South Ocean HOLDINGS

INTEGRATED ANNUAL REPORT

For the year ended 31 December

2018

Contents

About this report

South Ocean Holdings Limited ("South Ocean Holdings" or "SOH" or "the Group" or "the Company") is pleased to present its Integrated Annual Report for the year ended 31 December 2018.

Key data

South Ocean Holdings Limited
(Registration number 2007/002381/06)
Incorporated in the Republic of South Africa
Share code: SOH
Listing date: 2007
Sector: Electronic and Electrical Equipment
ISIN: ZAE000092748

Scope and boundary

This report provides a comprehensive overview of the activities and performance of South Ocean Holdings for the 12 months from 1 January 2018 to 31 December 2018. It also gives a detailed overview of the Group's business model and strategy, as well as all financial and non-financial matters that are considered to be material in order for stakeholders to make an informed assessment of the Group's performance and prospects.

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

- South Ocean Electric Wire Company Proprietary Limited ("SOEW"), a manufacturer of low-voltage electrical cables;
- Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), a property holding company;
- Radiant Group Proprietary Limited ("Radiant Group"), an importer and distributor of light fittings, lamps, electrical accessories and audio-visual hardware and accessories, was sold to Eurolux Proprietary Limited ("Eurolux") effective 1 January 2019; and
- Icembu Services Proprietary Limited ("Icembu") is a service business that assembles light fittings and electrical components to manufacturers' specifications. The business was taken over by Eurolux as from 1 January 2019 and Icembu will be liquidated during the course of the current year.

All references to the "Group" made in this report denote the holding company and its subsidiaries, both during the reporting period and during the current financial year. These businesses operate mainly in South Africa, but also have a limited footprint in the rest of Africa.

Corporate information

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

Mr Bekker may be contacted at:
South Ocean Holdings Limited
16 Botha Street
Alrode
1451
+27(0) 11 864 1606
Koos@soew.co.za

The Group welcomes feedback on this report and any suggestions for the Company's future reports. All comments and suggestions should please be addressed to Mr Bekker.

The six capitals

South Ocean Holdings uses the six capitals of sustainable development model in order to accurately evaluate and report on both its financial and non-financial performance. Details of capital inputs and outputs in these six key areas are covered within the body of this report.

Reporting framework

This report has been prepared in accordance with:

- International Financial Reporting Standards (IFRS);
- The Companies Act (No 71 of 2008) of South Africa;
- JSE Listings Requirements;
- The King Report on Corporate Governance for South Africa (2016) (King IV); and
- 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 the South Ocean Holdings Board of Directors with the assistance of its relevant committees. External assurance of non-financial matters has been limited to the broad-based black economic empowerment (B-BBEE) scorecard, as verified by an accredited ratings agency, Siyandisa Solutions.

The consolidated Annual Financial Statements, presented separately, have been audited by PricewaterhouseCoopers Inc., which expressed an unmodified opinion for the year ended 31 December 2018.

Shareholders who require access to information regarding the signed and audited Annual Financial Statements of the Group may view these documents at the registered office of the Company.

Forward-looking statements

This report includes forward-looking statements that encompass both known and unknown risks and uncertainties. Should one or more of these risks materialise, or should any underlying assumptions prove incorrect, actual results may differ from those anticipated. 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 the information presented in this report. The Annual Financial Statements included in the Integrated Annual Report have, as specified, been audited by external auditors.

Henry Pon CA(SA)
Chairperson

Koos Bekker CA(SA)
Chief Executive Officer

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

Group at a glance

CONTRIBUTION TO GROUP REVENUE	CONTRIBUTION TO GROUP RESULTS
SOEW R1 725.4 MILLION	SOEW R4.6 MILLION (PROFIT)
Radiant Group R281.1 MILLION	Radiant Group R32.1 MILLION (LOSS)

GROUP REVENUE	GROSS PROFIT	OPERATING PROFIT
R2.009 BILLION up 16.2%	R226.1 MILLION up 61.6%	R33.0 MILLION up 317%

South Ocean Holdings is a well-established South African manufacturer and distributor of low-voltage electric cable and related products. Until the end of the 2018 financial year, it was also an importer, wholesaler and distributor of domestic and commercial lighting and accessories.

The Group is a preferred supplier in the local market, servicing the building and construction industries. As mentioned in the opening section of this report, the Group has four subsidiaries:

- SOEW, a manufacturer of low-voltage electrical cables;
- Anchor Park, a property holding company;
- Radiant Group, an importer and distributor of light fittings, lamps, electrical accessories and audio visual hardware and accessories trading under the name What 4 Electronics; and
- Icembu a subsidiary that handled light fitting assemblies.

INVESTMENT CASE

South Ocean Holdings has many benefits to offer its stakeholders:

- The Group is a key player in the market sectors in which it operates;
- It has a credible and highly experienced management team;
- It has a large and established customer base in the building and construction industries;
- It has strong relationships with key suppliers;
- It is fundamentally committed to being a good corporate citizen based on good corporate governance; and
- It has a strong and enduring relationship with the financial institutions it uses.

VISION

To position the Group as a major market player and preferred supplier in South Africa based on product quality and superior customer service.

MISSION

South Ocean Holdings has a multi-faceted mission:

To maximise the profitability of its subsidiaries through strategic management in order to deliver excellent returns for shareholders;

To respond to changing market dynamics, extracting cost-efficiencies and focusing on growing the business in both established and new markets;

To manufacture, import and supply consistently high-quality products;

To provide excellent customer service; and

To create an environment that develops its employees and enables them to attain their true potential.

Values

The Group's values are an expression of its business strategy and sustainability objectives, and have remained constant for many years. Every component of its ecosystem, including customers, employees and shareholders, are vital to its sustainability, growth and success. Everything it does is therefore based on a foundation of integrity and ethics, as well as a commitment to being a good corporate citizen.

The Group's values are expressed through:

Customer excellence

- Customers are the cornerstone of the business and essential to sustainable success.
- The business is based on long-term relationships with its customers, which are based on mutual respect.
- The Group and its subsidiaries are dedicated to satisfying customer needs, and have the appropriate people and systems in place to accomplish this.

Employees

- The Group supports and shows concern for its employees.
- It actively involves employees in managing their work processes and career growth.
- It aims to develop and advance its employees so that each employee can realise their full potential.
- It values, encourages and actively strives to create diversity.
- It promotes honesty and open debate.
- It promotes awareness of fraudulent practices and dishonest conduct, so that employees can be an integral part of living the Group's values of honesty and integrity.
- It facilitates, encourages and monitors both individual performance and cooperation within teams.

Integrity and ethics

- The Group complies with all appropriate legal and regulatory frameworks and guidelines.
- It subscribes to and actively creates and supports a culture of good corporate governance.
- It acts ethically, with honesty and integrity.

Corporate responsibility

- The Group actively and consistently contributes to the improvement of the communities in the areas in which it operates.
- It subscribes to business practices that are fair and just, and which minimise the business' impact on the environment.

Empowerment

- The Group aims to empower its employees with appropriate skills and knowledge.
- It provides equal opportunities for them to grow in a supportive environment.
- It provides support and mentorship for its employees through the Human Resources department.
- It ensures that employees are aware of their rights in terms of the Basic Conditions of Employment Act (No. 75 of 1997).
- All employees are free to join a union of their choice or to choose not to do so.

People at a glance

586
employees

Previously disadvantaged
male – 67%
female – 17%

Previously disadvantaged senior managers
male – 38%
female – 15%

Training during 2018

Number of learners on learnerships
2 previously disadvantaged, unemployed and disabled learners

Cost of learnerships
R2.4 million over two years

Training spend
Total spend on training and development for the year – **R2.2 million**

Strategy

Strategy for value creation

South Ocean Holdings aims to be a successful and sustainable group that delivers superior returns for all its stakeholders, makes a positive contribution to the communities in which it operates, and fulfils its responsibilities as a custodian of the natural environment.

The Group's strategy is based on three conceptual pillars that reflect a fundamental commitment to good corporate governance, a responsible approach to risk management, and a dedication to the care and advancement of employees. Progress in relation to strategy is monitored on an ongoing basis against well-defined financial and non-financial indicators.

South Ocean Holdings is a competitive, strategically focused and robust entity that, despite challenging operating conditions, remains a resilient investor, manufacturer and distributor.

Strategic pillars

The three strategic pillars are designed to:

1 **Ensure sustainable returns for stakeholders**

The Group focuses on maintaining high levels of efficiency in order to secure sustainable returns in the short, medium and long term, and to deliver benefits to all of its stakeholders.

2 **Secure the Group's position as a formidable player in the cable manufacturing and related accessories market**

South Ocean Holdings consistently aims to maintain a leadership position in the market sectors and segments it serves, and does this through both organic growth and, where possible, through acquisition.

3 **Develop a globally competitive business**

Over the past three years, the entire business has been streamlined in order to ensure that it remains competitive within the markets it services in South Africa.

Key risks

- Compliance with B-BBEE/Improving B-BBEE rating. (Critical)
- Poor economic climate, volatile exchange rate, unstable rand copper price (RCP) and unstable political environment. (Extreme)
- Interruptions in electricity supply. (Extreme)
- Loss of data and corruption of IT systems. (Extreme)
- Loss of significant customers. (Extreme)
- Cash flow risk. (Extreme)

Critical | Extreme | High | Medium

OVERVIEW COMMENTARY GOVERNANCE FINANCIAL STATEMENTS ADMINISTRATION

Board of Directors

Executive Directors

Jacobus (Koos) Petrus Bekker (62)

BCom, BCom (Hons) (SA), CA(SA)

Chief Executive Officer

A Chartered Accountant and a member of the South African Institute of Chartered Accountants, Koos entered the accounting profession in 1978 and became an audit partner in 1986. He first joined the Group in July 2001, when he took up the position of Administration and Financial Operations Manager at South Ocean Electric Wire Company. He later served as the CEO of Radiant Group between August 2009 and July 2010.

He became the Chief Financial Officer (CFO) of South Ocean Holdings in 2007, at the time when the Company was in the process of listing on the Johannesburg Stock Exchange (JSE). He held this position for nine years until August 2016, when he was appointed Group CEO. Prior to that – from September 2015 to August 2016 – he also held the position of Acting CEO. He serves on the Social and Ethics Committee of the Board.

Morris Kenneth Zack (47)

BCom (SA)

Chief Financial Officer

Morris completed his articles in 1998 and then joined the finance department of a multi-national IT company. He later gained experience in various industries, in which he held a number of senior financial management positions.

Morris was appointed Group Chief Financial Officer in August 2018. Prior to joining South Ocean Holdings, he was Chief Accounting Officer for a large multi-national commercial and manufacturing group in the capital goods sector.

Independent Non-Executive Directors

Kwok Huen (Henry) Pon (82)

BCom (Rand), CA(SA)

Independent Non-Executive Chairperson

Henry, a Chartered Accountant, member of the South African Institute of Chartered Accountants, and member of the Independent Regulatory Board of Auditors, entered the profession in 1962. During his many years of practice, he has worked in several different commercial and industrial sectors, gaining extensive experience in finance, tax, auditing, accounting, and management.

He joined the South Ocean Holdings Board in November 2007 and was appointed Chairperson in April 2014. He serves on the Audit and Risk Management Committee, the Remuneration Committee and the Nominations Committee, of which he is the Chairperson.

Hung-Lung (Eric) Li (67)

MSc (Industrial and System Engineering) (USA)

Independent Non-Executive Director and Deputy Vice-Chairperson

Eric began his career in Silicon Valley, where he worked in the software engineering and semi-conductor manufacturing sectors for more than 20 years. In 2004, he joined Hong Tai Electric Industrial Co., Ltd. ("Hong Tai"), which is headquartered in Taiwan, as the Vice-President of its Information Technology Center (ITC). In 2008, he was seconded to start and manage Hong Tai's Photovoltaic Business Unit, returning to the ITC as Chief Information Officer in 2014. He retired from that position in 2017.

Eric was appointed as an Alternate Director to Choice Pan in 2000, as a Non-Executive Director in 2009, and as Vice-Chairperson in 2016. He serves on the Audit and Risk Management Committee, the Nominations Committee, and the Remuneration Committee, of which he is the Chairperson.

Natasha Lalla (44)

BCom, BCom (Hons) (SA), CA(SA)

Independent Non-Executive Director

A Chartered Accountant, member of the South African Institute of Chartered Accountants, and member of the Institute of Internal Auditors of South Africa, Natasha began her career as an auditor at one of the country's largest accounting firms in January 1998. She later left the accounting profession to join the National Treasury as a Finance Manager.

As well as being a Director of South Ocean Holdings, she is currently the Head of Audit in the Internal Audit Division of one of the "Big Four" commercial banks, where she specialises in corporate and investment banking. Natasha was appointed to the South Ocean Holdings Board in June 2014. She serves as Chairperson on both the Audit and Risk Management Committee and the Social and Ethics Committee.

Non-Executive Directors

Barend Petersen (59)

BCom, B Com(Hons), CA(SA)

Non-Executive Director

Mr. Barend Petersen, a chartered accountant with broad international business experience in mining, manufacturing financial services, logistics, oil industry and business turnarounds. He is the Executive Chairman of De Beers Consolidated Mines, Chairman of the Social and Ethics Committee and a director of De Beers plc. He is the founder and Chairman of Macrovest Capital, an industrial investment company invested in the manufacturing, logistics and oil industry. Barend is a director of several companies, including Anglo American South Africa Limited, Ponahalo Group, Curro Holdings and Chairman of DHL South Africa. He is a member of the Board of the Minerals Council of South Africa.

He joined the South Ocean Holdings Board as a Non-Executive Director in June 2018.

Chi-Yung (Joe) Wu (54)

BSc Business Administration (USA)

Non-Executive Director

Joe joined Hong Tai Electric Industrial Co., Ltd. ("Hong Tai") in 1996 and was appointed Assistant Manager in the Accounting Department in 2002. In 2005, he was appointed Manager of the Internal Audit Department and, in 2008, the Assistant Vice President of the Administration Service Department, and also the Accounting and Finance Officer of Hong Tai. In 2015 he was appointed the Assistant Vice President of the Development Division. Joe was also appointed Assistant President of the South Africa Division of Hong Tai on 1 March 2018.

Joe was appointed a Non-Executive Director of South Ocean Holdings in January 2007. He serves on the Remuneration Committee and Nominations Committee.

Alternate Non-Executive Director

Daphne JC Pan (35)

BSc (Hotel and Tourism Management) (USA), Certificate in Finance (USA)

Alternate Non-Executive Director

Daphne started her career in the sales department of an international hotel chain in Taiwan in 2005. After completing post-graduate studies in Finance in 2009, she joined a real estate firm in New York City, where she worked as a Project Manager on the development of various real estate assets, including a hotel. She has a wide range of experience in real estate valuation and in the financing of real estate projects. Daphne is now a Manager of real estate development and financing at a private investment company.

She was appointed as an Alternate Director to Edward Pan in August 2014. Mr Pan resigned in February 2016, at which time Daphne was appointed Alternate Director to Hung-Lung (Eric) Li.

Chairperson's report

> The rights issue of 2018, together with the sale of underperforming assets, have enabled the Group to stabilise its balance sheet, improve its gearing ratio, and pave the way for expansion in the electrical wiring segment.

The environment in which South Ocean Holdings Limited operates remained constrained throughout the reporting period, with South Africa experiencing its first recession in a decade and with growth for the year reaching only 0.8%.

As in previous years, this was largely due to ongoing socio-economic and political instability, which was only marginally mitigated by the appointment of a new president in February 2018. The resulting uncertainty, which is being exacerbated by drought at home, global trade wars, and turmoil in emerging markets, continues to impact on investor confidence, as well as on such key economic indicators as GDP, CPI, unemployment and the exchange rate.

Macro-economic factors

The greatest macro-economic challenge for the Group during 2018 came in the form of the recessionary conditions that persisted from September to December. These were due in part to the impact of protracted drought on agricultural production; a contraction of 4.9% in the transport, storage and communications industries; and fluctuations in the value of the rand. While the mining, finance and business services sectors managed to hold steady, the impact of the recession on the exchange rate was immediate and lasting.

Within this context, leading economists and analysts remained alert to the threat of a ratings downgrade by Moody's, the only one of the "Big Three" agencies to maintain the country's sovereign debt rating at investment grade. At the time of writing, Moody's has maintained its rating at Baa3, but the Standard & Poor's and Fitch ratings have also remained steady at BB+, the first of the non-investment grades. The short- and long-term impact of these poor ratings on South Africa's economy should not be underestimated.

At SOH, both the electrical wiring and lighting segments of the business were significantly impacted by fluctuations in the value of the rand and patchy demand. Strategic decisions taken during the course of the year were largely affected by these factors and their inevitable influence on both profitability and long-term sustainability.

Business challenges

At the start of the reporting period, one of the most pressing business challenges facing SOH was the performance of Radiant Group. Although the Group executive and the Company's management had made every attempt to restore it to profitability over a number of years, it was evident that it had become unsustainable. A decision was therefore taken to sell Radiant Group and the properties from which the business operates. The sale of the Radiant Group came into effect on 1 January 2019 and the sale of the related properties will become effective as soon as transfer has been concluded.

Together with a rights issue to the value of R19.2 million in April 2018, the sale of these underperforming businesses and associated assets for a total of R183 million have enabled the Group to stabilise its balance sheet, improve its gearing ratio, and pave the way for expansion in the electrical wiring segment. This is an appropriate focus as demand for electrical cables has increased since 2017, partly due to developments in the local industry and partly due to modest growth in key economic sectors.

Further, as I have mentioned in previous reports, the Group's Broad-based Black Economic Empowerment (B-BBEE) status also remains a challenge for the business, although we have made notable progress in this regard since first applying for accreditation three years ago. Since then, the Group has moved from a Level 8 accreditation to a Level 6 accreditation, which has facilitated increased penetration into the private sector. We nevertheless still need to attain the Level 4 accreditation needed to be able to tender for government contracts, and this is now a key objective.

To elaborate, 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, these companies have to comply with the Department of Trade and Industry's (dti's) B-BBEE Codes of Good Practice.

The most notable of these is the requirement that at least 26% – but preferably 51% – of the Company's equity should be owned by black shareholders, and that the entity should be compliant with prescribed employment equity and skills development targets. It also needs to be able to demonstrate black representation at Board, management and workforce level, support for broader socio-economic development, and preferential procurement from black-owned companies.

While SOH significantly improved its rating as a B-BBEE contributor in 2018 – and currently has a black shareholding of 17% – major competitors in the cabling sector currently have Level 1 or Level 2 ratings, which hampers our ability to compete on equal terms. An improved empowerment rating would, as already mentioned, open up significant new markets, especially in the public sector.

The Group therefore continues to explore various opportunities that will allow it to improve its B-BBEE status.

Governance

From a governance point of view, the Board is fully committed to upholding the principles 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 in standards and practices.

From a transformation perspective, less than 60% of the Board is made up of people of colour, while, at management level, 53% of employees are people of colour. At workforce level, the percentage is 84%, which more closely reflects the demographics of the country. In terms of gender, 15% of senior managers are female and 17% of the general staff complement is female which, to some extent, reflects the nature of the business and the sectors in which it operates.

Finally, the health, safety and well-being of employees is always 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 adhered to and monitored.

Group results

Despite uncertain market conditions and the ongoing impact of Radiant Group's performance on profitability during the reporting period, the Group was able to record a 16.2% increase in revenue to R2.009 billion (2017: R1.729 billion) in 2018. Tangible net asset value per share nevertheless decreased by 20.3% to 240.5 cents per share (2017: 301.8 cents per share).

In contrast, share capital increased to R461 million due to the rights issue in April 2018, while revenue, profitability, headline earnings per share, and tangible net asset value per share are all expected to improve during the current period.

The Group remains a going concern and its financial statements for 2018 received an unmodified opinion from its auditors, PricewaterhouseCoopers Inc.

Significant events

There were no significant events that had an impact on operations or results during the reporting period. The Directors are also not aware of any events of this nature that could affect the Group or its subsidiaries during the course of the current financial year.

Outlook

While the challenges SOH faces, especially at macro-economic level, remain significant, it is in a better position to deal with these now than it was in 2017. The sale of Radiant Group has significantly reduced both financial and operational risk and, importantly, has improved our gearing ratio. This will enable the Group to undertake planned investments in order to be able to meet changing market conditions, demand and shareholder expectations.

From an operational point of view, the Group will continue to maintain stringent control over expenditure, as well as to adhere to its goal of continuous improvement in standards, processes, product quality and customer service. This will be supported by its ongoing efforts in the area of training and skills development. The Board and SOEW management team have the knowledge and experience necessary to guide the Group in all of these areas.

On a macro-economic level, the outlook remains uncertain, especially as the general election in May 2019 will be the most contested election since 1994. Uncertainty over land expropriation without compensation will also continue to affect investor and business confidence. Growth is therefore expected to remain muted and it will undoubtedly take the country some time to regain a sovereign credit rating of investment grade from all three of the major ratings agencies. 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. Within this context, the Group anticipates that trading conditions will remain challenging for the foreseeable future.

SOH is nevertheless starting to see the benefit of key strategic decisions taken during the course of 2018. There are also indications that modest growth can be expected in the industrial, ICT, wholesale, retail and financial services sectors during the course of 2019, and the Group is well positioned to take advantage of this.

Changes to the Board

The Board remained relatively stable during the reporting period, with only one resignation and two appointments.

Ms MK Lehloenya resigned as Chief Financial Officer with effect from 31 January 2018 and Mr JP Bekker became Acting CFO until a new appointment could be made. Mr MK Zack was subsequently appointed to fill this position with effect from 7 August 2018. In addition, Mr B Petersen was appointed as a Non-Executive Director with effect from 11 June 2018.

Dividend and executive remuneration

No dividend was declared for 2018.

As far as executive remuneration is concerned, this is carefully monitored and maintained within a market-related range, and comprehensive details are given in the body of the report. Payment of non-executive remuneration for the financial years 2016, 2017 and 2018, which had not been approved at previous Annual General Meetings, was approved by shareholders at the 2018 Annual General Meeting.

Appreciation

In conclusion, I would like to thank the Group's Directors for their dedicated efforts throughout the reporting period, as well as for the manner in which they have continued to deal with the 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 difficult trading conditions.

Last but not least, special thanks are due to our valued customers, suppliers, advisors, business partners, shareholders and stakeholders for their continued support and commitment to SOH and its subsidiaries.

Henry Pon CA(SA)
Chairperson

Chief Executive Officer's report

The Group is on a more stable footing than it has been for the past five years and in a better position to focus on long-term investment.

It is my pleasure to be able to present the Integrated Annual Report for South Ocean Holdings Limited (SOH) for the year ended 31 December 2018. Trading conditions throughout the period continued to present many challenges, but the Group took a number of strategic decisions that have ensured greater stability and secured a solid foundation off which to explore future opportunities for growth.

Since I took up the position of CEO on 4 August 2016, unstable macro-economic conditions have had a notable impact on the business. There was some optimism about a possible upswing in the months after our new president took office in February 2018, but a storm of revelations about mismanagement and instability in government departments, state-owned entities, and municipal-owned entities has kept growth stubbornly low, unemployment figures high, and investor confidence muted.

Changes in competitor activity in the electrical cable and manufacturing segment, as well as some indication of modest growth in the key sectors served by the Group, is nevertheless reason for cautious optimism. With the sale of Radiant Group effective 1 January 2019, SOH is also better positioned to take advantage of market opportunities in this key segment than it has been for the past five years.

Macro-economic and segmental review

Macro-economic factors

The South African economy remained under pressure throughout 2018, with political instability affecting all key economic indicators, including the exchange rate and the level of direct foreign investment coming into the country. As Mr Pon has mentioned in his report, the fact that only one of the "Big Three" ratings agencies have retained the country's sovereign debt rating at below investment grade (BB+), with only Moody's keeping it at the lowest of the investment grades (Baa3) has had an almost incalculable effect on the economy; one that will take the country many years to recover from.

From a Group perspective, the inevitable volatility of the rand and fluctuations in commodity prices continued to impact on the cost of sales which, in turn, impacted on profitability. Despite operating under these conditions, the Group managed to record a 16.2% increase in revenue to R2.009 billion in 2018 (2017: R1.729 billion) and headline earnings per share of 3.57 cents (2017: headline loss of 35.93 cents per share).

Looking ahead, one has to be realistic about immediate prospects. While government's adoption of the National Infrastructure Plan in 2012 has presented opportunities in sectors such as housing, the International Monetary Fund (IMF) has recently lowered South Africa's projected growth rate for 2019 from 1.4% to 1.2%, putting the country amongst the worst performers in sub-Saharan Africa.

Within this context, the decision to sell the underperforming subsidiary, Radiant Group and to close down Icembu and to sell the buildings in which they operate, was a critical business decision for the Group. By doing this we have been able to stabilise the balance sheet, reduce our gearing ratio, and free up capital to develop our consistently profitable electrical wiring business.

We have also managed to improve our B-BBEE rating from Level 8 to Level 6, which has opened doors in the private sector. However, we remain unable to tender for contracts in the public sector at this level, so improving our B-BBEE rating to at least Level 4 remains a critical strategic focus. This is a ball we have to keep our eye on as our major competitors have better B-BBEE ratings than we do, which limits our access to certain critical areas of the market.

Operational review

On the other hand, changes in competitor activity in the electrical cable and manufacturing segment have brought new opportunities, as have indications of some growth in the ICT, mining, manufacturing, wholesale, retail and financial services sectors. In contrast, the construction industry, a major consumer of our products, continues to remain under stress.

Against this backdrop, retrenchments at two major competitors and the liquidation of a third increases the share of market SOEW has access to, as does a general upswing in the demand for electrical wiring and cables since 2017. SOEW is therefore operating at full capacity, taking into account downtime for planned maintenance. Capital investment in expanding this production capacity is therefore a sound long-term investment for the Group. Pricing will nevertheless need to remain competitive as customers operating in the current economic environment are highly price sensitive.

From a resources point of view, the large local copper supplier, Phalaborwa Mining, will be offline from May to August 2019 in order to undertake plant maintenance following a fire during 2018. This will place pressure on the supply of copper, an essential component in the manufacture of electrical wire. The same supplier has also changed its pricing structure. Previously, the current month's copper price was set at the prior month's average price, but now the current month's price is set at the current month's average price. This has resulted in pricing uncertainty as the price of copper is only known at the end of the month in which it is purchased. SOH has therefore not only stepped up copper procurement in the first two quarters of 2019, but has also put contingency plans into place to import copper from reliable international suppliers.

As SOEW has always been the greatest contributor to revenue at SOH, it is clear that the business' fundamentals remain sound and that it has a proven ability to weather uncertain economic conditions as well as fluctuations in demand for its products. Its sustainability is secured by the consistent implementation of classic operational management measures, including maintaining the reliability of supply, managing the resources consumed in the manufacturing process, and by investing in plant and equipment. SOEW also makes a conscious effort to secure its institutional knowledge, which supports optimal production efficiency.

From a health and safety perspective, there were no serious injuries at SOEW during the course of the reporting period and, in general, injury levels remains well within industry standards. The company also remains ISO 9001: 2015 and SANS (South African National Standards) compliant, as well as Conduit SANS 61386 compliant, and prides itself on a consistently high level of product quality. The company's on-site quality testing laboratory is also fully accredited, conforming to SANS 1507, 1574 and 1576.

As far as the management of risk is concerned, the sale of the Radiant Group and the closure of Icembu has considerably reduced operational risk for the Group, placing it in a more stable position than it has been for some time.

Financial review

Notwithstanding the difficult trading conditions throughout 2018, the Group has, as already mentioned, managed to increase revenue by 16.2% over the previous year. Therefore the likelihood that it will return to profitability during the current year is high. The increase in revenue was mainly due to an increase in demand for electrical wiring, as well as SOEW's ability to upscale production to meet this demand.

Other positive results followed in the wake of this improvement. Operating profit increased by 216% to R60.98 million (2017: R19.29 million), enabling the Group to reduce its net loss significantly to R3.66 million from R57.35 million in 2017. In turn, this enabled us to reduce our total attributable loss to shareholders by 95.1%, to R2.83 million (2017: R57.91 million), and the loss per share consequently improved by 94.7% to a loss of 1.95 cents per share (2017: loss of 36.67 cents per share). All of this is evidence that the turnaround strategy implemented in 2015 is achieving results.

From a strategic perspective, the sale of Radiant Group was identified as a fundamental aspect of our business strategy for 2018 and we are pleased to have been able to deliver successfully on this objective. The rights issue of April 2018 was another core strategic objective and this too was successfully implemented. These two major actions are primarily what enabled the Group to recover from the setbacks of recent years.

At market level, SOH continues to explore opportunities to export to African countries. Not only does this offer an opportunity to tap into these markets, but also the opportunity to offset some of the business risks at home.

Both the Board and management remain committed to maximising returns and benefits for its shareholders and to making a positive contribution to all stakeholders. In order to remain relevant, sustainable and profitable, the Group will continue to focus on increasing market share in the electrical wiring segment, increasing manufacturing capacity to meet the expected increase in demand, explore opportunities to increase exports into Africa and maintain stringent cost management and efficiency measures in our operations.

With all of the above in mind, the financial statements for 2018 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. 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 long-term perspective, we will continue to focus on the electrical cable and manufacturing segment, in which the Group has the infrastructure, skills, competencies and knowledge to secure and retain a competitive advantage. Stringent cost management and efforts to improve SOH's working capital position will also continue to remain a fundamental aspect of doing business.

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. In this report, we have also made the move towards reporting based on the Six Capitals of Sustainable Development in order to align our reporting to international best practice.

The Group's policy on corporate governance is listed on pages 36 to 44 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 are expected to remain challenging throughout the current period, the Group is on a more stable footing than it has been for the past five years. It is therefore in a better position to focus on and invest in the electrical cable and manufacturing segment, where growth is expected to be more reliable than in the highly cluttered wholesale and retail market previously served by Radiant Group.

Within this context, it is vital for SOH to continue its efforts to improve its B-BBEE rating, which will afford it access to the public sector and provide the opportunity to tender for contracts to supply electrical wiring on large infrastructure projects.

At a macro-economic level, the country's growth rate is expected to remain muted, unemployment is expected to remain high, fluctuations in the price of commodities are expected to continue, and volatility in the value of the rand is expected to remain a feature of the economy for the foreseeable future. Allowance for all of these factors has been made in the budgeting process.

The full impact of this situation is, however, beyond the immediate control of the Group. The persistently low level of economic growth and the high rate of inflation relative to our trading partners inevitably impacts across all sectors of the economy, influencing everything from the national budget to *per capita* income and household debt. Uncertainty with regard to electricity and water supply is likely to continue as well, impacting on all economic indicators.

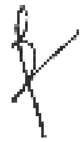
Against this background, the SOH Group will nevertheless continue to capitalise in every way possible on market opportunities, as well as to secure and increase market share. This will continue to be supported by stringent internal cost control measures and continual improvements in both operational capacity and efficiencies.

Appreciation

In closing, I would like to take this opportunity to thank our hard-working employees, who have remained loyal to the Group throughout one of the most difficult periods in its history. There is no doubt that it has been a difficult journey but, equally, we are starting to see the light at the end of the tunnel.

I would also like to express my heartfelt appreciation to our valued shareholders, partners, suppliers, stakeholders and customers for their support of South Ocean Holdings 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.

Last, but not least, thanks is due to my colleagues on the Board for their stalwart support and wise counsel.



Koos Bekker CA(SA)
Chief Executive Officer

Managing Director's report: SOEW

Demand for electrical wiring has improved and SOEW has been able to return to full production.

Performance and operations

As mentioned by both the Chairman and the CEO, economic conditions during the reporting period remained challenging, with the recession in the first quarter impacting on all key indicators. Changes within the competitive environment nevertheless improved demand for electrical wiring and SOEW was able to increase production after having had to reduce production hours from time to time in 2017.

The pressure on pricing remained acute, though, with customers being extremely price-sensitive. This had an effect on revenue and profitability, although the business fared better in 2018 than it did in the previous year. However, the fact that major competitors have higher B-BBEE ratings than SOEW continues to limit access to government contracts, so improving our B-BBEE rating remains a core strategic focus.

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

Revenue nevertheless increased by 21.2% to R1.728 million (2017: R1.427 million) and EBITDA increased by 117.6% to R37 million (2017: R17 million).

From an operational point of view, the volatility of the rand and fluctuations in the rand copper price (RCP) impacted on short-term management planning, but these factors are taken into account during the annual budgeting process and are actively managed on a month-to-month basis.

As in 2017, SOEW continued to explore export opportunities in Africa, although this market remains heavily affected by cheap imports from China. This situation is further complicated by the fact that African customers require BS and IEC standards certification on the products they purchase and SOEW does not have these certifications.

People

From a people management perspective, SOEW is proud to have been able to maintain its good occupational health and safety record. A total of 24 minor injury incidents were recorded during the course of the year (2017: 16) and no serious injuries occurred.

The three-year wage agreement concluded in August 2017 remains in place, which mitigated against the risk of any wage-related labour action during the reporting period. Wages increased by 6.5% in July 2018 (2017: 7.0%) and will increase by a further 6.0% in the current period.

Chantelle Govender was promoted from Finance Manager to Divisional Director Finance from January 2019.

Outlook

With the economy expected to remain muted throughout the current period, SOEW is well positioned to be able to supply the demand for electrical wiring in what continues to be a competitive environment. Capex investment in additional capacity has been planned to meet projected demand and will be implemented in phases.

SOEW remains committed to supplying a comprehensive range of quality products within an acceptable timeframe, as well as to supporting its sales function with excellent pre-sales and after-sales customer service. These aspects of our business are fundamental to increasing market share and securing long-term sustainability. 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.

Directors

At macroeconomic level, if the exchange rate remains volatile and affects the RCP, this will continue to impact on profitability. In general, political uncertainty continues to be the most significant factor affecting economic growth and stability, and this is expected to continue within the foreseeable future.

As a result of this instability, planning remains tactical and focused on managing input costs, efficiency and cash flow, as well as on securing orders in order to increase production volumes. Overall sales are expected to increase during the current period, but this will depend not only on SOEW's performance, but on such factors as stability in the RCP, local demand, and competitor pricing.

Managing Director

Dean Johnson (52)

After qualifying as a Chartered Accountant in 1993, Dean was appointed as Financial Manager for a manufacturing group, where he was later appointed Financial Director. He has also worked in the FMCG and IT sectors.

Dean, who is a member of the South African Institute of Chartered Accountants, joined SOEW in May 2009 as Financial Manager and was appointed Divisional Director of Finance in March 2010. He was appointed Managing Director in September 2015.

Sales and Marketing Director

Yasmin Mahomed (51)

Yasmin began her career in 1987, working for a large South African cable manufacturer. She joined SOEW in October 2002 as a sales consultant, became Sales Manager in 2007, and was appointed Sales and Marketing Director in March 2010.

Divisional Director: Factory and Operations

Tommie Boucher (60)

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

Divisional Director: Finance

Chantelle Govender (41)

Chantelle was appointed Administration Manager at SOEW in October 2011, with promotions to Finance Manager in 2018 and Divisional Director: Finance in January 2019. Her expertise and qualifications in finance, payroll and project management is extensive in the FMCG and Manufacturing industries.

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, which range from those typically used in households to industrial steel-wire armoured cables. Its product range includes general-purpose insulated wire, a range of flexible conductors, steel wire armoured cables, flat-twin and earth cables, aluminium conductor steel reinforced (ACSR) cables, aerial bundle conductors (ABC), and surface wire.

All of its products are manufactured at the SOEW plant in Alrode, Gauteng, where stringent quality controls are in place. SOEW also distributes directly to its clients, using its own fleet of trucks and delivery vehicles. Its direct clients are electrical wholesalers and distributors who, in turn, supply the building, construction, mining and retail sectors. As at the end of the reporting period, SOEW employed 395 people, including electrical, engineering, administration, marketing, warehousing, skilled and semi-skilled personnel.

The company's competitive advantage is based on the superior quality of its products, reliable distribution, and excellent customer service, all of which enable it to remain competitive despite the challenging market conditions currently being experienced in South Africa.

Products

SOEW's comprehensive product range includes:

- Bare copper earth wire
- General purpose house wire
- Flat-twin and earth cables
- Surface wiring
- Twin illumination cable
- Cabtyre
- Single core flex
- Solid panel wire
- Flex power
- Ripcord
- Mains cord
- 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

The SOEW advantage:

- SOEW is a 100% local manufacturer
- The company is ISO 9001: 2008 compliant
- All products conform to the SANS 1507, SANS 1574, SANS 1576, SANS 1418 and SANS 61386 (PVC 20mm^2 and 25mm^2 conduit) quality standards
- All products are quality tested and approved by the SABS
- SOEW has a 24-hour maintenance team on-site to ensure production consistency, quality and reliability
- The company offers competitive pricing and proven customer service
- Half of the workforce has been employed for at least 10 years, so SOEW has retained valuable institutional knowledge
- The company adheres to the highest health and safety standards using its integrated Safety, Health, Environment and Quality Management (SHEQ) System
- SOEW procures from and empowers local suppliers
- It promotes skills development and knowledge transfer
- Its manufacturing processes are specifically designed to minimise their impact on the environment

ANCHOR PARK INVESTMENTS 48 PROPRIETARY LIMITED

("ANCHOR PARK")

Anchor Park is an investment holding company that holds the Group's property assets. Three properties in Alrode house SOEW's manufacturing operations and plant, as well as the South Ocean Holdings head office. The company also held the warehouses, showrooms and offices used by Radiant Group, as well as Icembu's light fitting assembly workshop. As mentioned earlier in the report, the Radiant Group properties have been sold and the sale will become effective as soon as the transfer has been concluded.

RADIANT GROUP PROPRIETARY LIMITED

("RADIANT GROUP")

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

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

Radiant Group's head office 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 Group employs 178 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".

During the course of the reporting period, Radiant Group, which was sold to Eurolux effective from 1 January 2019, provided lighting and electrical solutions for domestic, commercial and industrial use.

ICEMBU SERVICES PROPRIETARY LIMITED

("ICEMBU")

Icembu assembled and repaired light fittings and electrical products to manufacturers' specifications and using manufacturers' components. As part of the sale of Radiant Group, Icembu's operations were transferred to Eurolux on 1 January 2019 and Icembu has ceased trading operations.

Five-year review

GROUP PERFORMANCE AND SEGMENTAL ANALYSIS

	2018	2017	2016	2015	2014
GROUP STATEMENT OF COMPREHENSIVE INCOME					
Net revenue (Rm)	**2 008.9**	1 728.8	1 777.2	1 657.4	1 715.2
Operating profit/(loss) (Rm)	**33.0**	(15.2)	(31.8)	0.4	79.6
Net (loss)/profit after taxation (Rm)	**(3.7)**	(57.4)	(39.1)	(13.9)	37.5
GROUP STATEMENT OF FINANCIAL POSITION					
Shareholders' equity (Rm)	**488.8**	472.0	529.9	569.7	582.2
Non-current liabilities (Rm)	**73.4**	84.6	87.5	101.1	120.5
Current liabilities (Rm)	**296.7**	328.3	325.7	238.9	155.9
Total liabilities (Rm)	**370.1**	412.9	413.3	339.9	276.4
Non-current assets (Rm)	**277.6**	297.5	319.3	331.4	330.1
Net cash and cash equivalents (Rm)	**37.5**	30.3	22.3	21.8	(109.7)
Other current assets (Rm)	**543.7**	557.1	601.5	556.5	638.2
Total assets (Rm)	**858.8**	884.9	943.1	909.7	858.6
SHAREHOLDER RETURNS					
(Loss)/earnings per share (cents)	**(1.95)**	(36.67)	(25.03)	(8.90)	23.99
Headline earnings/(loss) per share (cents)	**3.57**	(35.93)	(13.11)	(9.10)	23.99
Dividend per share (cents)	**–**	–	–	–	–
Net tangible asset value per share (cents)	**240.5**	301.8	333.9	358.7	365.9
Total operating profit/(loss) margin (%)	**1.6**	(0.9)	(1.8)	0.03	4.60
Cash generated/(utilised) for the year (Rm)	**6.4**	8.5	1.2	(16.1)	27.4
Number of shares in issue (millions)	**203.3**	156.4	156.4	156.4	156.4

Wealth creation and sustainability

South Ocean Holdings aims to add value, create wealth and secure long-term sustainability by transforming financial capital into five capital outputs, namely manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

This internationally recognised Six Capitals framework, developed by the Technical Task Force of the International Integrated Reporting Council (IIRC), is designed to create a solid and uniform foundation for long-term business sustainability, as well as to ensure that companies make a real contribution to broader socio-economic development and sound environmental management. The framework is widely used in integrated reporting as it enables listed entities to report on performance in a broader way than traditional reporting standards have previously allowed for.

Reporting in this way presents stakeholders with:

- a meaningful assessment of the long-term viability of the organisation's business model and strategy;
- in-depth information designed to meet the complex needs of investors and other stakeholders; and
- a comprehensive overview of the effective allocation and management of scarce and natural resources.

VALUE ADDED STATEMENT	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Revenue	**2 008 869**	1 728 794	1 777 190	1 657 358	1 951 630
Paid to suppliers and providers of services	**1 653 232**	(1 571 589)	(1 565 421)	(1 419 940)	(1 644 157)
Value added	**355 636**	207 205	211 769	237 418	307 473
Income from investment	**7 958**	8 167	6 471	3 396	3 449
Total value created	**363 594**	215 372	218 240	240 814	310 922
Distributed as follows:					
Employees	**155 489**	129 485	130 218	133 884	134 189
Providers of capital	**24 551**	26 988	23 273	20 397	22 036
Government taxes	**134 827**	88 175	82 311	85 765	98 853
Retained for growth	**48 727**	(29 276)	(17 562)	768	55 844
Depreciation, amortisation and impairment	**26 420**	11 916	36 544	19 686	18 355
Deferred taxation	**25 971**	16 158	(14 967)	(4 999)	(423)
(Accumulated loss)/retained earnings	**(3 664)**	(57 350)	(39 139)	(13 919)	37 912
Total value distributed	**363 594**	215 372	218 240	240 814	310 922
Value added statement ratio analysis					
Number of employees	**586**	622	676	713	781
Revenue per employee (R'000)	**3 428**	2 779	2 629	2 324	2 499
Value added per employee (R'000)	**607**	333	313	333	394
Average salary per employee (R'000)	**265**	208	193	188	172

Financial capital

Organisational equity

Financial capital, as defined by the IIRC's Integrated Reporting (<IR>) framework, is the pool of funds available to an organisation to enable it to be managed as a sustainable going concern, and includes both equity and debt financing. The focus in this area of analysis is on the organisation's source of funding rather than its application, which is what results in the creation of other forms of capital and, ultimately, financial outputs. In other words, financial capital releases its value through conversion into other forms of capital.

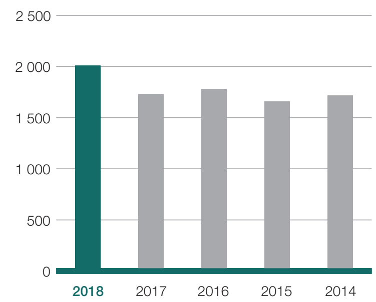
From an equity point of view, South Ocean Holdings has 203.3 million shares in issue with a market capitalisation of R162.6 million at 31 December 2018.

The business also makes use of capital inputs that were previously considered to be non-monetary variables, but which have increasingly become monetised, such as water. A comprehensive analysis of the Group's water usage is given in the relevant section below.

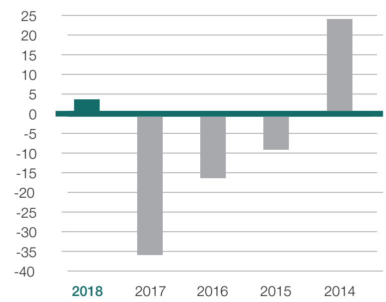
SOH adds value, creates wealth and secures sustainability by using the financial capital at its disposal to manufacture high-quality products, run an efficient distribution system, offer competitive pricing, deliver superior customer service, empower its staff, support external stakeholders, adhere to accepted principles of good governance, and be a responsible custodian of the natural environment.

Its financial outputs are a result of all of these activities.

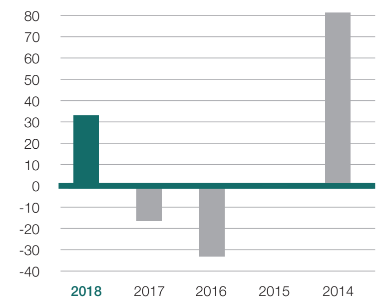
REVENUE
(Rm)



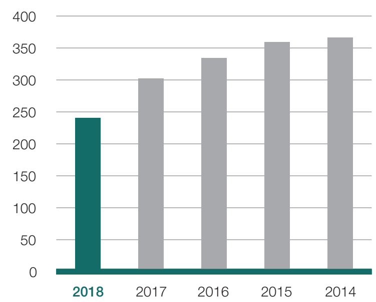
HEADLINE EARNINGS/(LOSS) PER SHARE
(cents)



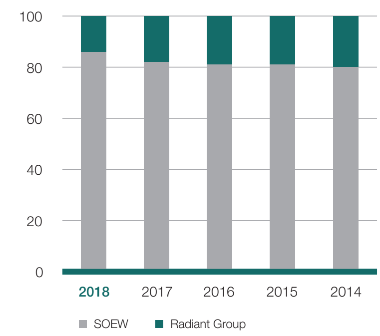
OPERATING PROFIT/(LOSS)
(Rm)



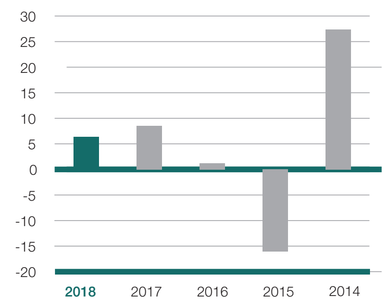
NET TANGIBLE ASSET VALUE
(Value per share cents)



SEGMENT ANALYSIS
(Contribution to revenue %)



CASH GENERATED/(UTILISED)
(Rm)



Manufactured and Intellectual Capital

MANUFACTURED CAPITAL

Definition

Manufactured capital is defined in the IIRC's Integrated Reporting (<IR>) framework as human-created, production-oriented equipment and tools, but also includes infrastructure either owned or leased by the organisation as well as any public infrastructure, such as the road network, that it is able to make use of.

Added value

Like many other manufacturers in South Africa, South Ocean Holdings has had to face serious challenges in recent years, and has had to navigate uncertain macroeconomic and market conditions. It has nevertheless retained its ability to add value and create wealth for its shareholders.

In the 2018 financial year, total value added was R354.8 million (2017: R215.3 million) and the value added per employee was R607 000 (2017: R333 000).

The Group's financial contribution to society is summarised in its value-added statement in the preceding section of this report.

Product range

The Group's primary subsidiary, SOEW manufactures a comprehensive range of low-voltage electrical wire and related accessories, as outlined in the section giving details of each of the Group's subsidiaries.

During the course of the reporting period, the Group's then subsidiary, Radiant Group, imported and distributed a wide range of light fittings, lamps, electrical accessories and audio-visual equipment, servicing the construction industry, electrical wholesalers, mass market retailers, specialised lighting shops and lighting consultants. As mentioned in the Chairperson's report, Radiant Group was sold to Eurolux effective 1 January 2019.

Product quality

Product quality is, and always has been, the cornerstone of SOH's success. In the first instance, the Group and its subsidiaries are certified compliant with ISO 9001: 2015 Quality Management Standards. In addition, and as already mentioned earlier in this report, the products produced by SOEW conform to the SANS 1574, SANS 1576, SANS 1574, SANS 1418 and SANS 61386 (PVC 20mm^2 and 25mm^2 conduit) quality standards. To ensure strict adherence to quality standards, SOEW has quality control facilities and a testing laboratory on-site, as well as a 24-hour on-site maintenance team, which monitors production consistency, quality and reliability.

INTELLECTUAL CAPITAL

Protecting knowledge resources

The IIRC's Integrated Reporting (<IR>) framework stresses that intellectual capital and knowledge management are vital to securing an organisation's long-term earning potential, and are fundamental to sustaining its competitive advantage.

Intellectual capital may be regarded as the output of research and development activities, the use of these outputs to add value in various areas of the business, the development of proprietary processes and procedures, the use of these to add value to products and services, and the management of the organisation's knowledge resources. Knowledge resources include employee competencies, customer relationship management procedures, financial management procedures, and ICT resources. All of these can, of course, be compromised by illegal or unethical behaviours and practices.

With this in mind, there is obviously a relationship between intellectual capital, human capital, and social and relationship capital. The reports on these capitals in this section of the report give insight into how the Group manages and secures its intellectual capital. Its stable and time-tested governance procedures also protect the intellectual capital that secures its leadership position in the market.

Human Capital

Overview

South Ocean Holdings regards the management of human capital and the creation of value in this aspect of its business as essential to the successful delivery of its strategic objectives. The value vested in the skills, abilities and productivity of its employees is critical to the Group's sustainability, growth and development.

The Group actively invests in developing its staff in all aspects of the business, building human capital through training and development, competitive remuneration, and incentive schemes. It also strives to create a motivating and inclusive work environment, in which the value of employees is acknowledged and in which they feel appreciated. Many developmental opportunities are offered that inspire employees to advance their careers.

In 2018, SOH continued to focus on building a resilient and engaged workforce by strengthening and enhancing the skills, experience, diversity and productivity of its employees. This was done by investing significantly in sponsored study programmes, technical learning programmes, learnerships, and critical skills development.

The transformation and empowerment of historically disadvantaged employees, in particular, is regarded as being pivotal to long-term success, and the Group has initiated a number of targeted interventions to ensure that employees in this demographic benefit from skills development and improvement.

SOH is also fundamentally committed to a process of transformation within the business. This objective is supported by intensified recruitment, the development and retention of candidates from historically disadvantaged groups, and focused measures to enhance gender equality. The Group aims to be compliant with all laws and regulations designed to ensure that the business reflects the country's demographics, and this is a particular focus in its recruitment.

As far as labour relations are concerned, the Group continues to maintain constructive relationships with all the unions to which its employees belong. Its aim is to create an inclusive working environment and to ensure that all employees work together towards achieving this objective.

The Group employed 586 full-time employees as at 31 December 2018 (2017: 644). As a result of the sale of Radiant Group, the overall workforce will decrease by 30% to 408 full-time employees by 1 January 2019. As in other areas of the business, the Group consistently strives to increase efficiencies and to maintain the flexibility necessary to adapt to prevailing economic conditions in its human capital management.

EMPLOYMENT EQUITY AND DIVERSITY

South Ocean Holdings is dedicated to creating a diverse workforce by attracting and developing previously disadvantaged people, women and employees with disabilities. The Group's staff complement during the reporting period was as follows:

Permanent employees	Senior Management
male – 67%	male – 38%
female – 17%	female – 15%
are black	is black

8 disabled employees	**2** disabled learners

EMPLOYEE DEVELOPMENT

SOH is proud to partner with its employees in their development. The Group actively encourages them to improve their skills and experience, and provides appropriate mechanisms for them to do so.

Continuing education

In 2018, 169 employees – including executives, managers, office staff and factory staff – had the opportunity to enhance their skills by studying further. Some of the courses they enrolled for included those provided by the Wits Digital Campus, the university's online continuing education platform. The Group provided both financial and academic support for the employees undertaking further studies in this way, and is proud to announce that they achieved a 99% pass rate.

Bursaries

In addition to educational support for employees, SOH offers a number of bursaries for suitably qualified dependents.

Learnerships

On a broader basis, the Group also funded learnerships for two disabled and unemployed learners, with the aim of upskilling the beneficiaries and bringing them into the formal workplace. On completing these learnerships, the beneficiaries had the additional opportunity to participate in an accelerated learning programme designed to improve their chances of being employed immediately after the learning process. In addition to paying their courses fee, the Group provided learnership beneficiaries with stipends to cover their day-to-day expenses. The total amount spent during the reporting period was R2.4 million.

Supervisors and foremen were also able to benefit from a separate learnership programme designed to enhance and strengthen their skills.

Training

SOH continues to invest in various training programmes to ensure that the skills of its workforce are enhanced. The total amount invested in training during the reporting period was R2.2 million.

EMPLOYEE INCENTIVES

The Group offers both short- and long-term incentives, the details of which are set out in full in the Remuneration Report. Staff also benefit from performance-related and attendance bonus schemes. Attendance bonuses are paid out at year-end to employees who have not taken sick leave during the course of the year.

Short- and long-term incentives are paid out in March of each year after having been approved by the Remuneration Committee.

FREEDOM OF ASSOCIATION

The Group upholds the right of employees to exercise freedom of association and collective bargaining, in compliance with the Constitution of the Republic of South Africa. It recognises trade unions that are sufficiently representative of its employees, and gives formal assurance that employees may associate with employee representative organisations and trade unions or, indeed, choose not to do so.

The Group's 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 at SOEW belonging to trade unions was as follows:

Trade union	2018	2017	2016	2015
NUMSA	**318**	297	312	311
Solidarity	**8**	8	7	8
Total unionised employees	**326**	305	319	319
Percentage of unionised employees (%)	**55.6**	47.1	47.2	45.2

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

At South Ocean Holdings, safety is a way of life. It is the Group's belief that zero harm is possible and attainable through dedicated focus and teamwork. Compliance with safety rules and procedures is rigorously enforced, and includes the mandatory use of personal protective gear.

Instances of workplace injuries and accidents are fully investigated and, where necessary, steps are taken to avoid future incidents. There are currently no outstanding claims that require employees to be compensated for health and safety matters.

Occupational health and safety standards are governed by national Occupational Health and Safety Regulations. In order to ensure a balanced management approach, SOH has appointed Health and Safety Committees in various areas of the business, and it is their function to ensure that the Group abides by these regulations.

The committees include representatives from senior management, as well as health and safety representatives selected from all 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 as well as on the disposal of hazardous material. The appointment of safety representatives and first-aid practitioners, as well as overseeing the processes necessary to ensure the safe operation of factory equipment are all functions that are delegate to these committees.

Safety

South Ocean Holdings oversees the training of first-aid and fire-fighting representatives to ensure that, in the event of an accident, there are always trained personnel immediately on hand to assist colleagues.

Over the past three years, there has been a notable decrease in the number of safety incidents recorded. In 2018, 34 incidents were recorded, up from 22 in 2017 and down from 43 in 2016. Management takes each of these incidents very seriously, and all injured employees who require medical attention are provided with appropriate treatment and, where needed, time off work for recovery. Management is pleased to report that there were no serious incidents reported during the year.

Health

South Ocean Holdings values the lives of its employees and believes that preventative measures have an important role to play in securing their health. As in previous years, a number of awareness programmes and campaigns were undertaken during 2018 to ensure that employees have the knowledge to facilitate early detection of both acute and chronic conditions. The Group also encourages employees to adopt healthier ways of living, partly through a programme of communications designed to inform them of the risks associated with various lifestyle choices.

In 2017, the Group conducted a Health and Wellness Survey to determine the basis for a long-term health management approach. Since then, it has established a formal health and wellness programme to assist employees with any health and psycho-social issues they may be experiencing.

HIV and Aids

HIV and Aids Awareness programmes are available to all employees within the Group. Employees are encouraged to attend regular educational sessions, to take the necessary precautions to prevent infection, and to regularly check their HIV status. The HIV status of employees is strictly confidential and the HIV prevalence rate amongst staff will not be released for publication.

Lead poisoning

Stringent safety precautions are taken for any employees who come into contact with lead during the course of their work and blood screenings are conducted twice a year to ensure that they are lead-free. If an employee's blood tests indicate the presence of lead in their blood, he/she is moved out of that department until blood tests indicate that he/she is lead-free again.

Noise surveys

Noise-level screenings are routinely done on all existing equipment and on any new equipment before it is introduced into the plant. This is done by an independent company that specialises in monitoring noise levels in industrial installations. Employees are also required to wear ear plugs at all times when working on the factory floor.

SECURITY PRACTICES

The Group ensures that all employees are aware of and fully understand the Group's security policies and practices. In-house security personnel and third-party security providers are all given formal training to acquaint them with these security policies and practices.

No security violations were reported during the course of the year.

STAFF TURNOVER

Reason for leaving (number of employees)	2018	2017
Resigned	**35**	40
Dismissed	**15**	21
Absconded	**2**	1
Death	**3**	2
Retrenched	**26**	21
Other (including pension)	**22**	6
	103	91

New employment (number of employees)	2018	2017
Replacements and growth	**74**	73

ABSENTEEISM

Employees are encouraged to maintain a healthy work-life balance and various types of paid leave are offered to facilitate this. 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. This trend has been reversed in 2018.

The following chart details the total number of leave days taken during the reporting period:

Leave type (days taken)	2018	2017	2016
Annual leave	**10 294**	14 668	12 876
Family responsibility leave	**404**	285	448
Maternity leave	**457**	408	304
Sick leave	**2 203**	2 459	3 065
Study leave	**55**	100	67
Unpaid leave	**920**	603	665
Total number of leave days taken	**14 333**	18 523	17 425
Average number of leave days per employee	**24**	29	26

EXTERNAL STAKEHOLDERS

South Ocean Holdings engages regularly, openly and honestly with stakeholders involved in and affected by the Group's operations. This enables the Group to build strong relationships with these stakeholders, as well as to align development plans with their needs. These interactions also provide the opportunity to identify and report on important issues raised by both individuals stakeholders and communities.

The stakeholder engagement map below graphically represents some of the communications strategies and channels employed by the Group in its stakeholder management process. Stakeholders are categorised as either primary, secondary or tertiary, depending on their level of interaction with the Group.

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.

Social and Relationship Capital

A SUCCESSFUL COMPANY IN A SUCCESSFUL SOCIETY

South Ocean Holdings strives to be a successful company that contributes to creating and sustaining socio-economic development in South Africa. It has all of the appropriate structures, policies and procedures in place to achieve this.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is a formal sub-committee of the Board, and was established in terms of section 72 of the Companies Act. It operates under mandate from the Board within approved terms of reference. It is the role of the Committee to ensure that the Group engages in sustainable social, ethical, health, safety, and transformation practices that are aligned to the Act, other legal requirements and accepted codes of best practice. It places specific emphasis on empowerment in respect of ownership, procurement, employment equity and skills development.

During the reporting period, the Committee was made up as follows:

Director	Capacity
N Lalla	Chairperson
MK Lehloenya[1]	Chief Financial Officer
JP Bekker	Chief Executive Officer
MK Zack[2]	Chief Financial Officer

1 Resigned effective 31 January 2018
2 Appointed effective 7 August 2018

Meetings

There were no meetings held during 2018 as Committee matters were addressed in Manco and Board meetings.

Reporting

The Chairperson reports to the Board on the Committee's proceedings after each meeting. She also attends the Annual General Meeting to report on its functions and activities and to respond to any questions from stakeholders.

Responsibilities

The monitoring function of the Social and Ethics Committee applies, amongst others, to matters relating to:

- Social and economic development, with specific reference to:
  - the 10 principles set out in the United Global Compact Principles;
  - the Organisation of Economic Cooperation and Development (OECD) recommendations regarding corruption;
  - the Employment Equity Act; and
  - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, with a particular focus on:
  - the promotion of equality, the prevention of unfair discrimination, and the elimination of corruption;
  - contributions to the development of the communities in which the Group operates and in which its products are sold; and
  - sponsorships and donations.
- The environment, health, and public safety.
- 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's protocols 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, if and as required.
- Reporting on matters within its mandate at the Annual General Meeting.

EMPLOYMENT EQUITY COMMITTEE

South Ocean Holdings monitors adherence with the Employment Equity Act on an ongoing basis through its Employment Equity Committee, which is made up of a senior management representative, a shop steward and elected employee representatives for the different categories of staff. The Group is committed to ensuring that its workforce profile mirrors the demographics of the country.

During the reporting year, the categorisation of employees according to their workforce profile was as follows:

	WHITE		ACI*		NON-RESIDENT		TOTAL	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
Total workforce	**84**	96	**491**	533	**16**	19	**591**	648
Less: non-permanent staff	**(4)**	(6)	**(1)**	(18)	**–**	(2)	**(5)**	(26)
	80	90	**490**	515	**16**	17	**586**	622
Gender profile								
Male	**54**	64	**391**	405	**12**	13	**457**	482
Female	**26**	26	**99**	110	**4**	4	**129**	140
	80	90	**490**	515	**16**	17	**586**	622
Occupational level								
Directors	**4**	1	**1**	1	**–**	–	**5**	2
Male	**4**	1	**1**	–	**–**	–	**5**	1
Female	**–**	–	**–**	1	**–**	–	**–**	1
Senior Management	**7**	16	**11**	9	**1**	–	**19**	25
Male	**6**	15	**7**	5	**1**	–	**14**	20
Female	**1**	1	**4**	4	**–**	–	**5**	5
Professionally qualified and middle management	**40**	33	**43**	39	**–**	–	**83**	72
Male	**28**	28	**32**	29	**–**	–	**60**	57
Female	**12**	5	**11**	10	**–**	–	**23**	15
Skilled and technical	**24**	31	**129**	165	**5**	6	**158**	202
Male	**13**	17	**103**	122	**4**	5	**120**	144
Female	**11**	14	**26**	43	**1**	1	**38**	58
Semi-skilled and unskilled	**5**	9	**306**	301	**10**	11	**321**	321
Male	**3**	3	**248**	249	**7**	8	**258**	260
Female	**2**	6	**58**	52	**3**	3	**63**	61
	80	90	**490**	515	**16**	17	**586**	622
Disability profile								
Disabled	**–**	–	**11**	11	**–**	–	**11**	11
Male	**–**	–	**9**	11	**–**	–	**9**	11
Female	**–**	–	**2**	–	**–**	–	**2**	–
Non-disabled	**80**	90	**479**	504	**16**	17	**575**	611
Male	**54**	64	**382**	394	**12**	13	**448**	471
Female	**26**	26	**97**	110	**4**	4	**127**	140
	80	90	**490**	515	**16**	17	**586**	622
Age profile								
Under 30	**11**	14	**61**	67	**4**	5	**76**	86
Male	**6**	7	**51**	46	**3**	4	**60**	57
Female	**5**	7	**10**	21	**1**	1	**16**	29
Over 30, but less than 50 years	**40**	43	**356**	380	**10**	11	**406**	434
Male	**24**	33	**277**	308	**7**	8	**308**	349
Female	**16**	10	**79**	72	**3**	3	**98**	85
Over 50 years	**29**	33	**73**	68	**2**	1	**104**	102
Male	**24**	24	**63**	52	**2**	1	**89**	77
Female	**5**	9	**10**	16	**–**	–	**15**	25
	80	90	**490**	515	**16**	17	**586**	622

*ACI = African, Coloured and Indian

Unfair discrimination in the workplace is actively discouraged, and where instances of such discrimination are encountered, management acts decisively as soon as the matter has been raised.

Whenever there are vacancies within the Group, preference is given to existing employees in order to maintain continuity and a smooth equity management process.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

South Ocean Holdings regards B-BBEE and transformation as essential to achieving its key strategic objectives. The Group has therefore consistently made improvements to its B-BBEE score.

In the area of preferential procurement, SOH has considerably increased its spend with key categories of supplier, including black-owned businesses (businesses with a 51% or higher black ownership), companies owned by black women (with a 30% or higher black female ownership), and companies that are defined as Qualifying Small Enterprises (QSE) and Exempt Micro Enterprises (EME). These efforts are supported by a formal supplier development programme.

The Group is optimistic that it will be able to improve on this further during the current period.

CORPORATE SOCIAL INVESTMENT

South Ocean Holdings is committed to making sustainable contributions to and uplifting communities in the areas in which it operates. The Group does this primarily through a process of enterprise development, which is facilitated by accelerating the sustainability and financial independence of black-owned enterprises. This is supported by additional financial assistance for community-based development programmes, such as the New Beginnings Care Centre (NBCC).

CSI spend

The Group's CSI spend during the year was made up of grants to the value of R1.9 million.

Political party policy

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

New Beginnings Care Centre (NBCC)

The primary beneficiary of SOH's socio-economic development programme is the NBCC, which is situated in Boksburg, and offers a range of services aimed at stabilising and empowering destitute individuals.

The centre, which has an average residency rate of 600 individuals, provides homeless people of all ages with accommodation, food and structured programmes designed to assist them in integrating back into mainstream society. As part of this process, it provides a crèche and educational support for children under 18, and helps adult residents to find jobs that will enable them to regain their independence and rebuild their lives.

The NBCC also offers a rehabilitation programme to individuals who are struggling with substance abuse, and distributes food on a daily basis to 90 community feeding schemes.

The Group sources all of its casual and part-time labour from the NBCC and is proud to be part of an initiative that is making a difference in so many lives.

ENTERPRISE DEVELOPMENT

Enterprise development is another critical focus, as it is a powerful means of creating jobs and alleviating poverty. As already mentioned, the Group focuses in particular on supporting sustainable businesses owned by black people, especially black women. It assists identified beneficiaries by donating stock, which can then be sold to their customers at a profit. SOH has continued to do this despite facing some of the most financially challenging times it has ever faced in recent years.

HUMAN RIGHTS

The Group ensures that all employees are afforded the dignity and respect they deserve as enshrined in the Bill of Rights. It diligently ensures that none of its policies and procedures infringe on the rights of employees as articulated in all applicable legislation.

CHILD LABOUR

South Ocean Holdings procures materials, products and services from a number of suppliers who are domiciled in various jurisdictions, each governed by a different legislative framework. The Group strongly rejects the use of child labour by any of its suppliers as this is a violation of human rights. While monitoring labour practices across a wide range of suppliers in foreign jurisdictions can be difficult, to date the Group has not encountered any instances of the use of child labour amongst its suppliers.

Natural Capital

Towards a greener and cleaner future

In line with the guidelines outlined in King IV, South Ocean Holdings regards the protection and conservation of the environment as a fundamental aspect of doing business.

While still owned by SOH, Radiant Group introduced an extensive range of eco-friendly and energy efficient products. These products were specifically designed to enhance energy saving and to contribute towards creating a greener, cleaner and more sustainable future. All Radiant Group packaging also provided energy saving and recycling information.

Climate change

South Ocean Holdings recognises the impact of climate change on the natural environment and actively seeks opportunities to mitigate the Group's environmental impact. During the course of 2018, a task-team was constituted to measure the carbon impact of the Group's manufacturing processes and vehicles. A report from this team will be included in the 2019 Integrated Annual Report and in all subsequent annual reports.

Environmental impact assessment and carbon footprint analysis

South Ocean Holdings did not perform any environmental impact assessments and did not perform a comprehensive carbon footprint analysis during the reporting period. Various environmental assessments are scheduled to take place during 2019.

Energy usage

During the course of the year, SOEW, the manufacturing subsidy of the Group used 20.3 MWh of electricity (2017: 16.9 MWh), with increased production accounting for this increase in usage. This translates into 0.003 MWh per hour worked (2017: 0.003 MWh per hour worked).

Water management

The manufacturing process at SOEW uses very little water and the company therefore has a minimal impact on the environment in this respect. During the course of the year, it used 7 107 kilolitres of water (2017: 6 434 kilolitres), translating into an average of 0.01 kilolitres per hour worked (2017: 0.009). As with energy usage, this increase is attributable to an increase in production hours to meet changing demand.

While the Group's manufacturing processes have very little impact on biodiversity and the environment, it makes every effort to conserve water on a Group-wide basis and to educate its employees on the importance of keeping water usage to a minimum.

Waste management

The Group has a policy of re-using materials before undertaking any recycling or disposal. Only waste that cannot be re-used is disposed of, and this is done in an environmentally safe manner. Specialist companies are used to handle the disposal of hazardous materials, such as oil from the manufacturing machinery at SOEW, and paper recycling bins are situated throughout the Group's factories, testing facilities and offices.

A portion of the total scrap generated at SOEW during the year, including copper wire and PVC scrap, was recycled and re-used in the production process and the balance was sold. The company aims to keep cable scrap to a minimum and, where it is unavoidable, it is sold on as a financial recovery measure.

Used soluble and lubricating oils, which are a by-product of SOEW's manufacturing process, are disposed of through a third party, who either recycles or disposes of them in an environmentally safe manner. During 2018, 15 480 litres of both soluble and lubricating oil (2017: 12 008 litres) was generated and disposed of.

Industrial waste generated and disposed of during the course of the year totalled 1 050 000 kilograms (2017: 693 081 kilograms). Some soil was also disposed of from the manufacturing site. In order to minimise waste in all categories, SOEW adheres to a planned maintenance schedule designed to maximise the operating efficiency of all equipment over its lifetime.

The Group attempts to keep refuse to a minimum and recycles as much as possible. During the course of the year, a total of 1 056m^3 of refuse was generated (2017: 1 164m^3).

Radiant Group adhered to a comprehensive waste recycling programme, monitoring waste streams that included aluminium, paper, glass, and packaging. This not only helped to reduce landfill usage, but also resulted in financial savings as recovered waste was either re-used in packaging or collected, recycled and sold to other users. Specialist companies were used to dispose of lamps containing mercury.

Risk report

ENTERPRISE RISK MANAGEMENT

South Ocean Holdings is committed to proactive enterprise risk management, which it applies as a business discipline to create value, secure assets, protect stakeholder interests, and promote long-term sustainability. Risk management policy is therefore founded on the ethical values of responsibility, accountability, fairness, and transparency, and is designed to facilitate uniform application.

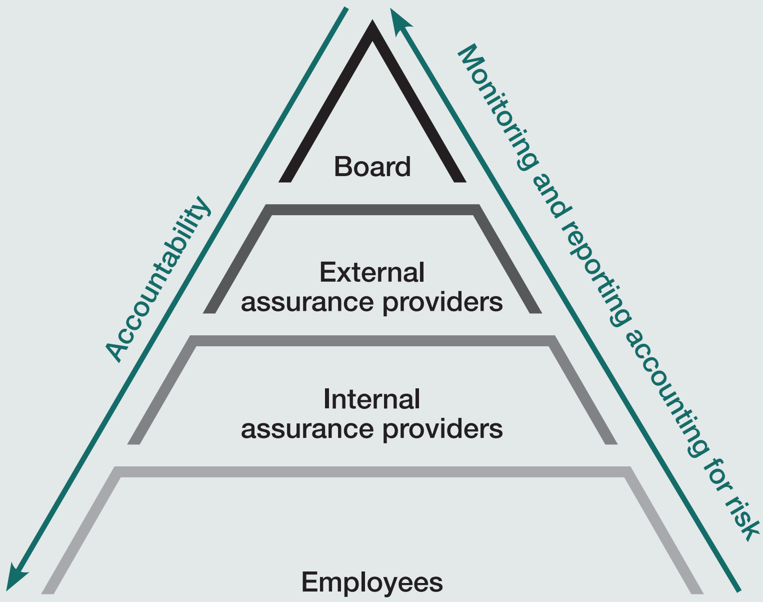
The Board has committed the Group to a process of risk management that is aligned to the principles of good corporate governance as set out in King IV and the Companies Act. This is defined as a structured, systematic and comprehensive process designed to:

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

Although the Board is ultimately accountable for enterprise risk management, the Audit and Risk Management Committee assists with oversight. All employees are also required to be fully conversant with risk management policy and processes, as well as to maintain the integrity of these policies and processes throughout the organisation. Risk management processes are implemented within the context of the approved risk management framework and the structures that have been put into place to allow for the Group's unique needs, circumstances, and operating activities.

The identification, assessment, mitigation, and monitoring of risk in all areas of the business is an ongoing and evolving process, and is an integral part of daily decision-making. Quarterly risk reports provide the management information necessary to conduct a regular and balanced assessment of the risks the Group faces as well as of the internal processes that are in place to manage them.

Governance structure



RISK MANAGEMENT FRAMEWORK

The Board has approved the Risk Management Framework, which includes a comprehensive implementation plan, and delegates the responsibility for this implementation to the Chief Financial Officer. The Board reviews the risk policy, framework and implementation plan annually.

South Ocean Holdings adheres to ISO 31000: 2009 Risk Management principles and guidelines as the standard for the Group and to ISO 73: 2009 Risk Management principles to define risk-related terms.

RISK APPETITE

South Ocean Holdings has a low appetite for risk. The Board therefore prioritises organisational resilience over aggressive risk-taking in order to achieve long-term sustainability. As a result, management does not seek out exposure to risk in order to drive short-term financial performance or growth. Management must ensure that decision-making and risk exposure is maintained within the parameters approved by the Board.

TOP PRINCIPLE RISKS AND MITIGATIONS

	Risk description	Causes	Risk rating: Current year	Actions to improve management of the risk
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.	21	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	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.	20	Offer the best product. Build customer relationships. Develop marketing plans to position products to increase sales. Diversity revenue stream. Develop excellent sales teams.
	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.	15	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.
	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.	15	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.	15	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.
	Cash flow risk.	Ineffective monitoring of cash, over-spending on expenses and recoverability of debtors can lead to liquidity constraints.	12	Collections are closely monitored to identify distressed customers. Working capital expenses are properly controlled.

	Risk description	Causes	Risk rating: Current year	Actions to improve management of the risk
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.	**12**	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.	**12**	Ongoing 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	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.	**12**	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.
EXTREME	Loss of key staff.	Working conditions, a competitive market and a shortage of skills can result in the loss of key staff, impacting profitability.	**12**	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	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.	**8**	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.
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.	**5**	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.
LOW	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.	**3**	Sales are spread between significant customers and the debtors book is closely monitored. Debtors are insured with Credit Guarantee Insurance Corporation of South Africa Limited.

Remuneration report

REMUNERATION POLICY – PART 1

South Ocean Holdings' remuneration policy is aligned with the guidelines set out in King IV and complies with both the Companies Act and the JSE Listings Requirements. The Group has an integrated approach to remuneration, and aims to ensure that there is an appropriate balance between the interests of shareholders and its strategic and operational requirements.

The Group's remuneration policy is designed to:

- support the implementation of its business strategy;
- provide attractive and market-related remuneration;
- motivate and reinforce individual and team performance; and
- demonstrate equitable remuneration related to job description, responsibility, and personal performance.

The policy aims to ensure that remuneration is:

- market-related and competitive;
- performance-related;
- appropriate to the value delivered in each job category and at every level; and
- compliant with best-practice governance in both concept and practice.

This, in turn, is designed to:

- attract, motivate and retain skilled and talented people, especially in key positions;
- support the Group's position as an employer of choice; and
- encourage and reward superior performance.

No major changes were made to the Remuneration Policy during the reporting period and established key performance indicators (KPIs) remain aligned to the Group's strategy and goals.

REMUNERATION COMMITTEE

The Remuneration Committee operates under mandate from the Board, which assesses its composition annually in order to ensure that it has the appropriate mix of skills, knowledge and experience to operate effectively. It complies with all legal requirements and governance guidelines.

Composition

The Remuneration Committee is made up of two Independent Non-Executive Directors and one Non-Executive Director, all of whom have the qualifications and experience to fulfil their duties.

Meetings

The 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 related to their own remuneration.

Reporting

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

Roles and responsibilities

The Committee does not assume the functions of management, which remain the responsibility of the Executive Directors and Senior Management. Its primary task is to assist the Board in ensuring that the remuneration of Directors and Executives is fair and market-related.

The Remuneration Report in this section provides a detailed overview of the Group's remuneration practices. It deals mostly with the remuneration of the Directors and Senior Management.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Terms of service

Non-Executive Directors, including the Chairperson, are appointed by the shareholders at the Annual General Meeting, but interim appointments are permitted within the framework of the remuneration policy during the course of the year. Interim appointees retire at the next AGM, when they may make themselves available for re-election.

In terms of the Group's Memorandum of Incorporation, one-third of the Non-Executive Directors may make themselves available for re-election each year, under the condition that, should a Director be appointed as an Executive Director or as an employee of the Company in any other capacity, he/she shall not, while he/she continues to hold that position or office, be subject to retirement by rotation and he/she shall not, in that case, be taken into account in determining the rotation or retirement of Directors.

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

The independence of Non-Executive Directors is evaluated annually and the evaluation performed for 2018 has confirmed their independence.

Fees

Group policy is to pay competitive fees that are aligned to skill, experience and the time commitment required from the Non-Executive Directors. Fees are benchmarked against a comparison group of JSE-listed companies.

Non-Executive Directors do not receive short-term incentives and do not participate in any long-term incentive schemes. Their fees are proposed by the Remuneration Committee on an annual basis and voted on by shareholders at the AGM. There are no retirement provisions for Non-Executive Directors.

REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The remuneration philosophy of the Group is to pay Executive Directors, Senior Managers and staff market-related remuneration that is intended to motivate them, encourage sustainable performance, and secure retention. In terms of remuneration policy, above-average remuneration only accrues to 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

The remuneration package of Executive Directors is made up of:

- a guaranteed package;
- a performance-linked bonus;
- a short-term profit sharing bonus; and
- a long-term incentive scheme.

Guaranteed package

A total cost-to-company package is determined annually for each Director and Senior Manager based on the market value of his or her position and is awarded on the assumption that performance targets are higher than they were in the preceding year and that these targets are met. The guaranteed pay is calculated at between 75% and 80% of the total cost-to-company package for Directors and at 92.4% for Senior Managers.

Performance bonus

Directors and Senior Managers are required to enter into performance contracts that clearly define individual key performance areas linked to the strategic objectives of the business unit.

The annual performance bonus for Directors is calculated at between 20% and 25% of the total cost-to-company package, while for Senior Managers, it is calculated at 7.6% of total package.

Profit-sharing bonus

Executive and Senior Managers employed by the Group participate in a profit-share pool if profit before taxation exceeds targeted earnings for the year, as proposed by the Remuneration Committee and approved by the Board.

Target earnings are defined as the inflation-adjusted moving average of earnings for the past three years multiplied by a growth factor equal to expected inflation. For the purposes of the profit-sharing bonus scheme, a nominated percentage of the excess earnings of the Group and each subsidiary is allocated to be shared by eligible participants. The nominated percentage for 2018 was 5%.

Long-term incentive scheme

A long-term incentive scheme has been in place at South Ocean Holdings since 1 January 2009. The objective of this plan is to align the interests of Directors and Senior Managers with those of shareholders and to retain the key people who are responsible for leading the organisation.

The incentive scheme is a share-appreciation rights scheme in terms of which each participant receives a cash bonus based on equity growth. It 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 features of the scheme are as follows:

- There are separate schemes for the Group and its subsidiaries.
- Share appreciation rights are defined in relation to the issued shares of each entity at the commencement of each financial year.
- Each share appreciation right relates to one issued share.
- In the case of the Group scheme, eligible participants were allocated rights bases on the value of ordinary shares which, in turn, is based on the volume-weighted quoted share price during the month preceding the allocation.
- Beneficiaries of the Group scheme would receive a cash bonus at the end of a defined holding period, which is equal to the difference between the value of those shares at the beginning of the period and the value of the shares at the end of the period.
- In the case of subsidiaries, eligible participants are allocated rights:
  - in relation to a certain value of the shares of the company (75% of the allocation);
  - in terms of a valuation of the shares of the company which, in turn, is based on its financial results over the preceding three financial years;
  - based on the shares of the holding company (25% of the allocation) which, in turn, is based on the volume-weighted quoted share price during the month of December in the previous year;
  - a cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period.
  - the holding period of allocations being 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 is 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

The total cost-to-company package for all Executive Directors is reviewed annually by the Remuneration Committee based on market information and individual competency assessments.

The Committee is also mandated to review on an annual basis the remuneration policy that applies to all Executive and Senior Managers who are members of the Executive Committee or a Management Committee.

Executive Directors' remuneration from related companies

Executive Directors' remuneration paid for 2018 was as follows:

Company	2018 R'000	2017 R'000
South Ocean Holdings Limited	**5 841**	5 567

Details of the remuneration of individual Executive Directors are disclosed in the notes to the Annual Financial Statements in this report.

Non-Executive Directors' remuneration

The fees for Non-Executive Directors during 2018 were as follows:

	Fixed fee Per annum 2018 R
Chairperson of the Board	**482 537**
Deputy Vice Chairperson	**278 376**
Member of the Board	**160 846**
Chairperson of the Audit and Risk Management Committee	**241 268**
Member of the Audit and Risk Management Committee	**52 126**
Chairperson 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/hour**
Member of a Special Committee	**R1 876/hour**

Details of the remuneration of individual Non-Executive Directors are disclosed in the notes to the Annual Financial Statements in this report.

INTEREST OF DIRECTORS IN SHARE CAPITAL OF THE COMPANY

The details of individual Directors' interest in share capital of the Company is disclosed in the Directors' Report and the notes to the Annual Financial Statements.

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 its subsidiaries.

SHARE APPRECIATION SCHEME

Details of the Share Appreciation Scheme are set out in the notes to the Annual Financial Statements in this report.

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 have been identified and their earnings, including any bonus and share appreciation rights paid out, have been disclosed.

Remuneration and benefits paid and incentives paid in 2018 and 2017 are set out in the notes to the Annual Financial Statements in this report.

SERVICE CONTRACTS AND SEVERANCE PAY

The Group enters into formal service contracts with all Non-Executive Directors.

Executive Directors, Executive Managers and Senior Managers are subject to South Ocean Holdings' standard terms and conditions of employment and have notice periods that vary between 30 and 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.

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 and their contributions vary between 6.6% and 15% of their basic salary. Employees who are members of the Metal Industry Bargaining Council belong to the Metal Industries Pension Fund or the MEIBC Provident fund and their contributions amount to 14.6% of their basic salary.

Employees also contribute to a funeral policy that covers funeral costs for the employee or for close family members in the event of death. This is packaged with a risk policy, which pays out between three and five times the employee's gross annual salary in the event of death or permanent disability.

SHAREHOLDER AGREEMENT

The Group's remuneration policy and implementation plan is presented to shareholders for consideration and approval at each Annual General Meeting, as recommended by King IV. In the event that 25% or more of the votes cast are against either the remuneration policy resolution or the implementation plan resolution, 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 to the way in which the policy is implemented.

REMUNERATION COMMITTEE MEMBERS

The Remuneration Committee members in 2018 were:

HL Li	Chairperson
KH Pon	Member
CY Wu	Member

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 – basic pay and benefits

In determining the cost-to-company increases for Executive Directors for the reporting period, 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, the company size and complexity of comparable listed companies with reference to market capitalisation, turnover, profitability, number of employees, and sector.

The increases for the Executive Directors were as follows:

- Chief Executive Officer – 7%
- Chief Financial Officer – No increase

Details of the remuneration paid to Executive Directors in office during the year ended 31 December 2018 are set out in the notes to the Annual Financial Statements in this report.

Short-term incentives outcomes

Short-term incentives for 2018, which were paid in the 2019 financial year, were as follows:

JP Bekker: R971 075

D Johnson: R1 062 288

Y Mahomed: R557 994

Long-term incentives outcomes

The number of shares allocated to Directors and prescribed officers as at 1 January 2018 are given in the table below. Each participant will receive a cash bonus based on the equity value growth at the end of the three-year holding period.

	SOH shares	SOEW shares	Radiant Group shares
Allocation price	R0.29	R53.44	R9.31
JP Bekker	9 146 345	–	–
D Johnson	872 628	14 205	–
F Ally	878 594	–	82 146
Y Mahomed	611 160	9 949	–

Non-Executive Directors' remuneration

Payment of Non-Executive remuneration for the financial years 2016 and 2017, which had not been approved in previous Annual General Meetings and Non-Executive Directors' fees for the financial year 2018, were approved by shareholders at the 2018 Annual General Meeting.

The fees for Non-Executive Directors for the 2019 financial year are proposed as follows:

	Fixed fee per annum 2019 R
Chairperson of the Board	511 489
Deputy Vice-Chairperson	295 079
Member of the Board	170 497
Chairman of the Audit and Risk Management Committee	255 744
Member of the Audit and Risk Management Committee	55 254
Chairperson of the Remuneration Committee	78 638
Member of the Remuneration Committee	55 254
Chairperson of the Social and Ethics Committee	78 638
Chairperson of a Special Committee	R3 315 per hour
Member of a Special Committee	R1 989 per hour

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

OVERVIEW

The Board has a fiscal and fiduciary responsibility to adhere to all of the laws and guidelines required to ensure good corporate governance at South Ocean Holdings, and is responsible for the implementation and monitoring of governance practices throughout the Group. In an environment that is increasingly regulated, the Board bears the ultimate responsibility for constantly monitoring compliance with internationally accepted governance practices, as well as for ensuring that a robust corporate governance framework is in place to provide for effective implementation.

The members of the Board and Senior Managers consistently strive to entrench an overall culture of good governance and good corporate citizenship throughout the Group. The purpose of this is to ensure that all decisions are taken in an ethical, fair and transparent manner within the context of an ethical framework that supports accountability to the law and all of the Group's stakeholders.

A detailed summary of how the Group adheres to the guidelines outlined in King IV, the Companies Act, and all other legal requirements is available on the South Ocean Holdings website.

CORPORATE RESPONSIBILITY

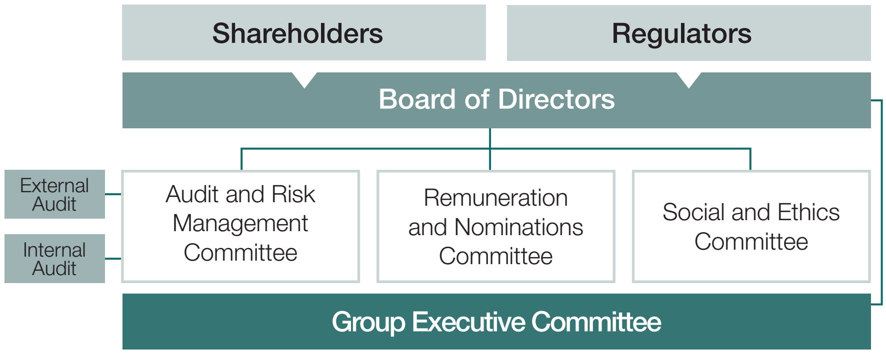
All decisions related to material matters are approved by the Board. These include, but are not limited to, decisions regarding the allocation of capital resources to optimise the return on shareholders' funds, and the authorisation of procurement, capital expenditure, property transactions, borrowings,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

STATEMENT OF COMPLIANCE

South Ocean Holdings regularly undertakes assessments of the application of King IV. The Group's governance processes are well entrenched and comply with all of the applicable principles and guidelines in King IV.

The Group's report on the application and disclosure of all King IV principles is available on the South Ocean Holdings website.

GOVERNANCE STRUCTURE



BOARD AND COMMITTEES OF THE BOARD

BOARD OF DIRECTORS

KH Pon:
(Chairperson)
Independent Non-Executive Director

HL Li:
(Deputy-Vice Chairperson)
Independent Non-Executive Director

N Lalla:
Independent Non-Executive Director

CY Wu:
Non-Executive Director

B Petersen:
Non-Executive Director[1]

DJC Pan:
Non-Executive Director
(Alternate to HL Li)

JP Bekker:
Executive Director and Chief Executive Officer

MK Lehloenya:
Executive Director[2]

MK Zack:
Executive Director
and Chief Financial Officer[3]

NOMINATIONS COMMITTEE

KH Pon:
(Chairperson)
Independent Non-Executive Director

HL Li:
Independent Non-Executive Director

CY Wu:
Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

N Lalla:
(Chairperson)
Independent Non-Executive Director

KH Pon:
Independent Non-Executive Director

HL Li:
Independent Non-Executive Director

REMUNERATION COMMITTEE

HL Li:
(Chairperson)
Independent Non-Executive Director

KH Pon:
Independent Non-Executive Director

CY Wu:
Non-Executive Director

SOCIAL AND ETHICS COMMITTEE

N Lalla:
(Chairperson)
Independent Non-Executive Director

JP Bekker:
Executive Director

MK Lehloenya:
Executive Director[2]

MK Zack:
Executive Director[3]

1 Appointed effective 11 June 2018
2 Resigned effective 31 January 2018
3 Appointed effective 7 August 2018

BOARD OF DIRECTORS

Composition and responsibilities

In 2018, the Board was made up of seven Directors, two being Executive Directors and the remainder being Non-Executive Directors. In accordance with King IV, three of the five Non-Executive Directors are independent.

Changes to the Board during the course of the year were as follows:

- MK Lehloenya resigned as Executive Director and Chief Financial Officer effective 31 January 2018. JP Bekker became Acting Chief Financial Officer upon her resignation.
- B Petersen was appointed as a Non-Executive Director effective 11 June 2018.
- MK Zack was appointed Executive Director and Chief Financial Officer effective 7 August 2018, replacing JP Bekker as Acting Chief Financial Officer.

Members of the Board are appointed by the shareholders of South Ocean Holdings, although the Board also has the authority to appoint Directors in order 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 according to a formal and transparent process defined by Board policy and subject to ratification by shareholders at the next Annual General Meeting.

While members of the Board are appointed based on their skills, experience, and level of contribution to the activities of the Group, diversity considerations are made. The Board recognises that, being a South African-based Company, it is important to consider the racial and gender diversity of the Directors and has set targets to ensure appropriate representation by black and female Directors on the Board. These targets are reviewed from time to time to ensure consistently diverse representation.

Members of the Board are required to uphold the highest ethical standards and the Board takes all appropriate measures to ensure that its members abide by these standards, that Directors take the lead in directing the activities of the Group in a manner that is consistent with these standards. The Board values the Group's standing as a good corporate citizen and makes every effort to preserve this standing.

The Board holds final responsibility for monitoring and reporting on the effectiveness of the Group's system of internal controls. 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 that includes background checks. Appointments to the Board and recommendations for re-election to the Board are proposed by the Nominations Committee and are considered by the Board as a whole. All appointments are subject to shareholder approval and ratification.

Board Charter

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

The Charter is reviewed from time to time and it is evaluated in line with any changes in legislation and governance guidelines. The Charter does not provide for a maximum number of Board members, but allows the Board to continuously evaluate itself in order to ensure it is capable of fulfilling its duties and responsibilities.

Board processes

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

Management information is supplied to the Board timeously so that it can fulfil its duties and carry out its responsibilities responsibly and correctly. This includes financial and non-financial information, which enables the Board to consider both quantitative and qualitative performance. The Board also has unrestricted access to all Company information, records, documents, and property. Non-Executive Directors have access to Management without the need to have an Executive Director in attendance.

The daily management of the Group's affairs is delegated to the Chief Executive Officer, who co-ordinates and oversees the implementation of Board policies through the Executive Committee. Full and effective control over all Group operations is nevertheless maintained by the Board at all times.

Evaluation of Board performance

A questionnaire-based self-evaluation is undertaken annually by the Directors. This provides for assessment of the performance of the Board, the Chairperson, the Chief Executive Officer, the Chief Financial Officer, individual Directors, and all Board Committees. The Board discusses the results of these reviews.

Responses from the 2018 evaluation process indicate that the Board is well balanced, that the size of the Board is adequate for the effective management of the Group, and that the Board has the relevant knowledge required to fulfil a leadership role in all aspects of the Group's business. The Directors are of the opinion that Board meetings are well organised, efficiently run, and that all relevant aspects of the Group's businesses are dealt with thoroughly by the Board and its various committees, which discharged their responsibilities adequately throughout the year.

Succession planning

The Nominations Committee evaluates the pool of skills, knowledge and experience on the Board, and identifies the capabilities required for individual Board appointments. The Committee also 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 is in place.

Meetings

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

Attendance at Meetings

A minimum of four Board meetings are scheduled per financial year and additional meetings may be convened if and when necessary. Four Board meetings were held in 2018.

The following table details the attendance by each Director at Board meetings held during the reporting period:

DIRECTOR	24 Jan	20 Mar	11 Jun	27 Jun	7 Aug	26 Nov
KH Pon (Chairperson)	✓	✓	✓	✓	✓	✓
HL Li	✓	♦	✓	✓	✓	✓
N Lalla	✓	✓	✓	✓	✓	✓
CY Wu	✓	✓	✓	✓	✓	✓
B Petersen#	–	–	✓	✓	✓	✓
JP Bekker	✓	✓	✓	✓	✓	✓
MK Lehloenya*	✓	–	–	–	–	–
MK Zack^	–	–	–	–	–	✓

✓ Present
♦ Apology
Appointed effective 11 June 2018
* Resigned effective 31 January 2018
^ Appointed effective 7 August 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 Annual General Meetings.

All the Directors retire at the first Annual General Meeting after their initial appointment and a third of the Directors, namely those who have been in office the longest, retire annually. They are eligible for re-election at the same 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 Shareholders and stakeholders. The Group's Non-Executive Directors contribute to the Board's deliberations and decisions. They have the skills and experience necessary to exercise judgement in areas such as strategy, performance, transformation, diversity, and employment equity.

Executive Directors

Executive Directors are permanent employees of the Group and are subject to a notice period of between one and three months, depending on the terms of their contracts. 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.

Chairman of the Board

Mr KH Pon is the Group's Independent Non-Executive Chairperson and his role is separate from that of the Chief Executive Officer. It is his responsibility is to set an ethical tone for the Board and to ensure that the Board operates efficiently and in a focused way as a unit.

He is also responsible for the leadership of the Board as outlined in King IV, including for presiding over meetings and for ensuring the integrity and effectiveness of the Board's processes. He must ensure that no single Director dominates Board meetings or discussions relating to the Group's business, that all relevant matters are discussed, that the opinions of all Directors are solicited and freely expressed, and that discussions lead to appropriate decisions.

The role of the Chairperson is defined in the Board Charter and his ability to deliver on this role and add value to the Group is assessed annually by the Board. The Chairperson is subject to re-election annually. When appointing a candidate to this position, the Board considers the number of other positions of this nature held by the candidate and ensures that there is a formal succession plan in place.

Chief Executive Officer

Mr JP Bekker is the Chief Executive Officer and is responsible for the operational management of the Group. His responsibilities include, amongst others:

- Developing and recommending to the Board a vision and long-term strategy for the Group that will secure its sustainability and deliver value for all stakeholders;
- Developing and recommending to the Board annual business plans and budgets that support the long-term strategy;
- Managing the affairs of the Group in accordance with its values and objectives; and
- Managing the affairs of the Group in accordance with the general policies and specific decisions of the Board.

The Chief Executive Officer chairs and facilitates all Executive Committee meetings. He is not a member of the Audit and Risk Management Committee or the Remuneration Committees, but attends the meetings of these committees by invitation.

Company Secretary

Mr WT Green is the Company Secretary and it is his responsibility to provide the members of the Board with the legal, ethical and practical guidance needed to assist them in fulfilling their joint and individual mandates. The Board has considered and is satisfied with the qualifications, competence, and expertise of the Company Secretary.

The Company Secretary, who is accountable directly to the Board, is responsible for:

- Ensuring that Board procedures are followed and reviewed regularly;
- Ensuring that the rules and regulations that govern the conduct and processes of the Board are complied with;
- Maintaining and submitting statutory records in accordance with legal requirements;
- Guiding the Board as to how their responsibilities should be properly discharged;

- Keeping abreast of and informing the Board of current and new developments regarding corporate governance practice; and
- Ensuring compliance with all legal and regulatory requirements, including the JSE Listings Requirements.

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 Company Secretary is not a Director of the Group and the Board is satisfied that he is independent and maintains an appropriate arm's-length relationship with the Board. The appointment and removal of the Company Secretary is a matter for the consideration of the entire Board.

Directors' remuneration

The Board has delegated the responsibility for dealing with all matters related to remuneration of Directors to the Remuneration Committee. The Committee is made up of two Independent Non-Executive Directors and one Non-Executive Director. Its role is to ensure that Directors are fairly and responsibly remunerated within a market-related framework.

Remuneration of Non-Executive Directors

Non-Executive Directors receive an annual fee for their service on the Board. This consists of a baseline fee and, where applicable, an additional fee for serving on one or more of the Committees of the Board.

The fees proposed for the remuneration of Non-Executive Directors in 2018 were submitted to shareholders in advance of the Annual General Meeting for their consideration. The proposed fees were approved at that meeting including the payment of non-executive remuneration for the financial years 2016, 2017 and 2018, which had not been approved in previous Annual General Meetings.

Remuneration of Executive Directors

Executive Directors receive a remuneration package that consists of a baseline salary, a performance-related incentive bonus, retirement contributions, medical scheme membership and participation in the short-term and long-term incentive schemes. Full details of Executive Remuneration are given in the report of the Remuneration Committee.

COMMITTEES OF THE BOARD

Certain Board responsibilities have been formally delegated to the Committees of the Board, which have well-defined terms of reference and functions. The Committees are appropriately constituted with due regard to the skills required by each Committee and are reviewed annually.

The Committees of the Board operate in a fully transparent manner and are tasked with reporting back to the Board on all of their activities and decisions. Each Committees is subject to regular evaluation by the Board in order to determine its performance and effectiveness. All of the Committees are free to seek independent professional advice as and when necessary in order to fulfil their mandates. With the exception of the Executive Committee, which is chaired by the Chief Executive Officer, all other Committees are chaired by an Independent Non-Executive Director.

The Audit and Risk Management Committee is a statutory Committee constituted to comply with the Companies Act and the guidelines set out in King IV. The members of the Committee are elected annually by the shareholders at the Annual General Meeting.

The charters of the Board Committees are reviewed on an ongoing basis to ensure that the duties and responsibilities of the members are aligned with best-practice corporate governance guidelines.

AUDIT AND RISK MANAGEMENT COMMITTEE

Composition

In compliance with the requirements of King IV, the Audit and Risk Management Committee consists of only Independent Non-Executive Directors. The Committee operates under mandate from the Board in compliance with written terms of reference as to its membership, authority, and duties.

Meetings

The Audit and Risk Management Committee meets at least four times a year and Non-Executive Directors who are not members of the Committee are invited to attend. Executive management, the internal auditors, the external auditors, and the Group's ICT service providers are also invited to attend.

Both internal and external auditors have unrestricted access to the Audit and Risk Management Committee and its Chairperson, which assists in the independence and impartiality of their audit.

Responsibility

The Audit and Risk Management Committee's primary responsibility is to review the Annual Financial Statements and Interim Financial Statements, monitor the appropriateness of accounting policies, secure the effectiveness of the internal systems of control, and consider the findings of the internal and external audits.

Further responsibilities include:

- Regular reviews of the Group's financial reporting standards and processes to ensure that they are compliant with all appropriate laws, guidelines and requirements;
- Regular reviews of the Group's compliance with all other laws and regulations;
- Regular reviews of the Group's risk management strategy and the systems in place to identify, control and manage risk;
- Regular reviews of asset management processes;
- Regular reviews of the expertise, experience and performance of the Group's Chief Financial Officer; and
- The appointment and oversight of both the internal and external auditors;

Re-appointment of the Independent Auditors

The Audit and Risk Management Committee was responsible for assessing, approving and proposing the re-appointment of the Group's External Auditor, PricewaterhouseCoopers Inc. for the 2019 financial year, as well as for assessing and approving the firm's fees for period.

As part of this process, the Committee:

- Assessed potential threats to the firm's auditing practice by any non-audit work that it undertakes;
- Determined that neither the firm nor the engagement partner or any of the firm's staff hold shares in South Ocean Holdings;
- Determined that the partners and staff responsible for the Group's audit comply with all legal and professional requirements, specifically with regard to rotation and independence; and
- Assessed a range of other factors that could potentially impact on the firm's independence and impartiality.

The Committee was satisfied with the independence, expertise, and objectivity of PricewaterhouseCoopers Inc., which is accredited in terms of the JSE Listings Requirements. The annual re-appointment of the External Auditor is subject to the approval of the shareholders at the Annual General Meeting.

The External Auditor has unrestricted access to the Group's Directors, Senior Managers, staff and all financial and management records. The firm provides a written report to the Committee on any significant findings following the annual audit, and is able to raise any matters of concern directly with the Chairperson.

Internal Audit

The Audit and Risk Management Committee will recommend the appointment of a firm as the Group's Independent Internal Auditor before the Annual General Meeting. The firm is responsible for reviewing all of the Group's internal controls, systems and procedures, and the Committee is satisfied with the firm's independence and impartiality.

As part of its annual assessment of the Internal Auditor, the Committee:

- Assessed potential threats to the independence of the internal audit function of each area of non-internal audit work that the firm undertakes;
- Assessed whether the firm has appropriate safeguards in place to secure its independence;
- Determined that neither the firm nor the engagement partner or any of the firm's staff hold shares in South Ocean Holdings; and
- Assessed any other factors that could impact or be considered to impact on the firm's independence.

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 internal audit programme, which runs in three-year cycles, will be approved by the Audit and Risk Management Committee.

Internal Financial Controls

The Committee has assessed the information and explanations given by management and the Internal Auditor regarding the audit of the Annual Financial Statements. No material matter has come to the attention of the 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 Annual 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 CFO's qualifications, level of experience, continuing professional education, and the Board's assessment of his financial knowledge.

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 the Senior Managers 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 risk to the Group is designed to support the Group's strategic, operational, reporting and compliance objectives, as well as to ensure sustainable value for shareholders.

In the area of risk management, the Audit and Risk Management Committee is responsible for:

- Reviewing, on behalf of the Board, the effectiveness and integrity of the Group's risk management systems, processes, procedures and controls;
- Reviewing the Group's approach to risk management and the effectiveness of its systems and processes;
- Reviewing reports from the Compliance Officer on the adequacy and effectiveness of risk management systems and procedures;
- Ensuring that disclosure regarding risk is comprehensive, timely and relevant; and
- Reviewing reports from management and the Internal Auditors on the effectiveness and integrity of the Group's risk management systems and procedures

Risk management is a dynamic process and the Group accepts its responsibility to:

- Consistently recommend policies, systems, processes, and procedures to manage risk;
- Create a culture of risk awareness and ownership or risk mitigation through communication and education;
- Clarify the roles, responsibilities and accountability of all staff responsible for the identification, assessment, management, monitoring, and reporting of all financial and non-financial risks;
- Maintain a robust and measurable approach to risk identification and assessment;

- Assist management to identify, assess, manage, monitor, and report effectively on risks to the business;
- 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
- Ensure that an independent, effective, comprehensive, and ongoing assessment of risks to the business is provided by Internal Audits.

Integrated Reporting

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

- Reviews the Annual Financial Statements, Interim Report, preliminary results announcement, and summarised integrated information;
- Ensures compliance with International Financial Reporting Standards;
- Considers the frequency of Interim Reports and decided on whether interim results should be assured;
- Reviews and approves the appropriateness of accounting policies, disclosure policies, and the effectiveness of internal financial controls;
- Provides oversight over the Group's integrated reporting process and considers factors and risks that could impact on the integrity of the Integrated Annual Report;
- Reviews the disclosure regarding sustainability in the Integrated Annual Report and ensures it does not conflict with financial information;
- Considers external assurance of material sustainability issues; and
- Approves and recommends the Integrated Annual Report for approval by the Board.

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

The Integrated Annual Report for the year ended 31 December 2018 was subsequently approved by the Board.

Attendance at meetings

The Committee met four times during the course of the year. Attendance at meetings was as follows:

DIRECTOR	20 Mar	11 Jun	7 Aug	26 Nov
N Lalla (Chairperson)	✓	✓	✓	✓
KH Pon	✓	✓	✓	✓
HL Li	♦	✓	✓	✓

✓ Present

♦ Apology

The Audit and Risk Management Committee is satisfied that the internal controls in place at South Ocean Holdings are adequate to safeguard the Group's assets, prevent and detect errors and fraud, ensure the accuracy and completeness of accounting records, as well as the integrity of the Group's Annual Financial Statements.

EXECUTIVE COMMITTEE

Composition

The Executive Committee is made up of the Chief Executive Officer, the Chief Financial Officer and the Managing Directors of the subsidiaries. All matters related to policy and strategy are referred to the Board.

Meetings

The members of the Executive Committee attend the monthly Manco meeting of the subsidiaries, except during the month of December. The purpose of attending these meetings is to plan, review, and manage the day-to-day activities of the Group.

Responsibility

The Executive Committee is responsible for:

- Developing and implementing the Group's policies and strategies;
- Monitoring the business and affairs of the Group;
- Prioritising the allocation of capital, technical and human resources;
- Establishing best-practice management procedures and functional standards of the Group;
- Appointing and monitoring the performance of Senior Managers;
- Ensuring that regular, detailed reports on the Group's activities and performance, as measured against strategies and operational plans, are received and submitted to the Board;
- Ensuring that regular, detailed reports on the Group's financial performance and forecasts against budgets are received and submitted to the Board; and
- Reviewing and monitoring the Company's system of internal controls and risk management.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee is made up of three members, two of which are Independent Non-Executive Directors and one of which is a Non-Executive Director. The Committee is responsible for ensuring that the Group's Directors and Senior Managers are fairly remunerated.

Meetings

The Remuneration Committee meets at least twice a year.

Responsibility

It is the responsibility of the Remuneration Committee to advise the Board on all remuneration-related matters. The Committee is responsible for determining fair and market-related remuneration packages for Directors and Senior Managers, as well as for monitoring their performance.

During the course of the year, the Committee reviewed all of the Group's remuneration policies to ensure that these are aligned with Group strategy and are linked to individual performance.

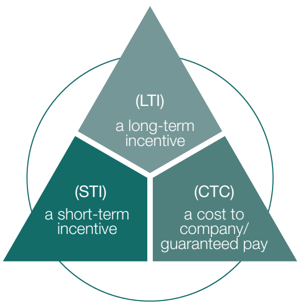
Remuneration Committee Charter

The Remuneration Committee's responsibilities include:

- Determining and administering remuneration at Senior Management level within the Group;
- Developing a remuneration policy that will support the achievement of Group's strategic objectives and encourage individual performance;
- Reviewing the outcomes of the implementation of the remuneration policy to determine whether its objectives are being achieved;
- Ensuring that the mix of fixed and variable pay - in cash, short- and long-term incentives and other elements - meets the Group's needs and strategic objectives;
- Considering the evaluation of the performance of the Chief Executive Officer and other Executive Directors, both as Directors and as Executives responsible for determining remuneration;
- Reviewing incentive schemes to ensure that these continue to contribute to shareholder value and are administered in terms of established rules; and
- Advising on the remuneration of Non-Executive Directors.

Remuneration to Directors and Senior Managers comprises:

- A total-cost-to-company package based on position, qualifications and experience, which is divided into:
  - Fixed and guaranteed monthly remuneration calculated as a percentage of the total-cost-to-company package; and
  - A performance bonus equal to the balance of the total-cost-to-company package and payable annually after performance assessments have been completed;
- Short-term incentives, which are intended to motivate Executives and Senior Managers to maximise short-term results and which are paid annually if pre-determined financial targets are met;
- Long-term incentives, which take the form of a share appreciation scheme designed to retain Executive and Senior Managers and which is managed as follows:
  - Annual allocations are made for key staff to ensure retention;
  - These are payable three years after the allocation has been made, but payment may be extended for another year;
  - The maximum value of each allocation is calculated at between 33% and 83% of guaranteed pay; and
  - The allocation is paid in cash after the specified period.



Attendance at meetings

The committee met twice during the course of the reporting period and attendance was as follows:

DIRECTOR	11 Jun	26 Nov
HL Li (Chairperson)	✓	✓
KH Pon	✓	✓
CY Wu*	✓	✓

✓ Present

* Appointed 11 June 2018

NOMINATIONS COMMITTEE

Composition

The Nominations Committee consists of two Independent Non-Executive Directors and one Non-Executive Director and, like all of the other Committees, operates under a mandate from the Board.

Purpose

The Committee meets when there is a vacancy on the Board or at Executive level, as well as to discuss Director development. The Committee met twice during 2018: to interview a potential Non-Executive Director, to interview a potential Chief Financial Officer, and to discuss Director development requirements for the Group.

Nominations Committee Charter

The Nominations Committee is responsible for finding suitable candidates for any vacancies on the Board. The Committee makes use of employment agencies to find suitable candidates, which are then short-listed and interviewed. The Committee then recommend the most qualified and experienced candidates for the position.

- The Board has established a Nominations Committee to:
- Ensure that there is a formal process for the appointment of Directors, that includes processes to:
  - Identify suitable individuals for the vacant positions;
  - Undertake reference and background checks of the candidates prior to nomination; and
  - Formalise 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 Group's operating environment;
- Consider the performance of Directors and take steps to remove Directors who do not make an appropriate contribution to the activities of the Board;

- Ensure that formal succession plans are in place for the Board, Chief Executive Officer, Chief Financial Officer and Senior Management; and
- Ensure that these plans are properly implemented as and when necessary.

Meetings

The Committee met twice during the course of the year.

Attendance at meetings was as follows:

DIRECTOR	7 Jun	6 Aug
KH Pon (Chairperson)	✓	✓
HL Li	✓	✓
CY Wu	✓	✓

✓ Present

Gender diversity policy

The Nominations Committee is also responsible for considering all aspects of diversity on the Board, including gender diversity. The Group's objective is to ensure at least 40% of the Board is made up of women by the 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 reporting period.

SOCIAL AND ETHICS COMMITTEE

Composition

The Social and Ethics Committee is made up of one Independent Non-Executive Director and two Executive Directors. It operates within the framework of the Social and Ethics Committee Charter.

Social and Ethics Committee Charter

The Social and Ethics Committee's role is to:

- Monitor the Group's activities with regard to any relevant legislation of other legal requirements relating to socio-economic development; and
- Monitor the Group's performance in relation to the United Nations Compact Principles.

Meetings

There were no meetings held in 2018 as Committee matters were addressed in Manco and Board meetings.

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 while still maintaining the Group's high standards.

Code of Conduct and Ethics

Every employee at South Ocean Holdings is required to subscribe to a formal Code of Conduct and Ethics ("the Code"), which stipulates the Group's commitment to the highest standards of corporate governance and compliance with the laws of South Africa.

The Code sets out the standards of integrity and ethics that guide the Group's dealings with suppliers, customers, business partners, stakeholders, government, and society in general. It requires that all employees act with fairness, dignity, and respect to secure the Group's business reputation and a working environment that is free from harassment and discrimination.

In line with the Code, the Company recruits and promotes employees on the basis of their suitability for the requirements of each position without any discrimination on the basis of race, religion, national origin, 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. The Group takes the code very seriously and, where appropriate, employs disciplinary procedures and/or legal proceedings to address any transgressions.

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.

Protection for whistle-blowers

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 Chairperson of 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.

Corporate governance report (continued)

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 and employee relations through effective sharing of relevant information, consultation and the identification and resolution of conflict.

OTHER CORPORATE GOVERNANCE MATTERS

Governance of IT systems

IT systems have a vital role to play in the implementation of the Group's strategy. The Audit and Risk Management Committee has therefore adopted an IT Governance Charter and formed an IT Steering Committee to fulfil the mandate outlined in the Charter. Reports on the effectiveness of the Group's IT systems are submitted to the Audit and Risk Management Committee in all regular meetings.

The IT Steering Committee ensures that the Group's strategy is aligned with the Group's business objectives and oversees the implementation Group's IT strategy. The Steering Committee meets periodically, comprises representatives from SOEW, 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 its associated data.

Disaster recovery plans are in place for any unforeseen circumstances to ensure minimum disruption as any interruption in the Group's 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 Group to the Chairperson and Chief Executive Officer, who together with the Group'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 Group 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 Group'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.

Relationships with stakeholders and investors

The Group actively promotes communication with shareholders, business analysts, business advisers and all other stakeholders. These include timeous, accurate, relevant and accessible announcements and circulars to 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 also encourages stakeholders to approach Executive Directors whenever they wish.

The Group further subscribes to the principle of fair communication and disclosure. In accordance with this, there are ongoing interactions between the Executive Management team and a wide range of institutional investors, analysts and potential investors during the non-closed periods. These interactions include one-on-one meetings with the investor community.

Interim and final results are published in one English newspaper, on the Company's web site and on SENS. The Group also undertakes regular engagement with the media in order to promote clear and transparent communications.

GOING CONCERN STATUS

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. These are based on the assumption 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.

The Board has assessed the Group's status as a going concern and is satisfied that it has adequate resources to continue operating for the next 12 months as well as into the foreseeable future.

Annual Financial Statements

for the year ended 31 December 2018

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 2008 of South Africa.

Prepared externally under supervision of

MK Zack
Chief Financial Officer

Published

25 March 2019

Report of the Audit and Risk Management Committee

for the year ended 31 December 2018

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2018.

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 were: Ms N Lalla CA(SA) (Independent Non-Executive Chairperson), Mr KH Pon CA(SA) (Independent Non-Executive Director) and Mr HL Li (Independent Non-Executive Director).

The Committee is satisfied that the members have the required knowledge and experience as set out in section 94(5) of the Companies Act, 71 of 2008 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 2018 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.

4. Duties

For the year ended 31 December 2018 the Audit and Risk Management Committee met their objectives and carried out their duties as per the statutory requirements.

5. External auditor

The Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as the independent auditors and Mrs P Pope as the designated auditor, who is a registered independent auditor, for the year ended 31 December 2018 audit. The appointment of the auditors for the 2019 financial year will be approved at the next Annual General Meeting.

The Committee satisfied itself through enquiry that the external auditors are independent as defined in 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 396 000 (2017: R2 533 000). Fees approved for non-audit services amounted to R1 108 921 (2017: Rnil).

6. Financial Statements and accounting controls

The Audit and Risk Management Committee has:

Reviewed the Annual Financial Statements for the year ended 31 December 2018 and commented on the accounting practices and the effectiveness of the internal controls with regards to:

- the appropriateness and consistent application in the adoption of accounting policies and any changes in accounting policies and practices;
- significant financial estimates based on judgement which are included in the Annual Financial Statements;
- the appropriateness of major adjustments processed at the interim and at year-end;

- the going concern assumption;
- compliance with both local and international accounting standards;
- whether the Annual Financial Statements present a balanced and understandable assessment of the Group's position, performance and prospects; and
- the directors' statement included in the Annual Financial Statements, including the statement on effectiveness of the system of internal control.

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

Following the review of the Annual 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 environment in the integrated report once it has been prepared. The Committee recommended to the Board not to declare a dividend.

7. 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.

The appointment of the internal auditors for the 2019 financial year will be approved at the next Audit and Risk Management Committee meeting.

8. 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.

9. 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.

10. Review of financial function and Chief Financial Officer

The Audit and Risk Management Committee has reviewed the performance, appropriateness and expertise of the Group Chief Financial Officer and confirms their suitability in terms of the JSE Listings Requirements. Ms MK Lehloenya resigned on 31 January 2018 and Mr JP Bekker took over as Acting Chief Financial Officer until Mr MK Zack was appointed to this position on 7 August 2018.

11. 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
25 March 2019

Directors' responsibilities and approval

for the year ended 31 December 2018

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 Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual 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 Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and the Companies Act, 71 of 2008 of South Africa. The directors consider that, in preparing the Annual 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 Annual Financial Statements fairly presented 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 Annual Financial Statements and maintaining accountability for assets and liabilities. The directors believe that the Group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the financial year.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's businesses are 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 Annual 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 2019 and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditor and their report is presented on pages 54 to 58.

Approval of Annual Financial Statements

The Annual Financial Statements set out on pages 50 to 99, were approved by the Board on 25 March 2019 and were signed on their behalf by:

KH Pon CA(SA)
Independent Non-Executive Chairperson

JP Bekker CA(SA)
Chief Executive Officer

Statement of Company Secretary

for the year ended 31 December 2018

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 of South Africa, as amended. I certify that the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

WT Green
Company Secretary

Johannesburg
25 March 2019

Directors' report

for the year ended 31 December 2018

The directors have pleasure in submitting their report on the Annual Financial Statements of South Ocean Holdings Limited and its subsidiary companies for the year ended 31 December 2018.

1. Nature of business and operations

South Ocean Holdings Limited and its subsidiary companies ("SOH") is the holding company of a group of four main operating subsidiary companies ("Group"): 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 Annual Financial Statements. Radiant Group's results are disclosed as non-current assets held for sale to comply with IFRS 5 as SOH signed an agreement to sell Radiant Group and the properties that it operates with effect from 1 January 2019 (note 10).

The loss for the year was increased by an additional write down of Radiant Group's inventory by R5.5 million (2017: R12.8 million) to net realisable value.

Properties which are held for sale in Anchor Park were written down by R8.5 million (2017: Rnil) to the recoverable amount of R86.0 million.

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 R2 032 768 (2017: R1 563 788), being 203 276 794 (2017: 156 378 794) ordinary shares of R0.01 each.

During the year, SOH concluded a Rights Offer to shareholders and 46 898 000 shares were issued. Refer to note 11 for more details.

4. Special resolutions

At the Annual General Meeting of the Company held on 6 August 2018, shareholders approved the following special resolutions:

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:

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.

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:

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.

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:

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.

Directors' report (continued)

for the year ended 31 December 2018

Special resolution number 4

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

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

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 in office at the date of this report are as follows:

Name	Nationality	Changes
Independent Non-Executives		
KH Pon	South African	
HL Li	Taiwanese	
N Lalla	South African	
Non-Executives		
CY Wu	Taiwanese	
DJC Pan (Alternate)	Brazilian	
B Petersen	South African	Appointed 11 June 2018
Executives		
JP Bekker	South African	
MK Zack	South African	Appointed 7 August 2018
MK Lehloenya	South African	Resigned 31 January 2018

7. Directors' emoluments

The Directors' emoluments are set out in note 27 of the Annual Financial Statements.

8. Dividends

The Board did not declare a dividend for the year ended 31 December 2018 (2017: Rnil).

9. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the Group had an interest and which significantly affected the business of the Group.

10. Secretary

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

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

11. Directors' interests in share capital

The interest of directors in the issued share capital of the Company as at 31 December 2018 were as follows:

Director – Number of ordinary shares	Direct beneficial	Total
2018		
JP Bekker	**491 807**	**491 807**
2017		
JP Bekker	491 807	491 807

JP Bekker holds 0.24% (2017: 0.31%) of issued share capital.

No shares were traded by any director from 31 December 2018 until the date of this report.

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 13 of the Annual 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 person or a company in which a director had an interest during the year under review.

14. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the Company and its subsidiaries for the year ended 31 December 2018.

At the Annual General Meeting, the shareholders will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditors of the Company and to confirm Mrs P Pope as the designated lead audit partner for the 2019 financial year.

15. Events after the reporting period

In a general meeting held on 29 November 2018, the shareholders approved the disposal of 100% of the issued share capital in and claims against Radiant Group and the disposal of the properties from which the Radiant Group operates and which are owned by Anchor Park, to Eurolux Proprietary Limited. This disposal was effective 1 January 2019.

The selling price of Radiant Group is R96.8 million, of which R77.0 million was received on 18 January 2019 with the balance of R19.8 million to be received by 31 March 2019. The properties from which Radiant Group operates and are held by Anchor Park have been sold for R86.0 million. Payment for the properties will be received on registration of the transfer of the properties to Eurolux Proprietary Limited by the deeds office which is expected to occur in June 2019. The assets and liabilities of Radiant Group, as well as the properties, are classified as held for sale in the Annual Financial Statements. Refer to note 10.

Except for the above, 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 Annual Financial Statements, which would affect the operations of the Group or the results of those operations significantly.

16. Going concern

The Annual Financial Statements have been prepared on the basis of accounting 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 R92.3 million (2017: R81.2 million) as disclosed in notes 10 and 12 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R214.3 million (2017: R214.3 million). The facility is due for review during March 2019.

The directors perform a property valuation every three years, with the previous valuation having been performed at the end of 2017. The market valuation of the properties was in excess of the carrying value by R40.2 million at the time. The properties are stated at historical cost less accumulated depreciation and impairment losses, in line with the Group's accounting policy.

17. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act, 71 of 2008 of South Africa which indicated that the Group is liquid and solvent.

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 2018, 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 59 to 99 comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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;
- the accounting policies; and
- the notes to the annual financial statements.

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.

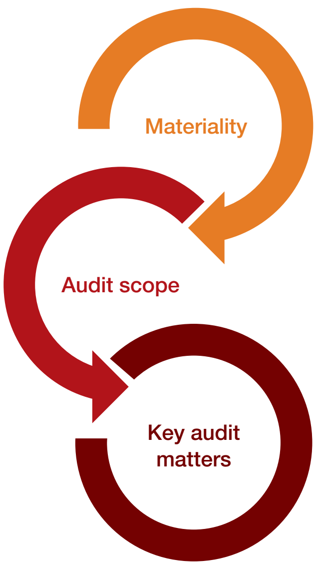
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

- Overall group materiality: R1,995,900, which represents 5% of consolidated 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 ten 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

- Radiant Group Proprietary Limited recorded as held for sale and discontinued operations ("Radiant Group") in terms of IFRS 5.

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	R1 995 900
How we determined it	5% of consolidated profit or loss before tax from continuing operations
Rationale for the materiality benchmark applied	We chose profit or loss before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented 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.

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
Group financial statements – Radiant Group Proprietary Limited recorded as held for sale and discontinued operations ("Radiant Group") in terms of IFRS 5 *Refer to note 10 in the financial statements.* In a general meeting held on 29 November 2018, the shareholders approved the disposal of Radiant Group. Management concluded that Radiant Group will be reported in accordance with IFRS 5 – 'Non-Current Assets Held for Sale and Discontinued Operations' (IFRS 5) in the 2018 consolidated financial statements. The application of IFRS 5 is significant to our audit because the transaction and its accounting is non-routine. Management's judgements include amongst others, the date of classification of the non-current assets as held for sale, the identification of the disposal group and the presentation of its results as discontinued operations. As a result of these conclusions, there are requirements around the valuation of the assets of the disposal group and presentation in the consolidated financial statements and disclosure notes, the identification of income and expenses allocated to Radiant Group, assumptions and estimates made with regard to the allocations, and adjustments to be recorded.	Our audit procedures included, amongst others, an evaluation of management's classification of the disposal group as held for sale and the results of Radiant Group as discontinued operations. We considered management's judgement applied as to whether these investments meet the definition of discontinued operations and found this to be reasonable. We also considered management's assessment of whether the valuation of the assets of the disposal group were at the lower of the carrying amount and fair value less cost to sell by agreeing the fair value of these assets to the agreed sales consideration. With the assistance of accounting specialists, we reviewed the financial statement disclosures against the requirements of IFRS 5 noting no exceptions.

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 2018, 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 2018, which is expected to be made available to us after that date. Other information does not include the consolidated 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 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 this 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.

Independent auditor's report (continued)

To the Shareholders of South Ocean Holdings Limited

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 10 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 29 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: P Pope
Registered Auditor
Johannesburg

25 March 2019

Statement of financial position

as at 31 December 2018

	Notes	Group 2018 R'000	Group 2017 R'000
Assets			
Non-current assets			
Property, plant and equipment	4	191 650	293 035
Intangible assets	5	–	–
Deferred tax assets	6	–	4 465
		191 650	297 500
Current assets			
Inventories	7	181 003	162 879
Trade and other receivables	8	230 942	214 971
Cash and cash equivalents	9	15 600	11 520
		427 545	389 370
Disposal group held for sale	10	239 666	198 024
Total assets		858 861	884 894
Equity and liabilities			
Equity			
Share capital	11	461 343	441 645
Reserves		2 063	1 230
Retained earnings		25 414	29 078
		488 820	471 953
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	12	39 005	50 294
Deferred tax liabilities	6	25 971	33 862
Share-based payments	13	8 406	492
		73 382	84 648
Current liabilities			
Trade and other payables	14	171 209	195 448
Interest-bearing borrowings	12	66 490	55 365
Current tax payable		1 468	–
Share-based payments	13	890	–
		240 057	250 813
Disposal group held for sale	10	56 602	77 480
Total liabilities		370 041	412 941
Total equity and liabilities		858 861	884 894

The accounting policies on pages 63 to 71 and the notes on pages 72 to 99 form an integral part of the Annual Financial Statements.

Statement of comprehensive income

for the year ended 31 December 2018

	Notes	Group 2018 R'000	Group 2017 R'000
Continuing operations			
Revenue	15	**1 727 792**	1 425 777
Cost of sales	17	**(1 584 314)**	(1 359 186)
Gross profit		**143 478**	66 591
Operating income	16	**6 923**	6 795
Administration expenses	17	**(55 183)**	(38 438)
Distribution expenses	17	**(2 116)**	(2 532)
Operating expenses	17	**(32 114)**	(13 117)
Operating profit/(loss)		**60 988**	19 299
Finance income	18	**902**	828
Finance costs	19	**(21 972)**	(23 946)
Profit/(loss) before taxation		**39 918**	(3 819)
Taxation	20	**(14 250)**	(2 404)
Profit/(loss) from continuing operations		**25 668**	(6 223)
Discontinued operations			
Loss from discontinuing operations	10	**(29 332)**	(51 127)
Loss for the year		**(3 664)**	(57 350)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translation continuing foreign operations		**173**	(135)
Exchange differences on translation discontinuing foreign operations		**660**	(434)
Total items that may be reclassified to profit or loss		**833**	(569)
Other comprehensive income/(loss) for the year net of taxation	21	**833**	(569)
Total comprehensive loss for the year		**(2 831)**	(57 919)
Earnings/(loss) per share:			
Basic and diluted earnings/(loss) per share (cents)			
From continuing operations	22	**13.66**	(3.98)
From discontinuing operations	22	**(15.61)**	(32.69)
Total loss per share (cents)		**(1.95)**	(36.67)

The accounting policies on pages 63 to 71 and the notes on pages 72 to 99 form an integral part of the Annual Financial Statements.

Statement of changes in equity

for the year ended 31 December 2018

	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 2017	**1 274**	**440 371**	**441 645**	**1 799**	**86 428**	**529 872**
Loss for the year	–	–	–	–	(57 350)	(57 350)
Total comprehensive loss	–	–	–	(569)	–	(569)
Total comprehensive loss for the year	–	–	–	**(569)**	**(57 350)**	**(57 919)**
Balance at 1 January 2018	**1 274**	**440 371**	**441 645**	**1 230**	**29 078**	**471 953**
Loss for the year	**–**	**–**	**–**	**–**	**(3 664)**	**(3 664)**
Total comprehensive income	**–**	**–**	**–**	**833**	**–**	**833**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**833**	**(3 664)**	**(2 831)**
Issue of ordinary shares – exercise of option under the non-renounceable rights offer	**469**	**19 229**	**19 698**	**–**	**–**	**19 698**
Total contributions by owners of company recognised directly in equity	**469**	**19 229**	**19 698**	**–**	**–**	**19 698**
Balance at 31 December 2018	**1 743**	**459 600**	**461 343**	**2 063**	**25 414**	**488 820**
Notes	11	11	11			

The accounting policies on pages 63 to 71 and the notes on pages 72 to 99 form an integral part of the Annual Financial Statements.

Statement of cash flows

for the year ended 31 December 2018

	Notes	Group 2018 R'000	Group 2017 R'000
Cash flows from operating activities			
Cash generated from operations	23	46 490	146 931
Finance income		1 035	996
Finance costs		(24 551)	(26 988)
Tax paid		(15 105)	–
Net cash from operating activities		7 869	120 939
Cash flows from investing activities			
Purchase of property, plant and equipment		(9 385)	(6 770)
Proceeds from disposal of property, plant and equipment	25	938	383
Purchase of other intangible assets	5	–	(1 040)
Net cash from investing activities		(8 447)	(7 427)
Cash flows from financing activities			
Proceeds from share issue	11	19 698	–
Proceeds from interest-bearing borrowings		1 697	10 699
Repayment of interest-bearing borrowings		(14 462)	(115 703)
Net cash from financing activities		6 933	(105 004)
Total cash and cash equivalents movements for the year		6 355	8 508
Cash and cash equivalents at the beginning of the year		11 520	22 336
Cash and cash equivalents from disposal group at the beginning of the year		18 755	–
Effect of exchange rate movement on cash balances		833	(569)
Total cash and cash equivalents from disposal group		(21 863)	(18 755)
Total cash and cash equivalents at end of the year	9	15 600	11 520

The accounting policies on pages 63 to 71 and the notes on pages 72 to 99 form an integral part of the Annual Financial Statements.

Accounting policies

for the year ended 31 December 2018

1. Presentation of Annual 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 Annual Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Annual 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 Annual Financial Statements have been prepared under the historical cost convention. The consolidated Annual Financial Statements are presented in South African Rands (R), which is the Group's functional and presentation currency.

The preparation of Annual 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 Annual Financial Statements are disclosed in note 1.16.

1.1 Consolidation

Basis of consolidation

The Annual Financial Statements incorporate the Annual 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 Annual 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 Annual 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
Plant and machinery	8 – 20 years
Furniture and fixtures	3 – 10 years
Motor vehicles	5 – 7 years
Leasehold improvements	Period of the lease

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.

Accounting policies (continued)

for the year ended 31 December 2018

1. Presentation of Annual Financial Statements (continued)

1.3 Leases

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.5 Translation of foreign currencies

Functional and presentation currency

Items included in the Annual Financial Statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated Annual Financial Statements are presented in Rand which is the Group's functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, 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;
- 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; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 Annual 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:

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provision is made for slow moving goods and obsolete inventories.

1.7 Impairment of non-financial assets

The Group assesses at the 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 cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit 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.

1.8 Financial instruments

Classification

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 *Financial Instruments*.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost

Note 30 financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Loans receivable at amortised cost

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 18).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit-impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 30).

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

Accounting policies (continued)

for the year ended 31 December 2018

1. Presentation of Annual Financial Statements (continued)

1.8 Financial instruments (continued)

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12-month expected credit losses (12-month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12-month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit-impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. Forward-looking information is also considered.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, and *visa versa*.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 17).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 30).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT, deposits and prepayments, are classified as financial assets subsequently measured at amortised cost (note 8).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables.

They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For trade and other receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 18).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit-impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit-impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT, deposits and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 8.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 17).

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables (note 8) and the financial instruments and risk management (note 30).

Borrowings

Classification

Interest-bearing borrowings (note 12) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 19).

Accounting policies (continued)

for the year ended 31 December 2018

1. Presentation of Annual Financial Statements (continued)

1.8 Financial instruments (continued)

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 14), excluding VAT, payroll-related liabilities and deposits received, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 19).

Trade and other payables expose the Group to liquidity risk. Refer to note 30 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 30).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.9 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.

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

Group'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 leave 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.

1.10 Revenue recognition

The Group recognises revenue from the following major sources:

- Sales of goods
- Rental income
- Management fees
- Distribution income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

Sales of goods are recognised when the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The products are sold with trade and settlement discounts and customers have a right to return faulty products. Sales are recorded based on list prices, net of the estimated trade discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. No element of financing is deemed present as the sales are made with a credit term of between 30 and 60 days, which is consistent with the market practice.

Sales-related warranties associated with goods sold cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

Distribution income

The Group provides delivery services for the goods that they sell. Revenue from providing services is recognised in the accounting period in which the goods are delivered to the customer.

1.11 Finance income

Finance 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. Finance income on impaired loans and receivables are recognised using the original effective interest rate.

1.12 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 maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

1.13 Taxation

Current income tax assets 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).

Accounting policies (continued)

for the year ended 31 December 2018

1. Presentation of Annual Financial Statements (continued)

1.13 Taxation (continued)

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.

1.14 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.

If the share-based payments vest immediately the services received are recognised in full.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for these expenses as the services are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

1.15 Provisions

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.16 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual 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 Annual 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 inventories can be sold.

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 13 for details on each of the share option schemes).

Impairment of investment in subsidiaries and cash-generating units

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value 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.

Taxation

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

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

1.17 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, major shareholders and key management personnel is included in note 27 and note 28. 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. There were no other material contracts with related parties.

1.18 Earnings/(loss) per share

Earnings/(loss) per share is based on attributable earnings/(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 earnings/(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 4/2018: “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 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 amount of inventories recognised as an expense in the period in which the reversal occurs.

1.22 Contingencies and commitments

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

Notes to the Annual Financial Statements

for the year ended 31 December 2018

2. Changes in accounting policy

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 *Financial Instruments* and introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and general hedge accounting. Details of these new requirements as well as their impact on the Group's Annual Financial Statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparatives in relation to instruments that have not been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

All other debt investments and equity investments are subsequently measured at fair value through profit or loss, unless specifically designated otherwise.

The Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

The directors reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

Financial impact of initial application of IFRS 9

The Group has applied IFRS 9 with an initial date of application of 1 January 2018 prospectively. The comparative information has not been restated as the effect on the opening comparative information and opening equity is not material.

Application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue* - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Group Annual Financial Statements are described below. Refer to the revenue accounting policy for additional details.

The Group has applied IFRS 15 with an initial date of application of 1 January 2018 retrospectively. The comparative information has therefore not been restated as there was no effect on the opening comparative information and opening equity.

The adoption of IFRS 15 has resulted in additional disclosure and certain comparative information has also been restated to reflect the additional disclosure required.

3. New Standards and Interpretations

3.1 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 IFRIC 22: Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

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

The Group has adopted the interpretation for the first time in the 2018 Annual Financial Statements.

The impact of the interpretation is not material.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share-based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity-settled share-based payment transactions. For such modifications, the equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share-based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

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

The Group has adopted the amendment for the first time in the 2018 Annual Financial Statements.

The impact of the amendment is not material.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

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

The Group has adopted the amendment for the first time in the 2018 Annual Financial Statements.

The impact of the amendment is not material.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

3. New Standards and Interpretations (continued)

3.1 Standards and interpretations effective and adopted in the current year (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

The Group has adopted the standard for the first time in the 2018 Annual Financial Statements.

The adoption of this standard has not had a material impact on the results of the Group, but has resulted in more disclosure than would have previously been provided in the Annual Financial Statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*; IAS 18 *Revenue*; IFRIC 13 *Customer Loyalty Programmes*; IFRIC 15 *Agreements for the construction of Real Estate*; IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue* – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

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

The Group has adopted the standard for the first time in the 2018 Annual Financial Statements.

The adoption of this standard has not had a material impact on the results of the Group, but has resulted in more disclosure than would have previously been provided in the Annual Financial Statements.

3.2 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 2019 or later periods:

IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

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

The Group expects to adopt the interpretation for the first time in the 2019 Annual Financial Statements.

It is unlikely that the interpretation will have a material impact on the Group's Annual Financial Statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight-line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any remeasurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Remeasurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is remeasured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is remeasured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee remeasures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee remeasures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the standalone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

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 Annual Financial Statements, and is in the process of finalising the impact on the Annual Financial Statements.

The expected impact of the standard on the Group is set out below:

Statement of Financial Position	
Increase in assets	R2 963 395
Increase in liabilities	R2 963 395
Statement of Comprehensive Income	
Decrease in net profit before tax	R101 956

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

4. Property, plant and equipment

Group	2018 Cost R'000	2018 Accumulated depreciation and impairment R'000	2018 Carrying value R'000	2017 Cost R'000	2017 Accumulated depreciation and impairment R'000	2017 Carrying value R'000
Buildings	98 530	(7 842)	90 688	200 794	(13 913)	186 881
Plant and machinery	199 683	(105 799)	93 884	181 505	(81 968)	99 537
Furniture and fixtures	17 529	(15 613)	1 916	16 791	(14 481)	2 310
Motor vehicles	12 380	(7 218)	5 162	10 691	(6 384)	4 307
Total	**328 122**	**(136 472)**	**191 650**	409 781	(116 746)	293 035

Reconciliation of property, plant and equipment

Group	Opening balance R'000	Additions R'000	Disposals R'000	Classified as held-for-sale R'000	Depreciation R'000	Total R'000
2018						
Buildings	186 881	–	–	(94 482)	(1 711)	90 688
Plant and machinery	99 537	5 969	(1 317)	–	(10 305)	93 884
Furniture and fixtures	2 310	743	–	–	(1 137)	1 916
Motor vehicles	4 307	1 917	(46)	–	(1 016)	5 162
Total	**293 035**	**8 629**	**(1 363)**	**(94 482)**	**(14 169)**	**191 650**

Group	Opening balance R'000	Additions R'000	Disposals R'000	Classified as held-for-sale R'000	Depreciation R'000	Impairment reversal R'000	Total R'000
2017							
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 fixtures	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

Property, plant and equipment encumbered as security

Carrying value of assets pledged as security for interest-bearing borrowings (note 12):

	Group 2018 R'000	Group 2017 R'000
Land and buildings	90 688	186 881
Plant and machinery	1 948	6 735
Motor vehicles and computer equipment	2 035	2 679
Land and buildings held for disposal	86 000	–

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

Impairment and reversal of impairment

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 cash-generating units ("CGUs"). As a result of the impairment test performed on SOEW CGU, no impairment was recognised in 2018 (2017: R18.7 million, impairment charge reversed). The CGUs to which the assets were allocated to on a Group level are the same as those used for impairment consideration of investment in subsidiaries at Company level.

5. Intangible assets

Group	2018 Cost R'000	2018 Accumulated impairment R'000	2018 Carrying value R'000	2017 Cost R'000	2017 Accumulated impairment R'000	2017 Carrying value R'000
Trade names	–	–	–	15 247	(15 247)	–
Computer software	–	–	–	14 483	(14 483)	–
Total	–	–	–	29 730	(29 730)	–

Reconciliation of intangible assets

Group	Opening balance R'000	Additions R'000	Amortisation R'000	Disposals 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)	–

Other information

Trade names are allocated to their respective underlying CGU. For this purpose, the respective company 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 What4, as a division of Radiant Group. The intangible assets were impaired in the prior year due to the Radiant Group being held for sale and accounted for at fair value less costs to sell which resulted in intangible assets being impaired in full.

6. Deferred tax assets and liabilities

The deferred tax asset and the deferred tax liabilities are calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2017: 28%). Deferred taxation asset 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 2018 R'000	Group 2017 R'000
Deferred tax liability		
Property, plant and equipment	(37 041)	(46 089)
Provisions	6 640	3 331
Tax losses	4 430	13 361
Total deferred tax liability	(25 971)	(29 397)
Reconciliation of deferred tax liabilities		
At beginning of year	(29 397)	(13 239)
Current year temporary differences	7 856	(2 287)
Tax losses	(4 430)	(114)
Deferred tax asset not recognised	–	(13 757)
At end of year	(25 971)	(29 397)
Deferred tax liability	(25 971)	(33 862)
Deferred tax asset	–	4 465
Total net deferred tax liabilities	(25 971)	(29 397)

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

6. Deferred tax assets and liabilities (continued)

Group	Tax losses R'000	Capital allowances R'000	Provisions R'000	Prior year under provision of deferred tax R'000	Total R'000
2018					
Opening balance	**13 361**	**(46 089)**	**3 331**	**–**	**(29 397)**
Charged to the statement of comprehensive income	**(8 931)**	**9 048**	**3 309**	**–**	**3 426**
Closing balance	**4 430**	**(37 041)**	**6 640**	**–**	**(25 971)**
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)
Closing balance	13 361	(46 089)	3 331	–	(29 397)

	Group	
	2018 R'000	2017 R'000
Taxation losses at the end of the year deductible from future taxable income	**3 379**	94 206
Unprovided deferred tax asset	**94**	26 378

Unremitted earnings from a foreign entity

The unremitted earnings from foreign entities total R839 343 (2017: R4 775 618). Deferred tax on the future remittances has not been provided for as the future dividends will not be subject to tax in South Africa.

7. Inventories

	Group	
	2018 R'000	2017 R'000
Raw materials	**63 569**	31 499
Work in progress	**77 060**	75 250
Finished goods	**19 618**	39 393
Consumable stores	**20 756**	16 737
	181 003	162 879

The cost of inventories recognised as an expense and included in cost of sales is R1 440 859 116 (2017: R1 236 825 515).

	Group	
	2018 R'000	2017 R'000
8. Trade and other receivables		
Financial instruments		
Trade receivables	**226 854**	213 675
Loss allowance	**(1 040)**	(835)
Trade receivables at amortised cost	**225 814**	212 840
Other receivables	**256**	256
Non-financial instruments		
South African Revenue Services – VAT receivables	**4 137**	1 055
Deposits	**424**	429
Prepayments	**311**	391
Total trade and other receivables	**230 942**	214 971
Categorisation of trade and other receivables		
At amortised cost	**226 070**	213 096
Non-financial instruments	**4 872**	1 875
Total trade and other receivables	**230 942**	214 971

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R214.3 million (2017: R214.3 million) of the Group. At year-end the overdraft amounted to R53 882 410 (2017: R42 906 488).

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited. The Group is exposed to 15% of trade receivables within their credit limits, after an excess of R400 000 has been applied, and 100% of trade receivables in excess of their approved credit limits.

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 *Financial Instruments,* and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors as well as more forward-looking information, including competition in the industry, volatility of copper prices and demand, and other factors such as industry stability and unemployment levels.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was not fully recoverable. IFRS 9 has been adopted prospectively, however no opening balance adjustment to retained earnings is required, as the impact is considered immaterial. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses was calculated based on amounts as per age analysis. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

8. Trade and other receivables (continued)

Group	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
2018		
Expected credit loss rate		
Not past due: 0.001%	**78 499**	**78**
Less than 30 days past due: 0.002%	**127 759**	**256**
31 – 60 days past due: 0.01%	**27 694**	**277**
61 – 90+ days past due: 91%	**473**	**429**
	234 425	**1 040**
2017		
Not past due: 0.001%	88 023	–
Less than 30 days past due: 0.002%	114 126	64
31 – 60 days past due: 0.01%	197 489	338
61 – 90+ days past due: 91%	511	433
	400 149	835

The fair value of trade and other receivables is disclosed in note 30. The gross carrying amount above differs from trade receivables of R227.6 million because of debtors with credit balances and settlement discounts included in trade receivables.

Reconciliation of loss allowances

No adjustments on opening balances were required as the impact of the adoption of IFRS 9 was immaterial. The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	Group	
	2018 R'000	2017 R'000
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurements	**(835)**	(1 775)
Adjustments upon application of IFRS 9	**–**	–
Opening balance in accordance with IFRS 9	**(835)**	(1 775)
Provision raised on new trade receivables	**(1 210)**	(1 375)
Provision reversed on settled trade receivables	**1 005**	1 842
Transfer to disposal group	**–**	473
	(1 040)	(835)

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies:

	Group	
	2018 R'000	2017 R'000
Rand amount		
Rand	**230 102**	214 971
US Dollar	**840**	–
	230 942	214 971

	Group	
	2018 R'000	2017 R'000

9. Cash and cash equivalents

	Group 2018 R'000	Group 2017 R'000
Cash and cash equivalents consist of:		
Bank balances	**15 597**	11 503
Cash on hand	**3**	17
	15 600	11 520
Denomination currency		
South African Rands	**9 541**	11 246
United States Dollars	**130**	–
Hong Kong Dollars	**5 929**	274
	15 600	11 520

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

Baa3 – HSBC

Baa3 – Bank of Taiwan

10. Disposal group held for sale

In a general meeting held on 29 November 2018, the shareholders approved the disposal by SOH of 100% of the issued share capital in and claims against Radiant Group and the disposal of the properties from which Radiant Group operates. The effective date of the disposal and loss of control was 1 January 2019. The selling price of Radiant Group is R96.8 million, of which R77.0 million was received on 18 January 2019 with the balance of R19.8 million to be received by 31 March 2019. The properties will be derecognised on date of transfer, which is expected to take place by June 2019.

The disposal group consists of the assets and liabilities of Radiant Group, as well as the properties from which Radiant Group operates and which are owned by Anchor Park. These are classified as held for sale in terms of IFRS 5, and are set out below:

	Group	
	2018 R'000	2017 R'000
Assets and liabilities		
Assets of disposal group		
Property, plant and equipment	**86 000**	–
Inventory	**100 928**	136 227
Trade and other receivables	**30 853**	43 042
Derivative financial instrument	**22**	–
Cash and cash equivalents	**21 863**	18 755
Investments in subsidiaries	**–**	–
	239 666	198 024
Liabilities of disposal group		
Interest-bearing borrowings	**25 773**	38 374
Derivative financial instrument	**–**	4 348
Trade and other payables	**30 829**	34 758
	56 602	77 480

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

10. Disposal group held for sale (continued)

	Group	
	2018 R'000	2017 R'000
Cash flows		
Net cash inflow from operating activities	**4 295**	40 566
Net cash inflow/(outflow) from investing activities	**10 753**	(1 139)
Net cash outflow from financing activities	**(90)**	(18 194)
Net cash inflow from discontinuing operations	**14 958**	21 233
Discontinuing operations		
Revenue	**281 076**	303 017
Cost of sales	**(198 458)**	(229 666)
Gross profit	**82 618**	73 351
Other operating income	**6 421**	644
Total expenses	**(103 224)**	(100 198)
Impairment assets	**(13 804)**	(8 295)
Operating loss	**(27 989)**	(34 498)
Finance income	**133**	167
Finance costs	**(2 579)**	(3 042)
Loss before taxation	**(30 435)**	(37 373)
Taxation	**1 103**	(13 754)
Loss for the year	**(29 332)**	(51 127)
Operating lease commitment – as lessee (expense)		
Minimum lease payments due		
– within one year	**1 996**	1 854
– in second to fifth year inclusive	**2 336**	4 331
	4 332	6 185

11. Share capital

Authorised		
500 000 000 ordinary shares of R0.01 each	**5 000**	5 000
Issued		
203 276 794 ordinary shares (2017: 156 378 794)	**1 743**	1 274
Share premium	**459 600**	440 371
	461 343	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.

SOH concluded a Rights Offer to Shareholders recorded in the register at the close of trade on Friday, 20 April 2018, to subscribe for Rights Offer Shares on the basis of 29.99 Rights Offer Shares for every 100 SOH shares held on such date at a Rights Offer Price of 42 cents per Rights Offer Share. The Rights Offer Price represented a premium of approximately 92.73% to the 30-day VWAP share price of SOH of 21.79236 cents per share as at Wednesday, 7 March 2018. The Rights Offer was underwritten by Macrovest Capital 147 Proprietary Limited ("Macrovest"). The Group successfully raised R19 697 160 cash through the issue of 46 898 000 shares. The proceeds of this Rights Offer were applied to reduce borrowings.

	Group	
	2018 R'000	2017 R'000
12. Interest-bearing borrowings		
Mortgages		
First National Bank, a division of FirstRand Bank Limited 3-000-013-732-425	**23 497**	26 476
First National Bank, a division of FirstRand Bank Limited 3-000-012-798-538	**7 942**	10 753
First National Bank, a division of FirstRand Bank Limited 3-000-013-460-751	**9 510**	10 867
Other loans		
Instalment sale agreements	**3 982**	4 635
Other loans	**6 682**	10 022
Bank overdraft	**53 882**	42 906
	105 495	105 659
Non-current liabilities		
Mortgages	**33 266**	40 811
Other loans	**5 739**	9 483
	39 005	50 294
Current liabilities		
Mortgages	**7 684**	7 285
Other loans	**4 924**	5 174
Bank overdraft	**53 882**	42 906
	66 490	55 365
The maturity of non-current liabilities is as follows:		
Between one and five years	**33 822**	39 974
Over five years	**5 183**	10 320
	39 005	50 294

Securities

The interest-bearing borrowings are secured as follows:

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

- Erven 445 and 446 Wynberg Extension 3, Erf 539 Wynberg, Erven 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, suretyship for R400 million by South Ocean Electric Wire Company, 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% (2017: 10.25%). The loan is repayable in monthly instalments of R451 080 (2017: R447 688) inclusive of interest.
- The securities were in respect of an original loan amount of R68.7 million being a mortgage loan of R34.3 million to Anchor Park and an overdraft amount of R34.3 million to South Ocean Electric Wire Company, secured by a debtors financing facility. During January 2019, First National Bank lifted the security on the loan due to the fact that they hold enough security within the Group.

Loan agreement 3-000-012-798-538

- 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% (2017: 10.25%). The loan is repayable in monthly instalments of R305 825 (2017: R304 530) inclusive of interest. The loan is also secured by the subordination agreement of South Ocean Electric Wire Company.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

12. Interest-bearing borrowings (continued)

Loan agreement 3-000-013-460-751

- Erf 637 Alrode Extension 4 Township of R14.9 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 0.50% per annum. The prime lending rate at year-end is 10.25% (2017: 10.25%). The loan is repayable in monthly instalments of R195 759 (2017: R194 392) inclusive of interest. The loan is also secured by unlimited suretyship by South Ocean Electric Wire Company 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

The Group has an overdraft facility with First National Bank of R214.3 million (2017: R214.3 million). The facility is secured by a cession of the Group'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 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 Group and a cross suretyship of R400 million by Radiant Group Proprietary Limited, Anchor Park Investments 48 Proprietary Limited and South Ocean Electric Wire Company Proprietary Limited in favour of First National Bank. The overdraft is also secured by a bond of R55.9 million (2017: 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 million (2017: R30 million) registered over Erf 688 Alrode, Extension 1. The facility, when utilised, bears interest at prime plus 2.00% (2017: prime plus 2.00%). The unused facility at year-end amounted to R160.4 million (2017: R171.4 million) (note 30). The facility is renewable annually in May. The Group has an installment sale facility of R20.0 million (2017: R20.0 million) with the same bank, of which R16.0 million (2017: R15.4 million) was unutilised at year-end.

Radiant Group has an overdraft facility with First National Bank of R40.0 million (2017: R60.0 million). The facility is secured by an unlimited surety given by SOEW. Trade receivables of R33.8 million have also been ceded. The facility, when utilised, bears interest at prime plus 2.25% (2017: prime plus 2.25%). The unused facility at year-end amounted to R14.2 million (2017: R21.7 million). The facility is renewable annually in May.

Instalment sale agreements

Secured by vehicles, plant and equipment (note 4), bears interest at prime minus 0.75% (2017: prime minus 0.75%), and are repayable in monthly instalments of R188 438 (2017: R266 109), inclusive of interest.

13. 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 SAR's are eligible to be exercised in 2019. 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:

	2018	2017
Share price (Volume Weighted Average Price)	**R0.64**	R0.44
Strike price: SOH	**R0.29**	R0.48
Strike price: SOEW	**R53.44**	R6.56
Strike price: Radiant Group	**R9.31**	R12.62
Spot price: SOH	**R0.80**	R0.28
Spot price: SOEW	**R14.45**	R0.00
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.

13. Share-based payments (continued)

	Group 2018 R'000	Group 2017 R'000
Reconciliation of liability		
Opening balance	492	492
Charge in statements of comprehensive income	8 804	–
Closing balance	9 296	492
Non-current liabilities	8 406	492
Current liabilities	890	–
	9 296	492
Reconciliation of units		
Opening balance	23 529	18 215
Units granted	17 302	12 045
Equity units forfeited	(8 177)	(6 731)
Closing balance	32 654	23 529

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

At year-end 7 737 501 (2017: 2 907 950) shares have vested with an intrinsic value of R890 237 (2017: Rnil).

	Number of SAR units '000	Value R'000	Total number of SAR units '000
Directors' interest in long-term incentive plans			
2018			
JP Bekker	19 145	4 961	19 145
2017			
JP Bekker	11 766	–	11 766

14. Trade and other payables

	Group 2018 R'000	Group 2017 R'000
Financial instruments:		
Trade payables	143 490	174 777
Accruals	12 328	9 807
Non-financial instruments		
Payroll accruals	15 054	10 214
Deposits received	323	224
South African Revenue Services – VAT payable	14	426
	171 209	195 448
Exposure to currency risk		
The trade and other payables will be settled in the following currencies:		
Rand amount		
Rand	171 159	194 806
US Dollar	–	642
Hong Kong Dollar	50	–
	171 209	195 448

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 30.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

	Group	
	2018 R'000	2017 R'000
15. Revenue		
Revenue from contracts with customers		
Sale of goods	**1 710 393**	1 411 294
Rendering of services	**17 399**	14 483
	1 727 792	1 425 777
Disaggregation of revenue		
The Group disaggregates revenue from customers as follows:		
Sale of goods		
Copper cable sold	**1 668 258**	1 376 067
Aluminium cable sold	**13 959**	18 407
Conduit sold	**28 176**	16 820
	1 710 393	1 411 294
Rendering of services		
Distribution income	**15 016**	12 473
Rental income	**2 383**	2 010
	17 399	14 483
Total revenue from contracts with customers	**1 727 792**	1 425 777
16. Other operating income		
Bad debts recovered	**–**	225
Profit on exchange differences	**2 742**	3 575
Profit on disposal of property, plant and equipment	**–**	39
Sundry income	**4 181**	2 956
	6 923	6 795
17. Expenses by nature		
The total cost of sales and other operating expenses are analysed by nature as follows:		
Advertising and promotions	**76**	8
Amortisation of intangible assets	**–**	582
Auditors' remuneration	**2 202**	1 932
Depreciation	**13 278**	14 080
Electricity and water	**22 500**	21 461
Employee benefit expense	**131 109**	103 742
Freight	**2 130**	2 532
Foreign exchange loss	**–**	11
Insurance – trade receivables	**3 277**	3 111
Insurance – other	**3 168**	2 790
Impairment	**–**	5 573
Reversal of impairment	**–**	(18 743)
Legal fees	**2 209**	993
Levies	**240**	209
Loss allowance movement	**246**	(292)
Loss on disposal of assets	**770**	–
Motor vehicle expenses	**5 138**	3 434
Other expenses	**9 789**	7 280
Professional fees	**6 352**	2 044
Rates and taxes	**1 666**	2 701
Raw materials and consumables used	**1 444 398**	1 237 795
Repairs and maintenance	**21 327**	20 147
Secretarial fees	**200**	175
Security expenses	**1 765**	1 708
Social development	**1 887**	–
Total cost of sales, administration, distribution and operating expenses	**1 673 727**	1 413 273

	Group	
	2018 R'000	2017 R'000

18. Finance income

	2018 R'000	2017 R'000
Interest received		
Bank and other cash	**730**	511
Other	**172**	317
Total finance income	**902**	828

19. Finance costs

	2018 R'000	2017 R'000
Mortgage bonds	**4 166**	4 954
Instalment sale agreements	**631**	876
Bank overdraft	**15 976**	15 205
Other interest paid	**1 199**	2 911
Total finance costs	**21 972**	23 946

20. Taxation

	2018 R'000	2017 R'000
Major components of the tax expense		
Current tax		
Local income tax	**16 573**	–
	16 573	–
Deferred tax		
Originating and reversing temporary differences	**(3 426)**	8 508
Adjustments for deferred tax of prior periods	**–**	268
Assessed tax losses	**–**	7 382
	(3 426)	16 158
	13 147	16 158
Reconciliation of the tax expense		
Reconciliation between accounting loss and tax expense.		
Accounting profit/(loss) before taxation	**9 482**	(41 192)
Tax at the applicable tax rate of 28% (2017: 28%)	**2 655**	(11 534)
Tax effect of adjustments on taxable income		
Impairment not tax deductible	**1 754**	2 692
Adjustments for deferred tax of prior periods	**–**	268
Expenses not deductible	**1 240**	–
Deferred tax asset reversed/(recognised)	**(776)**	7 014
Unprovided deferred tax	**8 336**	18 423
Tax allowance	**(62)**	(705)
	13 147	16 158
Taxation attributable to profit or loss from continuing operations	**14 250**	2 404
Taxation attributable to profit or loss from discontinuing operations	**(1 103)**	13 754
	13 147	16 158

No provision was made for 2017 tax as the Group had assessed losses. The subsidiaries have assessable losses of R3 378 796 available for set off against future taxable income.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

21. Other comprehensive income

Components of other comprehensive income

Group	Gross R'000	Tax R'000	Net R'000
2018			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	833	–	833
Total	**833**	**–**	**833**
2017			
Items that may be reclassified to profit/(loss)			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	(569)	–	(569)
	(569)	–	(569)

	Group	
	2018 R'000	2017 R'000
22. Earnings/(loss) per share		
Basic and diluted earnings/(loss) per share of continuing operations and discontinuing operations (cents)	(1.95)	(36.67)
Loss for the year	(3 664)	(57 350)
Headline earnings/(loss) per share		
Headline earnings/(loss) and diluted earnings/(loss) per share (cents)	3.57	(35.93)
Reconciliation between earnings/(loss) and headline earnings/(loss)		
Loss for the year	(3 664)	(57 350)
Loss/(profit) on disposal of property, plant and equipment	440	(30)
Net of impairment	9 938	1 187
Headline earnings/(loss)	6 714	(56 193)
Number of share in issue ('000)	203 277	156 379
Headline earnings of continuing operations (cents)	17.54	2.07
Headline loss of discontinued operations (cents)	(13.97)	(38.00)
Weighted average number of shares		
Number of shares		203 276 794
Weighted average number of shares in issue at the beginning of the year		156 378 794
Weighted average number of shares in issue at the end of the year		187 858 273

	Group	
	2018 R'000	2017 R'000

23. Cash generated from operations

	2018 R'000	2017 R'000
Profit/(loss) before taxation from continuing operations	**9 483**	(41 192)
Adjustments for:		
Depreciation, amortisation and impairments	**26 420**	16 791
Profit/(loss) on disposal of property, plant and equipment	**612**	(42)
Finance income	**(1 035)**	(996)
Finance costs	**24 551**	26 988
Movement in derivative financial instruments	**(4 370)**	4 311
Impairment reversal in discontinued operations	**(2 396)**	(4 875)
Share-based payment provision	**8 804**	–
Changes in working capital		
Inventories	**17 174**	27 301
Trade and other receivables	**(3 782)**	17 117
Trade and other payables	**(28 971)**	101 528
	46 490	146 931

24. Net debt reconciliation

	2018 R'000	2017 R'000
Cash and cash equivalents	**15 600**	11 520
Borrowings repayable within one year including overdrafts	**(66 490)**	(55 365)
Borrowings repayable after one year	**(39 005)**	(50 294)
Net debt	**(89 895)**	(94 139)

Net debt movement reconciliation

Group	Cash and cash equivalents R'000	Interest-bearing borrowings R'000	Total R'000
Balance at 1 January 2017	7 193	(192 469)	(185 276)
Cash movements	4 327	106 679	111 006
Interest charged	–	(5 830)	(5 830)
Competition Commission loan	–	(13 362)	(13 362)
Funds advanced	–	(677)	(677)
Balance at 31 December 2017	**11 520**	**(105 659)**	**(94 139)**
Cash movements	4 080	22 634	26 714
Interest charged	–	(20 773)	(20 773)
Funds advanced	–	(1 697)	(1 697)
Balance at 31 December 2018	15 600	(105 495)	(89 895)

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

	Group	
	2018 R'000	2017 R'000
25. Proceeds on disposal of property, plant and equipment		
Net book amount of assets disposed of	**1 363**	341
(Loss)/profit on disposal of property, plant and equipment	**(770)**	42
Net book value of assets from disposal group held for sale	**187**	–
Profit on disposal disclosed in discontinued operations	**158**	–
	938	383

	Group	
	2018 R'000	2017 R'000
26. Employee benefit expense		
Salaries, wages and bonuses	**117 588**	99 123
Share-based payment expense	**8 804**	–
Pension and provident fund contributions	**5 120**	4 619
	131 512	103 742

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 persons employed at 31 December		
Continuing operations		
Full time	**408**	405
Part time	**5**	4
Discontinuing operations		
Full time	**178**	239
	591	648

27. Directors' and prescribed officers' emoluments

Executive

Group	Salary R'000	Medical group benefit contributions R'000	Provident fund R'000	Total R'000
2018				
JP Bekker	**4 701**	**118**	**388**	**5 207**
MK Zack	**396**	**–**	**–**	**396**
MK Lehloenya	**221**	**2**	**15**	**238**
	5 318	**120**	**403**	**5 841**
2017				
JP Bekker	3 627	108	388	4 123
MK Lehloenya	1 269	2	173	1 444
	4 896	110	561	5 567

Non-Executive

Group	2018 Directors' fees R'000	2017 Directors' fees R'000
KH Pon	**658**	522
HL Li	**367**	304
N Lalla	**383**	259
CY Wu	**179**	143
M Chong	**44**	245
JH Yeh	**2**	36
BP Petersen	**121**	–
	1 754	1 509

Prescribed officers

Group	Emoluments R'000	Medical aid R'000	Provident fund R'000	Total R'000
2018				
DD Johnson	**1 711**	**76**	**111**	**1 898**
FO Ally	**3 148**	**100**	**101**	**3 349**
YB Mahomed	**1 332**	**80**	**80**	**1 492**
	6 191	**256**	**292**	**6 739**
2017				
DD Johnson	1 679	71	111	1 861
FO Ally	1 652	80	141	1 873
YB Mahomed	1 041	72	72	1 185
	4 372	223	324	4 919

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

27. Directors' and prescribed officer's emoluments (continued)

Total directors' and prescribed officers' remuneration

	Group	
	2018 R'000	2017 R'000
Executive Directors	5 787	5 567
Non-Executive Directors	1 754	1 509
Prescribed Officers	6 739	4 919
	14 280	11 995

Directors' interests in share capital

The interest of Directors in the issued share capital of the Company as at 31 December 2018 were as follows:

	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2018				
JP Bekker	491 807	–	491 807	0.24
2017				
JP Bekker	491 807	–	491 807	0.31

No shares were traded by any director from 31 December 2018 until the date of this report. Refer to note 13 for details of share appreciation rights allocated to directors during the year.

28. Related parties

Directors

KH Pon, HL Li, N Lalla, CY Wu, B Petersen, DJC Pan (Alternate), MK Lehloenya, JP Bekker, MK Zack.

Transactions with directors

Details relating to the directors' remuneration and interests are disclosed in notes 26 and 27 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 Group or its subsidiaries.

Compensation to directors and other key management

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, excluding SOH directors.

	Group	
	2018 R'000	2017 R'000
Salaries and short-term benefits – continuing operations	7 268	5 459
Salaries and short-term benefits – discontinuing operations	9 839	7 290
	17 107	12 749

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

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

Information regarding the earnings of the directors, executive and non-executive, have been disclosed separately in note 27.

29. Segmental reporting

The Group is organised into three main business segments:

- Electrical cable manufacturing – manufacturing and distribution of electric wire (SOEW);
- Lightning 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.

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 profits. 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
2018				
Electrical cable manufacturing	**1 728 365**	**85 878**	**517 806**	**230 127**
Lighting and electrical accessories (discontinuing operations)	**290 111**	**(12 604)**	**153 667**	**56 602**
Property investments	**23 767**	**17 257**	**179 761**	**44 030**
	2 042 243	**90 531**	**851 234**	**330 759**
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

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

Segment liabilities comprises operating liabilities, and exclude current and deferred taxation and any inter-group liabilities existing at reporting date.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

29. Segmental reporting (continued)

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

	2018 R'000	2017 R'000
Revenue		
Reported segment revenue	2 042 243	1 755 398
Inter-segment revenue (property rentals)	(21 385)	(20 784)
Inter-segment revenue – other	(11 990)	(5 820)
Discontinuing operations revenue	(281 076)	(303 017)
Revenue per statement of comprehensive income	1 727 792	1 425 777
EBITDA		
Adjusted EBITDA	90 531	12 866
Corporate and other overheads	(25 590)	(16 152)
Impairment of intangibles – lighting and electrical accessories segment	(2 015)	(5 573)
Depreciation	(15 524)	(15 450)
Reversal/(impairments) of property, plant and equipment (note 3) – electrical cable manufacturing segment	–	18 743
Amortisation of intangible assets – lighting and electrical accessories segment	(218)	(1 339)
Impairment of non-current assets – lighting and electrical accessories segment	–	(8 294)
Impairment of current assets – lighting and electrical accessories segment	(5 450)	–
Impairment of non-current assets – property investments segment	(8 482)	–
Impairment of loan to Group Company	(253)	–
Discontinuing operations	27 989	34 498
Operating profit per consolidated statement of comprehensive income	60 988	19 299
Operating profit	60 988	19 299
Finance income	1 035	995
Finance costs	(24 551)	(26 988)
Discontinuing operations	2 446	2 875
Profit/(loss) before taxation per consolidated statement of comprehensive income	39 918	(3 819)
Assets		
Reportable segment assets	851 234	875 256
Corporate and other assets	7 627	5 173
Deferred taxation	–	4 465
Total assets per statement of financial position	858 861	884 894
Liabilities		
Reportable segment liabilities	330 759	371 436
Corporate and other liabilities	11 843	7 643
Taxation payable	1 468	–
Deferred tax	25 971	33 862
Total liabilities per statement of financial position	370 041	412 941

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 972 018 254 (2017: R1 687 451 900) and earned from other countries is R36 850 408 (2017: R47 162 829). Revenue in excess of 27% (2017: 32%) of total revenue was derived from a single external customer.

The total non-current assets other than financial instruments excluding deferred tax assets located in South Africa is R191 650 000 (2017: R293 035 000) and the total of these non-current assets located in other countries is Rnil (2017: Rnil).

30. Financial instruments and risk management

Categories of financial instruments categories of financial assets

Group	Notes	Amortised cost	Total	Fair value
2018				
Trade and other receivables	8	**226 070**	**226 070**	**226 070**
Cash and cash equivalents	9	**15 600**	**15 600**	**15 600**
		241 670	**241 670**	**241 670**
2017				
Trade and other receivables	8	213 096	213 096	213 096
Cash and cash equivalents	9	11 520	11 520	11 520
		224 616	224 616	224 616

Categories of financial liabilities

Group	Notes	Amortised cost	Total	Fair value
2018				
Trade and other payables	14	**151 373**	**151 373**	**151 373**
Interest-bearing borrowings	12	**105 495**	**105 495**	**105 495**
		256 868	**256 868**	**256 868**
2017				
Trade and other payables	14	184 584	184 584	184 584
Interest-bearing borrowings	12	105 659	105 659	105 659
		290 243	290 243	290 243

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 12, cash and cash equivalents disclosed in note 9, 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 2018, the gearing ratio was 18% (2017: 20%). The gearing ratio decreased primarily as a result of an increase in cash and cash equivalents and equity at year-end.

All security and covenants on debt and borrowings are disclosed in notes 8, 9 and 12.

Financial risk management

Overview

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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

30. Financial instruments and risk management (continued)

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 27% (2017: 32%) 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 8.

The Group manages outstanding trade receivables using a combination of Credit Guarantee and outside collection 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 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 13.36% (2017: 41.84%), First National Bank 65.95% (2017: 55.78%) and HSBC 16.69% (2017: 2.38%).

The overdraft is renewable annually in May. All the indications from the respective banks are that the facility will be renewed.

		2018			2017		
Group	**Notes**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost/fair value**	Gross carrying amount	Credit loss allowance	Amortised cost/fair value
Trade and other receivables	8	**227 110**	**(1 040)**	**226 070**	213 931	(835)	213 096
Cash and cash equivalents	9	**15 600**	**–**	**15 600**	11 520	–	11 520
Total		**242 710**	**(1 040)**	**241 670**	225 451	(835)	224 616

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:

	2018		2017	
Group	**Credit limit R'000**	**Balance available R'000**	Credit limit R'000	Balance available R'000
Counterparty				
First National Bank – Overdraft	**(214 335)**	**(53 882)**	(214 335)	(81 190)
	(214 335)	**(53 882)**	(214 335)	(81 190)

30. Financial instruments and risk management (continued)

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.

Group	Notes	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
2018							
Non-current liabilities							
Interest-bearing borrowings	12	**–**	**16 844**	**25 720**	**4 743**	**47 307**	**39 005**
Current liabilities							
Trade and other payables	14	**151 373**	**–**	**–**	**–**	**151 373**	**151 373**
Interest-bearing borrowings	12	**137 940**	**–**	**–**	**–**	**137 940**	**137 940**
Total		**289 313**	**16 844**	**25 720**	**4 743**	**336 620**	**328 318**
2017							
Non-current liabilities							
Interest-bearing borrowings	12	–	16 467	34 335	10 927	61 729	50 294
Current liabilities							
Trade and other payables		184 584	–	–	–	184 584	184 584
Interest-bearing borrowings	12	98 607	–	–	–	98 607	98 607
Total		283 191	16 467	34 335	10 927	344 920	333 485

Foreign currency 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 does not hedge foreign currency risk.

At 31 December 2018, if the currency had weakened/strengthened against the United States Dollar by 2% (2017: 2% USD) with all other variables held constant, profit after tax would have decreased/increased by R183 507 (2017: R9 244), 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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2018

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

	Notes	Group	
		2018	2017
US Dollar exposure			
Current assets			
Trade and other receivables	8	**840**	–
Cash and cash equivalents	9	**130**	–
Current liabilities			
Trade and other payables	14	**–**	642
Net US Dollar exposure		**970**	642
Hong Kong Dollar exposure			
Current assets			
Cash and cash equivalents	9	**5 929**	274
Loans to group companies		**–**	–
Current liabilities			
Trade and other payables	14	**50**	–
Net Hong Kong Dollar exposure		**5 979**	**274**
Net exposure to foreign currency in Rand		**6 949**	**916**

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

		2018	2017
US Dollar exposure			
Current assets			
Trade and other receivables		**58**	–
Cash and cash equivalents		**9**	–
Current liabilities			
Trade and other payables		**–**	50
Net US Dollar exposure		**67**	50
Hong Kong Dollar exposure			
Current assets			
Cash and cash equivalents		**3 221**	173
Current liabilities			
Trade and other payables		**27**	–
Net Hong Kong Dollar exposure		**3 248**	**173**

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 note 12.

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. However, should the interest rates increase/decrease by 2% the Group loss after tax will decrease/increase by R1 519 135 (2017: R1 521 490).

30. Financial instruments and risk management (continued)

Fair value estimation

The carrying value of trade and other receivables and payables as well as cash and cash equivalents and interest-bearing borrowings 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.

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.

Comparative figures

The comparative figures in this note have been restated to exclude the financial assets and liabilities relating to Radiant Group.

31. Commitments

Capital commitments

The capital commitments approved but not yet contracted for at 31 December 2018 amounted to R13 530 000 (2017: Rnil).

32. Going concern

The Annual Financial Statements have been prepared on the basis of accounting 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 R92.3 million (2017: R81.2 million) as disclosed in notes 10 and 12 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R214.3 million (2017: R214.3 million). The facility is due for review during March 2019.

The directors perform a property valuation every three years, with the previous valuation having been performed at the end of 2017. The market valuation of the properties was in excess of the carrying value by R40.2 million at the time. 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

In a general meeting held on 29 November 2018, the shareholders approved the disposal of 100% of the issued share capital in and claims against Radiant Group and the disposal of the properties from which the Radiant Group operates and which are owned by Anchor Park, to Eurolux Proprietary Limited. This disposal was effective 1 January 2019.

The selling price of Radiant Group is R96.8 million, of which R77.0 million was received on 18 January 2019 with the balance of R19.8 million to be received by 31 March 2019. The properties from which Radiant Group operates and are held by Anchor Park have been sold for R86.0 million. Payment for the properties will be received on transfer of the properties to Eurolux Proprietary Limited which is expected to occur in June 2019. The assets and liabilities of Radiant Group, as well as the properties, are classified as held for sale in the Annual Financial Statements. Refer to note 10.

Except for the above, 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 Annual Financial Statements, which would affect the operations of the Group or the results of those operations significantly.

Analysis of ordinary shareholders

as at 31 December 2018

Shareholder Spread	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
1 – 1 000	165	31.07	69 496	0.03
1 001 – 10 000	180	33.90	794 500	0.39
10 001 – 100 000	129	24.29	5 094 338	2.51
100 001 – 1 000 000	40	7.53	14 173 322	6.97
Over 1 000 000	17	3.20	183 145 138	90.10
Total	531	100.00	203 276 794	100.00

Distribution of Shareholders	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
Close Corporations	9	1.69	523 888	0.26
Collective Investment Schemes	5	0.94	8 775 947	4.32
Custodians	1	0.19	500 000	0.25
Foundations & Charitable Funds	2	0.38	393 220	0.19
Hedge Funds	1	0.19	1 100 490	0.54
Investment Partnerships	5	0.94	19 422	0.01
Managed Funds	4	0.75	55 810	0.03
Private Companies	14	2.64	25 602 926	12.60
Public Companies	3	0.56	87 234 699	42.91
Retail Shareholders	453	85.31	53 954 541	26.54
Retirement Benefit Funds	6	1.13	3 345 877	1.65
Stockbrokers & Nominees	2	0.38	936	–
Trusts	26	4.90	21 769 038	10.71
Total	531	100.00	203 276 794	100.00

Shareholder Type	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
Non-Public Shareholders	4	0.75	104 681 441	51.50
Directors and associates of the Company (direct holding)	1	0.19	491 807	0.24
Directors and associates of the Company (indirect holding)	–	–	–	–
Holders holding more than 10% (excluding directors' holding):				
Hong Tai Electric Industrial Co., Ltd	1	0.19	54 923 181	27.02
Metallic City International Ltd	1	0.19	26 088 888	12.83
Macrovest Capital 147 (Pty) Ltd	1	0.19	23 177 565	11.40
Public Shareholders	527	99.25	98 595 353	48.50
Total	531	100.00	203 276 794	100.00

Fund Managers with a holding greater than 3% of the issued shares	Number of Shares	% of issued capital
Investec Asset Management	12 014 163	5.91
Total	12 014 163	5.91

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Hong Tai Electric Industrial Co., Ltd	54 923 181	27.02
Metallic City International Ltd	26 088 888	12.83
Macrovest Capital 147 (Pty) Ltd	23 177 565	11.40
J van Rensburg Johannes Mr	17 219 085	8.47
H.S. Family Trust	14 245 992	7.01
MC Pan	10 231 862	5.03
Investec	7 867 901	3.87
Moneywin International Ltd	6 222 630	3.06
Total	159 977 104	78.70

Total number of shareholders	531
Total number of shares in issue	203 276 794

Share Price Performance

Opening price 2 January 2018	R0.28
Closing price 31 December 2018	R0.80
Closing high for period	R0.80
Closing low for period	R0.20
Number of shares in issue	203 276 794
Volume traded during period	21 476 712
Ratio of volume traded to shares issued (%)	10.57
Rand value traded during the period	R13 172 609
Price/earnings ratio as at 31 December 2018	(3.03)
Earnings yield as at 31 December 2018	(33.00)
Dividend yield as at 31 December 2018	–
Market capitalisation at 31 December 2018	R162 621 435

Notice of the Annual General Meeting

for the year ended 31 December 2018

Notice is hereby given that the 12 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 Friday, 26 July 2019 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, 19 July 2019 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 2018, 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 Ms N Lalla as a director

Resolved that Ms N Lalla who retires in terms of the Company's Memorandum of Incorporation, be re-elected a director of the Company.

The *curriculum vitae* for Ms N Lalla appears on page 7 of this annual report.

4. ORDINARY RESOLUTION NUMBER 4

Re-election of Mr B Petersen as a director

Resolved that Mr B Petersen, who was appointed a Director of the Company after the date of the last Annual General Meeting, be and is hereby re-elected a director of the Company.

The *curriculum vitae* for Mr B Petersen appears on page 7 of the annual report.

5. ORDINARY RESOLUTION NUMBER 5

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.

6. ORDINARY RESOLUTION NUMBER 6

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.

7. ORDINARY RESOLUTION NUMBER 7

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.

8. ORDINARY RESOLUTION NUMBER 8

Remuneration Report and Implementation Report

Section 3.84(k) of the JSE Listings Requirements require the Company to submit its Remuneration Report and Implementation Report every year to shareholders for consideration and to provide shareholders with an opportunity to indicate whether they do or do not support the material provisions of the Remuneration Report and policy of the Company and the implementation thereof. Shareholders are referred to the Remuneration Report and the Implementation Report set out on pages 32 to 35 of the Integrated Annual Report.

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

8.1 Ordinary resolution number 8.1

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

8.2 Ordinary resolution number 8.2

Resolved that, as a non-binding advisory vote, the Implementation Report, as tabled, be and is hereby approved.

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 32 of the annual report, for the financial year ended 31 December 2018, will be tabled at the Annual General Meeting.

9. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' fees for the financial year ending 31 December 2019 and quarter ending 31 March 2020

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 2019 and the quarter ending 31 March 2020 (being a quarter of the fees payable for the year ending 31 December 2019) be approved as follows:

	31 December 2019
• Chairperson	R511 489.00
• Deputy Vice-Chairperson	R295 079.00
• Non-Executive Director	R170 497.00
• Chairperson of the Audit Committee	R255 744.00
• Member of the Audit Committee	R55 254.00
• Chairperson of the Remuneration Committee	R78 638.00
• Member of the Remuneration Committee	R55 254.00
• Chairperson of the Social and Ethics Committee	R78 638.00
• Chairperson of Special Committees	R3 315.00 per hour
• Member of Special Committees	R1 989.00 per hour

The reason for special resolution number 1 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 2019 and for the quarter ending 31 March 2020 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 2019. 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 2019 and quarter ending 31 March 2020 as well as confirming and ratifying the increase in fees paid to the Directors for the quarter ending 31 March 2019. The fees payable for the quarter ending 31 March 2020 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 2020 at the 2020 Annual General Meeting.

10. SPECIAL RESOLUTION NUMBER 2

Loans or other financial assistance

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

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

Notice of the Annual General Meeting (continued)

for the year ended 31 December 2018

11. 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.

12. 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 25). 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 100;
- the directors' shareholding in the Company on page 53; and
- the share capital of the Company in note 11 on page 82.

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 2018 and 25 March 2019.

The Directors, whose names are given on pages 6 to 7 of the integrated 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, 19 July 2019, 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 2019

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 Friday, 26 July 2019. Shareholders listed in the shareholder register as at Friday, 19 July 2019 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

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 Chairperson 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; and
- Must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the Annual General Meeting; 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:	Approval of Annual Financial Statements			
Ordinary resolution number 2:	Appointment of the auditors and designated auditor			
Ordinary resolution number 3:	Re-election of Ms N Lalla as a director			
Ordinary resolution number 4:	Re-election of Mr B Petersen as a director			
Ordinary resolution number 5:	Appointment of Audit and Risk Management Committee member Ms N Lalla			
Ordinary resolution number 6:	Appointment of Audit and Risk Management Committee member Mr HL Li			
Ordinary resolution number 7:	Appointment of Audit and Risk Management Committee member Mr KH Pon			
Ordinary resolution number 8.1:	Approval of Remuneration report			
Ordinary resolution number 8.2:	Approval of Implementation report			
Special resolution number 1:	Approval of non-executive directors' fees for 2019			
Special resolution number 2:	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 2019

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 proxy form must be dated and signed by the shareholder appointing the proxy;
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at the Annual General Meeting on your behalf;
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- This proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- If this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act, 2008 or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- Your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this proxy form;
- The appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

1. Only shareholders listed in the shareholder register as at Friday, 19 July 2019 will be eligible to vote at the Annual General Meeting to which this proxy forms part.
2. The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to act as a proxy to the the exclusion of those whose names which follow thereafter.
3. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Proxy forms must be lodged at the Head Office of the Company, 16 Botha Street, Alrode, 1451 or posted to the Company Secretary at PO Box 260362, Excom, 2023, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107, South Africa).
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, 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 proxy form must be initialled by the signatory/ies, but any such alteration or correction will only be validly made
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)*
MK Zack *(Chief Financial Officer)*
N Lalla
CY Wu
B Petersen
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

2018 FINANCIAL YEAR-END

Annual General Meeting	26 July 2019

FINANCIAL YEAR-END

Financial year-end	31 December

REPORTS

Interim Report – 2019	August 2019
Final Report – 2019	March 2020
Publication of Annual Report – 2019	April 2020

DIVIDEND

Final	April 2020

2019 ANNUAL GENERAL MEETING

Annual General Meeting	July 2020

South Ocean
HOLDINGS