of R7.8 million (2016: R13.3 million), which was required in order to ensure that it is prepared for a potential economic upswing and that it is able to maintain the high quality standards for which it is known. SOEW remains ISO 9001: 2015 and SANS compliant and Conduit SANS 61386 compliant, while Radiant remains ISO 9001: 2008, SABS and LOA compliant. In addition, the quality laboratory at SOEW conforms to South African National Standards (SANS) 1507, 1574 and 1576.

The environment in which we operate nevertheless continues to be highly competitive and this is exacerbated by the fact that all of our major competitors, particularly in the cabling segment, have favourable B-BBEE ratings. Until SOH is able to conclude a suitable B-BBEE deal, we will continue to implement a strategy focused on process efficiency, cost containment, waste reduction and inventory control in order to counterbalance growing competition from both local manufacturers and cheap imports.

Financial review

Notwithstanding these difficult trading conditions, SOEW managed to maintain a positive market position and to report only a 0.7% decline in revenue to R1.428 billion (2016: R1.437 billion). Radiant, on the other hand, reported a 11.6% decline in revenue to R304.9 million (2016: R345.0 million) before eliminating inter Company transactions. This was, in large part, due to constrained economic conditions, increasingly intense competition and the effects of the implementation of the turnaround strategy in this segment of the business.

A more comprehensive analysis of the Group's financial results for the 2017 financial year gives an indication of how urgent it is that we address the key issues that are restricting growth and impacting on sustainability, in particular SOH's current B-BBEE status.

In a highly competitive and inflationary environment, the 2.7% decrease in Group revenue to R1.729 billion (2016: R1.777 billion), the 9.0% decrease in gross profit to R139.9 million (2016: R153.7 million) and the 118.9% increase in headline loss per share to 35.9 cents (2016: 16.4 cents loss) indicates that both profitability and long-term sustainability are at risk.

The loss per share was also impacted by the following:

- the reversal of the net impaired charge of R13.5 million raised in 2016 against the plant and machinery at SOEW due to the subsidiary's value in use being lower than the enterprise value in 2016;
- an increase in the net impairment charge of R8.3 million against the non-current assets of Radiant due to the subsidiary's value in use being lower than the enterprise value;
- an impairment of R4.0 million against the value of the Radiant trade name; and
- an additional provision by Radiant for slow-moving inventory to the value of R12.7 million.

Chief Executive Officer's report (continued)

There are nevertheless several indicators which demonstrate that the turnaround strategy first implemented in 2015 is delivering results. The decrease of 52.2% in operating loss to R15.2 million (2016: R31.8 million) and the improvement in cash generated by operations to R120.9 million from R55.7 million in cash utilised by operations in 2016 are both positive indicators, despite the fact that the cash generated by operations in 2017 included R16.4 million generated by the sale of slow-moving stock at Radiant, which was sold below cost at a loss of R11.2 million. In addition, the planned sale of Radiant, a continuing focus on efficient operational management and a potential change to the Group's B-BBEE status will provide a platform off which it is able to recover from the setbacks of recent years.

At market level, there was a demonstrable increase in local demand for copper cable in the final quarter of 2017 and the first quarter of 2018, which indicates a recovery across several segments. SOH is also exploring export opportunities in Zimbabwe and Tanzania, for which it has contracted the services of an export market specialist. Should the Group be able to extend its reach into these markets, it will increase its customer base and consequently its revenue considerably. In addition, the Group now has an agent in Dubai, and further opportunities are being explored in the Middle East, where the construction sector is particularly robust.

Both the Board and management remain committed to maximising returns and benefits for its shareholders and to making a positive contribution to all stakeholders. We are nevertheless faced with an increasingly competitive trading environment, which is resulting in lower revenues and tighter margins, and it is imperative that we find viable ways in which to address this situation.

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

As disclosed in the financial statements, the Group had short-term borrowings to the value of R81.2 million at the end of the period. As part of its security obligations towards the lending bank, the Group undertook that the combined shareholders' interest of the Group would not fall below R500 million. During the course of the year, the Group breached this covenant. Management alerted the bank to the breach and the bank condoned it until 31 December 2017, indicating that it would be reviewed on publication of the financial results for the year ending on that date. Thereafter, the bank revised the covenant to R450 million, effective from 31 October 2017. At year-end, the Group complied with the covenant.

First National Bank has indicated that the overdraft facility of Radiant will be reduced by R3 million per month as from 1 April 2018 to a maximum reduction of R20 million. The Directors have approved a rights issue to the value of nearly R20 million, which will be effective during April 2018, to replace this reduction in the overdraft facility. The rights issue will be underwritten by a potential B-BBEE stakeholder. Getting a B-BBEE stakeholder with at least a 26% shareholding but preferably a 51% shareholding, on board will make a big difference to the future success of the Group.

Notwithstanding these issues, the Directors are confident that the business will be able to continue as a going concern for at least the next 12 months.

Growth and strategy

From a strategic perspective, we will therefore continue to focus specifically on targeted areas in which the Group has the infrastructure, skills, competence and knowledge to secure and retain a competitive advantage.

Stringent cost management and efforts to improve the Group's working capital position will also continue. In addition, we will remain highly focused on leveraging operational efficiencies and capitalising on existing marketing opportunities in order to promote growth and improve profitability. Revenue and margins will, however, continue to be affected by tough market conditions, as well as by the fact that the Group has such a low B-BBEE rating.

Sustainability and Integrated Reporting

As per the guidelines set out in King IV, SOH will continue to report on non-financial information such as corporate citizenship, transformation, sustainable development and regulatory issues, all of which are material to stakeholders.

As a Group, we understand that it is vital to incorporate social and environmental as well as economic factors into our decision-making processes. The Social and Ethics Committee of the Board oversees issues relating to transformation.

The Group's policy on corporate governance is listed on pages 45 to 54 of this report. Also listed are the ways in which it has adhered to the corporate governance principles, as well as explanations where deviations have occurred.

Prospects

While market conditions remain challenging and the Group is hampered by its low B-BBEE rating, its prospects are sound, especially if it is able to improve its empowerment rating. This will give SOH access to corporate and government business, which represents the bulk of expenditure in infrastructure development at present.

On a macro-economic level, the volatility of the rand and fluctuations in the price of commodities is expected to continue in the current financial year, and allowances for this have been made in the budgeting process. This situation is, however, beyond the control of the Group, with both political and economic factors expected to continue impacting on the sectors we serve. In addition, increases in interest rates resulting from the downgrade of the country's sovereign credit rating to junk status, as well as the recent increase in the VAT rate and other taxes, are likely to impact even further on the building and construction sectors, which are a key market for the Group.

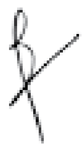
The persistently low level of economic growth and the high rate of inflation relative to our trading partners further continues to impact on both per capita income and household debt, which inevitably has a direct impact on the consumer market served by Radiant. Uncertainty with regard to electricity and water supply is likely to continue as well, impacting on all economic indicators.

Against this subdued background, the Group will nevertheless continue to capitalise in every way possible on market opportunities, as well as to secure and increase market share. Internal cost control measures and continual improvement in operational efficiencies will continue to be a focus in support of this.

Appreciation

In closing, I would like to take this opportunity to thank all of the employees who have remained loyal to the Company and who have put in such hard work throughout these difficult times. It has not been an easy journey, but we remain cautiously optimistic about the future.

I would also like to express my heartfelt appreciation to our valued shareholders, partners, suppliers and customers for their support of SOH this year. Their partnership has enabled us to maintain a firm position in a turbulent market, and to place the Group in a position to secure long-term sustainability and growth.



Koos Bekker CA(SA)
Chief Executive Officer

Managing Director's report: SOEW

"The supply of quality product within an acceptable timeframe and supported by excellent customer service is essential if SOEW is to grow market share and improve its competitive advantage.

Electrical Cable Manufacturing Segment

Performance and operations

As mentioned by both the Chairman and the CEO, economic conditions during the reporting period remained weak, with the country falling into a technical recession in the first quarter of the year. Trading during this period was therefore slow and output was reduced in April to allow for the drop in demand.

This situation was exacerbated by many suppliers adopting aggressive pricing policies to attract orders, with the net result that production was 8.3% lower in the 2017 financial year than in the previous year. This naturally impacted on turnover, which decreased by 0.7% from the previous period. Gross margin, however, remained firm at 3.8% (2016: 3.7%) and gross profit increased to R54.3 million (2016: R53 million). Loss before tax was R1.6 million compared to R8.0 million in the previous year.

The decrease in turnover was partly attributable to fluctuations in both the exchange rate and the RCP. Significant decreases in the RCP in April and June resulted in customers holding back on orders in the second quarter, which impacted on both revenue and gross profit. In contrast, an increase of 30.6% in the RCP from July through to December resulted in customers deciding to buy ahead of each monthly increase, which boosted revenue and gross profit in the fourth quarter. The moving average price increase in the RCP over the reporting period was 12.8%.

Turnover was also impacted by delays in government's infrastructure development programme resulting from poor planning, corruption and mismanagement.
The anticipated stimulus to the local economy has therefore not materialised and this is affecting manufacturers across all sectors.

From a sales perspective, while volumes increased in the fourth quarter, overall sales value decreased by 0.7% over the previous period to R1.4 billion. Export sales, however, increased to 2.1% of turnover (2016: 1.2%), mainly due to the addition of one medium-sized customer in 2016.

In general, SOEW adopted a more aggressive approach to exports in the 2017 financial year, as export sales are being affected by cheap products imported directly from China into many African markets. This situation is further complicated by the fact that African customers want BS and IEC standards certification on the products they purchase and SOEW does not have these certifications.

In order to offset all of these factors, SOEW continues to keep a tight rein on expenses. As a result, overheads decreased by 9.0% over the previous period. The S189 retrenchment process concluded in October 2016 also assisted in making this reduction possible.

People

From a people management perspective, SOEW managed to maintain its good occupational health and safety record. There was one serious injury in July 2017, with a total of 16 incidents occurring compared to 23 incidents in 2016.

Further, a new three-year wage agreement, reached at the end of August 2017, will prevent the risk of any strike action during this period. Wages increased by 7.0% in July 2017 and the agreement is for increases of 6.5% in 2018 and 6.0% in 2019.

Outlook

With market conditions expected to remain weak in the foreseeable future and with continuing low levels of construction, SOEW is aiming to secure sufficient orders to ensure that its production capacity is fully utilised.

Directors: SOEW

The supply of quality product within an acceptable timeframe and supported by excellent customer service is essential if SOEW is to grow market share and improve its competitive advantage.

In an overtraded market, pricing will continue to be very important and SOEW will carefully monitor its pricing levels in order to ensure that its product offering remains competitive.

At macro-economic level, if the exchange rate remains volatile and affects the RCP, this will continue to impact on profitability.
The fact that the country has a new president may introduce some stability, but this will have to be accompanied by a major clean-up of corruption in government if there is to be any marked economic recovery.

As a result of this instability on several fronts, planning remains tactical and focused on managing input costs, efficiency and cash flow, as well as securing orders in order to increase production volumes.

In general, overall sales are expected to increase due to the positive growth in the economy, but this will be largely dependent on stability in the RCP, local demand and competitor pricing. However, it is uncertain whether overall economic conditions will show any significant improvement during the current period.

Managing Director

Dean Johnson (51)

Dean was appointed as Executive Director and Managing Director of SOEW in September 2015. He joined SOEW in May 2009 as Financial Manager and was appointed Divisional Director of Finance in March 2010. After qualifying as a Chartered Accountant, Dean was appointed as Financial Manager for a manufacturing business in 1993 and was later appointed as 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.

Executive Director: Sales

Yasmin Mahomed (50)

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 had 13 years experience in the cable industry before joining SOEW. She started her working career in 1987 at a large cable manufacturer in South Africa.

Divisional Director: Factory and Operations

Tommie Boucher (59)

Tommie was appointed Divisional Director: Factory and Operations at SOEW in 2017. He joined SOEW in 2011 as QA/QC Manager. He was promoted to Group SHEQ Manager in 2014. He is a qualified electrician with 30 years of working experience (electrical and SANS standards).

Managing Director's report: RADIANT GROUP

While the 2017 financial year proved to be challenging in many respects, Radiant has a robust business model and an excellent management team.

Performance and operations

While the 2017 financial year proved to be challenging in many respects, Radiant has a robust business model and an excellent management team. As a result, we have managed to overcome many of the setbacks we have experienced in recent years, even though we continue to operate in an economically restrained and highly competitive environment.

In order to deal with the constraints of the current economic climate and its impact on both revenue and profitability, we have retained the services of an external consulting company, which is assisting us to improve revenue. From a customer relationship point of view, customer confidence improved markedly throughout the reporting period and we were able to attain an accuracy rate of 98.5% when fulfilling orders. In addition – and in line with our business objectives for the year – we were able to significantly reduce old stock, which impacted positively on both stock levels and cash flow.

The business has also made significant progress in terms of bringing new customers on board, with the projects division having recorded some notable successes. For example, Radiant has recently completed the lighting installations for a number of McDonald's outlets and we are confident that we will be contracted to work on additional outlets during the current financial year. Deals have also been concluded with First National Bank, Absa and Nedbank. In fact, the office systems division has grown by almost 93% since the 2016 financial year and we are expecting further growth in this area in 2018.

From a distribution point of view, prospective investors have indicated that they believe Radiant to be the leader in wholesale market. The brand's equity in this area therefore remains intact, as does the quality backup service offered by the Group.

At retail level, we have seen an improvement in revenue, with additional items being listed by a number of retailers. This means that a more substantial basket of Radiant products is available to the consumer market. In addition, several larger independent groups have signed rebate agreements with Radiant and are confident they can they can increase revenues on Radiant products.

Expansion in the retail space is being supported by the procurement team, which has been sourcing new products at favourable prices from a number of different suppliers. This will enable us to increase the Radiant offering at retail level even further and so to improve revenues and profitability.

With an eye on the export market, we have recently concluded a deal with a company that promotes the Radiant brand in Mozambique. The Mozambique market offers many opportunities for Radiant and this deal will enable us to increase our footprint within the country. We are also currently in discussion with an Africa specialist with the intention of driving export volumes to the rest of the continent.

From a supply chain perspective, we have been exploring and taking advantage of many exciting new opportunities, which we anticipate will impact positively on both revenue and profitability.

From a marketing point of view, the new Radiant website has been launched and provides a host of new features, including e-commerce capabilities and mobile phone adaptability. Importantly, customers are now able to purchase slow-moving and discontinued items via the website, which is enabling us to move this stock more quickly and to optimise stock levels.

In a similar vein, recent social media campaigns have proved to be very successful and we have seen the activity on all of Radiant's social media portals growing significantly.

Directors: RADIANT

People

From a people management perspective, we believe that investing in the training, development and well-being of our staff creates loyalty to and confidence in the Company. As a result, a number of initiatives are planned for 2018 and we anticipate that this investment in our staff will translate into improved revenue in both the short- and medium-term.

Outlook

With economic conditions easing somewhat since the beginning of 2018 and with Radiant concentrating on extending its product basket the outlook for the year is positive.

Supported by experienced consultants working on improving revenue from domestic sales and increasing penetration into the Africa market, the Group's outlook is better than it has been for several years.

Managing Director

Farhad Ally (44)

Farhad was appointed Managing Director of Radiant with effect from 1 February 2013. He was previously appointed as 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 audit, finance, taxation and business analysis. He is a member of the South African Institute of Directors in Southern Africa and the South African institute of Professional Accountants. Farhad recently completed a customer relationship management course through Wits.

Financial Manager

Ebrahim Surtee (33)

Ebrahim was re-appointed Financial Manager of Radiant with effect from 18 May 2015 to the position which he had served in during 2011 and 2012. He joined Radiant as the Assistant Accountant in September 2010 and was then promoted to Financial Manager in April 2011. In May 2012, he was redeployed as General Manager of Middle East and North Africa & Special Projects. He obtained his BCom Accounting degree at the University of Johannesburg. He served as a senior accountant at a firm of public accountants and auditors.

Our businesses

SOUTH OCEAN ELECTRIC WIRE COMPANY PROPRIETARY LIMITED

SOEW

SOEW is a manufacturer and distributor of a full range of low voltage electrical cables from typical household wiring to industrial steel wire armoured cables.

SOEW manufactures general purpose insulated wire, a range of flexible conductors, steel wire armoured cables, flat twin and earth cables, aluminium conductor steel reinforced (ACSR), aerial bundle conductor (ABC), and surface wire. Products are manufactured at the plant in Alrode, Gauteng. The Company's manufacturing facilities include quality control facilities. The Company owns a fleet of trucks and delivery vehicles which distribute to clients, who are electrical wholesalers and distributors who in turn supply the building, construction, mining and retail industries. SOEW employed 386 employees including electrical, engineering, administration, marketing, warehousing, skilled and semi-skilled personnel as at financial year-end.

SOEW's competitive advantage remains its excellent customer service, enabling it to be competitive even in the current conditions within the South African market.

Key features

- 100% local manufacturer
- Empowering local suppliers
- ISO 9001:2008 compliant
- SABS approved products
- 24hr maintenance on site
- Comply with highest quality standards
- Products conform to SANS 1507, SANS 1574, SANS 1576, SANS 1574, SANS 1418 and SANS 61386 (PVC 20mm^2 & 25mm^2 Conduit)
- Excellent customer service
- Competitive pricing
- 50% of our workforce has been employed for at least 10 years
- Adhere to highest health and safety standards through integrated Safety, Health, Environment & Quality (SHEQ) Management System in place
- Promoting local skills development
- Manufacturing practices that minimise potential harmful environmental impact

ANCHOR PARK INVESTMENTS 48 PROPRIETARY LIMITED

ANCHOR PARK

Anchor Park holds the property assets of the Group. The three properties in Alrode accommodate SOEW's manufacturing operations and plant, as well as South Ocean Holdings head office. The properties located in Wynberg house Radiant's warehouses, showrooms and offices as well as Icembu's light fitting assembly workshop.

RADIANT GROUP PROPRIETARY LIMITED

RADIANT

Radiant is an importer and distributor of light fittings, lamps, electrical accessories and audio-visual equipment.

Radiant is a major supplier of light fittings and lamps in Southern Africa. Radiant offers a wide range of lighting and electrical products. Radiant offers an exclusive range of products occupying a three-storey lighting showroom in Johannesburg, with regional showrooms in Cape Town and Durban. Radiant customers are in the construction, infrastructure development and housing, residential, industrial and commercial sectors. Radiant also services electrical wholesalers, mass retailers, specialised lighting shops and lighting consultants.

Radiant's head offices and main warehouse are situated in Wynberg, Johannesburg, with offices and a warehouse in Cape Town and another office in Durban and imports and distributes to customers all over South Africa and in 17 African countries. Radiant employs 239 employees across the three product divisions: light fittings; lamps/light bulbs and electrical products and audio visual accessories division trading under the brand name "What 4 Electronics".

Key features

- ISO9001:2008 certified company
- Major supplier of lighting and electrical products in South Africa
- Considerable brand equity in the African market
- Reputation for high quality, competitively priced products
- Extensive range of light fittings, lamps and electrical products
- Constantly expanding range of innovative and aspirational products
- Promoter of energy efficient lighting products

ICEMBU SERVICES PROPRIETARY LIMITED

ICEMBU

Icembu's main operation is the assembling and repairing of light fittings and electrical products using manufacturer's components. Icembu employed 15 employees as at financial year end.

Our products

Through the subsidiary SOEW, we manufacture a 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 AND PVC CONDUIT PIPE

Our product range includes:

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

LIGHTING, LAMPS AND ELECTRICAL ACCESSORIES

Through the subsidiary Radiant, we provide lighting and electrical solutions which are beautiful by design and inspired by the environment.

Our products include the following:

Lighting solutions

Lighting accessories

- Lamp holders
- Mounting options
- Sensors and switches
- Galleries and bowls
- Transformers and drivers
- Control gear
- Dimmers

Indoor lighting

- Chandeliers
- Pendants
- Decorative ceiling
- Recessed
- Spot
- Wall and foot
- Accent
- Feature
- Floor standing and table lamps
- Track systems
- Wire systems
- Industrial and commercial
- Backup
- Emergency
- Special application
- Utility

Outdoor lighting

- Wall
- Pillar
- Foot
- Flood
- Spot
- Pendant
- Recessed
- Submersible
- Garden
- Solar
- Pole mounted
- Sensor
- Commercial and industrial

Electrical solutions

- Wall and extension boxes
- Conduit accessories
- Cable management accessories
- Saddles
- Luminaire sockets
- Trunking
- Plug tops and couplers
- Cable connectors and joint kits
- Bushes and glands
- Sensors and timers
- Extension cords and reels
- Insulation tape
- Tools
- Office systems

Heating and Cooling

- Ceiling fans
- Air conditioners
- Indoor and patio heaters
- Bathroom heaters
- Portable heaters
- Decorative heaters

Miscellaneous

- Hand dryers
- Insect killers
- Power monitoring
- Bathroom extractor fans

Lamps

- Fluorescent tubes
- Eco halogen lamps
- High intensity discharge (HID)
- Infrared
- CFL
- LEDs
- Miniatures
- Energy saving

Electronics

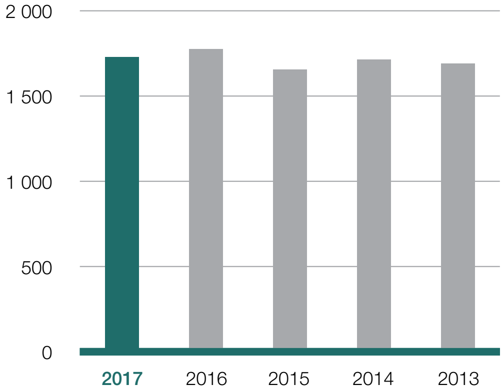
- Home appliances
- Electronics
- Gadgets
- Headphones
- Computers
- Home media
- Hoverboards
- Drones

Creating a greener, cleaner and brighter future

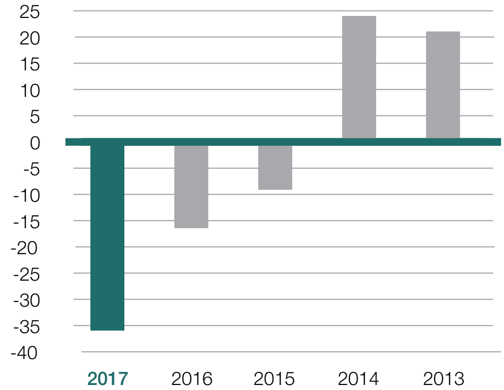
In line with King IV, conservation of the environment is an integral part of our business. As part of this, Radiant has introduced an extensive range of eco-friendly and energy efficient products. Our new products are specifically geared towards energy saving and extended lifespan, to enhance their value and contribute towards a sustainable, greener future. Radiant constantly develops eco-friendly solutions to minimise damages to the environment. Our packaging highlights our commitment to the environment by providing energy saving tips.

Financial capital

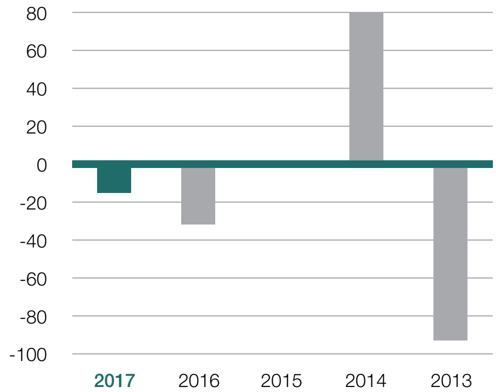
REVENUE
(Rm)



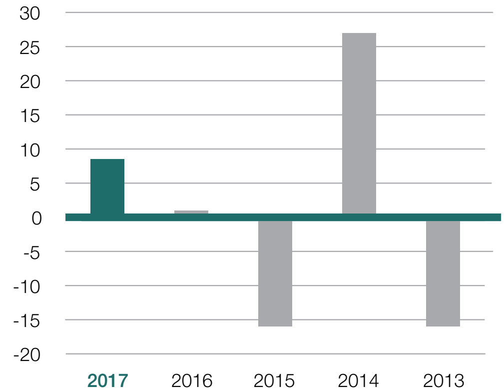
HEADLINE EARNINGS/ (LOSS) PER SHARE
(cents)



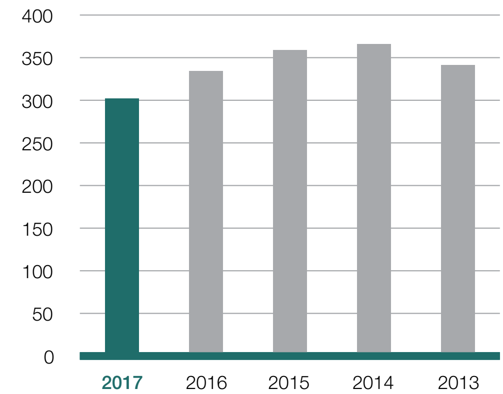
OPERATING PROFIT/ (LOSS)
(Rm)



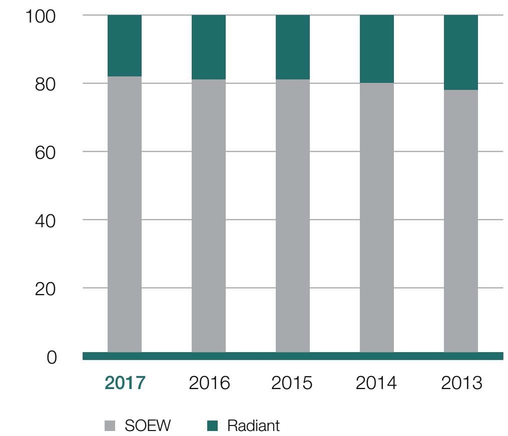
FREE CASH FLOW
(Rm)



NET TANGIBLE ASSET VALUE
(Value per share cents)



SEGMENT ANALYSIS
(Contribution to revenue %)



Five-year review

GROUP PERFORMANCE AND SEGMENTAL ANALYSIS

	2017	2016	2015	2014	2013
GROUP STATEMENT OF COMPREHENSIVE INCOME					
Net revenue (Rm)	**1 728.8**	1 777.2	1 657.4	1 715.2	1 690.9
Operating profit/(loss) (Rm)	**(15.2)**	(31.8)	0.4	79.6	(92.7)
Net profit/(loss) after taxation (Rm)	**(57.4)**	(39.1)	(13.9)	37.5	(121.4)
GROUP STATEMENT OF FINANCIAL POSITION					
Shareholders' equity (Rm)	**472.0**	529.9	569.7	582.2	544.2
Non-current liabilities (Rm)	**84.6**	87.5	101.1	120.5	77.4
Current liabilities (Rm)	**328.3**	325.7	238.9	155.9	160.0
Total liabilities (Rm)	**412.9**	413.3	339.9	276.4	237.4
Non-current assets (Rm)	**297.5**	319.3	331.4	330.1	294.5
Net cash and cash equivalents (Rm)	**30.3**	22.3	21.8	(109.7)	(137.4)
Other current assets (Rm)	**557.1**	601.5	556.5	638.2	624.5
Total assets (Rm)	**884.9**	943.1	909.7	858.6	781.6
SHAREHOLDER RETURNS					
Earnings/(loss) per share (cents)	**(36.7)**	(25.0)	(8.9)	24.0	(77.7)
Headline earnings/(loss) per share (cents)	**(35.9)**	(16.4)	(9.1)	24.0	21.0
Dividend per share (cents)	**–**	–	–	–	–
Net tangible asset value per share (cents)	**301.8**	333.9	358.7	365.9	341.3
Total operating profit/(loss) margin (%)	**(0.9%)**	(1.8%)	0.03%	4.60%	(5.5%)
Cash generated/(utilised) for the year (Rm)	**8.5**	1.2	16.1	27.4	(16.0)
Number of shares in issue (millions)	**156.4**	156.4	156.4	156.4	156.4

Wealth creation

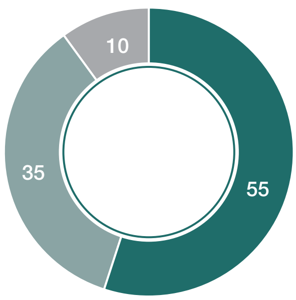
MAKING A POSITIVE CONTRIBUTION TO SOCIETY

Our financial contribution to society is summarised in the following Group Value Added Statement. Despite challenging trading conditions over the years, the Group has managed to maintain its value creation ability with the value added per employee being reported at R333 000 (2016: R313 000). The total value created during the year, however, decreased by 8.8% to R198.9 million (2016: R218.2 million). During the past five years, South Ocean Holdings' value add can be summarised as follows:

VALUE ADDED STATEMENT	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Revenue	**1 728 794**	1 777 190	1 657 358	1 951 630	1 912 711
Paid to suppliers and providers of services	**(1 571 589)**	(1 565 421)	(1 419 940)	(1 644 157)	(1 620 136)
Value added	**207 205**	211 769	237 418	307 473	292 575
Income from investment	**8 167**	6 471	3 396	3 449	3 950
Total value created	**215 372**	218 240	240 814	310 922	296 525
Distributed as follows:					
Employees	**129 485**	130 218	133 884	134 189	108 208
Providers of capital	**26 988**	23 273	20 397	22 036	18 885
Government taxes	**88 175**	82 311	85 765	98 853	120 934
Retained for growth	**(29 276)**	(17 562)	768	55 844	484 98
Depreciation, amortisation and impairment	**11 916**	36 544	19 686	18 355	168 919
Deferred taxation	**16 158**	(14 967)	(4 999)	(423)	203
Retained earnings/(Accumulated loss)	**(57 350)**	(39 139)	(13 919)	37 912	(120 624)
Total value distributed	**215 372**	218 240	240 814	310 922	296 525
Value added statement ratio analysis					
Number of employees	**622**	676	713	781	742
Revenue per employee (R'000)	**2 779**	2 629	2 324	2 499	2 578
Value added per employee (R'000)	**333**	313	333	394	394
Average salary per employee (R'000)	**208**	193	188	172	146

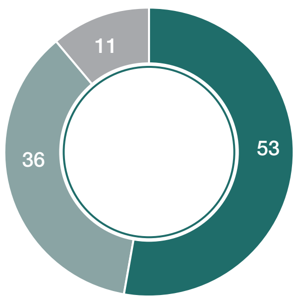
DISTRIBUTION OF WEALTH CREATED 2016

(Percentage)



DISTRIBUTION OF WEALTH CREATED 2017

(Percentage)



Employees Government Provider of capital

Sustainability report

HUMAN CAPITAL

At South Ocean Holdings we consider human capital management as key in enabling the execution of the Group's strategic objectives. We understand that the intellectual capital provided by our employees is critical to the successful growth and development of the Group.

In 2017 the Group continued to focus on building a resilient and engaged workforce by leveraging the skills, experience, diversity and productivity of our employees. We invested significantly in sponsored study, technical learning programmes, learnerships and in critical skills development.

As a Group we are dedicated to the ongoing investment in our people through training and development, competitive remuneration and incentive schemes. We endeavour to create a motivating and an inclusive work environment wherein all our employees feel valued and appreciated. We offer developmental opportunities that inspire employees to advance their careers.

We consider transformation and empowerment of previously disadvantaged employees to be pivotal to our success as a business and we have had targeted interventions to ensure that these employees are specifically up-skilled. We believe that this demonstrates our commitment to achieving a good B-BBEE rating. In line with our transformation objectives we have committed ourselves to intensifying recruiting, development and retention of candidates from previously disadvantaged groups, as well as measures to enhance gender equality.

In managing our workforce, we take into account the various laws and regulations that ensure that the demographics of our business reflects the demographics of our country. Accordingly, we make every effort to comply with these laws and regulations, especially when recruiting.

In 2017 we maintained a constructive relationship with all representative unions which is important in creating an inclusive work environment and in ensuring that the Group works in unison towards the achievement of a common objective.

Our workforce decreased by 5.4% in 2017 to 648 employees, which demonstrates our drive to increase efficiencies and adapt to the tough current economic conditions.

EMPLOYMENT EQUITY AND DIVERSITY

We are dedicated to creating a diverse workforce by attracting and developing previously disadvantaged people, women and employees with disabilities.

Permanent employees
male – 65%
female – 18%
are black

Senior Management
male – 35%
female – 14%
is black

11
disabled employees

29
disabled learners

EMPLOYEE DEVELOPMENT

We are proud to partner with our employees in their development. In 2017, we invested significantly in our employees as we understand that employees who feel valued and appreciated give their best to the Company and this in turn contributes to the development and success of the Company. Accordingly, we have afforded more than 29 employees an opportunity to upgrade their skills by studying further. Employees enrolled for various short courses offered by the Wits Digital Campus. Employees that registered for these courses ranged from Directors, to factory staff, to Receptionists. The Company offered financial and academic support for these courses. Our employees achieved a 100% pass rate.

Further, in an effort to motivate our employees, we have offered bursaries to their dependants.

We consistently encourage our employees to embark on further studies for self-improvement and development purposes. Where possible, we offer financial assistance for this.

LEARNERSHIPS

We are committed to contributing positively towards the development of South Africa. As such, the Group initiated 29 learnerships in 2016 for unemployed disabled learners, with the aim of upskilling the beneficiaries and bringing them into the workforce. At the completion of the learnership in 2017, learners were put on an accelerated learning program to better their chances of being immediately employed at the end of the learning process.

In addition, in 2017, two unemployed disabled people were enrolled for an Accounting Technician course, which is recognised by the South African Institute of Chartered Accountants ("SAICA"). All learners on the aforementioned learnerships were paid stipends to cover their day-to-day expenses.

We also implemented a learnership program for our Supervisors and Foremen.

TRAINING

South Ocean Holdings furthermore invested in other training programmes to ensure that the skills of its workforce are enhanced. Training costs incurred are set out in the table below:

Type of training	Number of employees	Cost
External training courses and study programs ranging from certificates, diplomas and seminars.	**235**	R884 209
Job-related and third party in-house supported development.	**410**	R837 114

Sustainability report (continued)

EMPLOYMENT INCENTIVES

Full details of the short- and long-term incentives in place are fully set out in the remuneration report on page 40. There are also performance-based 13th cheques and an attendance bonus scheme which is payable to employees that have not taken any sick leave during the year and is paid to employees at year end.

STAFF TURNOVER

The Group has experienced high staff turnover compared to previous years because of the Section 189 process that took place in 2017 at Radiant to reduce costs and increase efficiencies. Employee turnover rate for the Group for the 2017 financial year, based on average headcount, was 14.0% (2016:15.1%) while 73 appointments were made.

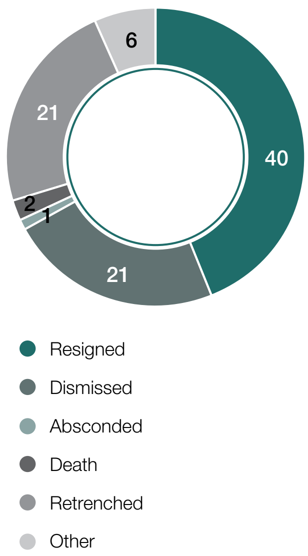
To enhance Group's performance, we continue to focus on cost efficiencies to support margin growth, with good progress made towards targets.

The below table indicates the various reasons why employees left the Company:

Reason for leaving (number of employees)	2017	2016
Resigned	**40**	53
Dismissed	**21**	9
Absconded	**1**	1
Death	**2**	1
Retrenched	**21**	39
Other	**6**	1
	91	104

New employment (number of employees)	2017	2016
Replacements and growth	**73**	72

STAFF TURNOVER

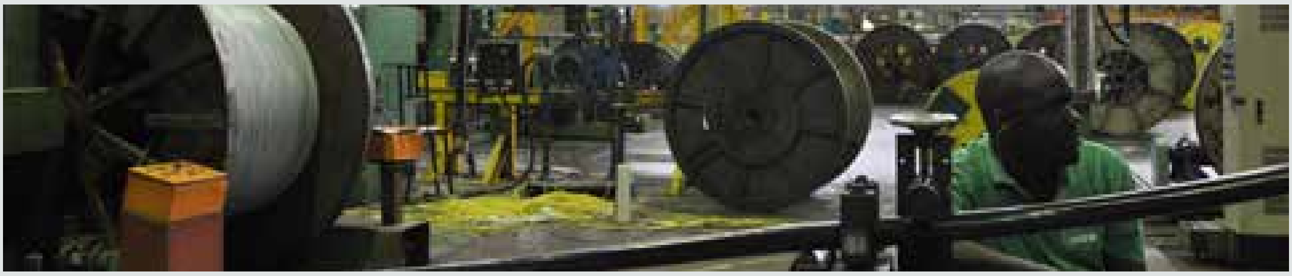


ABSENTEEISM

Our employees are encouraged to maintain a healthy work-life balance through provision of various types of paid leave. Leave is termed paid leave when the employee will be paid while being away for a certain period of time. The following table indicates the average leave allowance employees are entitled to:

Leave type	Number of days
Annual leave (general employees)	15 days – Additional five days for longer than four years' service
Annual leave (Directors)	20 days – Additional five days for longer than four years' service
Sick leave	30 days over a three-year period
Maternity leave	Up to four months unpaid
Family responsibility leave	Three days (MEIBC members can accumulate up to nine days)
Study leave (approved courses)	Two days per examination paper

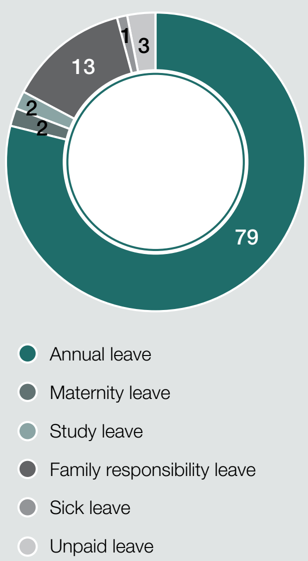
Excess absenteeism, such as unpaid leave over and above normal leave allocations, has a negative impact on Group financial performance, employee morale and on production. In the 2017 financial year, there was an increase in the average number of leave days taken. This is reflected in decreased production volumes achieved in 2017.



The following is the number of leave days taken in the 2017 financial year:

Leave type (days taken)	2017	2016
Annual leave	**14 668**	12 876
Family responsibility leave	**285**	448
Maternity leave	**408**	304
Sick leave	**2 459**	3 065
Study leave	**100**	67
Unpaid leave	**603**	665
Total number of leave days taken	**18 523**	17 425
Average number of leave days per employee	**29**	26 days

LEAVE DAYS TAKEN
(Percentage)



Sustainability report (continued)

OUR STAKEHOLDERS

South Ocean Holdings aims to engage regularly, openly and honestly with stakeholders involved in and affected by our operations. This gives the Group an opportunity to evaluate its 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, 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 as indicated below gives a summary of some of the communication channels and strategies employed by the Group in its stakeholder engagement management.

The Group has categorised stakeholders into three levels, primary, secondary and tertiary.

Level	Group of stakeholders	Issues	Method of communication
Primary (Vitally important, as the Group has the greatest impact on these stakeholders directly and *vice-versa*, they have the greatest impact on the Group)	Employees	Group's ability to pay salaries on time, as well as Group performance which impacts their livelihoods.	Intranet; union meetings; shop steward meetings; face-to-face meetings; communication boards; and internal newsletter.
	Investors	Returns on their investment.	Annual General Meeting; bi-annual results presentation; integrated annual report; corporate website; and investment updates on SENS.
	Board	Ultimately responsible for the Group's decisions and answerable to investors.	Quarterly meetings, and briefing of the Chairman and the Board on matters of significance between meetings.
	Customers	Group's ability to supply quality products on time.	Advertisements; website; integrated annual report; exhibitions; and catalogues.
	Bankers	Group's ability to continuously service long- and short-term borrowings.	Providing information as requested; and Integrated Annual Report.
Secondary (These stakeholder have the ability to directly impact the success of the Group)	Suppliers	Group's ability to procure from suppliers and settle debt as agreed.	Regular meetings; attending industry shows; and periodic communication from the respective business managers.
	Government	Group's ability to pay all taxes due timeously and adherence to all legislative requirements.	Specific meetings; industry forums; and adherence to legal reporting requirements.
	JSE	JSE regulations are adhered to.	Providing information as required.
	Unions	Fair implementation of wage agreement incentives.	Union meetings; shop steward meetings; and engaging in negotiations.
Tertiary (These stakeholders have the ability to affect brand reputation)	Media	Publicity and advertisements.	Press releases and presentations.

The levels are determined by the impact of the stakeholder on the business.

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

Through these relationships, we are able to identify and report on any issues that may arise as a result of these interactions.

Social capital

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee was established in terms of Section 72 of the Companies Act, 2008 and operated under a mandate from the Board within the terms of reference approved by the Board.

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

As required by the Act, the Social and Ethics Committee monitors the activities of the Group and the relevant subsidiaries with regards to compliance with any legislation, other legal requirements or prevailing codes of best practice as prescribed by law.

The Social and Ethics Committee will continue to focus on ensuring sustainable social, ethics, health and safety and transformation initiatives with a specific emphasis on empowerment in respect of ownership, procurement, employment equity and skills development.

COMPOSITION

The Committee comprised:

M Chong[1]	Chairperson
N Lalla[3]	Chairperson
JP Bekker	Chief Executive Officer
MK Lehloenya[2]	Chief Financial Officer

1. M Chong, the former Chairperson of the Social and Ethics Committee, resigned effective 11 August 2017.
2. Resigned effective 31 January 2018
3. Appointed effective 15 November 2017 to Committee as Chairperson

MEETINGS

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

During the year under review, the Social and Ethics Committee met twice and all meetings were quorate.

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 responds to any questions from stakeholders regarding its functions and activities.

RESPONSIBILITIES

The mandate of the Social and Ethics Committee is to assist the Board in, *inter alia*, monitoring of 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 purpose of:
  - the 10 principles set out in the United Global Compact Principles;
  - the Organisation of Economic, Co-operation and Development "OCED" recommendations regarding corruption;
  - the Employment Equity Act; and
  - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, in terms of:
  - the promotion of equality, prevention of unfair discrimination, and elimination of corruption;
  - contribution to the development of the communities in which the Group's activities are predominately conducted and within which its products and services are predominately sold; and
  - 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:
  - the Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - the Group's employment relationships and its contributions towards educational development of its employees.
- Drawing matters within its mandate to the attention of the Board as required.
- Reporting to shareholders at the Annual General Meeting on the matters within its mandate.

Social capital (continued)

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

We consider "B-BBEE" and transformation as essential in achieving our key strategic objectives.

We have made improvements in our B-BBEE score from 2017, when we first applied the amended codes, with most of the increase in points due to efforts in Preferential Procurement. We have increased our spend on black-owned (greater than 51%) and black women-owned (greater than 30%) companies who are Qualifying Small Enterprises (QSE) and Exempt Micro Enterprises (EME). We have also adopted an integrated approach between Preferential Procurement and Supplier Development.

The Group's current score is indicated in the illustration below. The Group's target rating for 2018 is a level 4. We are optimistic it is possible with the focus that has been placed on improving all the B-BBEE scores. The assessment for 2018 will be completed during May 2018.

GROUP (SOH) BEE SCORE (2017)

Level 8

SOEW B-BBEE SCORE (2017)

Level 8

RADIANT B-BBEE SCORE (2017)

Level 8

EMPLOYMENT EQUITY

South Ocean Holdings monitors adherence with the Employment Equity Act on an ongoing basis through the Employment Equity Committee which consists of senior management, a shop steward and elected employee representatives who represent the different categories of staff. We are committed to ensuring that our workforce profile mirrors the demographics of our country.

During the year under review the categorisation of employees according to their workforce profile was as follows:

	WHITE		ACI*		NON-RESIDENT		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Total workforce	**96**	101	**533**	558	**19**	24	**648**	683
Less: Non-Executive Directors and non-permanent staff	**(6)**	–	**(18)**	(4)	**(2)**	(3)	**(26)**	(7)
	90	101	**515**	554	**17**	21	**622**	676
Gender profile								
Male	**64**	72	**405**	445	**13**	14	**482**	531
Female	**26**	29	**110**	109	**4**	7	**140**	145
	90	101	**515**	554	**17**	21	**622**	676
Occupational level								
Directors	**1**	1	**1**	1	**–**	–	**2**	2
Male	**1**	1	**–**	–	**–**	–	**1**	1
Female	**–**	–	**1**	1	**–**	–	**1**	1
Senior management	**16**	9	**9**	8	**–**	1	**25**	18
Male	**15**	9	**5**	5	**–**	1	**20**	15
Female	**1**	–	**4**	3	**–**	–	**5**	3
Professionally qualified and middle management	**33**	11	**39**	11	**–**	–	**72**	22
Male	**28**	8	**29**	10	**–**	–	**57**	18
Female	**5**	3	**10**	1	**–**	–	**15**	4
Skilled and technical	**31**	47	**165**	93	**6**	4	**202**	144
Male	**17**	35	**122**	69	**5**	3	**144**	107
Female	**14**	12	**43**	24	**1**	1	**58**	37
Semi-skilled and unskilled	**9**	33	**301**	441	**11**	16	**321**	490
Male	**3**	19	**249**	361	**8**	10	**260**	390
Female	**6**	14	**52**	80	**3**	6	**61**	100
	90	101	**515**	554	**17**	21	**622**	676
Disability profile								
Disabled	**–**	1	**11**	3	**–**	–	**11**	4
Male	**–**	1	**11**	3	**–**	–	**11**	4
Female	**–**	–	**–**	–	**–**	–	**–**	–
Non-disabled	**90**	100	**504**	551	**17**	21	**611**	672
Male	**64**	71	**394**	442	**13**	14	**471**	527
Female	**26**	29	**110**	109	**4**	7	**140**	145
	90	101	**515**	554	**17**	21	**622**	676
Age profile								
Under 30	**14**	15	**67**	101	**5**	3	**86**	119
Male	**7**	8	**46**	68	**4**	2	**57**	78
Female	**7**	7	**21**	33	**1**	1	**29**	41
Over 30, but less than 50 years	**43**	53	**380**	397	**11**	17	**434**	467
Male	**33**	39	**308**	320	**8**	14	**349**	373
Female	**10**	14	**72**	77	**3**	3	**85**	94
Over 50 years	**33**	33	**68**	56	**1**	1	**102**	90
Male	**24**	25	**52**	42	**1**	1	**77**	68
Female	**9**	8	**16**	14	**–**	–	**25**	22
	90	101	**515**	554	**17**	21	**622**	676

*ACI = African, Coloured and Indian

Social capital (continued)

Unfair discrimination in the workplace is discouraged and where instances of such discrimination are encountered management acts decisively as soon as the matter has been brought to their attention. Where there are vacancies within the Group, preference is given to existing employees to establish continuity and maintain a smooth process in equity management.

SOCIO-ECONOMIC DEVELOPMENT

South Ocean Holdings is committed to making sustainable contributions and to uplifting communities in the vicinity where it trades. This is achieved through both enterprise development, by accelerating the sustainability and financial independence of black-owned enterprises, as well as social investment through product donations and financial assistance.

New Beginning Care Centre ("NBCC")

NBCC is the main beneficiaries of our socio-economic development initiatives. NBCC provides a range of services aimed at empowering and stabilising destitute individuals. They provide homeless people with accommodation, food and structured programmes to assist with integrating them back into society. Furthermore, NBCC offers a rehabilitation programme to members of society that are struggling with substance abuse. Furthermore, the centre assists its adult residents to find job opportunities to rebuild their lives.

The Group sources all its casual and part-time labour from NBCC. We are pleased with the impact we are making in the lives of the people that are being assisted by NBCC.

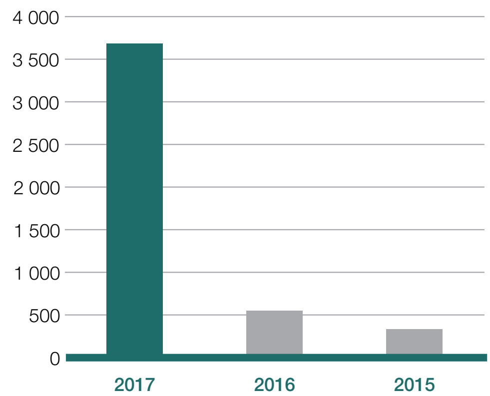
ENTERPRISE DEVELOPMENT

South Ocean Holdings believes that enterprise development is a powerful tool to create jobs and address poverty, hence our focus on the creation of sustainable black-owned and black women-owned businesses. We assisted these businesses by contributing stock at no charge to them, so that they can sell to their customers at a profit.

These contributions and donations demonstrated to being a good corporate citizen as the contributions and donations were made during one of the toughest years that the Group has experienced financially.

Corporate Social Investment Spend

(Rand '000)



SAFETY, HEALTH, ENVIRONMENT AND QUALITY ("SHEQ")

At South Ocean Holdings, safety is a way of life. We believe that zero harm is possible, through dedicated focus and teamwork. Compliance with safety rules and procedures is rigorously enforced, including the wearing of personal protective gear. Instances of workplace injuries and accidents are fully investigated, and where necessary, steps taken to avoid future incidents. There are currently no outstanding claims which require employees to be compensated for health and safety matters.

Occupational health and safety standards are governed by prevailing Occupational Health and Safety regulations. In order to ensure a balanced management approach, the Group has appointed Health and Safety Committees whose core function is to ensure that the Group abides by the provisions of these regulations.

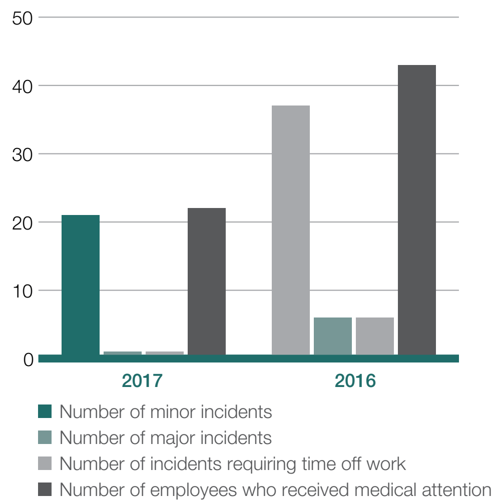
The Committees consist of Senior Management and Health and Safety representatives selected from all other levels of staff. Meetings are scheduled on a regular basis depending on the working environment and requirements. The Committees report to the Management Committee and the Executive Committee on compliance issues and safety incidents and make recommendations on areas for improvement and the disposal of hazardous material. The appointment of safety representatives, first aid practitioners and ensuring safe operation of equipment on the factory floor are amongst the functions of the committee.

SAFETY

South Ocean Holdings oversees the training of first aid and fire-fighting representatives so that in the event of an incident, there is always trained personnel available to assist. There was a marked decrease in the number of incidents that occurred in 2017, 22, as compared to 43 incidents that occurred in 2016. Management takes these incidents seriously and training interventions are being put in place to ensure that incidents at the workplace are reduced. All injured employees who required medical attention were provided with medical treatment and where required, time off work was also granted. The Group has recorded the following statistics regarding health and safety:

Injury incidents in permanent staff

(Rand '000)



HEALTH

South Ocean Holdings values the lives of its employees. As a Group we believe that preventative measures are better than curing existing diseases hence we undertook various awareness programmes and campaigns during 2017 to ensure early detection of any health issues and/or diseases that our employees may have. We encourage our employees to adopt healthier ways of living through emails that are regularly sent to them as well as informing them of the various health risks in general.

Furthermore, the Group conducted a Health and Wellness survey in 2017 to determine the need for an employee wellness program. The Health and Wellness specialist recommended that we implement an employee wellness program and also recommended that we have specific workshops to assist our employees to deal with any psycho-social issues that employees may be experiencing.

The Group has committed to implementing the employee wellness program and the various recommended workshops as soon as the Company has returned to profitability.

HIV and AIDS

HIV and Aids Awareness programmes are available to all employees within the Group. We encourage our employees to attend educational sessions, to take the necessary precautions to prevent infection and to regularly check their status. Employees status is regarded as highly confidential and the HIV prevalence rate will not be released for publication.

LEAD POISONING

Safety precautions are taken with employees who have any contact with lead. Blood screenings are done twice a year to ensure that their blood is lead-free. Other precautionary measures are also taken, such as ensuring that these employees have new masks on a daily basis. Employees that have any contact with lead are required to wear gloves when handling the lead. If a positive test for lead is detected in blood screenings, affected employees are moved out of that department to allow them time to heal. Follow up screenings and lead measurement levels are monitored until employees are lead-free.

NOISE SURVEYS

Noise level screenings are done on machinery in the factory and before any new machinery is introduced into the manufacturing plant. A specialist company is appointed to measure the decibel levels of the machine. Employees are further required to wear ear plugs at all times while in the factory.

ENVIRONMENT

South Ocean Holdings recognises the impact of climate change on our environment. We actively seek for opportunities to contribute positively to the environment. A task-team will be put together during the 2018 year to measure the carbon impact of the vehicles and factory in the environment.

WASTE MANAGEMENT

The Group has a policy of re-use before recycling and disposal. Only waste that cannot be re-used is disposed off in an environmentally friendly manner. We have paper recycling bins available throughout our operations. Specialist companies are utilised in the disposal of hazardous materials such as oils from manufacturing machinery and lamps containing mercury.

Radiant uses 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.

Total scrap generated during the year, including copper and PVC scrap, was sold and a portion of the PVC scrap was recycled and re-used in the production process. SOEW focuses on reducing cable scrap and optimises the financial recovery from scrap. Used lubricating oils and soluble oils are generated as a by-product of SOEW's manufacturing process. These lubricants and oils are disposed off through a third party who either recycles or disposes of them in an environmentally friendly manner. During 2017, 270 000 (2016: 230 000) litres of soluble oils and 38 000 (2016: 35 000) litres of lubricating oil was generated and disposed off. Industrial waste and soil were also disposed of from this site. Industrial waste amounted to 693 081 (2016: 577 567) kilograms was generated and disposed off. 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.

Refuse is kept to a minimum during the year, as the Group focuses strongly on recycling. During the year 4 464m^3 (2016: 3 031m^3) of refuse was generated. Paper and cardboard weighing 67.25m^2 (2016: 113.21m^2) was generated and sold for R60 336.03.

Social capital (continued)

ENERGY USAGE

During the year the Group has used 16.9 (2016: 15.4) MWh of electricity which represents an increase from the prior year. This translates to 0.003 (2016: 0.003) MWH per hour worked. The electricity usage is linked to production volumes and maximum demand levels.

Water management

Water saving initiatives will be investigated in the future and their viability will be tested against the benefit they have towards the saving on the environment. Water usage by SOEW in the manufacturing process is minimal and has a negligible impact on the environment. However, the Group is making every effort to save water.

During the year SOEW used 6 434 (2016: 6 005) kilolitres of water translating to an average usage of 0.009 (2016: 0.008) kilolitres of water per person man hour worked. The increase in water usage in 2017 was due to production volumes. The Groups' manufacturing processes have an insignificant effect on biodiversity and the environment.

Radiant used 7 787 (2016: 5 726) kilolitres of water translating to an average usage of 0.016 kilolitres (2016: 0.010) kilolitres of water per man hours worked.

Environmental impact assessment and carbon footprint analysis

South Ocean Holdings did not perform any environment impact assessments nor has it performed a carbon footprint analysis during the period under review. There were also no green initiatives embarked upon, with the exception of the solar system that is used to supply energy at Radiant.

POLITICAL PARTY POLICY

South Ocean Holdings endorses all the principles and institutions that support a free and democratic society. However, it does not make donations to or in favour of any political party.

FREEDOM OF ASSOCIATION

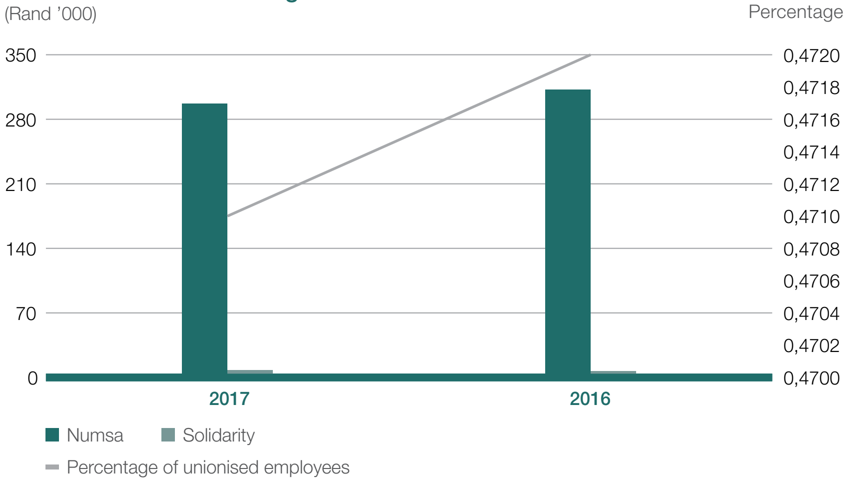
The Group upholds the right of employees to exercise freedom of association and collective bargaining, in compliance with the South African Constitution.
We recognise trade unions that are sufficiently representative of employees at the appropriate organisational level. We give formal assurance that employees may associate with employee representative organisations and trade unions.

Our Code of Conduct encourages employees to refrain from performing acts that conflict with freedom of association. There were no violations of freedom of association and collective bargaining during the year

During the year, the number of employees belonging to trade unions was split as follows:

Trade union	2017	2016	2015
NUMSA	**297**	312	311
Solidarity	**8**	7	8
Total unionised employees	**305**	319	319
Percentage of unionised employees (%)	**47.1%**	47.2%	45.2%

Union members/Percentage of workforce unionised



SECURITY PRACTICES

We ensure that our employees are aware of and understand the Group's security policies. Our security personnel and third party security personnel are provided with formal training regarding security policies in place. There were no incidents of security violations reported during the year.

HUMAN RIGHTS

Management ensures that our employees are afforded the dignity and respect they deserve as enshrined in the Bill of Rights. The Group and all its operating entities ensures that none of its policies and procedures infringe on the rights of employees as articulated in the various legislations.

CHILD LABOUR

In our normal activities, the Group procures its services from a number of suppliers who reside in various jurisdictions and are governed by various legislative frameworks. As a Group we are against any form of child labour as it is a violation of human rights. Although we have not specifically embarked on a campaign to ascertain our stakeholders' position regarding child labour, we have not however, in our dealings with various stakeholders encountered any instance where we felt that the issue of child labour was a concern.

PRODUCT QUALITY

The Group's operating companies are certified compliant with ISO 9001: 2015 Quality Management Standards. There are quality control facilities and a testing laboratory located at both Radiant and SOEW to ensure the quality of products and standards. All products are certified compliant with the SANS standards as approved by SABS.

Risk report

RISK MANAGEMENT POLICY STATEMENT

The Board commits South Ocean Holdings to a process of risk management that is aligned to the principles of good corporate governance, as set out in King IV and the Companies Act, 2008 of South Africa.

South Ocean Holdings defines Enterprise Risk Management as:

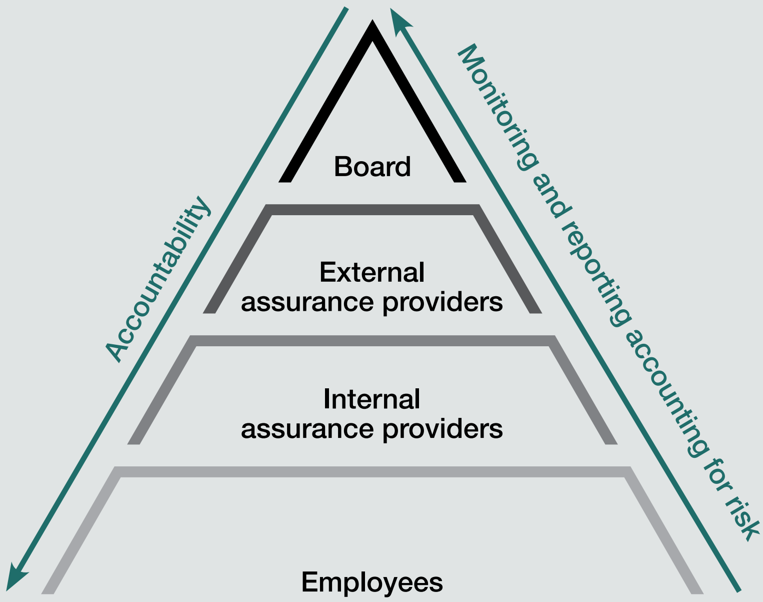
A structured, systematic and comprehensive process, effected by the Board and Management applied in strategy setting and, designed to:

- identify potential risks that may affect the Group;
- prioritise and effectively manage the risks within clearly defined risk appetite parameters; and
- provide reasonable assurance regarding the achievement of organisational objectives.

The following principles underpin risk management processes at South Ocean Holdings:

- although the Board is accountable for the entire process of risk management, it is the responsibility of all employees to embed and maintain effective risk management, control and governance processes across the organisation;
- effective risk management is conducted within the approved risk management framework and structures that have been tailored to the Group's specific circumstances and this forms part of the Group's daily operational activities;
- risk identification (including safety, health, IT and environmental risks), risk assessment, risk mitigation and risk monitoring are ongoing and evolving processes and form an integral part of the Group's daily decision-making process;
- quarterly risk reporting provides a balanced assessment of the significant risks and the effectiveness of internal control in managing those risks as part of the Group's day-to-day activities; and
- through skilled application of high quality, integrated risk analysis and management, our employees will exploit risk to enhance opportunities, reduce threats and sustain a competitive advantage. The Group takes calculated risks subject to tolerance limits.

GOVERNANCE OF RISK



ENTERPRISE RISK MANAGEMENT PHILOSOPHY

- South Ocean Holdings is committed to proactive risk management as a discipline to create value, protect stakeholders and assets, and promote long-term sustainability. The risk management practice is founded on the ethical values of responsibility, accountability, fairness and transparency.
- The Group has a formalised Risk Management Policy to ensure that South Ocean Holdings has a uniform approach and understanding of risks and risk management.
- The Board has the overall responsibility for the governance of risk. The Audit and Risk Management Committee assists the Board with risk management oversight. The Board discloses undue, unexpected or unusual risks in the integrated report, together with its view on the effectiveness of the risk management processes.

RISK MANAGEMENT FRAMEWORK

South Ocean Holdings Board has approved the Risk Management Framework and implementation plan, and delegates responsibility for implementing the Framework to the Chief Financial Officer. The Board reviews the risk policy, framework and plan annually. South Ocean Holdings adopts ISO 31000:2009 Risk Management Principles and Guidelines as the risk management standard for the Group and ISO Guide 73:2009 Risk Management – vocabulary, defining risk-related terms.

RISK APPETITE

South Ocean Holdings has a low appetite for risk. The Board prioritises organisational resilience to achieve long-term sustainability. To this end, management will not seek out excessive risk exposure to drive short-term financial performance and growth. The Board approves the Group's risk appetite and risk tolerance limits. Management must ensure that decision-making and risk exposures are maintained within these limits which are approved by the Board.

Risk report (continued)

TOP PRINCIPLE RISKS AND MITIGATIONS

	Risk description	Causes	Risk rating: Current year	Actions to improve management of the risk
CRITICAL	Maximise profitability of the Group.	Poor economic climate. Volatile exchange rate. Unstable Rand Copper Price. Global economic climate and unstable political environment. Poor sales drive. Declining GP's.	25.0	Offer the best product. Build customer relationships. Develop marketing plans to position products to increase sales. Diversity revenue stream. Develop excellent sales teams.
CRITICAL	Cash flow risk.	Ineffective monitoring of cash, over-spending on expenses and recoverability of debtors can lead to liquidity constraints.	25.0	Collections are closely monitored to identify distressed customers. Working capital expenses are properly controlled.
CRITICAL	Complying with Black Economic Empowerment ("B-BBEE") legislation.	Non-compliance with B-BBEE legislation or obtaining a low B-BBEE rating will lead to a loss of customers, inability to tender for public sector contracts resulting in loss of revenue.	25.0	A comprehensive B-BBEE strategy is in place. Preferential procurement assessments are done to ensure that the Group procures goods and services from suppliers with a high B-BBEE rating. Black women-owned and black-owned enterprises are being identified for development. Our employment policies are consistent with employment equity targets of the Group.
EXTREME	Exchange rate volatility risk.	Volatile exchange rate movements and the unstable RCP result in an increase in cost of sales and reduced margins and hence reduced profitability.	20.0	Exchange rates and financial budgets are continuously monitored. Foreign exchange rate cover is taken on most foreign purchases at the best possible rates to minimise the impact of foreign exchange losses.
EXTREME	Complying with Competition Commission law.	Non-compliance with Competition Commission law could result in a penalty which will result in a loss in profits.	20.0	On-going monitoring of the business by Management is in place to ensure that there are no transgressions. Staff training was provided to raise awareness of the Competition Commission laws and further training is planned to prevent any transgressions in the future.
EXTREME	Interruptions in the electricity supply to the manufacturing operations.	Interruption of electricity will impact on business continuity as well as on the manufacturing operations. This will result in the loss of productivity which will lead to a decrease in revenue and ultimately a loss in profitability.	20.0	Offices are equipped with back-up generators to ensure the continuity of business. The Group is unable to install generators in the factories due to the capacity of electrical power required by the machinery. The factory sources electricity from multiple sub-stations to ensure that there would be production if one substation ceases to operate.

	Risk description	Causes	Risk rating: Current year	Actions to improve management of the risk
HIGH	Industrial action – strikes.	Industry strike, general strikes and Section 37 strikes can lead to business continuity disruptions, increased costs and loss of production and revenue.	**9.0**	The Group has a business continuity plan which stipulates action to be taken during a strike. Non-union members and office staff are also utilised during strikes.
	Loss of key staff.	Working conditions, a competitive market and a shortage of skills can result in the loss of key staff, impacting profitability.	**9.0**	Detailed job descriptions and succession plans are in place for key staff. Short- and long-term bonus schemes are in place to encourage staff retention.
MEDIUM	Loss of data and corruption of the Information Technology ("IT") systems.	Power outages and improper backup procedures of IT systems could lead to a loss or corruption of IT data. IT policies and systems may not work as intended and IT security may be ineffective.	**6.0**	Critical IT services are outsourced to a capable IT company. All backups are done offsite. Controls are in place to monitor that backups are complete. IT personnel monitor the servers continuously for viruses and hackers. Adequate firewalls are in place to prevent infiltration by unknown parties.
	Loss of significant customers which will result in a decline in sales.	The Group operates in a highly competitive industry and failure to successfully compete could result in the loss of one or more significant customers.	**6.0**	The Group continuously improves on customer experience, which is achieved through offering superior service to our customers and better communication between the customer and the Group.
LOW	Misappropriation of assets due to fraud and corruption.	Ineffective internal control procedures can lead to the misappropriation of assets that can affect business continuity and will result in a loss of assets and profitability.	**2.0**	A whistle-blowing hotline is available and employees are aware of the whistle-blowing policy. Clear segregation of duties is in place within the Group. Directors' approval is necessary for the removal of assets from the business premises as well as strict security controls at the exit points.
	Supply-chain breakdown/ disruption for an extended period.	The inability to supply customers or to supply customers on-time could lead to a loss in customers and loss in market share. This will result in an erosion of customer base, a loss of revenue and a loss in profitability.	**2.0**	The Group uses supplier relationship management processes more consistently as a structured process drives strategic value through improvements in innovation and growth, better managed risk and vastly improved supply chains.
	Default by a major debtor and the application of an exclusion clause by the insurance provider.	A bad debt from a significant customer could put financial stress on the debtor's book.	**2.0**	Sales are spread between significant customers and the debtors book is closely monitored.

Remuneration Committee report

REMUNERATION POLICY – PART 1

Background statement

The board is informing itself about the implications and the impact of the King IV Code on Corporate Governance (King IV) on the remuneration policy as well as the amended JSE Listings Requirements and present this report in two parts. The Chairman's and CEO's reports provide context to the decisions and considerations taken during the reporting year which influenced the remuneration outcomes and will influence the remuneration going forward.

The broad ensures that the company and major subsidiary companies comply with the necessary principles as set out in the King Report on Governance for South Africa (King III and King IV, where applicable) and relevant sections of the Companies Act, No 71 of 2008, ("the Act") when determining the remuneration of the senior executives and non-executive directors.

Since the presentation of the summary of the last remuneration policy to shareholders no major changes were made. The board believes that the key performance indicators (KPIs) which are used for the measurement and determination of short- and long-term incentives awards are aligned with Group goals and strategies.

The Group performed credibly in a year where political uncertainty, negative investor sentiment and depressed business confidence caused further economic underperformance in general.

Given the diversified nature of the Group, the intention of the Remuneration report is to provide an overview and understanding of SOH's remuneration philosophy and focuses on Executive and Non-Executive Director remuneration.

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

The Board assesses the composition of the Committee annually to ensure that it is appropriate in terms of the necessary skills, knowledge and experience to operate effectively.

The committee strives to comply with all governance matters and legal requirements.

COMPOSITION

The Remuneration Committee consists of two Independent Non-Executive Directors and one Non-Executive Director.

Collectively, members of this committee must have the appropriate mix of qualifications and experience in order to fulfil their duties adequately.

MEETINGS

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

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

REPORTING

The Remuneration Committee Chairperson 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 of 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

The Group has an integrated approach to remuneration strategy which is aimed at 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.

The Group's remuneration philosophy:

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

South Ocean Holdings' 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 of 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; and
- rewarding individual and business performance and encouraging superior performance.

Remuneration to Non-Executives and Executives is determined as follows:

NON-EXECUTIVE DIRECTOR REMUNERATION

Terms of service

Non-Executive Directors are appointed by the shareholders at the AGM. Interim board appointments are permitted between AGMs. Appointments are made in accordance with Group policy. Interim appointees retire at the next AGM, when they may make themselves available for re-election.

In terms of the company's Memorandum of Incorporation one third of the Non-Executive Directors may make him or herself available for re-election, provided that if a Director is appointed as an Executive Director or as an employee of the company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors.

In addition, once a Director has served for nine or more years, he or she may continue to serve in an independent capacity if the board concludes that the Director exercises objective judgement there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is like to influence unduly or cause bias in decision-making. The assessment must be made each year after nine years. The Board will evaluate the independence of the Chairman during the next year.

Fees

Group policy is to pay competitive fees for the role while recognising the required time commitment. Fees are benchmarked against a comparator group of JSE-listed companies. The fees comprise an attendance fee for scheduled meetings, as tabled in Part 2 of this report. In addition, Non-Executive Directors are entitled to be compensated for travel and subsistence on official business where necessary and to attend meetings. No contractual arrangements are entered into to compensate Non-Executive Directors for the loss of office.

Non-Executive Directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The Group does not provide retirement contributions to Non-Executive Directors.

Remuneration Committee proposes Non-Executive Directors' fee to shareholders annually for shareholders to vote thereon.

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

Senior Executives are required to enter into a performance contract with the Managers to which they report. 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.

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 2017, 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. No bonuses were paid in respect of 2017.

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.

Remuneration Committee report (continued)

The plan is a share appreciation rights scheme in terms of which participant 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:
  - in relation to a certain value of shares, to the extent of 75%, based on the shares of that subsidiary company;
  - in terms of a valuation of the shares of that subsidiary company which is in turn based on its financial results in its last three financial years;
  - as to 25%, based on the shares of the holding company, in terms of the volume-weighted quoted share price during the month preceding the allocation,
  - 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; and
  - the holding period of allocations will be three years, which may be extended to four years, at the third year of each allocation at the option of the participant.
- 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 the Executive Committee or Management Committees.

Executive Directors' remuneration from related companies

Executive Directors' remuneration paid for 2017 was as follows:

Company	2017 R'000	2016 R'000
South Ocean Holdings Limited	**5 567**	4 568

Details of the remuneration of individual Directors are listed in note 19 in the financial statements section of this report.

Non-Executive Directors' remuneration

The fees for Non-Executive Directors during 2017 were as follows:

	Fixed fee Per annum 2017 R
Chairman of the Board	**455 223**
Deputy Vice Chairperson	**262 619**
Member of the Board	**151 741**
Chairperson of the Audit and Risk Management Committee	**227 612**
Member of the Audit and Risk Management Committee	**49 175**
Chairperson of the Remuneration Committee	**69 987**
Member of the Remuneration Committee	**49 175**
Chairperson of the Social and Ethics Committee	**69 987**
Chairperson of a Special Committee	**R2 950/hour**
Member of a Special Committee	**R1 770/hour**

* Refer to note 19 of the financial statements section of this report regarding payment of Non-Executive Directors fees.

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 Directors' Report on page 61.

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 12 of the financial statements.

PRESCRIBED OFFICERS OF THE GROUP WHO ARE NOT EXECUTIVE DIRECTORS

King IV 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 2017 and 2016 are set out in note 19 to the financial statements.

SERVICE CONTRACTS AND SEVERANCE PAY ARRANGEMENTS

We have entered into formal contracts with our Non-Executive Directors.

Executive Directors, Top and Senior Management are subject to South Ocean Holdings' standard terms and conditions of employment where notice periods varies between 30 to 90 days. In line with Group policy, no Director is compensated for loss of office and none of the Directors have special termination benefits.

The Group's policy when terminating the services of an individual for operational reasons is to pay a minimum of one week of the annual cost of employment for each completed year of service. We aim to apply this policy.

PROVIDENT FUND AND GROUP LIFE COVER

Employees who are not members of the Metal Industry Bargaining Council are contributing to the Alexander Forbes Access Retirement fund. Contributions vary between 6.6% and 15% of basic salary. Metal industry members belong to the Metal Industries Pension Fund or the MEIBC Provident fund and contributions amounts to 14% of basic salary.

Employees are further contributing to a funeral policy which covers the funeral cost of the member and close family members in case of death. Employees are also covered by a risk policy which payout between three and five times of gross salary in case of death. Some employees also have disability cover.

SHAREHOLDER AGREEMENT

The Group's remuneration policy and the implementation thereof are placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the 6 August 2018 AGM as recommended by King IV.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- Executive management will engage with shareholders to ascertain the reasons for the dissenting vote. Where considered appropriate, Non-Executive Board members may participate in these engagements with selected shareholders; and
- Executive Management will make specific recommendations to the Board as to how the legitimate and reasonable objections of shareholders might be addressed, either in the Group's remuneration policy or through changes on how the remuneration policy is implemented.

REMUNERATION COMMITTEE MEMBERS

The Remuneration Committee members during the year were:

M Chong*	Chairperson
KH Pon	Member
HL Li#	Member/Chairperson
CY Wu*	Member

* M Chong resigned as the Chairperson of the Remuneration Committee effective 11 August 2017.

HL Li was appointed as the Chairperson of the Remuneration Committee effective 15 November 2017.

* CY Wu was appointed as member of the Remuneration Committee effective 15 November 2017.

NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on the remuneration policy as contained in this report.

IMPLEMENTATION OF REMUNERATION POLICY – PART 2

Executive Directors' remuneration

Guaranteed pay – base pay and benefits

In determining the CTC increases for Executive Directors, the Board considered the average increases to general staff and also used relevant market data.

Benchmarks were selected based on a number of factors, including, but not limited to, company size and complexity of comparable listed companies by reference to market capitalisation, turnover, profitability, number of employees and sector.

In aggregate Executive Directors received increases as follows:

- Chief Executive Officer – no increase.
- Chief Financial Officer – 3%.

Short-term incentives 2017 outcomes

The performance measures and targets generating the awards are:

- Excess earnings before tax for the year is determined by the excess actual earnings before tax for the year compared to the inflation adjusted three-year-moving average of the earnings for the past three years multiplied by the growth factor equal to expected earnings.
- Senior Management share in a percentage of the excess earnings as approved by the Remuneration Committee ranging between 10% and 20% on the ratio of their respective guaranteed paid.

No short-term incentives were paid for the year under review.

Summary of Executive Directors' guaranteed pay and short-term incentives

The remuneration paid to Executive Directors, while in office of the Company during the year ended 31 December 2017, is set out in note 19 of the Annual Financial Statements.

Remuneration Committee report (continued)

Short-term incentives 2018

The 2017 criteria for performance measures and targets as well as weightings are being applied in respect of short-term incentives for the 2018 financial year.

Long-term incentives

The following number of shares were "allocated" to Directors and prescribed officers as at 1 January 2017 on which the participant will receive a cash bonus on the equity value growth at the end of the three-year period:

	SOH shares	SOEW shares	Radiant shares
Allocation price	R0.48	R6.56	R12.62
JP Bekker	5 525 917	–	–
D Johnson	555 677	122 069	–
F Ally	531 426	–	60 652
Y Mahomed	339 268	74 529	–

Non-Executive remuneration

The remuneration paid to Non-Executive Directors while in office of the Company during the year ended 31 December 2017 is analysed as follows:

- No fees were paid to any Non-Executive Director during the year as the fees were not approved by the shareholders at the 2017 AGM.

Proposed Non-Executive Directors' fees effective from 1 January 2018 will be as follows:

	Fixed fee per annum 2018 R
Chairman of the Board	482 537
Deputy Vice-Chairperson	278 376
Member of the Board	160 846
Chairman of the Audit and Risk Management Committee	241 268
Member of the Audit and Risk Management Committee	52 126
Chairman of the Remuneration Committee	74 187
Member of the Remuneration Committee	52 126
Chairperson of the Social and Ethics Committee	74 187
Chairperson of a Special Committee	R3 127 per hour
Member of a Special Committee	R1 876 per hour

The above fees are proposed net of VAT which may become payable thereon to Directors, depending on the status of the individual Director's tax position.

Refer to special resolution 3 on page 111 of the notice of AGM for approval of the fees by shareholders in terms of section 66 of the Companies Act.

Non-binding advisory vote

Shareholders are requested to cast a non-binding advisory vote on the remuneration implementation report as contained in this report.

Approval

This remuneration report was approved by the Board of Directors of South Ocean Holdings.

Corporate governance report

INTRODUCTION

The Group's government framework includes the structures, processes, and practices that the Board of Directors use to direct and manage the Group's operations.

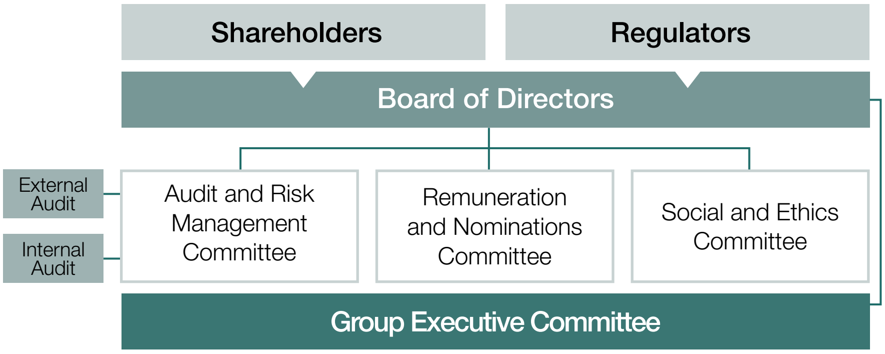
The Board is accountable to shareholders and other stakeholders and is responsible for the implementation of sound corporate governance practices throughout the Group. South Ocean Holdings Board of Directors are committed to ensuring that the Group adheres to high standards of corporate governance in the conduct of its business.

In an environment of increasing regulatory pressures, the Board ensures that governance processes are regularly reviewed to align with legislative and regulatory changes to reflect best practice.

Corporate governance at South Ocean Holdings extends beyond mere legislative and regulatory compliance, management strives to entrench a culture of good governance, risk management and good corporate citizenship across the Group. This is aimed at ensuring that decisions are taken in a fair and transparent manner, within an ethical framework that encourages the responsible consideration of all stakeholders, while simultaneously holding decision-makers accountable.

Detailed application of the King IV principles and adoption of the various recommendations are published in South Ocean Holdings' website. The Directors are of the opinion that the Group has satisfactorily applied the applicable King IV principles and has complied with the South African Companies Act.

GOVERNANCE STRUCTURE



COMMITTEE MEMBERS

BOARD OF DIRECTORS

KH Pon
(Chairperson)
Independent Non-Executive

HL Li[(1)]
(Deputy-Vice Chairperson)
Independent Non-Executive

CY Wu
Non-Executive

N Lalla
Independent Non-Executive

DJC Pan
(Alternate)
Non-Executive

JP Bekker
Executive

MK Lehloenya[(4)]
Executive

AUDIT AND RISK MANAGEMENT COMMITTEE

N Lalla[(2)]
(Chairperson)
Independent Non-Executive

KH Pon
Independent Non-Executive

HL Li
Independent Non-Executive

REMUNERATION COMMITTEE

HL Li[(3)]
Independent Non-Executive
(Chairperson)

KH Pon
Independent Non-Executive

CY Wu[(5)]
Non-Executive

SOCIAL AND ETHICS COMMITTEE

N Lalla[(2)]
(Chairperson)
Independent Non-Executive

JP Bekker
Executive

MK Lehloenya[(4)]
Executive

NOMINATION COMMITTEE

KH Pon
(Chairperson)
Independent Non-Executive

HL Li
Independent Non-Executive

CY Wu
Non-Executive

(1) Appointed Independent Non-Executive Director 15 November 2017
(2) Appointed member and Chairperson 15 November 2017
(3) Appointed Chairperson 15 November 2017
(4) Resigned effective 31 January 2018
(5) Appointed member effective 15 November 2017

CORPORATE RESPONSIBILITY

Decisions on material matters are approved by the Board, including but not limited to decisions on the allocation of capital resources to optimise the return on shareholders' funds, and the authorisation of procurement capital expenditure, property transactions, borrowings and investments, other than where pre-approved materiality levels, which have been identified by the Board, have been given to management.

STATEMENT OF GOVERNANCE COMPLIANCE

In the past, the Group undertook regular assessments on the application and implementation of King III. Subsequent to the effective date of King IV application in April 2017, the Group considered its application and adherence to the seventeen King IV principles. The outcome of the assessment reveals that the Group's governance processes are well entrenched and that the Group complies with all the applicable principles of King IV. The Group will, going forward, make every effort to implement King IV Recommended Practices as far as it is practically possible for its business.

South Ocean Holdings' report on the application and disclosure of the seventeen King IV principles is available on South Ocean Holdings website.

BOARD OF DIRECTORS

Board Composition

The Board comprised of six Directors during the year, two of whom are Executive Directors, with the remainder being Non-Executive Directors. Three of the four Non-Executive Directors are considered to be independent as defined by King IV and constitute the majority of Non-Executive Directors on the Board.

Changes in the Board were as follows: Mr JH Yeh resigned as an Independent Non-Executive Director on 17 May 2017. Mr WP Li, an alternative Director resigned as a Director effective 17 May 2017. Ms M Chong resigned as a Director effective 11 August 2017. These Directors have not been replaced.

Members of the Board are appointed by South Ocean Holding's shareholders, although the Board also has the authority to appoint Directors to fill any vacancy that may arise from time to time. These appointments, which are a matter for the Board as a whole, are made in terms of a formal and transparent procedure within the appointments to the Board policy and subject to ratification by shareholders at the next Annual General Meeting.

While members of the Board are appointed on the basis of skills, experience and their level of contribution to activities of the Group, diversity considerations are made. The Board also recognises that being a South African-based Company, it is important to consider the gender and racial diversity of the Board and has accordingly set targets of female and black representation in the number of Directors that serve on the Board. These targets will be reviewed from time-to-time to ensure broader representation in the future.

Members of the Board are required to uphold the highest ethical standards and the Board takes cognisance to ensure that all its members abide by these ethical standards. That Directors take the lead in directing the activities of the Group in a manner consistent with aforesaid 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 that all the capitals occupy the centre stage in its view and oversight of the operating environment.

The Board maintains the ultimate responsibility for monitoring and reporting on the effectiveness of the Company's system of internal controls. In performing this function, the Board is assisted by the Audit and Risk Management Committee in discharging this responsibility.

Appointment Process

Directors are appointed through a formal and transparent process which includes background checks. Appointments to the Board and proposals for re-election to the Board are recommended by the Nominations Committee and are considered by the Board as a whole. All Director appointments are subject to shareholder approval/ratification. The Company's memorandum of incorporation allows the Board to remove any Director by written notice, signed by the majority of that Director's Co-Directors, without the requirement to obtain shareholder approval.

Board Charter

The detailed responsibilities of the Board are contained in a formal Board Charter ("Charter"). The Charter sets out the powers of the Board and provides a clear division of the responsibilities and accountability of Board members, both collectively and individually.

A 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.

Board Processes

The role of the Board is to establish, review and monitor strategic objectives, the approval of major asset disposals and capital expenditure, and to oversee the Group's systems of internal control, governance and risk management.

An approved Board Charter is in place and outlines the responsibilities of the Board. Information is supplied to the Board timeously to allow it to fulfil its duties and carry out its responsibilities. The Board also enjoys unrestricted access to all Company information, records, documents and property. Non-Executive Directors have access to management without the attendance of Executive Directors. A range of non-financial information is made available to the Board to enable its members to consider qualitative performance that involves broader stakeholder interest.

Daily management of the Company's affairs has been delegated to the Chief Executive Officer who co-ordinates the implementation of Board policies through the Executive Committee.

Full and effective control over all operations of the Company is retained by the Board at all times.

Evaluation of Board Performance

An annual questionnaire-based evaluation is undertaken by the Directors which includes an assessment of the performance of the Board, the Chairman, the Chief Executive Officer, individual Directors and all Board Committees. The key issues covered included the Board's role; the size, composition and independence of the Board; Director orientation and development; and Board meetings.

The Chairman of the Board discusses the results of these reviews with the Board. The Chairman receives feedback on his performance from members of the Board.

The responses from the evaluation process indicate that the Board is well balanced, the size of the Board is adequate for the Group and the Board has the relevant knowledge relating to the Group's business. The Directors believe Board meetings are well organised, efficiently run and all relevant aspects of the Company's or Group's businesses are dealt with thoroughly by the Board and its various committees which have all discharged their responsibilities adequately.

Succession Planning

The Nominations Committee evaluates the pool of skills, knowledge and experience of on the Board, and identifies the role and capabilities required for individual Board appointments. The Committee makes recommendations for appointments to the Board, including recommendations for appointments to the Committees of the Board. Appointments to the Audit and Risk Management Committee and to the Board are subject to shareholders' approval. A succession plan for the Chairperson and Chief Executive Officer positions is in place.

Meetings

Board meetings are held quarterly and more frequently if required. Directors are provided in advance with all necessary information to enable them to discharge their duties. Any Director may request that additional matters be added to the agenda. Proceedings at Board meetings are properly minuted and all minutes are circulated to all Board members for review prior to being approved.
In addition, Executive and Non-Executive Directors meet formally on a regular basis.

Attendance of Meetings

A minimum of four Board meetings are scheduled per financial year. Additional Board meetings may be convened when necessary. During 2017, four Board meetings were held.
The following table details the attendance by each Director at Board meetings held during the year under review:

DIRECTOR	8 Mar	17 May	11 Aug	15 Nov
KH Pon (Chairperson)	✓	✓	✓	✓
HL Li	✓	✓	✓	✓
CY Wu	✓	✓	✓	✓
M Chong	✓	♦	✓	●
N Lalla	✓	✓	♦	✓
JH Yeh	♦	✓	❖	❖
JP Bekker	✓	✓	✓	✓
MK Lehloenya*	✓	✓	✓	✓

✓ Present
● Resigned effective 11 August 2017
♦ Apology
❖ Resigned effective 17 May 2017
* Resigned effective 31 January 2018

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 not involved in the day-to-day operations of the Group. All Non-Executive Directors have a fiduciary responsibility to represent the best interests of South Ocean Holdings and all of its stakeholders and shareholders. The Group's Non-Executive Directors contribute to the Board's deliberations and decisions. They have skills and experience to exercise judgement in areas such as strategy, performance, transformation, diversity and employment equity.

Executive Directors

Executive Directors are permanent employees of the Group with one to three months' notice period. The Chief Executive Officer and Chief Financial Officer serve as Executive Directors on the Board and are responsible for the daily operations of the Group.

The Chairman of the Board

Mr KH Pon is an Independent Non-Executive Chairperson and his role is separate from that of the Chief Executive Officer.
The Chairperson's role is to set the ethical tone for the Board and to ensure that the Board remains efficient, focused and operates as a unit.

The role of the Chairperson is formalised and the Chairperson's ability to add value, and his performance against what is expected of his role and function, is assessed annually by the Board.
The Board elects a Chairperson on an annual basis.
The Chairperson is responsible for the effective leadership of the Board as contemplated in King IV. The Board considers the number of outside Chairmanships held and ensures a proper succession plan for the position of Chairperson.

The Chairperson 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

Mr JP Bekker, the Chief Executive Officer, 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.

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

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

The Company Secretary

Mr WT Green is the Company Secretary and he provides the entire Board with detailed guidance on matters related to the discharging of their responsibilities. The Board has considered and is satisfied with the qualification, competence and expertise of the Company Secretary.

The Company Secretary is accountable to the Board to:

- ensure that Board procedures are followed and reviewed regularly;
- ensure that applicable rules and regulations for the conduct of the affairs of the Board are complied with;
- maintain statutory records in accordance with legal requirements as well as submitting them;
- guide the Board as to how their responsibilities should be properly discharged in the best interest of the Company;
- keep abreast of, and inform, the Board of current and new developments regarding corporate governance thinking and practice; and
- ensure compliance with the JSE Listings Requirements and statutory requirements.

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 59 on this report.

The Company Secretary is not a Director of the Group and the Board has considered and is satisfied that he remains independent and that he maintains an appropriate arm's-length relationship with the Board.

Directors' Remuneration

The governance of Directors' remuneration is undertaken by the Remuneration Committee. The responsibility for ensuring that the Executive and Non-Executive Directors are fairly and responsibly remunerated has been formally delegated to this Committee. Directors' fees for Non-Executive Directors were submitted in advance for approval by shareholders at the Annual General Meeting of the Company held on Tuesday 8 August 2017. The special resolution required to approve Non-Executive Directors remuneration failed, as a result Non-Executive Director remuneration for the 2017 financial year was not paid. Further, fees for the period 1 April 2016 to 31 December 2016 also remained outstanding at the financial year end.

Executive Directors' Remuneration

Remuneration for Executive Directors consists of a base salary, a performance-related incentive bonus, retirement contributions, medical scheme membership and participation in the short-term and long-term incentive schemes. This is discussed in more detail on page 41.

Non-Executive Directors' Remuneration

Non-Executive Directors receive an annual fee for their Board participation. The fee consists of a base fee and where applicable, committee membership fees. The Remuneration Committee, which consists of two Independent Non-Executive Directors and one Non-Executive Director, discussed and proposed the Non-Executive Directors' fees to the Board for recommendation to the Annual General Meeting for approval. The approval for payment of Non-Executive Directors' remuneration was not obtained. Remuneration for Non-Executive Directors for the period 1 April 2016 to 31 December 2017 remained outstanding as at the financial year end.

BOARD COMMITTEES

Specific responsibilities have been formally delegated to Board Committees with defined terms of reference, life span and function, clearly agreed upon reporting procedures and written scope of authority. The Committees are appropriately constituted with due regard to the skills required by each Committee and the Committees' terms of reference are reviewed once a year. There is transparency and full disclosure from the Board Committees to the Board. Board Committees are free to take independent outside professional advice as and when necessary and are subject to regular evaluation by the Board to ascertain their performance and effectiveness. 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 page 6 to 7 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 IV. The shareholders elect the members of this committee annually at the Annual General Meeting.

AUDIT AND RISK MANAGEMENT COMMITTEE

Composition of Committee

The Audit and Risk Management Committee consists of only Independent Non-Executive Directors in compliance with the requirements of the King IV. 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

The Audit and Risk Management Committee meets periodically, at least four times per year. Non-Executive Directors that are not members of the Audit and Risk Management Committee are invited to attend. Executive management, external auditors, internal auditors and information communication technology service providers are also invited to attend these meetings. External and internal auditors have unrestricted access to the Audit and Risk Management Committee and its Chairperson, thus ensuring their independence and the impartiality of their reports.

Responsibility

The Audit and Risk Management Committee reviews the Annual Financial Statements and interim Financial Statements, monitors the appropriateness of accounting policies and the effectiveness of the systems of internal control and considers the findings of the external and internal audits. Review of the Group's reporting processes is undertaken to ensure that they are aligned and are not conflicting.

The review of management processes, strategies and systems in place for the identification, management and control of all Group risks are part of the responsibilities of the Audit and Risk Management Committee.

The Audit and Risk Management Committee is further mandated with the responsibility of, the appointment, management and monitoring of the work of both the external and internal auditors.

The Board is confident that the members of this 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 IV 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 assessed and was satisfied with the independence, expertise and objectivity of PricewaterhouseCoopers Inc. as External Auditor, as well as approved the terms of engagement and the fees paid to PricewaterhouseCoopers Inc. The Committee considered the following aspects to satisfy itself of PricewaterhouseCoopers Inc. independence:

- 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 2018 financial year. The Board re-appointed PricewaterhouseCoopers Inc. and Mrs P Pope, 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.

The External Auditor has unrestricted access to the Group's records and management. The auditor furnishes a written report to the Committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the Chairperson of the Audit and Risk Management Committee.

The Group has received confirmation from the External Auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence.

Internal Audit

The Audit and Risk Management Committee has recommended the re-appointment of BDO Advisory Services Proprietary Limited as Independent Internal Auditors to fulfil the South Ocean Holding's internal audit function.

The Audit and Risk Management Committee has considered the independence of the Internal Auditor, BDO Advisory Services Proprietary Limited.

The Audit and Risk Management Committee considered the following aspects to satisfy itself that BDO Advisory Services Proprietary Limited is independent:

- identifying the potential threats to the internal audit independence of each area of non-internal audit work which the firm undertakes and, if any, what safeguards the firm has put in place;
- determining whether the firm, engagement partner or staff 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 Chairperson of the Audit and Risk Management Committee.

The three year 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.

Internal Financial Controls

The Committee has assessed the information and explanations given by management and discussions with Internal Auditors on the results of the audit. Through this process no material matter has come to the attention of the Audit and Risk Management Committee or the Board that has caused the Directors to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable Financial Statements.

Evaluation of Chief Financial Officer ("CFO") and Finance Function

The Audit and Risk Management Committee is satisfied that the expertise and experience of the CFO is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, continuing professional education and the Board's assessment of financial knowledge of the CFO.

The Audit and Risk Management Committee is further satisfied as to the appropriateness, expertise and adequacy of the resources of the finance function and the experience of senior members of management responsible for the finance function.

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 have set the following objectives:

- recommend policies, processes, systems and procedures to manage the risk;
- create a culture of risk awareness and ownership through communication and education;
- clarify the roles, responsibilities and accountabilities for identification, assessment, and management, monitoring and reporting of all financial and non-financial risks;
- guide the establishment and maintenance of a robust and measurable approach for risk identification and assessment;
- assist management to identify, assess, manage, monitor and report effectively on the risks;
- establish a process that requires all material changes to the business to be subject to adequate risk assessment and due diligence prior to commencement; and
- enable effective and comprehensive independent and ongoing assessment to be provided by Internal Audit around the appropriateness and adequacy of risk management.

Integrated Reporting

The Audit and Risk Management Committee oversees integrated reporting and in particular:

- reviews the Annual Financial Statements, interim report, preliminary results announcement and summarised integrated information and ensure compliance with International Financial Reporting Standards;
- considers the frequency of interim reports and whether interim results should be assured;
- review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- performs an oversight role on the Group's integrated reporting and considers factors and risks that could impact on the integrity of the integrated report;
- reviews sustainability disclosure in the integrated report and ensure it does not conflict with financial information;
- considers external assurance of material sustainability issues; and

- approved and recommends the integrated report for approval by the Board.

The Audit and Risk Management Committee recommended to the Board to continue not to publish a summarised Integrated Annual Report and not to engage an external assurance provider to confirm material elements of the sustainability part of the integrated annual report.

The Board has subsequently approved the Integrated Annual Report.

Attendance of Meetings

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

DIRECTOR	8 Mar	17 May	11 Aug	15 Nov
M Chong (Chairperson[2])	✓	♦	✓	❖
KH Pon	✓	✓	✓	✓
N Lalla (Chairperson)*	✓	✓	♦	✓
HL Li[0]	–	–	–	✓

✓ Present
♦ Apology
❖ Resigned effective 11 August 2017
* Appointed chairperson from 15 November 2017
0 Appointed effective 15 November 2017

EXECUTIVE COMMITTEE

Composition of Committee

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

Meetings

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

Responsibility

The Executive Committee is responsible for:

- development and 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 best management practices and functional standards of the Group;
- Senior Management appointments and monitoring the performance of Senior Management;
- ensuring that regular, detailed reports on the Group's activities and performance against strategies operational plans are received and submitted to the Board;
- ensuring that regular, detailed reports on the Group's financial performance and forecasts against budgets are received and submitted to the Board; and
- reviewing and monitoring the Company's system of internal control and an effective risk management process.

REMUNERATION COMMITTEE

Composition of Committee

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 annum.

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.

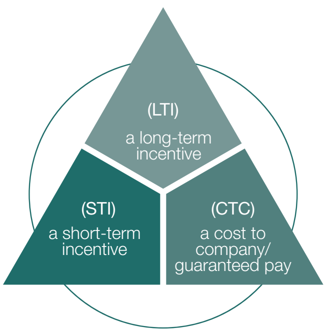
The Committee has, during the year, reviewed all the Group remuneration policies to ensure that these are aligned with the Group strategy and are linked to individual performance.

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:
  - fixed monthly guaranteed remuneration calculated as a percentage of the total-cost-to-company package;
  - performance bonus equal to the balance of the total-cost-to-company package payable annually after performance assessment is done;
- short-term incentives, aim to motivate Management to maximise results on the short term, and are paid annually if management meet certain financial targets which relate to Profit Before Tax (PBT);
- long-term incentives, which is a share appreciation scheme. The aim is to retain Senior Management, and the main elements are:
  - allocations to key staff to ensure retention;
  - allocations are done annually;
  - payments are due three years after allocation was made, but can be extended for one more year;
  - maximum value of allocation is calculated at between 33% and 83% of guaranteed pay; and
  - paid in cash after the specified period.

Attendance of Meetings

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

DIRECTOR	6 Mar	15 Nov
M Chong (Chairperson)	✓	♦
KH Pon	✓	✓
HL Li (Chairperson)*	✓	✓

✓ Present
♦ Resigned effective 11 August 2017
* Appointed chairperson effective 15 November 2017

NOMINATIONS COMMITTEE

Meetings

The Nominations Committee meets when there is a vacancy on the Board or at the Executive level and to discuss Director development requirements of South Ocean Holdings.

The Nominations Committee met twice during 2017, to interview an Independent Non-Executive Director that had applied to be on the South Ocean Holdings Board and to discuss Director development requirements for the Group.

Attendance at meetings were as follows:

DIRECTOR	29 Jan	28 Jun
KH Pon (Chairperson)	✓	✓
M Chong(1)	✓	✓
CY Wu	✓	✓

✓ Present
(1) Resigned effective 11 August 2017

Nominations Committee Charter

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

The Board has established a Nominations Committee to advise the Board to:

- ensure the establishment of a formal process for the appointment of Directors, including:
  - identification of suitable persons to be appointed;
  - performance of reference and background checks of candidates prior to nomination; and
  - formalising the appointment of Directors through an agreement between the Company and the Director;
- oversee the development of a formal induction programme for new Directors;
- ensure that inexperienced Directors are developed through a mentorship programme;
- oversee the development and implementation of continuing professional development programmes for Directors;
- ensure that Directors receive regular briefings on changes in risks, laws and the environment in which the companies operate;
- consider the performance of Directors and take steps to remove Directors who do not make an appropriate contribution; and
- ensure that formal succession plans for the Board, Chief Executive Officer, Chief Financial Officer and Senior Management appointments are developed and implemented.

Board Gender Diversity Policy

As part of the process of reviewing the composition of the Board, the Nominations Committee considered the benefits of all aspects of diversity, including gender diversity. The Board's aim is to ensure that at least 33% of the Board is made up of women by end of the 2018 financial year, and for that position to have exceeded 40% by end of the 2020 financial year.

The Nominations Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the 2017 financial year.

SOCIAL AND ETHICS COMMITTEE

Meetings

The Social and Ethics Committee meets at least two twice per year.

Attendance of Meetings

The Committee met two twice during the year. Attendance at meetings was as follows:

DIRECTOR	17 Feb	10 Aug
M Chong (Chairperson)[2]	✓	✓
JP Bekker	✓	✓
KM Lehloenya[1]	✓	✓

✓ Present
(1) Resigned effective 31 January 2017
(2) Resigned effective 11 August 2017

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:
  - 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.
  - 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.
  - the environment, health and public safety, including the impact of the Group's activities and its products or services.
  - consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.
  - labour and employment, including:
    - the Group's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
    - 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; and
    - to report, through one of its members, to the shareholders at the Group's Annual General Meeting on the matters within its mandate.

Employment Equity

The Group is an equal opportunity employer and will not tolerate 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.

Code of Conduct and Ethics

Every employee within South Ocean Holdings is required to subscribe to a formal Code of Ethics ("the Code") which stipulates the Company's commitment to the highest standards of corporate governance and compliance with the laws of South Africa.
The Code sets out standards of integrity and ethics in dealings with suppliers, customers, business partners, stakeholders, government and society at large. It requires all employees to act with honesty and integrity in all dealings with stakeholders and to interact with fairness, dignity and respect to create and protect a credible business reputation and a working environment free from harassment and discrimination.

In line with the Code, the Company recruits and promotes employees on the basis of their suitability for the job without any discrimination on the basis of race, religion, national origin, colour, gender, age, marital status, sexual orientation or disability unrelated to the task at hand.

Employees have been educated about the responsibility of reporting any actual, perceived or potential violation of the Code to management. Management bears the overall responsibility of monitoring compliance with the Code. South Ocean Holdings takes the code very seriously and, where appropriate, employs disciplinary procedures and/or legal proceedings to address any transgression.

Fraud, Bribery, Corruption and Illegal Acts

The Group frowns upon and does not condone any form of bribery, corruption or any other illegal acts in the conduct of its business. Further, employees are discouraged from accepting any gifts or favours from suppliers that obligate them in any way to reciprocate. The Group's policy is to actively pursue and prosecute the perpetrators of any fraudulent or other illegal activities should they become aware of any such acts.

Corporate Social Investment

The Group invests in the communities in which it operates through job creation, donations and educational and cultural contributions. The Social and Ethics Committee addresses these areas.

Whistle Blowing Measures

In accordance with the provisions of the Protected Disclosures Act, No. 26 of 2000, Management will ensure that no employee who has made a protected disclosure shall be subject to any occupational detriment and shall be afforded anonymity without fear of consequential victimisation. The Group has an independent hotline and reports are sent to the Chief Executive Officer and the Audit and Risk Management Committee.

Preferential Procurement

In terms of B-BBEE spending requirements, the Group seeks to secure products and services from black-owned and black women-owned enterprises as far as it is commercially viable.

Worker Participation

South Ocean Holdings 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.

OTHER CORPORATE GOVERNANCE MATTERS

IT Governance

IT systems have a vital role to play in the implementation of the Group's strategy and the effectiveness of these systems is reported to the Audit and Risk Management Committee in all regular meetings. The Audit and Risk Management Committee adopted an IT governance charter and an IT Steering Committee was formed to discharge the duties contained in the charter.

An IT Steering Committee ensures that the Group's strategy is aligned with the Group's business objectives and to oversee the implementation and maintenance of the Group's IT governance. The Steering Committee meets periodically, comprises of representatives from our operating subsidiaries and is chaired by the Chief Executive Officer of Numata, the IT service provider. The Audit and Risk Management Committee is provided with reports detailing the functionality of Group's IT systems, IT governance and IT investments. The Committee also ensures that proper security controls, backup procedures and access controls are in place in the management of the information technology and it 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

Directors are required to disclose their shareholdings and any dealings in shares of the Company to the Chairman and Chief Executive Officer, who together with the Company's sponsor ensure that any such dealings are published on SENS in compliance with the JSE Listings Requirements. In addition, all Directors, including the Company Secretary, are prohibited from dealing in the shares of the Company during prohibited periods or at any time when they are in possession of unpublished price sensitive information in relation to those shares. The consent of the Chairperson is required before any Director or member of Senior Management, including the Company Secretary, can deal in the Company's shares.

Interest in Contracts

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to South Ocean Holdings. Directors are obliged to recuse themselves from discussions or decisions on matters in which they have a conflict of interest.

Relationship with stakeholders and investors

The Group continues to promote communication with its shareholders, business analysts, business advisers and all other stakeholders. These include timeous, accurate, 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 with 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.

GOING CONCERN

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

The Group had short-term borrowings to the value of R81.2 million as disclosed in notes 10 and 15 of the Financial Statements. As part of the security obligation towards the Bank, the Group undertook that the combined Shareholders' interest of the Group will not reduce below R500 million. During the year, the Group breached this covenant. Management alerted the Bank to the breach and the Bank condoned the breach until 31 December 2017. The Bank thereafter revised the covenant to R450 million, effective 31 October 2017. At year-end, the Group complied with the revised covenant.

First National Bank has indicated that the overdraft facility of Radiant will be reduced by R3 million per month as from 1 April 2018 with the total reduction amounting to R20 million. The Directors have approved a rights issue which will be effective during April 2018 to replace the reduction of the overdraft facility.

The Board has assessed the Group's going concern status and is satisfied that it has adequate resources to continue operating for the next 12 months and into the foreseeable future.
The Annual Financial Statements of the Group for the year ended 31 December 2017 were thus prepared on a going concern basis.

Annual Financial statements

for the year ended 31 December 2017

The reports and statements set out below comprise the Annual Financial Statements presented to the shareholders:

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of South Africa.

Preparer

JP Bekker CA(SA)
Chief Executive Officer and acting Chief Financial Officer

Published

22 March 2018

Report of the Audit and Risk Management Committee

for the year ended 31 December 2017

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2017.

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 71 of 2008 of South Africa, 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 and Shareholders.

1. Composition

The members of the Audit and Risk Management Committee, during the year, who are all independent Non-Executive Directors of the Group are: Ms N Lalla (CA)SA (Chairperson), Mr KH Pon (CA)SA and Mr HL Li. Ms M Chong (CA)SA who was a member and previous chairperson of the Audit and Risk Management Committee resigned on 11 August 2017 and Mr HL Li was appointed on 15 November 2017 as a member of the Audit and Risk Management Committee.

The Committee is satisfied that the members have the required knowledge and experience as set out in section 94(5) of the Companies Act of South Africa 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 has assessed and is satisfied with the performance of the Audit and Risk Management Committee and its members and found it to be functioning effectively.

3. Meetings

The Audit and Risk Management Committee performs the duties laid upon it by section 94(7) of the Companies Act 71 of 2008 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 Audit and Risk Management Committee held four scheduled meetings during 2017 and one member missed one of the Committee meetings.

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 2017, the Audit and Risk Management Committee met their objectives and carried out their duties as per the statutory requirements.

4. External auditor

The Audit and Risk Management Committee has recommended the reappointment of PricewaterhouseCoopers Inc. as the independent auditors and Mr JL Roos as the designated auditor, who is a registered independent auditor, for the year ended 31 December 2017 audit. The appointment of the auditors for the 2018 financial year will be discussed at the next Audit and Risk Management Committee meeting.

The Committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act 71 of 2008 of South Africa and as per the standards stipulated by the auditing profession. Requisite assurance was sought that internal governance processes within PricewaterhouseCoopers Inc. 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.

At the end of each meeting during the year, the Audit and Risk Management Committee provided an opportunity to meet with the external auditors where management was not present, during which no matter of concern was 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 approved during the year for audit services amounted to R2 533 000 (2016: R2 174 000). Fees approved for non-audit services amounted to Rnil (2016: R6 000).

5. Financial statements and accounting controls

The Audit and Risk Management Committee has:

Reviewed the Financial Statements for the year ended 31 December 2017 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 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 Financial Statements present a balanced and understandable assessment of the Group’s position, performance and prospects; and
- the Directors’ statement included in the Financial Statements, including the statement on effectiveness of the system of internal control.

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 control’s environment in the integrated report once it has been prepared. The Committee recommended to the Board not to declare a dividend.

6. Internal auditors

The Audit and Risk Management Committee has:

- recommended the appointment of BDO Advisory Services Proprietary Limited as the Group’s internal auditors;
- satisfied itself with the competence of the internal auditor and adequacy of the internal audit staffing;
- satisfied itself through enquiry that BDO Advisory Services Proprietary 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 the internal audit.

The Audit and Risk Management Committee was satisfied regarding:

- the competence of the internal audit firm;
- the audit plan proposed; and
- coordination between internal and external auditors.

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 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.

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 risks so identified.

8. Legal and regulatory compliance

The Audit and Risk Management Committee reports that, to its knowledge, South Ocean Holdings Limited and its subsidiaries are in compliance with the legislative provisions and JSE Listings 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, Ms MK Lehloenya who was the CFO during the financial year, resigned on 31 January 2018, and the Acting Chief Financial Officer, Mr JP Bekker, and confirms their 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.

N Lalla CA(SA)
Chairperson: Audit and Risk Management Committee

Johannesburg
22 March 2018

Directors' responsibilities and approval

for the year ended 31 December 2017

The Directors are responsible for the preparation and maintenance of adequate accounting records, integrity and fair presentation of the Group Financial Statements and related financial information included in this report. The Directors are required, in terms of the Companies Act 71 of 2008 of South Africa 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 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 Companies Act 71 of 2008 of South Africa. 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 and cash flows for the year, and the financial position of the Group as at the end of the financial year.

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

The Directors, supported by the Audit and Risk Management Committee, are of the opinion, based on the information and explanations given by management, that the Group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the 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 2018 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 and subcommittees 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 auditing 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 pages 63 to 67.

Approval of Financial Statements

The Financial Statements set out on pages 60 to 106, which have been prepared on the going-concern basis, were approved by the Board on 22 March 2018 and were signed on its behalf by:

KH Pon CA(SA)
Independent Non-Executive Chairperson

JP Bekker CA(SA)
Chief Executive Officer and acting Chief Financial Officer

Statement of Company Secretary

for the year ended 31 December 2017

In terms of section 88(2)(e) of the Companies Act 71 of 2008 of South Africa, as amended, 2008, 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 Act and that all such returns are true, correct and up to date.

WT Green
Company Secretary

Johannesburg
22 March 2018

Directors' report

for the year ended 31 December 2017

The Directors present their report of the Group for the year ended 31 December 2017.

1. Nature of business and operations

South Ocean Holdings Limited ("SOH") is the holding company of a Group of four main operating subsidiary companies: South Ocean Electric Wire Company Proprietary Limited ("SOEW"), an electrical wire manufacturing company, Radiant Group Proprietary Limited ("Radiant Group"), an importer and distributor of light fittings, lamps and electrical accessories, Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), a property investment company and Icembu Services Proprietary Limited ("Icembu"), a light fittings assembly company.

2. Financial results

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

- The loss for the year was decreased by the reversal of the net impairment charge of R13.5 million (2016: R13.5 million impairment charge) to the plant and machinery of SOEW due to the subsidiary's value in use being higher than the enterprise value.
- The loss for the year was increased by an additional write-down of Radiant Group's inventory to net realisable value amounting to R12.8 million (2016: R6.4 million).
- Radiant Group's non-current assets of R8.3 million (2016: Rnil) has also been impaired due to the subsidiary's value-in-use being lower than its enterprise value.
- Trade names related to the Radiant Group, was impaired amounting to R5.5 million (2016: Rnil).

Radiant Group's results are disclosed as non-current assets held for sale to comply with IFRS 5.

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 8 August 2017, shareholders approved the following special resolution:

Loans or other financial assistance

Resolved that, the Board of Directors may authorise the Company, in terms of section 45 of the Companies Act of South Africa, to provide any direct or indirect financial assistance that the Board of Directors may deem fit to any related or interrelated companies as defined in section 2 of the Companies Act 71 of 2008 of South Africa.

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

Non-executive Directors' fees

The shareholders did not approve the proposed special resolutions approving the payment of Non-Executive Directors' fees due for the 2016 and 2017 years. Refer to note 19 for more details.

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

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

Name	Nationality	Changes
Independent non-executive		
KH Pon	South African	
M Chong	South African	Resigned 11 August 2017
N Lalla	South African	
JH Yeh	South African	Resigned 17 May 2017
HL Li	Taiwanese	
Non-executive		
CY Wu	Taiwanese	
DJC Pan (Alternate)	Brazilian	
WP Li (Alternate)	Taiwanese	Resigned 17 May 2017
Executive		
JP Bekker	South African	
MK Lehloenya	South African	Resigned 31 January 2018

7. Directors' emoluments

The Directors' emoluments are set out in note 19 of the Financial Statements.

8. Dividends

The Board did not declare a dividend for the year ended 31 December 2017 (2016: Rnil).

9. Directors' and officers' interests in contracts

No material contracts in which Directors and officers have an interest were entered into during the year.

10. Secretary

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

Business address

21 West Street
Houghton
2198

Postal address

PO Box 123738
Alrode
1451

11. Directors' interests in share capital

The interests of Directors in the issued share capital of the Company as at 31 December 2017 were as follows:

Director Number of ordinary shares	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2017				
JP Bekker	491 807	–	491 807	0.31
2016				
JP Bekker	491 807	–	491 807	0.31

No shares were traded by any Director from 31 December 2017 until the date of this report.

Directors' report (continued)

for the year ended 31 December 2017

12. 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 12 of the Financial Statements.

13. 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.

14. Auditors

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

15. 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 Group or the results of those operations significantly.

16. Industrial matters – Competition Commission investigation and referral

As noted in the previous Financial Statements, the case arises from a complaint that the Competition Commission ("Commission") first initiated on 16 March 2010 and which was referred to in the South Ocean Holdings' SENS announcement dated 6 May 2010. SOEW has since agreed to settle the case and a fine of R13 262 855, which is a percentage of SOEW's annual turnover for the financial year ended 31 December 2010, was imposed by the Commission, which has been confirmed by the Tribunal. The fine will be paid in four instalments of which the first payment was made in December 2017.

Interest will be charged as from June 2018 at the prescribed interest rate. The prescribed interest rate is 3.5% above the Reserve Bank's repurchase rate, which is currently 6.75% per annum.

17. 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.

The Group had short-term borrowings to the value of R81.2 million as disclosed in notes 10 and 15 of the Financial Statements. As part of the security obligations towards the Bank, the Group undertook that the combined Shareholders' interest of the Group will not reduce below R500 million. During the year, the Group breached this covenant. Management alerted the Bank to the breach and the Bank condoned the breach until the 31 December 2017 and indicated that the breach will be reviewed on publication of the financial results for the year ended 31 December 2017. The Bank thereafter revised the covenant to R450 million, effective 31 October 2017. At year-end the Group complied with the revised covenant.

First National Bank has indicated that the overdraft facility of Radiant Group will be reduced by R3 million per month as from the 1 April 2018 to a maximum reduction of R20 million. The Directors have approved a rights issue which will be effective during April 2018 to replace the reduction of the overdraft facility.

The Directors have performed a property valuation at year-end. The market valuation of the properties is in excess of the carrying value by R40.2 million. The properties are stated at historical cost less accumulated depreciation and impairment losses, in line with the Company's accounting policy.

18. Liquidity and solvency

The Directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008 of South Africa.

Independent auditor's report

To the Shareholders of South Ocean Holdings Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of South Ocean Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

South Ocean Holdings Limited's consolidated financial statements set out on pages 68 to 106 comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

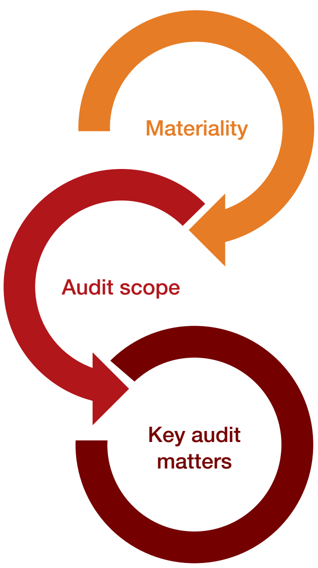
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall Group materiality

- R2 876 039 which represents 5% of a consolidated five-year average profit or loss before tax from continuing operations.

Group audit scope

- We conducted a full scope audit for five of the reporting units based on their financial significance and the audit risk associated with these reporting units.
- Specified audit procedures have been performed on 10 of the reporting units to ensure we obtain sufficient and appropriate audit evidence to express an opinion on the Group financial statements as a whole.

Key audit matters

- Impairment of Radiant Group Proprietary Limited ("Radiant") and Reversal of impairment of South Ocean Electric Wire Company Proprietary Limited ("SOEW")
- Assessment of inventory write-down in relation to Radiant
- Compliance with debt covenant

Independent auditor's report (continued)

To the Shareholders of South Ocean Holdings Limited

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R2 876 039
How we determined it	5% of a consolidated five-year average profit or loss before tax from continuing operations.
Rationale for the materiality benchmark applied	A benchmark of profit or loss before tax is considered the most appropriate benchmark as it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Due to the volatility of profits/losses for the last few years, it was considered more appropriate to use a five-year average profit or loss before tax as a benchmark. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-orientated companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of the holding company, three operating subsidiaries, one property company, two foreign procurement companies and eight dormant companies. We performed full scope audits for the holding company, the three operating subsidiaries and the property company based on their financial significance and the audit risk associated with these reporting units. Specified audit procedures were performed for the two foreign procurement companies and eight dormant companies to ensure we obtained sufficient and appropriate audit evidence to express an opinion on the Group financial statements as a whole. The Group audit team performed all audit work centrally over the underlying reporting units.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Consolidated financial statements – Impairment of Radiant Group Proprietary Limited ("Radiant") and Reversal of impairment of South Ocean Electric Wire Company Proprietary Limited ("SOEW") Management conducted an impairment test to determine the recoverable amount of the corresponding underlying assets of the cash-generating unit ("CGU") to which these assets relate from a Group perspective. Value-in-use calculations were prepared using cash flow projections based on financial budgets approved by management that cover a five-year period, as disclosed in note 3 to the consolidated financial statements. Based on management's impairment assessment, they identified: • an impairment at Group level for the CGU that includes the assets of Radiant of R8 295 185. The impairment was charged against Radiant's property, plant and equipment and intangible assets. • an impairment reversal at Group level for the CGU, SOEW, charged against plant and equipment to the value of R18 743 000. Refer to notes 3 and 15 in the financial statements. The valuation assessment is considered a matter of most significance to the current year audit due to: – The significant judgements that are made by management in the valuation in respect of terminal growth rate, discount rate, revenue growth rates and gross margins. – The magnitude of the impairment adjustments made in the consolidated statement of financial position and consolidated statement of comprehensive income.	With the assistance of our internal valuation experts, we: • Evaluated the valuation methodology used by management to determine the estimated value-in-use and whether it is an acceptable valuation methodology. • Tested management's key valuation assumptions, specifically the discount rate and the terminal growth rate, by comparing the rates used by management to those of entities operating in the same industry. The rates used by management were within an acceptable range based on the results of the procedures performed. • Performed sensitivity analyses to determine the sensitivity of the valuations based on changes in the assumptions relating to the revenue growth rates and gross margins. We discussed our results of the sensitivities with management and they agreed to revise the revenue growth rates and gross margins that resulted in an impairment of Radiant's property, plant and equipment and intangible assets at Group level.
Consolidated financial statements – Assessment of inventory write-down in relation to Radiant Management performed a detailed assessment on inventory to identify any slow moving inventory and whether they should write-down these items to their net realisable values. As described in note 1.16 of the consolidated financial statements, the assessment was performed by management on a line-by-line basis, where each inventory item was evaluated separately based on its assessment of quality and volume and the extent to which the merchandise for resale on hand at reporting date will not be sold as well as the last selling price and last date of sale, and allocated into a category. Each category was then further assessed by management and all items making up the category were considered to determine the percentage of inventory to be written down to net realisable value. The write-down percentage varies between the different items based on the extent which management estimates the stock can be sold. The assessment performed by management on slow moving inventory resulted in an inventory write-down of R12 769 016. We considered the write-down as a matter of most significance to the current year audit as management made significant judgements in estimating the future sales of inventory on hand.	A discussion was held with management where they explained their approach, judgements and methodology applied in the assessment of slow moving inventory. To test management's assessment and the judgements applied, our audit procedures included amongst others: • Performing an independent assessment to determine how long each item would take to sell, by comparing the quantity of each item sold in 2017 to the quantity of items on hand at year-end. We considered, based on industry knowledge and the nature of Radiant's inventory, any inventory not sold within two years to be slow moving. • Comparing our independent assessment described above to that of management and we found management's assessment to be consistent with ours. In addition, we performed a year-on-year comparison of the inventory write-down and the total inventory written off to determine whether management's estimate is reasonable. Management's approach was considered reasonable.

Independent auditor's report (continued)

To the Shareholders of South Ocean Holdings Limited

Key audit matter	How our audit addressed the key audit matter
Consolidated financial statements – Compliance with debt covenant The Group had short-term borrowings to the value of R81 280 000 as disclosed in notes 10 and 15 of the financial statements. As part of the security for the obligations towards the Bank, the Group undertook that the combined Shareholders' interest of the Group will not reduce below R500 000 000. During the year, the Group breached this covenant as disclosed in note 32 of the consolidated financial statements. Management alerted the Bank to the breach and the Bank condoned the breach until 31 December 2017. Thereafter the breach will be reviewed on publication of the financial results for the year ended 31 December 2017. We considered this breach as a matter of most significance to the current year audit due to the size of the overdraft facility balance at year end and the risk arising from the breach of debt covenants.	Our audit procedures included the following: • Updating our understanding of management's approach to ensuring compliance with all debt covenants, including evaluation of the relevant control activities in place; and • Obtaining and assessing every debt agreement to understand its terms and conditions and prepared the schedule of all identified covenants. Depending on the type of covenant being tested, we: • Obtained understanding of management's interpretation of debt agreements provisions; • Obtained management's calculations of financial covenants and checked their accuracy by verifying the inputs to the audited information, calculation and compliance with debt agreements provisions; and • Obtained and tested supporting documentation confirming compliance with covenants. For the breach during the year, we obtained a letter from the Bank where the Bank condoned the breach until 31 December 2017. Subsequent to year-end, the Bank revised the covenant to R450 000 000, effective 31 October 2017. We inspected correspondence from the bank to this effect and has furthermore obtained evidence confirming that the revised covenant threshold had been met at 31 December 2017.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *South Ocean Holdings Limited and its subsidiary companies Annual Financial Statements for the year ended 31 December 2017*, which includes the Directors' report, the Report of the Audit and Risk Management Committee and the Statement of Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the *South Ocean Holdings Integrated Annual Report for the year ended 31 December 2017*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of South Ocean Holdings Limited for nine years. Prior to its incorporation, the business of South Ocean Holdings Limited was transacted through South Ocean Electric Wire Company Proprietary Limited, of which PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 28 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: JL Roos
Registered Auditor
Johannesburg

22 March 2018

Statement of financial position

as at 31 December 2017

		Group	
	Notes	**2017 R'000**	2016 R'000
Assets			
Non-current assets			
Property, plant and equipment	3	**293 035**	289 699
Intangible assets	4	**–**	7 783
Deferred tax assets	11	**4 465**	21 787
		297 500	319 269
Current assets			
Inventories	5	**162 879**	326 407
Trade and other receivables	6	**214 971**	275 130
Cash and cash equivalents	7	**11 520**	22 336
		389 370	623 873
Disposal group held for sale	15	**198 024**	–
		198 024	–
Total assets		**884 894**	943 142
Equity and liabilities			
Equity			
Share capital	8	**441 645**	441 645
Reserves		**1 230**	1 799
Retained earnings (accumulated loss)		**29 078**	86 428
		471 953	529 872
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	10	**50 294**	52 025
Deferred tax liabilities	11	**33 862**	35 026
Share-based payments	12	**492**	492
		84 648	87 543
Current liabilities			
Trade and other payables	13	**195 448**	128 677
Interest-bearing borrowings	10	**55 365**	197 012
Derivative financial instrument	14	**–**	38
		250 813	325 727
Disposal group held for sale	15	**77 480**	–
		77 480	–
Total liabilities		**412 941**	413 270
Total equity and liabilities		**884 894**	943 142

The accounting policies on pages 72 to 79 and the notes on pages 80 to 106 form an integral part of the Financial Statements.

Statement of comprehensive income

for the year ended 31 December 2017

	Notes	Group 2017 R'000	Group 2016 R'000
Continuing operations			
Revenue	16	**1 425 777**	1 433 648
Cost of sales	18	**(1 359 186)**	(1 371 019)
Gross profit		**66 591**	62 629
Other operating income	17	**6 795**	2 675
Administration expenses	18	**(38 438)**	(40 113)
Distribution expenses	18	**(2 532)**	(2 913)
Operating expenses	18	**(13 117)**	(48 058)
Operating profit/(loss)		**19 299**	(25 780)
Finance income	21	**828**	839
Finance costs	22	**(23 946)**	(18 585)
Loss before taxation		**(3 819)**	(43 526)
Taxation	23	**(2 404)**	7 527
Loss from continuing operations		**(6 223)**	(35 999)
Loss from discontinuing operations	15	**(51 127)**	(3 140)
Loss for the year		**(57 350)**	(39 139)
Other comprehensive losses:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations of continuing operations		**(135)**	(127)
Exchange differences on translation of foreign operations of discontinuing operations		**(434)**	(587)
Total items that may be reclassified to profit or loss		**(569)**	(714)
Other comprehensive loss for the year net of taxation	9	**(569)**	(714)
Total comprehensive loss for the year		**(57 919)**	(39 853)
Loss per share:			
From continuing operations			
Basic and diluted loss per share (c)	24	**3.98**	23.00
From discontinuing operations			
Basic and diluted loss per share (c)	24	**32.69**	2.00

The accounting policies on pages 72 to 79 and the notes on pages 80 to 106 form an integral part of the Financial Statements.

Statement of changes in equity

for the year ended 31 December 2017

	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 2016	**1 274**	**440 371**	**441 645**	**2 513**	**125 567**	**569 725**
Loss for the year	–	–	–	–	(39 139)	(39 139)
Total comprehensive loss for the year	–	–	–	(714)	–	(714)
Total comprehensive loss for the year	–	–	–	**(714)**	**(39 139)**	**(39 853)**
Balance at 1 January 2017	**1 274**	**440 371**	**441 645**	**1 799**	**86 428**	**529 872**
Loss for the year					**(57 350)**	**(57 350)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(569)**	**–**	**(569)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(569)**	**(57 350)**	**(57 919)**
Balance at 31 December 2017	**1 274**	**440 371**	**441 645**	**1 230**	**29 078**	**471 953**

The accounting policies on pages 72 to 79 and the notes on pages 80 to 106 form an integral part of the Financial Statements.

Statement of cash flows

for the year ended 31 December 2017

	Notes	Group 2017 R'000	Group 2016 R'000
Cash flows from operating activities			
Cash generated from/(utilised in) operations	25	**146 931**	(39 034)
Finance income		**996**	1 005
Finance costs		**(26 988)**	(23 273)
Taxation received/(paid)		**–**	5 556
Net cash from operating activities		**120 939**	(55 746)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(6 770)**	(12 318)
Proceeds from sale of property, plant and equipment	26	**383**	1 810
Purchase of intangible assets	4	**(1 040)**	(997)
Net cash from investing activities		**(7 427)**	(11 505)
Cash flows from financing activities			
Proceeds from interest-bearing borrowings		**10 699**	83 620
Repayment of interest-bearing borrowings		**(115 703)**	(15 136)
Net cash from financing activities		**(105 004)**	68 484
Total cash and cash equivalents movements for the year		**8 508**	1 233
Cash and cash equivalents and at the beginning of the year		**22 336**	21 817
Effect of exchange rate movement on foreign entity balances		**(569)**	(714)
Total cash and cash equivalents at end of the year		**30 275**	22 336
Total cash and cash equivalents from continuing operations	7	**11 520**	22 336
Total cash and cash equivalents from discontinuing operations		**18 755**	–
		30 275	22 336

The accounting policies on pages 72 to 79 and the notes on pages 80 to 106 form an integral part of the Financial Statements.

Accounting policies

for the year ended 31 December 2017

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, audio visual equipment, electrical accessories, rental of property and light fitting assembly.

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 Companies Act 71 of 2008 of South Africa. The consolidated Financial Statements have been prepared under the historical cost convention. The consolidated Financial Statements are presented in South African Rands (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 1.16.

1.1 Consolidation

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and all entities.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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.

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 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 Group and the cost of the item can be measured reliably. 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 basis over its estimated useful lives, to the estimated residual value, as follows:

Item	Average useful life
Buildings	50 years
Leasehold improvements	Period of the lease
Plant and machinery	8 – 20 years
Furniture and equipment	3 – 10 years
Motor vehicles	5 – 7 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "operating expenses" in the statement of comprehensive income.

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

Borrowing costs are capitalised in terms of the applicable accounting policy. See the accounting policy 1.21 Borrowing costs.

1.3 Leases

Finance leases – lessee

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

Operating leases – lessee

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.

1.4 Share capital

Ordinary shares are classified as equity.

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

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate; and
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Financial Statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Group companies

The results and financial position of all the Group entities 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).
- All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of merchandise is determined using the first-in first-out method. Cost of manufactured goods is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

The cost of merchandise and demonstration inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

Accounting policies (continued)

for the year ended 31 December 2017

1. Presentation of Financial Statements (continued)

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Trade names, computer software and customer relationships

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. For intangible assets amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Trade names	20 years
Computer software	3 years

1.8 Impairment of non-financial assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs is determined.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.9 Financial instruments

Classification

The Group classifies its financial assets and financial liabilities in the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency, and bankruptcy of the Company or the counterparty.

Impairment of financial assets

At each reporting date the Group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in the Statement of Comprehensive Income.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written-off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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" and "cash and cash equivalents" in 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that clients' accounts are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of 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 "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.

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. These are initially and subsequently recorded at fair value.

Bank overdraft

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing 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.

Interest-bearing 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.

1.10 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 or provident fund plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the 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 2017

1. Presentation of Financial Statements (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.

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leaves and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.11 Revenue recognition

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Sale of goods

Sale of goods are recognised when a Group entity has delivered products to the customer who 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 is deemed to occur when:

- the products have been shipped to the specified location;
- the risks of obsolescence and loss have been transferred to the customer;
- either the customer has accepted the products in accordance with the sales contract;
- the acceptance provisions have lapsed; and
- the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales are recorded based on list prices at the time of sale, net of trade discounts where applicable. Customers have the right to return faulty products. No element of financing is deemed present as the sales are made with credit terms of between 30 to 60 days, which is consistent with the market practice.

Rental income

Rental income is recognised on a monthly basis, when the right to receive payment is due, by the respective entities within the Group.

Management fees

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

1.12 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.

1.13 Segment reporting

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

1.14 Income tax

Current income tax asset and liabilities

Current income tax assets and current income tax liabilities for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Income tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.15 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.

1.16 Significant judgements and sources of estimation uncertainty

In preparing the Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Financial Statements. Significant judgements include:

Inventory write-down to net realisable value

The assessment was performed by management on a line-by-line basis, where each inventory item was evaluated separately based on its assessment of quality and volume and the extent to which the merchandise for resale on hand at reporting date will not be sold as well as the last selling price and last date of sale and allocated into a category. Each category was then further assessed by management and all items making up the category were considered to determine the percentage of inventory to be written down to its net realisable value. The write-down percentage varies between the different items based on the extent which management estimates the stock can be sold. Refer to note 5 for inventory disclosure.

Share-based payments

The fair value of employee share options and share appreciation rights granted are being determined using the Black-Scholes valuation model. The significant inputs into the model are: vesting period and conditions, risk free interest rate, volatility, price on date of grant and dividend yield. (Refer to note 12 for details on each of the share option schemes).

Accounting policies (continued)

for the year ended 31 December 2017

1. Presentation of Financial Statements (continued)

Impairment of investment in subsidiaries and CGUs

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time. The value-in-use is sensitive to changes in discount rates, growth rates and interest rates. Refer to note 3 for details of impairment recognised.

Taxation

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

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. (Refer to note 11 for details).

Going-concern

In preparing the Financial Statements, management shall make an assessment of the Group's ability to continue as a going-concern. Financial Statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

1.17 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 19. 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 19. There were no other material contracts with related parties.

1.18 Loss per share

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

1.19 Headline loss per share

Headline loss per share is based on the same calculation as above, except that attributable loss specifically excludes items as set out in Circular 2/2015: "Headline Earnings" issued by The South African Institute of Chartered Accountants. Fully diluted headline loss per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline loss per share.

1.20 Non-current assets held for sale and discontinuing operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use and the sale is considered highly probable. They are measured at the lower of its carrying amount and fair value less costs to sell except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. The results of discontinuing operations are presented separately in the Statement of Comprehensive Income.

1.21 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 the borrowing costs eligible for capitalisation in determined as follows:

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

The capitalisation of borrowing costs commences when:

- expenditure for the asset have been incurred;
- 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.

1.22 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the number of inventories recognised as an expense in the period in which the reversal occurs.

1.23 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 2017

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:

Amendments to IAS 7, "Statement of cash flows" disclosure initiative

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Group has adopted the amendment for the first time in the 2017 financial statements.

The impact of the amendment is not material.

Amendment to IAS 12 – Income taxes

The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

The effective date of the standard is for years beginning on or after 1 January 2017.

The Group has adopted the amendment for the first time in the 2017 financial statements.

The impact of the amendment is not material.

Annual improvements 2014 – 2016

These amendments impact three standards:

- IFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard.

The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods:

IFRS 9 – Financial Instruments (2009 and 2010)

- **Financial liabilities**
- **Derecognition of financial instruments**
- **Financial assets**
- **General hedge accounting**

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

The effective date of the standard is for years beginning on or after 1 January 2018.

The adoption of IFRS 9 will require a review of the current classification of financial assets and liabilities. The impact of an expected credit loss model on the financial statements has not yet been fully determined.

IFRS 15 – Revenue from contracts with customers

The FASB and IASB issued their long awaited converged standard on revenue of 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

Amendment to IFRS 15 – Revenue from contracts with customers

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance.

The IASB has also included additional practical expedients related to transition to the new revenue standard.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

The Group does not enter into long term contracts with multiple obligations with their customers.

2. New Standards and Interpretations (continued)

IFRS 16 – Leases

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied to lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, "Leases", IFRIC 4, "Determining whether an Arrangement contains a Lease", SIC 15, "Operating Leases Incentives" and SIC 27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The effective date of the standard is for years beginning on or after 1 January 2019.

The Group expects to adopt the standard for the first time in the 2019 financial statements.

The impact on the Financial Statements has not yet been fully determined but it is expected to result in an increase in lease liabilities and right of use assets in the Statement of Financial Position with a corresponding reduction in operating lease expenses and an increase in depreciation and finance costs in the Statement of Comprehensive Income.

Amendment to IAS 40, Investment Property – Transfers of investment property

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

Amendments to IFRS 2 – Share-based payments

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obligated to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

Amendments to IFRS 10 – "Consolidated Financial Statements" and IAS 28, "Investments in Associates and Joint Ventures" on sale or contribution of assets

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and as associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The effective date of the standard is postponed, initially for years beginning on or after 1 January 2016.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

Annual improvements 2014 – 2016

These amendments impact two standards:

- IFRS 1, "First-time adoption of IFRS", regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

Notes to the financial statements (continued)

for the year ended 31 December 2017

- IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

Annual improvements cycle 2015 – 2017

These amendments include minor changes to:

- IFRS 3, "Business combination" – a company remeasures its previously held interest in a joint operation when it obtains control of their business.
- IFRS 11, "Joint arrangements", – a company does not measure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, "Income taxes" – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23, "Borrowing costs" – a company treats as part of the general borrowings originally made to develop an asset when the asset is ready for intended use or sale.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

IFRIC 22, "Foreign currency transactions and advance consideration"

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

IFRIC 23, "Uncertainty over income tax treatments"

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group is currently reviewing the effects of the standard and will consider adoption when appropriate.

3. Property, plant and equipment

Group	2017 Cost R'000	2017 Accumulated depreciation and impairment R'000	2017 Carrying value R'000	2016 Cost R'000	2016 Accumulated depreciation and impairment R'000	2016 Carrying value R'000
Land and buildings	**200 794**	**(13 913)**	**186 881**	198 725	(12 201)	186 524
Plant and machinery	**181 505**	**(81 968)**	**99 537**	209 865	(118 032)	91 833
Furniture and equipment	**16 791**	**(14 481)**	**2 310**	32 157	(26 848)	5 309
Motor vehicles	**10 691**	**(6 384)**	**4 307**	14 487	(8 505)	5 982
Leasehold improvements	**–**	**–**	**–**	70	(19)	51
Total	**409 781**	**(116 746)**	**293 035**	455 304	(165 605)	289 699

Reconciliation of property, plant and equipment

Group	Opening balance R'000	Additions R'000	Disposals R'000	Impairment R'000	Depreciation R'000	Impairment reversal R'000	Closing balance R'000
2017							
Land and buildings	**186 524**	**2 069**	**–**	**–**	**(1 712)**	**–**	**186 881**
Plant and machinery	**91 833**	**2 798**	**–**	**(3 618)**	**(10 219)**	**18 743**	**99 537**
Furniture and equipment	**5 309**	**1 241**	**(5)**	**(1 831)**	**(2 404)**	**–**	**2 310**
Motor vehicles	**5 982**	**662**	**(336)**	**(890)**	**(1 111)**	**–**	**4 307**
Leasehold improvements	**51**	**–**	**–**	**(47)**	**(4)**	**–**	**–**
Total	**289 699**	**6 770**	**(341)**	**(6 386)**	**(15 450)**	**18 743**	**293 035**
2016							
Land and buildings	184 559	3 657	–	–	(1 692)	–	186 524
Plant and machinery	114 667	5 596	(46)	(18 743)	(9 641)	–	91 833
Furniture and equipment	8 279	1 306	(1 006)	–	(3 270)	–	5 309
Motor vehicles	6 073	1 759	(586)	–	(1 264)	–	5 982
Leasehold improvements	55	–	–	–	(4)	–	51
Total	**313 633**	**12 318**	**(1 638)**	**(18 743)**	**(15 871)**	**–**	**289 699**

Impairment of property, plant and equipment

As a result of the general economic decline in recent years, an impairment test was performed on the carrying amount of assets held by the Group. Assets were allocated to CGUs.

As a result of the impairment test performed, the SOEW CGU, impairment was reversed of R18.7 million (2016: R18.7 million, impairment charge) was allocated to the plant and machinery of SOEW as there was no goodwill allocated to this CGU. This impairment reversal is included in operating expenses in the Statement of Comprehensive Income. The impairment reversal is as a result of the improved financial results for the year.

As a result of the impairment test performed, the Radiant Group CGU was written down to its recoverable amount of R133.2 million which was determined by reference to the CGU's value-in-use. The impairment loss of R8.3 million (2016: Rnil) was allocated to the plant and equipment and intangible assets of Radiant Group as there was no goodwill allocated to this CGU. This impairment is included in operating expenses and in the Statement of Comprehensive Income. The impairment loss is as a result of the general economic decline and increased competition. Subsequent to the impairment test performed, the Radiant Group CGU was classified as held for sale. Refer to note 15.

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 industries in which the companies operate and are materially similar to assumptions of external market sources. The CGU's 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:

Terminal growth rate - (Weighted average growth rate used to extrapolate cash flows into perpetuity) 5.0% (2016: 5.0%)

Discount rate - Radiant Group (CGU) (Weighted after-tax discount rate applied to the cash flow projections) 18.1% (2016:18.6%)

Discount rate - SOEW (CGU) (Weighted after-tax discount rate applied to the cash flow projections) 18.1% (2016:18.6%).

Notes to the financial statements (continued)

for the year ended 31 December 2017

3. Property, plant and equipment (continued)

Sensitivity analysis

The valuations of the subsidiaries are exposed to changes in various discount rates, growth rates and interest rates, which impact the discount rate. If the discount rate had increased by 1%, the valuation of SOEW would decrease by R45.5 million (2016: R28.6 million). If the weighted average cost of capital had decreased by 1%, the valuation of SOEW would increase by R53.2 million (2016: R34 million).

If the revenue growth would increase/(decrease) by 2%, the valuation of SOEW would increase/(decrease) by R21.9 million (2016: R16.6 million). If the gross profit growth would increase/(decrease) by 1%, the valuation of SOEW would increase/(decrease) by R10.7 million (2016: R10.0 million). If the EBITDA growth would increase/(decrease) by 1%, the valuation of SOEW would increase/(decrease) by R7.1 million (2016: R6.1 million).

Security

Carrying value of assets pledged as security for interest-bearing borrowings (note 10):

	Group	
	2017 R'000	2016 R'000
Mortgages		
Land and buildings	**186 881**	186 524
Instalment sale agreements		
Plant and machinery	**6 735**	40 605
Motor vehicles and computer equipment	**2 679**	3 663
	196 295	230 792

A register containing the information required by Regulation 25(3) of the Companies Regulations is available for inspection at the registered office of the Company.

4. Intangible assets

Group	**2017 Cost R'000**	**2017 Accumulated amortisation and impairment R'000**	**2017 Carrying value R'000**	2016 Cost R'000	2016 Accumulated amortisation and impairment R'000	2016 Carrying value R'000
Trade names	**15 247**	**(15 247)**	**–**	15 247	(8 301)	6 946
Computer software	**14 483**	**(14 483)**	**–**	13 443	(12 606)	837
Total	**29 730**	**(29 730)**	**–**	28 690	(20 907)	7 783

Reconciliation of intangible assets

Group	**Opening balance R'000**	**Additions R'000**	**Amortisation R'000**	**Impairment R'000**	**Closing balance R'000**
2017					
Trade names	**6 946**	**–**	**(628)**	**(6 318)**	**–**
Computer software	**837**	**1 040**	**(711)**	**(1 166)**	**–**
	7 783	**1 040**	**(1 339)**	**(7 484)**	**–**

Group	Opening balance R'000	Additions R'000	Amortisation R'000	Disposals R'000	Closing balance R'000
2016					
Trade names	7 573	–	(627)	–	6 946
Computer software	1 207	997	(1 303)	(64)	837
	8 780	**997**	**(1 930)**	**(64)**	**7 783**

Other information

Trade names are allocated to their respective underlying CGU. For this purpose, the respective companies acquired is defined as the underlying CGU. These assets relate to the acquisition of Radiant Group, the lighting and electrical accessories segment, as well as acquiring What 4, as a division of Radiant Group. The intangible assets were impaired at year-end due to Radiant Group's value-in-use being lower than the enterprise value which resulted in intangible assets being impaired in full.

	Group 2017 R'000	Group 2016 R'000
5. Inventories		
Raw materials	**31 499**	39 648
Consumable stores	**16 737**	16 402
Work-in-progress	**75 250**	49 293
Finished goods	**39 393**	40 460
Merchandise	**–**	174 898
Goods in transit	**–**	5 706
	162 879	326 407
Inventories carried at net realisable value	**–**	31 007

The cost of inventories recognised as an expense and included in cost of sales is R1 236 825 515 (2016: R1 487 370 905).

6. Trade and other receivables

	2017 R'000	2016 R'000
Net trade receivables	**212 839**	272 534
Other receivables	**256**	124
Deposits	**430**	572
South African Revenue Services – VAT receivable	**1 055**	296
Prepayments	**391**	1 604
	214 971	275 130

Trade and other receivables past due but not impaired

Trade receivables of R52 377 281 (2016: R76 190 225) were past due but not impaired. Included in this amount is an amount from discontinuing operations of R3 443 661 (2016: Rnil). These related to customers for whom there is no recent history of default. The age analysis of these trade receivable is as follows:

	2017 R'000	2016 R'000
1 month past due	**31 420**	38 220
2 months past due	**20 231**	37 353
3 months past due	**726**	617
	52 377	76 190

Trade and other receivables impaired

As at 31 December 2017, trade receivables of R1 307 963 (2016: R1 775 471) have been assessed individually for impairment. The amount of the provision in respect of these debtors was R1 307 963 (2016: R1 775 471). Included in this amount is an amount from discontinuing operations of R473 387 (2016: Rnil). It was assessed that a portion of these trade receivables were considered to be recoverable. The aging of these receivables is as follows:

	2017 R'000	2016 R'000
1 month past due	**382**	178
2 months past due	**493**	1 365
3 months past due	**433**	232
	1 308	1 775

Reconciliation of provision for impairment of trade and other receivables

	2017 R'000	2016 R'000
Balance at beginning of year	**1 775**	1 934
Provision for receivables impairment	**262**	45
Unutilised amounts reversed	**(518)**	(204)
Prior year provision unutilised	**(211)**	–
Balance at the end of the year	**1 308**	1 775

Notes to the financial statements (continued)

for the year ended 31 December 2017

6. Trade and other receivables (continued)

The creation and release of the provision for impaired receivables has been included in 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 and have overdue accounts.

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

As at 31 December 2017, trade receivables of R199 256 000 (2016: R194 561 000) were fully performing. Included in this amount is an amount from discontinuing operations of R36 184 956 (2016: Rnil).

The carrying amounts of trade and other receivables are all denominated in South African Rands. The fair value of trade and other receivables is disclosed in note 28.

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited and the Group utilises them to perform the necessary credit checks. SOEW is exposed to 15% of trade receivables within their credit limit, after an excess of R400 000 has been applied and 100% of trade receivables in excess of their approved limits. Radiant Group is exposed to 20% 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 for the Group is R58 829 000 (2016: R51 969 000). Included in this amount is an amount from discontinuing operations of R18 448 074 (2016: Rnil). The Group does not hold any collateral as security. Radiant Group has ceded R36 363 636 of trade receivables to First National Bank for the additional overdraft facility granted.

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

Credit quality of trade and other receivables

The Group does not distinguish between different classes of risk categories, as the majority of trade debtors are local wholesalers and distributors.

Credit is granted by the Group based on Credit Guarantee's assessment as to whether a prospective customer is credit worthy and having credit guarantee pre-approve a credit limit. In certain instances, in-house credit limits, that are in excess of the limit proposed by Credit Guarantee, are approved by the Directors of the respective entities.

In certain instances, the Group grants credit to certain debtors in excess of their limits. In this instance, the Managing Director of the applicable business unit will approve the extension of credit in excess of the limit. This is after analysing the credit history, the quantum of the order in relation to the credit limit, together with the amount the debtor is exposed to in relation to Credit Guarantee Insurance Corporation of South Africa Limited cover.

Trade and other receivables are distinguished between the various financial instrument categories in notes 27 and 28.

Risk exposure and fair value measurements

The Group's exposure to both liquidity risk and price risk is disclosed in note 28. The fair value of the trade and other receivables is also disclosed in note 28.

	Group	
	2017 R'000	2016 R'000
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	**11 503**	22 269
Cash on hand	**17**	67
	11 520	22 336
Denominated in South African Rands	**11 246**	21 156
Denominated in United States Dollars	**–**	871
Denominated in Hong Kong Dollars	**274**	309
	11 520	22 336

7. Cash and cash equivalents (continued)

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired are invested at the following institutions with reference to their credit rating:

Baa3 – First National Bank, a division of FirstRand Bank Limited

Baa2 – HSBC

Baa2 – Bank of Taiwan

	Group	
	2017 R'000	2016 R'000
8. Share capital		
Authorised		
500 000 000 ordinary shares of R0.01 each	**5 000**	5 000
Issued		
156 378 794 ordinary shares	**1 274**	1 274
Share premium	**440 371**	440 371
	441 645	441 645

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, SOEW, including the value of any shares issued thereafter.

9. Other comprehensive income

Components of other comprehensive income

Group	Gross R'000	Tax R'000	Net R'000
2017			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	**(569)**	**–**	**(569)**
	(569)	**–**	**(569)**
2016			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	(714)	–	(714)
	(714)	**–**	**(714)**

Notes to the financial statements (continued)

for the year ended 31 December 2017

	Group	
	2017 R'000	2016 R'000
10. Interest-bearing borrowings		
Mortgages		
First National Bank, a division FirstRand Bank Limited 3-000-013-732-425	**26 476**	29 151
First National Bank, a division FirstRand Bank Limited 3-000-012-798-538	**10 753**	13 303
First National Bank, a division FirstRand Bank Limited 3-000-013-460-751	**10 867**	12 085
	48 096	54 539
Other loans		
Instalment sale agreements	**4 635**	14 343
Other loans	**10 022**	–
Bank overdraft	**42 906**	180 155
	57 563	194 498
	105 659	249 037
Non-current liabilities		
Mortgages	**40 811**	47 866
Other loans	**9 483**	4 159
	50 294	52 025
Current liabilities		
Mortgages	**7 285**	6 673
Other loans	**5 174**	10 184
Bank overdraft	**42 906**	180 155
	55 365	197 012
	105 659	249 037
The maturity of non-current liabilities is as follows:		
Between current less than one year	**17 459**	11 465
Between one and five years	**22 515**	24 076
Over five years	**10 320**	16 484
	50 294	52 025

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

Securities

The interest-bearing borrowings are secured as follows:

Mortgages

First National Bank, a division of FirstRand Bank Limited

The loans are secured by first covering mortgage bond over the following properties:

Loan agreement 3 000 013 732 425 for R68 665 000

- Erven 445 and 446 Wynberg Extension 3, Erven 539, Wynberg, 1111 and 1112 Marlboro Extension 1 for R55.9 million and Erf 688 Alrode Extension 2 for R30 million 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. Limited suretyship for R400 million by SOEW, Radiant Group and Anchor Park. The interest is payable at First National Bank's prime lending rate less 0.50% per annum. The prime lending rate at year-end is 10.25% (2016: 10.50%). The loan is repayable in monthly instalments of R447 688 (2016: R451 080) inclusive of interest. The securities are in respect of a loan amount of R68 665 000 being a mortgage loan of R34 330 000 to Anchor Park and an overdraft amount of R34 335 000 to SOEW, secured by a debtors' financing facility.

10. **Interest-bearing borrowings** (continued)

Loan agreement 3-000-012-798-538 for R28 800 000

- Erf 685 Alrode Extension 2 Township of R28.8 million 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 1.00% per annum. The prime lending rate at year-end is 10.25% (2016: 10.50%). The loan is repayable in monthly instalments of R304 530 (2016: R305 825) inclusive of interest. The loan is also secured by the subordination agreement of SOEW.

Loan agreement 3-000-013-460-751 for R14 918 150

- Erf 637 Alrode Extension 2 Township of R14 918 150 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 0.50% per annum. The prime lending rate at year-end is 10.25% (2016: 10.50%). The loan is repayable in monthly instalments of R194 392 (2016: R195 759) inclusive of interest. The loan is also secured by unlimited securityship by SOEW and Radiant Group.

Banking facilities

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

First National Bank Limited, a division of FirstRand Bank Limited

SOEW has an overdraft facility with First National Bank of R214.3 million (2016: R214.3 million). The facility is secured by a cession of SOEW's trade receivables, a cession of trade receivables cover policy with Credit Guarantee Insurance Corporation of Africa Limited as well as noting the bank's interest and a deed of negative pledge of assets. It is also secured by a general notarial covering bond limited to R40 million over the personal and moveable property of the Company and an unlimited surety in favour of FirstRand Bank Limited signed by Radiant Group, SOEW and Anchor Park. The overdraft is also secured by a bond of R55.9 million (2016: R55.9 million) registered over Erven 445 and 446 Wynberg, Extension 3, Erven 539, 1111 and 1112 Marlboro, Extension 1 and a bond of R30.0 million (2016: R30.0 million) registered over Erf 688 Alrode, Extension 2. The facility, when utilised, bears interest at prime plus 2.00% (2016: prime less 0.75%). The unused facility at year-end amounted to R171.4 million (2016: R90.3 million) (refer note 28). The facility is renewable annually in May. SOEW has an instalment sale facility of R20.0 million (2016: R30.5 million) with the same bank of which an amount of R15.4 million (2016: R16.6 million) has not been utilised at year-end.

Radiant Group has an overdraft facility with First National Bank of R60.0 million (2016: R60.0 million). The facility is secured by an unlimited surety given by SOEW. Trade receivables of R36 363 636 have also been ceded. The facility, when utilised, bears interest at prime plus 2.25% (2016: prime less 0.75%). The unused facility at year-end amounted to R21.7 million (2016: R3.9 million) (refer note 28). The facility is renewable annually in May.

Instalment sale agreements

Secured by vehicles, plant and equipment (note 3), bears interest at prime minus 0.75% (2016: 0.75%), and are repayable in monthly instalments of R266 109 (2016: R1 201 278), inclusive of interest.

Notes to the financial statements (continued)

for the year ended 31 December 2017

11. Deferred tax assets and liabilities

The deferred tax assets and the deferred tax liabilities are calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2016: 28%). Deferred 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 amount disclosed in the statement of financial position are analysed as follows:

	Group	
	2017 R'000	2016 R'000
Deferred tax liability		
Prior year under provision of deferred tax	**–**	144
Property, plant and equipment	**(46 089)**	(44 522)
Provisions	**3 331**	4 239
Tax losses	**13 361**	26 900
Total deferred tax liability	**(29 397)**	(13 239)
Deferred tax asset	**4 465**	21 787
Deferred tax liability	**(33 862)**	(35 026)
Total deferred tax liability	**(29 397)**	(13 239)
Reconciliation of deferred tax asset (liability)		
At beginning of year	**(13 239)**	(28 206)
Current year temporary differences	**(2 287)**	5 152
Tax losses	**(114)**	9 671
Prior year under provision of deferred tax	**–**	144
Deferred tax asset not recognised	**(13 757)**	–
	(29 397)	(13 239)

Group	Tax losses R'000	Capital allowances R'000	Provisions R'000	Prior year under provision of deferred tax R'000	Total R'000
2017					
Opening balance	**26 900**	**(44 522)**	**4 239**	**144**	**(13 239)**
Charged to the statement of comprehensive income	**(13 539)**	**(1 567)**	**(908)**	**(144)**	**(16 158)**
	13 361	**(46 089)**	**3 331**	**–**	**(29 397)**
2016					
Opening balance	17 229	(47 324)	1 889	–	(28 206)
Charged to the statement of comprehensive income	9 671	2 802	2 350	144	14 967
	26 900	**(44 522)**	**4 239**	**144**	**(13 239)**

	Group	
	2017 R'000	2016 R'000
Taxation losses at the end of the year deductible from future taxable income	**94 206**	99 425
Unprovided deferred tax asset	**26 378**	27 839

11. Deferred tax assets and liabilities (continued)

Unremitted earnings from a foreign entity

The unremitted earnings from foreign entities total R4 775 618 (2016: R5 247 537). Deferred tax on the future remittances has not been provided for as the future dividends will not be subject to tax in South Africa.

Significant estimates

The deferred tax assets include an amount of Rnil (2016: R14.6 million), which relates to carried forward tax losses of a subsidiary. The subsidiary has incurred losses over the last three financial years following a decline in the general economic environment and the problems experienced with the new warehouse management system and ERP system upgrade. The deferred tax asset had been reversed in the current year.

12. 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 2018. The grant value to employees of SOEW and 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 SOH. The fair value of the rights was calculated using the Black-Scholes Valuation Model. The assumptions used in determining the fair value of each SAR granted are summarised as follows:

	2017	2016
Share price (Volume Weighted Average Price)	**R0.44**	R0.48
Strike price: SOH	**R0.48**	R0.55
Strike price: SOEW	**R0.55**	R20.82
Strike price: Radiant Group	**R0.48**	R13.82
Spot price: SOH	**R0.28**	R0.46
Spot price: SOEW	**R0.00**	R6.59
Spot price: Radiant Group	**R0.00**	R0.00
Dividend yield (%)	**0.0**	0.0
Volatility (%)	**60.00**	60.00

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 SOH. The spot price of the rights in the subsidiaries is determined using three-year average profit after tax.

	Group	
	2017 R'000	2016 R'000
Reconciliation of liability		
Opening balance	**492**	–
Charge in statements of comprehensive income	**–**	492
Closing balance	**492**	492
Non-current liabilities	**492**	492
Reconciliation of units		
Opening balance	**18 215**	11 104
Units granted	**12 045**	11 343
Equity units forfeited	**(6 731)**	(4 232)
Closing balance	23 529	18 215

Notes to the financial statements (continued)

for the year ended 31 December 2017

12. Share-based payments (continued)

Units comprise a combination of SOH, SOEW and Radiant Group's units.

At year-end 2 907 950 (2016: 3 172 077) shares have vested with an intrinsic value of Rnil (2016: Rnil).

	Number of SAR units '000	Value '000	Total number of SAR units '000
Directors' interest in long-term incentive plans			
2017			
JP Bekker	**11 766**	**–**	**11 766**
2016			
JP Bekker	**7 550**	**–**	**7 550**

	Group	
	2017 R'000	2016 R'000
13. Trade and other payables		
Trade payables	**174 777**	86 707
Accruals	**9 807**	29 593
Deposits received	**224**	–
Other payables	**–**	1 068
Payroll accruals	**10 214**	8 814
South African Revenue Services – VAT payable	**426**	1 538
Operating lease payables	**–**	957
	195 448	128 677
The trade and other payables will be settled in the following currencies:		
South African Rands	**194 806**	118 932
United States Dollars	**642**	9 682
Euro	**–**	63
	195 448	128 677

Trade and other payables are unsecured and are repayable within a period of 12 months. The carrying amounts and fair values are included in note 28.

14. Derivative financial instruments

	2017 R'000	2016 R'000
Liability		
FEC Liability	**–**	38

The notional principal amount of the outstanding forward exchange contracts at 31 December 2017 was R33 519 049 (2016: R6 961 070). 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. The fair values are within level 2 of the fair value hierarchy. The amount charged to the statement of profit or loss and other comprehensive income for the year from discontinuing operations amounted to R4 348 646. The maximum exposure to credit risk at the reporting date is the fair value of the derivative in the statement of financial position.

15. Discontinuing operations and non-current assets held for sale

Radiant Group has not been profitable for the last few years. The board has taken a decision to find a suitable buyer for the Radiant Group. The board has appointed a consultant to assist with this process. The expected time of the sale of the Company is within the next 12 months. The assets and liabilities of the disposal group are set out below.

	Group	
	2017 R'000	2016 R'000
Assets and liabilities		
Assets of disposal group		
Inventories	**136 227**	–
Trade and other receivables	**43 042**	–
Cash and cash equivalents	**18 755**	–
	198 024	–
Liabilities of disposal group		
Interest-bearing borrowings	**38 374**	–
Derivative financial instrument	**4 348**	–
Accounts payable	**34 758**	–
	77 480	–
Discontinuing operations		
Revenue	**303 017**	343 541
Cost of sales	**(229 666)**	(252 428)
Gross profit	**73 351**	91 113
Other operating income	**644**	3 505
Total expenses	**(100 198)**	(100 676)
Impairment of non-current assets	**(8 295)**	–
Operating loss	**(34 498)**	(6 058)
Finance income	**167**	166
Finance expense	**(3 042)**	(4 688)
Loss before taxation	**(37 373)**	(10 580)
Taxation	**(13 754)**	7 440
Loss for the year	**(51 127)**	(3 140)
Net cash inflow from operating activities	**40 566**	–
Net cash outflow from investing activities	**(1 139)**	–
Net cash outflow from financing activities	**(18 194)**	–
Net cash inflow from discontinuing operations	**21 233**	–

16. Revenue

Sale of goods	**1 423 767**	1 432 918
Rental Income	**2 010**	730
Management fees	**–**	–
	1 425 777	1 433 648

Notes to the financial statements (continued)

for the year ended 31 December 2017

	Group	
	2017 R'000	2016 R'000
17. Other operating income		
Bad debts recovered	**225**	607
Profit on exchange differences	**3 575**	1 495
Profit on disposal of property, plant and equipment	**39**	34
Other income	**2 956**	539
	6 795	2 675
18. Expenses by nature		
Advertising and promotions	**8**	11
Amortisation of intangible assets	**582**	582
Auditors remuneration		
– Audit fees	**1 932**	1 700
Bad debt provision movement	**(292)**	637
Depreciation	**14 080**	13 954
Electricity and water	**21 461**	22 685
Employee benefit expense (note 20)	**103 742**	101 844
Fines and penalties	**–**	6
Freight	**2 532**	2 913
Foreign exchange loss	**11**	–
Insurance – trade receivables	**3 111**	2 899
Insurance – other	**2 790**	2 920
Impairment	**5 573**	18 743
Reversal of impairment	**(18 743)**	–
Legal fees	**993**	739
Levies	**209**	258
Motor vehicle expenses	**3 434**	3 666
Other expenses	**7 280**	16 805
Operating leases		
– Warehouse premises	**–**	11 640
Professional fees	**2 044**	1 982
Rates and taxes	**2 701**	2 507
Raw materials and consumables used	**1 237 795**	1 229 560
Repairs and maintenance	**20 147**	24 176
Secretarial fees	**175**	169
Security expenses	**1 708**	1 707
Total cost of sales, administration, distribution and operating expenses	**1 413 273**	1 462 103

19. Directors' and prescribed officers' emoluments

Executive

Group	Salary R'000	Performance bonus R'000	Medical group benefit contributions R'000	Provident fund R'000	Total R'000
2017					
JP Bekker	**3 627**	**–**	**108**	**388**	**4 123**
MK Lehloenya	**1 269**	**–**	**2**	**173**	**1 444**
	4 896	**–**	**110**	**561**	**5 567**
2016					
JP Bekker	3 502	–	97	388	3 987
MK Lehloenya	512	–	–	69	581
	4 014	**–**	**97**	**457**	**4 568**

Non-Executive

Group	2017 Directors' fees R'000	2016 Directors' fees R'000
EHT Pan	**–**	31
KH Pon	**522**	522
M Chong	**245**	490
HL Li	**304**	281
CY Wu	**143**	143
N Lalla	**259**	190
L Stephens	**–**	87
JH Yeh	**36**	125
	1 509	1 869

A special resolution to approve Non-Executive Directors fees was not passed at the Annual General Meeting of the Company held on 8 August 2017. Non-Executive Directors were not paid for the full financial year of 2017. At year-end, payments due for the four quarters for 2017 and three quarters for 2016 remained unpaid.

Total Directors' and prescribed officers' remuneration

	Group	
	2017 R'000	2016 R'000
Executive Directors	**5 567**	4 568
Non-Executive Directors	**1 509**	1 869
Prescribed officers	**4 919**	4 680
	11 995	11 117

Notes to the financial statements (continued)

for the year ended 31 December 2017

Prescribed officers

Group	Emoluments R'000	Medical aid R'000	Provident fund R'000	Total R'000
2017				
D Johnson	**1 679**	**71**	**111**	**1 861**
F Ally	**1 652**	**80**	**141**	**1 873**
Y Mahomed	**1 041**	**72**	**72**	**1 185**
	4 372	**223**	**324**	**4 919**
2016				
D Johnson	1 615	65	106	1 786
F Ally	1 579	73	135	1 787
Y Mahomed	968	71	68	1 107
	4 162	**209**	**309**	**4 680**

Directors' interests in share capital

The interest of Directors in the issued share capital of the Company as at 31 December 2017 were as follows:

	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2017				
JP Bekker	**491 807**	**–**	**491 807**	**0.31**
2016				
JP Bekker	**491 807**	**–**	**491 807**	**0.31**

No shares were traded by any Director from 31 December 2017 until the date of this report. Refer to note 12 for details of share appreciation rights allocated to Directors during the year.

	Group	
	2017 R'000	2016 R'000
20. Employee benefit expense		
Salaries, wages and bonuses	**99 123**	96 938
Share-based payment	**–**	492
Pension and provident fund contributions	**4 619**	4 414
	103 742	101 844

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

- Metal Industries Pension Fund
- Alexander Forbes Access Retirement Fund
- MEIBC Provident Fund
- MPF Provident Fund

Number of employees at 31 December		
Full time	**644**	681
Part time	**4**	6
	648	687

	Group 2017 R'000	Group 2016 R'000
21. Finance income		
Interest received		
Bank	**511**	839
Other	**317**	–
	828	839
22. Finance costs		
Mortgage bonds	**4 954**	5 568
Bank	**15 205**	11 264
Instalment sale agreements	**876**	1 680
Other interest paid	**2 911**	73
	23 946	18 585
23. Taxation		
Deferred tax		
Originating and reversing temporary differences	**8 508**	(14 823)
Adjustments for deferred tax of prior periods	**268**	(144)
Assessed tax losses	**7 382**	–
	16 158	(14 967)
Reconciliation of taxation to tax payable		
Loss before taxation	**(41 192)**	(54 106)
Tax at the applicable tax rate of 28% (2016: 28%)	**(11 534)**	(15 150)
Adjusted for:		
Adjustments for deferred tax of prior periods	**268**	(144)
Expenses not deductible – impairment	**2 692**	176
Deferred tax asset reversed	**7 014**	–
Unprovided deferred tax	**18 423**	331
Tax allowance	**(705)**	(180)
Total taxation	**16 158**	(14 967)
Taxation is attributable to:		
Profit from continuing operations	**2 404**	(7 527)
Profit from discontinuing operations	**13 754**	(7 440)
	16 158	(14 967)

Notes to the financial statements (continued)

for the year ended 31 December 2017

	Group	
	2017 R'000	2016 R'000
24. Loss per share		
Basic and diluted loss per share of continuing operations and discontinuing operations (cents)	**(36.7)**	(25.0)
Loss for the year	**(57 350)**	(39 139)
Headline loss per share		
Headline loss and diluted headline loss per share (cents)	**(35.9)**	(16.4)
Reconciliation between loss and headline loss		
Loss for the year	**(57 350)**	(39 139)
Adjusted for:		
Profit on disposal of property, plant and equipment	**(30)**	(78)
Impairment loss on property, plant and equipment	**–**	13 495
Net of impairment	**1 187**	–
Headline loss	**(56 193)**	(25 722)
Number of share in issue ('000)	**156 379**	156 379
Headline earnings/(loss) of continuing operations (cents)	**2.1**	(14.4)
Headline loss of discontinuing operations	**(38.0)**	(2.0)

The prior year headline loss information contained a correction from the previous headline loss information published on 13 March 2017. The difference arose due to the adjustments used to calculate the headline loss in the prior year being pre-tax numbers as opposed to after tax numbers.

The change to the information is presented below:

Reconciliation of headline loss

	(Published on 22 March 2018) 31 December 2016	**(Published on 13 March 2017) 31 December 2016**
Loss attributable to equity holders of the Group	(39 139)	(39 139)
Profit on disposal of property, plant and equipment	(78)	(108)
Net impairment	13 495	18 743
	(25 722)	**(20 504)**
Headline loss per share (cents)	**(16.4)**	**(13.1)**

The correct figure for the 2016 headline loss is 16.4 cents per share as published on 22 March 2018.

	Group 2017 R'000	Group 2016 R'000
25. Cash generated from/(utilised in) operations		
Loss before taxation from continuing operations	**(3 819)**	(43 526)
Loss before taxation from discontinuing operations	**(37 373)**	(10 580)
Adjustments for:		
Depreciation and amortisation	**16 791**	17 802
Profit on disposal of property, plant and equipment	**(42)**	(108)
Finance income	**(996)**	(1 005)
Finance costs	**26 988**	23 273
Other non-cash items	**4 311**	–
Net (impairment reversal)/impairment	**(4 875)**	18 743
Share-based payments expensed	**–**	492
Changes in working capital:		
Inventories	**27 301**	(5 102)
Trade and other receivables	**17 117**	(45 533)
Trade and other payables	**101 528**	6 510
	146 931	(39 034)
Net debt reconciliation		
Cash and cash equivalents	**30 275**	22 336
Borrowings payable within one year including overdrafts	**(93 739)**	(197 012)
Borrowings repayable after one year	**(50 294)**	(52 025)
Net debt	**(113 758)**	(226 701)
26. Proceeds on disposal of property, plant and equipment		
Net book amount of assets disposed of	**341**	1 702
Profit on disposal of property, plant and equipment	**42**	108
	383	1 810

Notes to the financial statements (continued)

for the year ended 31 December 2017

27. Financial assets and financial liabilities

The accounting policies for financial instruments have been applied to the line items below:

Group	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
2017			
Financial assets			
Cash and cash equivalents	**30 275**	**–**	**30 275**
Trade and other receivables	**253 652**	**–**	**253 652**
	283 927	**–**	**283 927**
Financial liabilities			
Bank overdraft	**–**	**81 190**	**81 190**
Interest-bearing borrowings	**–**	**62 753**	**62 753**
Trade and other payables	**–**	**217 151**	**217 151**
	–	**361 094**	**361 094**
2016			
Financial assets			
Cash and cash equivalents	22 336	–	22 336
Trade and other receivables	273 230	–	273 230
	295 566	**–**	**295 566**
Financial liabilities			
Bank overdraft	–	180 155	180 155
Interest-bearing borrowings	–	68 882	68 882
Trade and other payables	–	117 367	117 367
	–	**366 404**	**366 404**

28. 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 note 10, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement 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.

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 2017, the gearing ratio was 30.3% (2016: 47.5%). The gearing ratio increased primarily as a result of an increased overdraft at year-end.

All security and covenants on debt and borrowings are disclosed in notes 6, 7 and 10.

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 counterparties at the reporting date:

Group	2017 Credit limit R'000	2017 Balance available R'000	2016 Credit limit R'000	2016 Balance available R'000
Counterparty				
First National Bank – Overdraft	**(274 335)**	**(81 190)**	(274 300)	(94 145)
Bank of Taiwan South African Branch – Letter of credit facility	**–**	**–**	(109 100)	(109 100)
	(274 335)	**(81 190)**	(383 400)	(203 245)

The table below analyses the Group's 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.

The Group has an instalment sale facility of R20.0 million (2016: R30.5 million) with First National Bank a division of FirstRand Bank Limited of which an amount of R15.4 million (2016: R16.6 million) has not been utilised at year-end.

Notes to the financial statements (continued)

for the year ended 31 December 2017

28. Financial risk management (continued)

Group	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 31 December 2017				
Interest-bearing borrowings	98 607	16 467	34 335	10 927
Trade and other payables	217 151	–	–	–
	315 758	**16 467**	**34 335**	**10 927**
At 31 December 2016				
Interest-bearing borrowings	22 397	13 558	34 794	18 573
Trade and other payables	117 367	–	–	–
Bank overdraft	180 155	–	–	–
	319 919	**13 558**	**34 794**	**18 573**

Majority of the Company's creditors are with Group companies, these amounts outstanding have been subordinated by such Group companies until such a time as the current assets exceed the current liabilities. The fair value of these payables approximates their carrying amount.

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, but we draw attention to the fact that 32% (2016: 31.3%) of revenue was derived from a single customer. 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 taking into account the specific debtors balances against their credit limit. Details of credit risk for trade receivables is disclosed in note 6.

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 15% of trade receivables within their credit limit, after an excess of R400 000 in respect of SOEW and 25% of the fair value of trade receivables within the credit terms and 100% of the trade receivables that are in excess of their credit limits in respect of Radiant Group. The amounts recoverable from Credit Guarantee are only recoverable 60 to 90 days after they have been handed over to Credit Guarantee for management. Trade debtors are not individually classed for insurance purposes, as all trade debtors within their credit limits are covered by Credit Guarantee.

To mitigate credit risk, the Group does not carry all of its cash resources in a single financial institution. At year-end bank balances were invested in the following banking institutes, Bank of Taiwan 41.84% (2016: 20.8%), First National Bank 55.78% (2016: 77.1%), Standard Bank of South Africa 0% (2016: 0.6%) and HSBC 2.38% (2016: 1.4%).

The overdraft is renewable annually in May. All the indications from the respective banks 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 Dollars. 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.

The Group recognises that both taking and not taking forward cover at certain times could impact its financial performance. The forex exposure is covered in full, when the Free on Board (FOB) rate is lower than the forward rate. If the FOB rate is higher that the forward cover rate, 50% exposure should be covered on FOB date. The balance of the 50% is covered when payment is due or if the forward cover rate exceeds the FOB rate, cover should be taken to limit the loss to 3% of the transaction value.

At 31 December 2017, if the currency had weakened/strengthened against the United States Dollars by 2% (2016: 2%) with all other variables held constant, profit after tax would have decreased/increased by R9 244 (2016: R126 877), 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.

28. Financial risk management (continued)

Foreign currency exposure at the end of the reporting period

	2017 Foreign currency R'000	2016 Rand equivalent R'000	2017 Foreign currency R'000	2016 Rand equivalent R'000
Assets bank accounts				
United States Dollar	**–**	–	**68**	871
Hong Kong Dollar	**173**	274	**176**	309
	173	274	**244**	1 180
Liabilities – trade payables				
United States Dollar	**50**	642	**709**	9 682
European Euro	**–**	–	**4**	64
	50	642	**713**	9 746

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

	Settlement dates	Foreign currency US$	Rand Value
2017	5 January 2018	200 000	2 840 000
2017	16 January 2018	298 179	4 287 809
2017	31 January 2018	200 000	2 920 000
2017	16 February 2018	250 000	3 560 000
2017	21 February 2018	200 000	2 607 240
2017	28 February 2018	200 000	2 934 000
2017	16 March 2018	250 000	3 577 500
2017	29 March 2018	250 000	3 585 000
2017	17 April 2018	250 000	3 597 500
2017	30 April 2018	250 000	3 610 000
2016	9 January 2017	200 000	2 823 800
2016	27 February 2017	300 000	4 137 270

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 Dollars exchange rates may also have on current or future earnings. The Group does not hedge any copper purchases; however, management keep inventory levels as low as possible and purchase copper only for a month's production. Any change in the price of the copper price has an impact on both sales values and purchase values.

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. Details of interest rates on borrowings are disclosed in notes 7 and 10.

All Group borrowings are denominated in South African Rands. The Group may be exposed to interest rate risk as it borrows funds at floating interest rates. Interest rate exposure is not analysed on a specific basis but should the interest rates increase/decrease by 2% the Group loss after tax will decrease/increase by R1 521 490 (2016: R3 586 130) and the Company loss after tax will decrease/increase by Rnil (2016: R65 424).

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.

Notes to the financial statements (continued)

for the year ended 31 December 2017

	Group	
	2017 R'000	2016 R'000
29. Commitments		
Capital commitments		
Already contracted for but not provided for		
– Approved but not yet contracted for	**–**	600
This committed expenditure will be financed from existing credit facilities from Wesbank, a division of FirstRand Bank Limited, as well as privately through Group loans.		
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	**1 854**	1 707
– in second to fifth year inclusive	**4 331**	6 389
	6 185	8 096

The Group has the following operating lease agreements:

A Durban property, described as the sales office, 1300 Umgeni Road, Durban is leased monthly from 1 January 2016 to 31 December 2018. The period of the lease is 36 months and is payable monthly in advance. The average monthly rental is R15 000.

A Cape Town property, described as a warehouse with offices, situated at Unit 5, West Building, Topaz Boulevard, Montague Park, Milnerton, is leased from 1 December 2013 to 31 January 2021. The period of the lease is seven years two months and is payable monthly in advance. A bank guarantee at R227 760 is in place in favour of the lessor. The average monthly rental is R141 786.

30. Related parties

Directors

KH Pon, HL Li, N Lalla, CY Wu, DJC Pan (Alternate), JP Bekker, MK Lehloenya.

Transactions with Directors

Details relating to the Directors' remuneration and interests are disclosed in notes 19 and 20 of the financial statements and in the Directors' report.

The Directors have certified that they are not materially invested 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	
	2017 R'000	2016 R'000
Compensation to key management		
Salaries and short-term benefits	**12 749**	11 453

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 19.

31. Segmental reporting

The Group is organised into three main business segments:

- Electrical cable manufacturing – manufacturing and distribution of electric wire (SOEW);
- Lighting and electrical accessories – import and distribution of light fittings, lamps and electrical accessories (Radiant Group); and
- Property investments (Anchor Park).

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.

31. Segmental reporting (continued)

The assessment of the performance of the operating segments is based on the adjusted operating profit before interest, income tax, depreciation and amortisation (adjusted EBITDA). 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, impairments and intercompany management fees.

Earnings are defined as the operating profit.

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
2017				
Electrical cable manufacturing	**1 427 627**	**29 267**	**487 432**	**243 748**
Lighting and electrical accessories (discontinuing operations)	**304 977**	**(34 325)**	**198 024**	**77 480**
Property investments	**22 794**	**17 924**	**189 800**	**50 208**
	1 755 398	**12 866**	**875 256**	**371 436**
2016				
Electrical cable manufacturing	1 437 154	15 881	473 164	239 216
Lighting and electrical accessories (discontinuing operations)	344 987	(14 028)	259 106	77 091
Property investments	21 798	17 486	187 648	56 588
	1 803 939	**19 339**	**919 918**	**372 895**

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 intergroup loans existing at reporting date.

Segment liabilities comprises operating liabilities and exclude current and deferred taxation and any intergroup liabilities existing at reporting date.

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

	2017 R'000	2016 R'000
Revenue		
Reported segment revenue	**1 755 398**	1 803 939
Inter-segment revenue (property rentals)	**(20 784)**	(21 069)
Inter-segment revenue – other	**(5 820)**	(5 681)
Discontinuing operations revenue	**(303 017)**	(343 541)
Revenue per statement of comprehensive income	**1 425 777**	1 433 648
EBITDA		
Adjusted EBITDA	**12 866**	19 339
Corporate and other overheads	**(16 152)**	(14 632)
Impairment of intangibles – lighting and electrical accessories segment	**(5 573)**	–
Depreciation	**(15 450)**	(15 871)
Reversal/(Impairments) of property, plant and equipment (note 3) electrical cable manufacturing segment	**18 743**	(18 743)
Amortisation of intangible assets – lighting and electrical accessories segment	**(1 339)**	(1 931)
Impairment of non-current assets – lighting and electrical accessories segment	**(8 295)**	–
Discontinuing operations	**34 498**	6 058
Operating (loss)/profit per consolidated statement of comprehensive income	**19 298**	(25 780)

Notes to the financial statements (continued)

for the year ended 31 December 2017

31. Segmental reporting (continued)

	2017 R'000	2016 R'000
Operating (loss)/profit	**19 298**	(25 780)
Finance income	**996**	1 005
Finance costs	**(26 988)**	(23 273)
Discontinuing operations	**2 875**	4 522
Loss before taxation per consolidated statement of comprehensive income	**(3 819)**	(43 526)
Assets		
Reportable segment assets	**875 256**	919 918
Corporate and other assets	**5 173**	1 437
Deferred taxation	**4 465**	21 787
Total assets per statement of financial position	**884 894**	943 142
Liabilities		
Reportable segment liabilities	**371 436**	372 895
Corporate and other liabilities	**7 643**	5 348
Deferred tax	**33 862**	35 026
Total liabilities per statement of financial position	**412 941**	413 269

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 687 451 900 (2016: R1 726 900 133) and earned from other countries is R47 162 829 (2016: R50 289 649). Revenue in excess of 32% (2016: 31.3%) of total revenue was derived from a single external customer.

The total of non-current assets other than financial instruments excluding deferred tax assets located in South Africa is R293 035 000 (2016: R297 482 000) and the total of these non-current assets located in other countries is Rnil (2016: Rnil).

32. 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.

The Group had short-term borrowings to the value of R81.2 million as disclosed in notes 10 and 15 of the Financial Statements. As part of the security obligations towards the Bank, the Group undertook that the combined Shareholders' interest of the Group will not reduce below R500 million. During the year, the Group breached this covenant. Management alerted the Bank to the breach and the Bank condoned the breach until the 31 December 2017 and indicated that the breach will be reviewed on publication of the financial results for the year ended 31 December 2017. The Bank thereafter revised the covenant to R450 million, effective 31 October 2017. At year-end the Group complied with the revised covenant.

First National Bank has indicated that the overdraft facility of Radiant Group will be reduced by R3 million per month as from 1 April 2018 to a maximum reduction of R20 million. The Directors have approved a rights issue which will be effective during April 2018 to replace the reduction of the overdraft facility.

The Directors have performed a property valuation at year-end. The market valuation of the properties is in excess of the carrying value by R40.2 million. The properties are stated at historical cost less accumulated depreciation and impairment losses, in line with the Group's accounting policy.

33. 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 or the Group or the results of those operations significantly.

Analysis of Ordinary Shareholders

as at 31 December 2017

Shareholder Spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	143	26.23%	66 009	0.04%
1 001 – 10 000	200	36.70%	915 472	0.59%
10 001 – 100 000	140	25.69%	5 064 916	3.24%
100 001 – 1 000 000	42	7.71%	13 824 736	8.84%
Over 1 000 000	20	3.67%	136 507 661	87.29%
Total	545	100.00%	156 378 794	100.00%

Distribution of Shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Close Corporations	11	2.02%	703 743	0.45%
Collective Investment Schemes	5	0.92%	16 072 407	10.28%
Custodians	2	0.37%	3 267 007	2.09%
Foundations & Charitable Funds	3	0.55%	302 780	0.19%
Hedge Funds	1	0.18%	1 400 490	0.90%
Investment Partnerships	5	0.92%	22 267	0.01%
Managed Funds	5	0.92%	75 810	0.05%
Private Companies	14	2.57%	2 026 352	1.30%
Public Companies	4	0.73%	64 341 792	41.14%
Retail Shareholders	453	83.11%	40 321 320	25.78%
Retirement Benefit Funds	8	1.47%	3 918 647	2.51%
Stockbrokers & Nominees	2	0.37%	811	0.00%
Trusts	32	5.87%	23 925 368	15.30%
Total	545	100.00%	156 378 794	100.00%

Shareholder Type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-Public Shareholders	3	0.54%	62 813 577	40.17%
Directors and associates of the Company (direct holding)	1	0.18%	491 807	0.31%
Directors and associates of the Company (indirect holding)	–	–	–	–
Holders holding more than 10% (excluding Directors holding)				
Hong Tai Electric Industrial Co. Ltd	1	0.18%	42 251 851	27.03%
Metallic City International Ltd	1	0.18%	20 069 919	12.83%
Public Shareholders	542	99.46%	93 565 217	59.83%
Total	545	100.00%	156 378 794	100.00%

Fund Managers with a holding greater than 3% of the issued shares	Number of Shares	% of issued capital
Investec Asset Management	12 486 046	7.98%
Flagship Asset Management	7 500 000	4.80%
Total	19 986 046	12.78%

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Hong Tai Electric Industrial Co. Ltd	42 251 851	27.02%
Metallic City International Ltd	20 069 919	12.83%
H.S. Family Trust	14 245 992	9.11%
Mrs MC Pan	8 429 144	5.39%
Investec	7 887 901	5.04%
Flagship Asset Management	7 500 000	4.80%
Mr RON Brown	5 000 000	3.20%
Mr EHT Pan	4 728 238	3.02%
Total	110 113 045	70.41%

Total number of shareholdings	545
Total number of shares in issue	156 378 794

Analysis of Ordinary Shareholders (continued)

as at 31 December 2017

Share Price Performance

Opening price 3 January 2017	R0.55
Closing price 31 December 2017	R0.28
Closing high for period	R0.55
Closing low for period	R0.28
Number of shares in issue	156 378 794
Volume traded during period	4 216 571
Ratio of volume traded to shares issued (%)	2.70%
Rand value traded during the period	R1 708 452
Price/earnings ratio as at 31 December 2017	(1,47)
Earnings yield as at 31 December 2017	(67,86)
Dividend yield as at 31 December 2017	–
Market capitalisation at 31 December 2017	R43 786 062
Total number of deals	175

Notice of the Annual General Meeting

for the year ended 31 December 2017

Notice is hereby given that the eleventh Annual General Meeting of shareholders of South Ocean Holdings Limited ("SOH" or "the Company") will be held in the Conference Room, 16 Botha Street, Alrode, on Monday, 6 August 2018 at 11:00. To ensure that registration procedures are completed by 11:00, please register for the Annual General Meeting from 10:30. Only those shareholders listed in the shareholders' register as at Friday, 27 July 2018 will be eligible to vote at the Annual General Meeting.

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

1. ORDINARY RESOLUTION NUMBER 1

Approval of annual financial statements

Resolved that the annual financial statements of the Company and its subsidiary companies for the year ended 31 December 2017, 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 Ms P Pope is hereby appointed as the designated auditor to hold office for the ensuing year.

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

3. ORDINARY RESOLUTION NUMBER 3

Re-election of Mr CY Wu as a Director

Resolved that Mr CY Wu, who retires in terms of the Company's Memorandum of Incorporation, be re-elected a Director of the Company.

The *curriculum vitae* for Mr CY Wu appears on page 7 of this annual report.

4. ORDINARY RESOLUTION NUMBER 4

Appointment of Audit and Risk Management Committee member

Resolved that Ms N Lalla be appointed a member of the Company's Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

5. ORDINARY RESOLUTION NUMBER 5

Appointment of Audit and Risk Management Committee member

Resolved that Mr HL Li be appointed a member of the Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

6. ORDINARY RESOLUTION NUMBER 6

Appointment of Audit and Risk Management Committee member

Resolved that Mr KH Pon be appointed a member of the Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

7. ORDINARY RESOLUTION NUMBER 7– ENDORSEMENT OF SOH'S REMUNERATION POLICY

Remuneration Policy

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 40 of the annual report, for the financial year ended 31 December 2017, 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.

Explanatory Note:

In terms of King IV dealing with Board and Directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the Remuneration Policies adopted and on their implementation.

The Remuneration Policy of the Company's Remuneration Report is contained on pages 40 to 43 of this integrated annual report.

Ordinary resolution 7 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

Notice of the Annual General Meeting (continued)

for the year ended 31 December 2017

8. ORDINARY RESOLUTION NUMBER 8 – ENDORSEMENT OF THE IMPLEMENTATION OF THE SOH REMUNERATION POLICY

Endorsement of the implementation of Remuneration Policy

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 40 of the annual report, for the financial year ended 31 December 2017, will be tabled at the Annual General Meeting.

Resolved that, as a non-binding advisory vote, the implementation of Remuneration Policy, as tabled, be and is hereby approved.

Explanatory Note:

In terms of King IV dealing with Board and Directors, Companies are required to table their Remuneration Policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

The implementation of the Company's Remuneration Report is contained on pages 43 to 44 of this Integrated Annual Report.

Ordinary resolution 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's Remuneration Policy.

Should more than 25% of the total votes cast be against either ordinary resolutions 7 or 8, the Company will issue an announcement on the Stock Exchange News Services ("SENS") inviting shareholders who voted against the resolutions to meet with members of the Remuneration Committee. The process to be followed will be set out in a SENS announcement.

9. SPECIAL RESOLUTION NUMBER 1

Non-Executive Directors' fees for the financial year ending 31 December 2016 and quarter ending 31 March 2017

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 2016 and the quarter ending 31 March 2017 (being a quarter of the fees payable for the year ending 31 December 2016) be approved as follows:

	31 December 2016
• Chairperson	R429 456.00
• Deputy Vice-Chairperson	R247 754.00
• Non-Executive Director	R143 152.00
• Chairperson of the Audit Committee	R214 728.00
• Member of the Audit Committee	R46 392.00
• Chairperson of the Remuneration Committee	R66 026.00
• Member of the Remuneration Committee	R46 392.00
• Chairperson of the Social and Ethics Committee	R66 026.00
• Chairperson of Special Committees	R2 783.00 per hour
• Member of Special Committees	R1 670.00 per hour

Shareholders are advised that the Non-Executive Directors have elected not to receive an increase in their fees for the 2016 financial year.

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 2016 and for the quarter ending 31 March 2017 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the fees payable to the Directors for the quarter ending 31 March 2016. 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 2016 and quarter ending 31 March 2017. The fees payable for the quarter ending 31 March 2017 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 2017 at the 2017 Annual General Meeting.

Shareholders are reminded that they voted against the above Special resolution number 1 which was proposed at the Annual General Meeting of the Company held on 27 July 2016 and 8 August 2017. These fees have not been paid to the Non-Executive Directors. The Company is again proposing to shareholders that the above outstanding fees be paid to the said Non-Executive Directors.

10. SPECIAL RESOLUTION NUMBER 2

Non-Executive Directors' fees for the financial year ending 31 December 2017 and quarter ending 31 March 2018

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 2017 and the quarter ending 31 March 2018 (being a quarter of the fees payable for the year ending 31 December 2017) be approved as follows:

	31 December 2017
• Chairperson	R455 223.00
• Deputy Vice-Chairperson	R262 619.00
• Non-Executive Director	R151 741.00
• Chairperson of the Audit Committee	R227 612.00
• Member of the Audit Committee	R49 175.00
• Chairperson of the Remuneration Committee	R69 987.00
• Member of the Remuneration Committee	R49 175.00
• Chairperson of the Social and Ethics Committee	R69 987.00
• Chairperson of Special Committees	R2 950.00 per hour
• Member of Special Committees	R1 770.00 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 financial year ending 31 December 2017 and for the quarter ending 31 March 2018 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the fees payable to the Directors for the quarter ending 31 March 2017. 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 2017 and quarter ending 31 March 2018 as well as confirming and ratifying the increase in fees paid to the Directors for the quarter ending 31 March 2017. The fees payable for the quarter ending 31 March 2018 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 2018 at the 2018 Annual General Meeting.

Shareholders are reminded that they voted against the above Special resolution number 2 which was proposed at the Annual General Meeting of the Company held on 8 August 2017. These fees have not been paid to the Non-Executive Directors. The Company is again proposing to shareholders that the above outstanding fees be paid to the said Non-Executive Directors.

11. SPECIAL RESOLUTION NUMBER 3

Non-Executive Directors' fees for the financial year ending 31 December 2018 and quarter ending 31 March 2019

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 2018 and the quarter ending 31 March 2019 (being a quarter of the fees payable for the year ending 31 December 2018) be approved as follows:

	31 December 2018
• Chairperson	R482 537.00
• Deputy Vice-Chairperson	R278 376.00
• Non-Executive Director	R160 846.00
• Chairperson of the Audit Committee	R241 268.00
• Member of the Audit Committee	R52 126.00
• Chairperson of the Remuneration Committee	R74 187.00
• Member of the Remuneration Committee	R52 126.00
• Chairperson of the Social and Ethics Committee	R74 187.00
• Chairperson of Special Committees	R3 127.00 per hour
• Member of Special Committees	R1 876.00 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 financial year ending 31 December 2018 and for the quarter ending 31 March 2019 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the fees payable to the Directors for the quarter ending 31 March 2018. 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 2018 and quarter ending 31 March 2019 as well as confirming and ratifying the increase in fees paid to the Directors for the quarter ending 31 March 2018. The fees payable for the quarter ending 31 March 2019 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 2019 at the 2019 Annual General Meeting.

Notice of the Annual General Meeting (continued)

for the year ended 31 December 2017

12. SPECIAL RESOLUTION NUMBER 4

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 4 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.

13. ORDINARY RESOLUTION NUMBER 9

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

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

14. SOCIAL AND ETHICS COMMITTEE

A report on the Social and Ethics Committee, in terms of Regulation 43 of the Companies Act, 2008, has been included in the annual report (page 31). 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 the Annual General Meeting is attached, provides details of:

- the Directors of the Company on pages 6 to 7;
- the major shareholders of the Company on page 107;
- the Director's shareholding in the Company on page 96; and
- the share capital of the Company in note 8 on page 87.

There are no other 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 2017 and 22 March 2018.

The Directors, whose names are given on pages 6 to 7 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and beliefs there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name in the Company sub-register), as at Friday, 28 July 2018, 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. 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. 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.

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. 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 order of the Board

WT Green
Company Secretary

Johannesburg
30 April 2018

Notes

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 11:00 on Monday, 6 August 2018. Shareholders listed in the shareholder register as at Friday, 27 July 2018 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.

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 his/her proxy of his/her authority to act on his/her behalf at the Annual General Meeting; 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.

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 CY Wu as a Director			
Ordinary resolution number 4:	Appointment of Audit and Risk Management Committee member Ms N Lalla			
Ordinary resolution number 5:	Appointment of Audit and Risk Management Committee member Mr HL Li			
Ordinary resolution number 6:	Appointment of Audit and Risk Management Committee member Mr KH Pon			
Ordinary resolution number 7:	Approval of Remuneration policy			
Ordinary resolution number 8:	Approval of implementation of Remuneration Policy			
Special resolution number 1:	Approval of Non-Executive Directors' fees for 2016			
Special resolution number 2:	Approval of Non-Executive Directors' fees for 2017			
Special resolution number 3:	Approval of Non-Executive Directors' fees for 2018			
Special resolution number 4:	Approval of loans or other financial assistance to related or inter-related companies			
Ordinary resolution number 9:	Directors' and Company Secretary's authority to implement ordinary and special resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote.

Signed at ______________________ on ______________________ 2018

Signature:

(Authority of signatory to be attached if applicable – see note 8)

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 form of proxy 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 form of proxy;
- This form of proxy 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 form of proxy;
- 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 form of proxy 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 form of proxy;
- 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, 27 July 2018 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 form of proxy 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 form of proxy 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. Forms of proxy 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107, South Africa).
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.
9. 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.

General information

COMPANY REGISTRATION NUMBER
2007/002381/06

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPLE ACTIVITIES
Holding company

DIRECTORS
KH Pon *(Chairperson)*
HL Li *(Deputy Vice-Chairperson)*
JP Bekker *(Chief Executive Officer and acting Chief Financial Officer)*
N Lalla
CY Wu
DJC Pan *(Alternate)*

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.
4 Lisbon Lane, Waterfall City
Jukskeiview, Johannesburg, 2090
Telephone: +27(11) 797 4000
Telefax: +27(11) 797 5800
Website: www.pwc.co.za

SPONSOR
Arbor Capital Sponsors Proprietary Limited
20 Stirrup Lane, Woodmead Office Park
Corner Woodmead Drive and Van Reenens Avenue
Woodmead, 2192
(Suite #439, Private Bag X29, Gallo Manor, 2052)

Shareholders' diary

2017 FINANCIAL YEAR-END	
Annual General Meeting	6 August 2018
FINANCIAL YEAR-END	
Financial year-end	31 December
REPORTS	
Interim Report – 2018	August 2018
Final Report – 2018	March 2019
Publication of Annual Report – 2018	April 2019
DIVIDEND	
Final	April 2019
2018 ANNUAL GENERAL MEETING	
Annual General Meeting	August 2019

South Ocean
HOLDINGS