South Ocean
HOLDINGS

INTEGRATED ANNUAL REPORT

For the year ended 31 December

2019

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 2019.

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 2019 to 31 December 2019. It includes an overview of the environment in which the Group operates, details of its business model and strategy, and comprehensive reports on both financial and non-financial matters. These are intended to inform stakeholders of all material matters, enabling them to make an informed assessment of the Group's performance during the reporting period as well as of its future 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; and
- Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), a property holding company.

On 1 January 2019, the sale of a third subsidiary, Radiant Group (Pty) Ltd ("Radiant") to Eurolux (Pty) Ltd came into effect, generating cash of R96 million. The transfer of the properties that form part of the deal, to the value of R86 million, is still to take place. A fourth business, Icembu Services Proprietary Limited ("Icembu"), is in the process of being deregistered. Details of the funds received as a result of these transactions are reflected in the Annual Financial Statements for the 2019 financial year, which appear in this report.

All references to the Group 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) and Acting Chief Financial Officer (CFO) of South Ocean Holdings is Mr Koos Bekker. The Company's Independent Non-Executive Chairperson is Mr Henry Pon.

Mr Bekker may be contacted at:
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Alrode
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koos@soew.co.za

The Group welcomes feedback on this report and any suggestions for 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 the report.

Reporting framework

This report has been prepared in accordance with:

- International Financial Reporting Standards (IFRS);
- The Companies Act (No 71 of 2008);
- JSE Listings Requirements;
- The King Report on Corporate Governance (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 was limited to the Broad-Based Black Economic Empowerment (B-BBEE) scorecard, which was verified by an accredited ratings agency, Dextra BEE Verification and Consulting (Pty) Ltd.

The consolidated Annual Financial Statements, presented separately, were audited by PricewaterhouseCoopers Inc., which expressed an unmodified opinion for the year ended 31 December 2019.

Shareholders who would like to view the signed and audited Annual Financial Statements may arrange to do so at the Group's registered office.

Forward-looking statements

This report contains 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 report have, as specified, been audited by external auditors.

Henry Pon CA(SA)
Chair

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

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

Group at a glance

OVERVIEW

Our group

South Ocean Holdings is a well-established South African manufacturer and distributor of low-voltage electric cable and related products.

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

- SOEW, a manufacturer of low voltage electrical cables.
- Anchor Park, a property holding company.

Investment case

South Ocean Holdings has many benefits to offer its stakeholders:

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

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

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

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

To manufacture, import and supply consistent high quality standard products.

To provide excellent customer service.

To create an environment that develops our employees 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.

Strategy

Strategy for value creation

South Ocean Holdings aims to be a successful and sustainable group that delivers reliable 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 its commitment to sustainability, good corporate governance, responsible risk management, manufacturing excellence and the care and advancement of employees. Progress in relation to strategy is monitored on an on-going basis against well-defined financial and non-financial indicators.

South Ocean Holdings is a strategically focused and robust entity that, despite operating in highly challenging socioeconomic 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 innovation, quality and 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 respected and influential player in the cable manufacturing market

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

3

Develop a globally competitive business

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

Critical risks

- Cash flow
- Improving the Group's B-BBEE rating
- The COVID-19 pandemic
- Profitability

Board of Directors

Executive Directors

Jacobus (Koos) Petrus Bekker (63)

BCom, BCom (Hons), CA(SA)

Chief Executive Officer and Acting Chief Financial 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 Chief Executive Officer of Radiant Group, a former subsidiary of South Ocean Holdings, between August 2009 and July 2010.

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

Morris Kenneth Zack (48)

BCom

Chief Financial Officer

Morris completed his articles in 1998 and then joined the finance department of a multinational IT company. He later gained experience in various industries, in which he held a number of senior financial management positions. Morris was appointed as Group Chief Financial Officer in August 2018. Prior to joining South Ocean Holdings, he was Chief Accounting Officer for a large multinational commercial and manufacturing group in the capital goods sector. Morris resigned on 28 February 2020.

Independent Non-Executive Directors

Kwok Huen (Henry) Pon (83)

BCom, CA(SA)

Independent Non-Executive Director and Chair

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 Nomination Committee, of which he is the Chair.

Hung-Lung (Eric) Li (68)

MSc (Industrial and System Engineering)

Independent Non-Executive Director and Deputy Vice-Chair

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 Electrical 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 Nomination Committee, and the Remuneration Committee, of which he is the Chair.

Melanie Chong (43)

BCom, BCom (Hons), CA(SA)

Independent Non-Executive Director

Melanie is a chartered accountant with extensive business, risk management and auditing experience. She completed her articles at one of the Big Four auditing firms and is a former director of a JSE-listed resources company as well as the former Vice President of the Businesswomen's Association of South Africa. She is currently a consultant contracted to optimise the finance team at a large construction company.

Melanie was appointed as an independent non-executive director on 28 June 2019. She previously served on the Board in the same capacity and formerly served as the Chair of the Audit and Risk Management Committee, the Remuneration Committee, and the Social and Ethics Committee.

Natasha Lalla (45)

BCom, BCom (Hons), 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 also holds a post-graduate diploma in Advanced Banking (2003) and a certificate in International Treasury Management (2012).

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 one of the four big commercial banks in South Africa as a financial accountant, transitioned to the Internal Audit Department and later progressed to various managerial roles with her last role being Head of Internal Audit for the Corporate and Investment Banking (CIB) division. She is currently the Regional Head of Internal Audit at Remgro Ltd.

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.

Jen-Hao (Kevin) Yeh (46)

BSc (Actuarial Science)

Independent Non-Executive Director

Kevin is a certified financial planner, a member of the Financial Planning Institute of Southern Africa, and a Top of the Table member of the Million Dollar Round Table. He began his career in 1996 and has extensive experience in financial modelling, financial planning, investments, investor education, insurance pricing, employee benefits, and business management. He is a member of the Taiwan Chamber of Commerce.

He was an independent non-executive director of South Ocean Holdings from February 2016 to May 2017. He re-joined the Board in the same capacity on 28 June 2019 and serves on the Nomination Committee.

Barend Petersen (60)

BCom, BCom (Hons), CA(SA)

Non-Executive Director

Barend is a chartered accountant and has broad international business experience in mining, manufacturing, financial services, logistics, the oil industry and business turnarounds. He is the Executive Chairperson of De Beers Consolidated Mines, Chairperson of its Social and Ethics Committee, and a director of De Beers plc.

He is also the founder and Chairperson of Macrovest Capital, an industrial investment company operating in the manufacturing, logistics and oil industries; the Chairperson of DHL South Africa; and a director of several companies, including Anglo American South Africa Limited, Ponahalo Group and Curro Holdings. In addition, he serves as a member of the Board of the Minerals Council of South Africa.

He joined the Board of South Ocean Holdings as a non-executive director on 11 June 2018.

Barend disposed of his indirect shareholding in SOH during the month of June 2020. Shareholders are referred to the SENS announcement as published on 15 June 2020. Barend now serves as an independent non-executive director on the Board of SOH.

Non-Executive Directors

Chieh-Fu (Jeff) Chen (64)

Non-Executive Director

Jeff has many years of experience in the electric cable industry. He is a director of various companies listed on the Taiwan Stock Exchange including Hong-Tai Electric Industrial Co., Ltd which is a major shareholder in South Ocean Holdings. He joined the Board of South Ocean Holdings as a non-executive director on 28 June 2019.

Alternate Non-Executive Director

Daphne JC Pan (36) (Brazilian)

BSc (Hotel and Tourism Management), Certificate in Finance

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 as an alternate director to Hung-Lung (Eric) Li. On 20 November 2019, she resigned as Eric Li's alternate director and became the alternate director to Melanie Chong.

Chi-Yung (Joe) Wu (55)

BSc Business Administration

Alternate Non-Executive Director

Joe joined Hong-Tai Electric Industrial Co. Ltd ("Hong Tai") in 1996 and was appointed as an assistant manager in the accounting department in 2002. In 2005, he was appointed Manager: Internal Audit and, in 2008, Assistant Vice President: Administration Services and also Accounting and Finance Officer for Hong-Tai. In 2015 he was appointed Assistant Vice President: Development. Joe was also appointed Assistant President of the South Africa Division of Hong-Tai on 1 March 2018.

He relinquished his role as a non-executive director on 28 June 2019 and became an alternate director to Jeff Chen. Joe retired on 10 June 2020.

Jacky Liu (51)

EMBA, Major in Electrical Engineering

Alternate Non-Executive Director

Jacky joined Hong-Tai Electric Industrial Co., Ltd ("Hong Tai") in 2018 as a consultant to promote new business development and to facilitate and coordinate the establishment of their Research and Development Centre. Jacky is also a training instructor. Throughout his career Jacky held several senior positions which included being the Vice President of General Electric Corporation from 2012 to 2018, and Regional Director: North-Asia Pacific of General Electric Corporation from 2006 to 2012. He also served on the Board of Celxpert Co. Ltd from 2006 to 2009.

Jacky joined the Board of South Ocean Holdings on 10 June 2020 as an alternate director to Jeff Chen.

Chairperson's (Chair) report

> From an operational point of view, the Group will continue to maintain stringent control over expenditure, reduce wastage during the production process, and adhere to its goal of continuous improvement in standards, processes, product quality, and customer service.

South Ocean Holdings, like businesses throughout South Africa, continues to operate in a highly challenging socio-economic environment that seems to have become the new normal. This is characterised by low economic growth, persistently high levels of unemployment, declining rates of investment, and a deepening power supply crisis. Since January 2020, the underlying situation has been exacerbated by the unfolding COVID-19 pandemic and, more recently, by ratings downgrades by S&P Global, Moody's and Fitch. The effect of all three events has been immediate and it remains to be seen how severe it will be.

The Moody's downgrade has put structural constraints on direct foreign investment and raised the cost of servicing sovereign debt, while COVID-19 has seen a worldwide flight from emerging-market currencies to the dollar, precipitating a rapid fall in the value of the Rand.

In terms of infrastructure, rolling power cuts reached an unprecedented level in December 2019, when Stage 6 loadshedding was implemented for the first time ever. The practice of loadshedding or cutting supply from the national grid on a rotating basis, is therefore likely to continue indefinitely and will undoubtedly have an impact on growth and stability. The uncertainty this creates is only aggravated by continuing policy uncertainty, the still-unaddressed scourge of corruption and mismanagement in government, a protracted drought in many parts of the country, ongoing political instability at home, and parallel uncertainty in developed markets, especially in the US, the UK and Europe.

Macro-economic factors

One of the greatest macro-economic challenges during the course of the reporting period was how close South Africa came to sliding into a protracted recession, with growth slipping by 3.2% in the first quarter of 2019, the greatest decline in a decade. This was mainly due to shrinkages in the mining and manufacturing sectors, which had a knock-on effect throughout the economy, not least on construction and infrastructure development.

Resulting fluctuations in the value of the rand impacted heavily on the cost of imports and the value of exports, which served to worsen an already difficult situation. This was only mitigated by an above-average growth rate of 3.1% in the second quarter, although this represented only 0.9% growth year-on-year. The final growth rate for 2019 was 1.1%, making South Africa one of the poorest-performing countries in sub-Saharan Africa.

This was largely what led to the S&P Global, Moody's and Fitch downgrades and, as I mentioned in my 2018 report, the impact of downgrades such as these on the economy, socio-political stability, and development should not be underestimated.

South Ocean Electric Wire Company (Pty) Ltd ("SOEW"), the operating arm of SOH, was significantly impacted by fluctuations in the value of the rand during the course of 2019, with demand also remaining patchy. This was exacerbated by the impact of cheap imports on the commoditised electrical wiring segment, especially as quality is not well regulated in South Africa. SOH is nevertheless better positioned to secure and grow its market share than it was prior to the sale of the Radiant Group (Pty) Ltd subsidiary, which became effective on 1 January 2019.

Business challenges

The sale of the Radiant business and related properties had a positive impact on the Group's statement of financial position and gearing ratio, placing it in a position to stabilise its financial position and undertake a thorough assessment of SOEW's plant and equipment.

While SOH is still waiting for the transfer of the properties involved in the Radiant deal to take place, the sale of the business itself has enabled SOEW to develop a plan to upgrade or replace outdated machinery. This is an important business issue as maintaining both product quality and production integrity are important differentiators in a highly-cluttered market. While demand is uncertain, expected growth in certain industries and sectors make this an appropriate focus for the Group.

SOEW also intends to focus on deepening its culture of innovation and its client relationship management processes so that it is in a position to take advantage of new opportunities as they present themselves and so continue to secure its existing client base.

On a regulatory level, the Group's Broad-Based Black Economic Empowerment (B-BBEE) status remains an issue for the business. Throughout most of 2019, we operated with a Level 6 accreditation, although this improved to a Level 4 in December. Even at this level, the Company is excluded from being able to tender for government contracts and is restricted in its efforts to penetrate further into the private sector. This is partly because procurement from companies with higher B-BBEE scores enables privately owned companies to maintain or improve their own scores.

To elaborate on the issue of B-BBEE, especially for foreign shareholders, this 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, 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 was able to significantly improve its B-BBEE rating by the end of 2019 – and continues to have a 17% black shareholding – major competitors in the cabling segment currently have Level 1 or Level 2 ratings, which naturally hampers our ability to compete on equal terms. An improved empowerment rating would 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, SOH is fully compliant with all relevant legislation and with the principles and guidelines outlined in the King Report on Corporate Governance for South Africa (2016) (King IV). Compliance is constantly monitored, and the Board and management actively support an ongoing process of continuous improvement in standards and practices.

From a transformation perspective, at least 50% of the Board is made up of people of colour, while at management level, 61% of employees are people of colour. At workforce level, the percentage is 95%, which more closely reflects the demographics of the country. In terms of gender, 40% of senior managers are female and 14% of the general staff complement is female which, to some extent, reflects the nature of the business and the sector in which it operates. SOH is strategically committed to continuous improvement in business transformation.

Naturally, 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

For the 2019 reporting period, revenue from ongoing operations reduced by 9.9%, largely due to extreme price cutting on the part of competitors in the poorly regulated electrical wiring segment. Together with the loss of operating income from Radiant, this resulted in a total loss for the year of R15.8 million, which included a R7.3 million impairment on the disposal of Radiant. The loss per share therefore declined to 7.8 cents per share (2018: negative 1.9 cents per share).

Taking into account the impact of the Radiant deal, the value of the Group's assets held firm at R705.8 million (2018: R858.8 million). The tangible net asset value per share therefore also held firm at 231.8 cents per share (2018: 240.5 cents per share). Cash flow remains well managed and the Group is appropriately positioned to fund ongoing operations.

Based on these fundamentals, SOH continues to be a going concern and its financial statements for 2019 received an unmodified opinion from its auditors, PricewaterhouseCoopers Inc.

Significant events

There were no significant events that had an impact on operations or financial results during the reporting period.

However, on 15 March 2020, President Cyril Ramaphosa declared a state of disaster in South Africa in response to the COVID-19 pandemic. It is uncertain what the impact of this will be, either on the economy as a whole or on the business. Since the first case of COVID-19 was reported in South Africa, SOH has followed World Health Organisation guidelines to manage the risk that the novel coronavirus, which causes the condition, poses to the Group and its employees. Our response has included a comprehensive information campaign, extensive precautionary measures, and clearly identified support and self-isolation procedures for employees who might display symptoms of infection.

Outlook

SOH, like all South African companies, continues to face the significant challenges posed by the country's unstable macro-economic situation, its equally unstable political conditions, and deeply subdued growth, which is expected to move into negative territory following the Moody's, Fitch, and S&P Global downgrades and the COVID-19 crisis. In a situation with so many variables and potential outcomes, no one is currently in a position to make any reasonable predictions on the outlook for the current period.

Within this context, the Group's executive and management will nevertheless continue to apply best-practice discipline in all areas of the business in order to secure sustainability, service existing clients, expand into viable new markets, promote innovation, and maintain the business as a going concern. Operational plans for the current period support these objectives and are being implemented within the framework of a pared-down executive management structure.

From an operational point of view, the Group will continue to maintain stringent control over expenditure, reduce wastage during the production process, and adhere to its goal of continuous improvement in standards, processes, product quality, and customer service. This will be supported by ongoing training and development throughout the organisation.

While SOH as an enterprise is seeing the benefit of strategic decisions taken during the course of 2019, the trading environment will inevitably have an impact on performance in 2020. The downgrading of the country's sovereign credit rating to 'junk' status by all three ratings agencies means that South Africa can no longer be listed on the World Government Bond Index, which will radically reduce its pool of investors. Furthermore, as more money will need to be diverted into servicing debt, the fiscus will come under increasing strain, further impacting on already-battered business and investor confidence.

This may be offset by modest growth in the industrial, ICT, wholesale, retail and financial services sectors during the course of the year and the Group is well positioned to take advantage of this should it happen. The closure of the factory for more than a month due to the enforced COVID-19 lockdown has, however, had a very negative impact on the Group's performance. The Board and SOEW management team nevertheless have the knowledge and experience necessary to guide the Group in all of these areas.

Changes to the Board

There were some changes to the Board during the course of 2019 and up to the date of this report.

The following appointments were made on 28 June 2019:

- Chieh-Fu (Jeff) Chen was appointed as a non-executive director.
- Melanie Chong and Jen-Hao (Kevin) Yeh were both appointed as independent non-executive directors.

On the same date, Chi-Ying (Joe) Wu relinquished his role as a director of the Company and was appointed as an alternate director for Jeff Chen. Joe resigned on 10 June 2020.

On 20 November 2019, Daphne Pan, who was previously the alternate director for Eric Li, became the alternate director for Melanie Chong.

Morris Zack, who was the Chief Financial Officer, resigned on 28 February 2020. Koos Bekker will be the Acting Chief Financial Officer until a suitable appointment can be made.

Jacky Liu, was appointed on 10 June 2020 as an alternate director for Jeff Chen.

Dividend and executive remuneration

No dividend was declared for 2019.

Executive remuneration is carefully monitored and maintained within a market-related range. Comprehensive details are given in the body of this report.

Appreciation

In conclusion, I would like to thank the Group's directors for their constant and dedicated work 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)
Chair

Chief Executive Officer's report

SOH will continue to capitalise on available market opportunities, seek new markets, and secure and increase market share.

It is my pleasure to present the Integrated Annual Report for South Ocean Holdings for the year ended 31 December 2019. As the Chairperson has already mentioned, trading conditions in South Africa continued to be exceptionally challenging throughout the reporting period and this inevitably impacted on performance. SOH nevertheless remains committed to implementing its corporate strategy and to managing risks diligently in order to secure sustainability and maximise opportunities for future growth.

As stakeholders are aware, the sale of Radiant, which came into effect on 1 January 2019, enabled SOH to stabilise its statement of financial position, reduce its gearing ratio and take a more strategic view of the future. The proceeds from the sale of the properties that formed part of the Radiant deal, which are still due to be received, which will further enable us to manage the impact of the unstable political and socio-economic situation in which we operate.

The outlook for 2020 is nevertheless of great concern, especially in light of the unfolding COVID-19 pandemic and the downgrading of South Africa's sovereign credit rating to sub-investment grade by Moody's, the last of the three international ratings agencies to do so. At the time of writing, the rand had plummeted to its lowest exchange rate ever against the US dollar, demonstrating the immediate impact of these events.

Even prior to this, statistics for the last quarter of 2019 painted a sobering picture, with both the manufacturing and mining sectors remaining under pressure. Similarly, the retail sector continued to sag, new vehicle sales were tepid, and both business and investor confidence remained persistently low. Discounting the effect of more recent events, these indicators suggested that South Africa would struggle to meet its very modest growth target of 0.5% for 2020 and that the threat of technical recession would be ever-present. As the situation now stands, both the immediate and medium-term outlooks are much more uncertain than what they were at the end of the reporting period.

Modest growth in some of the individual sectors serviced by the Group may materialise which, as in 2019, is cause for conservative optimism. However, this needs to be tempered by the fact that the full economic impact of the widespread load shedding in December 2019 and early January 2020 is still to be felt, as is the impact of declining tax revenue, persistently high unemployment, the worsening position of all of the country's state-owned entities, and the impact of COVID-19.

Notwithstanding, SOH is in a position to take advantage of market opportunities in various market segments, both locally and in the rest of Africa, and we have a strong strategy in place to do so.

Macro-economic and segmental review

Macro-economic factors

The South African economy performed poorly in 2019, with political and policy instability affecting all key economic indicators. One of the greatest dangers the country faces in the current period is that of falling into a debt trap; a cycle of rolling over its loans because it is unable to afford scheduled repayments. This will make it increasingly more expensive to service sovereign debt, placing further stress on an already weakened fiscus.

The added effect of Moody's downgrading the country's sovereign credit rating to 'junk' status on 27 March 2020 delivered an additional and severe blow. This downgrade followed just over two years after S&P Global and Fitch made similar downgrades, costing South Africa its place on the World Government Bond Index and setting mandatory constraints on many fund managers. This, in turn, will further reduce the inflow of foreign direct investment and continue to impact heavily on the exchange rate, which the country can ill afford. Some analysts have even suggested that the Moody's downgrade, together with the further downgrade by Fitch on 3 April 2020 and the knock-on impact of COVID-19, will have an irreversible effect on growth and development. In the short term, there can be no doubt that the South African economy is in for a very rough ride in 2020.

From a Group perspective, poor macro-economic conditions had a marked impact on performance during the reporting period. This was largely due to the fact that many infrastructure and development projects were put on hold by both government and the private sector, causing a contraction in demand for electrical wiring. The situation was exacerbated by the closure of Palabora Mining for a smelter retrofitting process between May and October 2019. In order to secure its supply of raw materials, SOH had to import copper during this period and the Group was obviously affected by the poor exchange rate. The mine is still not operational and Palabora Mining is currently importing cathode for conversion to copper rod.

Continuing woes at Eskom also mean the utility hasn't awarded any tenders for implementation beyond March 2020, which is likely to have a severe effect on demand. Cheap imports and government's failure to regulate these effectively have further led to an oversupply of electrical wiring, impacting on all local producers.

By operating under these conditions, the Group's total revenue from ongoing operations decreased to R1.6 billion in 2019 (2018: R1.7 billion). The challenging trading conditions also forced the Group to trade at a lower-than-expected gross profit margin, which resulted in a loss before tax of R23.5 million (2018: profit R39.9 million). Together with higher operating expenses and fluctuations in the exchange rate, this resulted in the total loss for the year increasing from R3.7 million in 2018 to R15.9 million in 2019.

Within both a macro-economic and business context, one therefore needs to be realistic about immediate prospects. Even prior to the COVID-19 crisis and the Moody's downgrade, South Africa was expected to remain one of the poorest-performing economies in sub-Saharan Africa, which is itself performing poorly against global competitors.

The decision to sell Radiant and to relieve the Group of the associated business risks was therefore undoubtedly a beneficial decision. Proceeds from the sale of the business, some of which are still to be received, have brought a measure of financial stability, which is necessary to weather the difficult financial climate and put plans into place to develop the electrical wiring business.

However, a continuing business risk is the Group's B-BBEE rating, which was a Level 6 in the previous period, but improved to a Level 4 during the reporting period. While this improvement will open up doors in the private sector, SOH is nevertheless unable to tender for business with government departments and state-owned entities as a Level 4 still disqualifies the Group from doing so. The fact nevertheless remains that our B-BBEE rating, which is low in comparison to all of our major competitors, limits access to critical areas of the market.

Operational review

Retrenchments at two major competitors in 2018 did, however, enable us to improve our market share in the electrical wiring segment in 2019, as did modest growth in sectors such as agriculture, ICT, financial services and tourism. Demand is nevertheless weak, mainly because the construction sector continues to be depressed, which has resulted in an oversupply of electrical cable in the market. Stock management, cost management and productivity therefore continue to be a top priority from an operational point of view.

It was with these factors in mind that we took a decision to trim down our executive structure during the course of the year, combining the roles of Group CEO and MD of SOEW and retrenching other managerial staff. This was done specifically to address efficiency on the factory floor and the current level of manufacturing scrap, which is unacceptably high. As every percentage point represents a loss in turnover and gross profit, this is obviously a priority. Improvements to the Group's proprietary productivity management system are therefore constantly being undertaken to account for and address issues such as these.

Machine breakdowns during the reporting period were also more frequent than expected, partly due to the ageing of equipment. This is one of the major reasons why our immediate strategic focus is on upgrading and/or replacing essential plant and equipment.

Changes to Palabora's pricing structure in 2019 also continued to have an impact on both planning and outcome. Prior to this, an average of the current month's copper price had been used to set the price for the month that followed, but in 2019 the price was set retrospectively at the current month's average price. This caused pricing uncertainty as the price for copper in the month in which it was purchased was only known at the end of the month. SOEW was managing this situation as best possible and had contingency plans in place to import copper from reliable international suppliers if the pricing they are able to offer was more competitive. SOH has, however, successfully negotiated with Palabora to revert to its previous pricing structure.

Production was also impacted by unexpected delays in the supply of PVC due to a force majeure incident at Sasol, which occurred when the plant was down for repairs and could not be started up again. While the re-commissioning took two weeks, a relatively short period of time, this resulted in an unanticipated hiatus in production and supply. Again, SOEW managed the situation as best possible as its policy of maintaining a small stockpile of PVC helped to mitigate the effects of the delay.

From a labour point of view, relationships with unions continue to be stable and the next round of collective bargaining, which will establish wage increases for a three-year period, is scheduled for June 2020. The Group exclusive of Radiant, also reported a modest 7.4% increase in factory staff from 399 to 431. All staff are supported with appropriate training and development, which includes funding for bursaries and learnerships.

Despite the many challenges it faced during the 2019 financial year, SOEW remains a stable business with sound fundamentals and a proven ability to weather both challenging economic circumstances and fluctuations in demand. This is largely due to its diligent operational management practices and its focus on securing institutional knowledge, which supports optimal efficiency.

From a health and safety perspective, there was one serious injury at SOEW during the course of the reporting period and injury levels remain 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 fully accredited, conforming to SANS 1507, 1574 and 1576.

Financial review

The financial statements for 2019 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 wiring 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 our working capital position will also continue to remain a fundamental aspect of doing business.

Sustainability and integrated reporting

In line with the guidelines set out in the King Report on Corporate Governance for South Africa (2016) ("King IV"), SOH will continue to report not only on financial matters, but to provide non-financial information on issues such as corporate citizenship, transformation, sustainable development and industry regulation, all of which are material to stakeholders. In order to align our reporting with international best practice, we are also guided by the six capitals of sustainability.

The Group's policy on corporate governance is listed on pages 36 and 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 economic conditions are expected to be extremely challenging throughout 2020, SOH is more stable than it was prior to the sale of Radiant. As a result, we are in a better position to focus on and invest in improving production capacity and reliability at SOEW. This is essential if the company is to hold its own in a market currently characterised by an oversupply of electrical wiring and an influx of cheap imports. Further, quality management and customer service will continue to be our key focus areas in terms of differentiating the Group and its products in the segments it serves. We will also continue to explore opportunities in Africa as moving into new territories is one of the few immediate ways available to secure growth.

Similarly, we will continue in our efforts to improve our B-BBEE rating, which will afford access to the public sector and provide opportunities to tender for contracts to supply electrical wiring on large infrastructure projects.

At macro-economic level, unemployment is expected to increase off an already high base, fluctuations in the price of commodities are expected to continue, and volatility in the value of the rand is expected to remain a fundamental feature of the economy. And while at the beginning of the 2020, inflation was expected to remain within the targeted range and below the average inflation rates for both the SADC region and sub-Saharan Africa, which would have given South African companies a slight competitive advantage from a pricing point of view, it is impossible to accurately predict inflation figures for the year at present.

The full impact of the socio-economic situation in South Africa is naturally beyond the direct control of the Group. Persistently low levels of economic growth, low business confidence and low levels of investment are all of significant concern.

A particularly sobering illustration of this is the country's gross fixed capital formation (GFCF), which refers to the total net investment in a country and includes capital spent on improvements to land, equipment purchases, and road and building construction. While GFCF in China, the source of most electrical wiring imports, has been expanding at between 6% and 10% per annum, Intellidex figures indicate that South Africa's GFCF is actually down by 5.2% since the end of 2017. This demonstrates that both local and international investors are reluctant to deploy capital in the country and, as long as this situation persists, structural and economic decline is unlikely to be halted.

An unexpected and complicating development has also come in the form of the COVID-19 pandemic. On 15 March 2020 President Ramaphosa declared a national state of disaster, which precipitated a protracted national lockdown that has had a severe impact on the economy. While it is difficult to predict what the full impact of the crisis will be on either the people of South Africa or on our business, our daily operational response is being coordinated by our most senior executives.

We support the measures being taken by government to curb the spread of the virus and to isolate and treat affected individuals. The Group is adhering to the best practice measures published by both the World Health Organisation and the National Institute for Communicable Diseases. We believe that curbing the spread of the virus is a collective responsibility and, as a committed corporate citizen, the Group will actively play its part in doing so.

Against this backdrop, we at SOH will continue to capitalise on available market opportunities, seek new markets, and secure and increase market share. Operationally, these goals will continue to be supported by stringent internal cost-control measures and continual improvements in both efficiencies and capacity. Pricing will also be carefully monitored to ensure that all products produced by the Group remain competitive as, in the current economic environment, customers are highly price sensitive.

Appreciation

In conclusion, I would like to take this opportunity to thank all of our hard-working employees, who continue to ensure that SOH remains viable even in today's difficult economic climate. Their efforts are acknowledged and deeply appreciated.

I would also like to extend my very sincere thanks to our valued shareholders, partners, suppliers and customers for their continuing support. 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 are due to my colleagues on the Board for their consistent support, thoughtful input and carefully considered advice. This too is acknowledged and genuinely appreciated.

Koos Bekker CA(SA)
Chief Executive Officer

Subsidiary report: SOEW

As a result of economic instability and uncertainty, planning remains tactical and focused on managing input costs, efficiency and cash flow.

Performance and operations

As mentioned by both the Chairperson and the CEO, economic conditions during the reporting period remained challenging, with changes in the competitive environment reducing the demand for electrical wiring. SOEW was nevertheless able to sell all of the cable the company produced, although it was operating at a reduced capacity.

Similarly, the pressure on pricing remained acute, with customers being extremely price sensitive. This naturally had a negative effect on both revenue and profitability. Further, the fact that major competitors have better B-BBEE ratings than SOEW continues to limit our access to government contracts, which also had a negative impact on revenue and profitability. Improving our B-BBEE rating will consequently remain a core strategic focus.

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

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 before, 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 requires British Standards (BS) and International Electrotechnical Commission (IEC) 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 73 incidents were recorded during the course of the year (2018: 34) and one serious injury occurred.

The three-year wage agreement concluded in August 2017 remains in place, which mitigated against the risk of any unforeseen changes to budgeted costs. As per the agreement, wages were increased by 6.0% in July 2019 (2018: 6.5%), but some staff in middle management were retrenched as part of a cost-saving initiative. Renegotiations for a new wage agreement will commence during June 2020.

Dean Johnson, the managing director of SOEW resigned with effect from 30 September 2019. His duties and responsibilities were taken over by Koos Bekker, the Group CEO.

Outlook

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

COVID-19 has, however, had a negative effect on operations and material losses were recorded during the initial lockdown period. Since the beginning of May 2020, the company has been phasing in production as it is an essential service provider in terms of the Level 4 and Level 3 lockdown regulations. As part of its response to the risk of infection, production had to be halted twice during the month of May in order to disinfect the facility and prevent the spread of the virus. As a result, output for the month of May was also what had been planned for. As a result, the company is considering further cost cutting initiatives in order to manage cash flow, which may include retrenchments.

Notwithstanding this setback, SOEW remains committed to supplying a comprehensive range of quality products within an acceptable timeframe for the rest of the year, 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.

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

As a result of the economic instability and uncertainty, planning remains tactical and focused on managing input costs, efficiency and cash flow, as well as on securing the orders necessary to increase production volumes. Sales to date are below budget mainly due to the ongoing lockdown, and sales for the remainder of the year will depend not only on SOEW's performance, but on such factors as the stability of the RCP, local demand, competitor pricing and the recovery of a depressed economic environment.

SOUTH OCEAN ELECTRIC WIRE COMPANY (PTY) LTD

Directors and management

Managing Director

Jacobus (Koos) Petrus Bekker (63)

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 Chief Executive Officer of Radiant Group, a former subsidiary of South Ocean Holdings, between August 2009 and July 2010.

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

Sales and Marketing Director

Yasmin Mahomed (53)

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 a sales manager in 2007, and was appointed Sales and Marketing Director in March 2010.

Divisional Director: Finance

Chantelle Govender (42)

Chantelle has 17 years of experience in finance, payroll, and project management in both the FMCG and manufacturing sectors.

She is qualified in project management, having successfully completed the Management Advancement Programme at Wits Business School. She is currently enrolled in the WBS Executive Development Programme.

She was appointed Administration Manager at SOEW in October 2011, was promoted to Financial Manager in 2018, and became the Divisional Director: Finance in January 2019.

Divisional Director: Factory and Operations

Steven Sienaert (45)

Steven has 27 years of experience in the cable manufacturing industry and has occupied several managerial positions during this period, including positions in production, sales, factory management and general management.

He has a N4 Electrical qualification and has successfully completed a course in business management.

Steven joined SOEW in February 2020 as the Divisional Director: Factory and Operations.

Head Human Resources

Thelma Tshivhase (40)

Thelma has 15 years of experience in human resources management, specifically in skills development facilitation, training and development, industrial relations, recruitment, talent management, change management, performance management, B-BBEE, and employment equity. She gained her experiences in a number industries, including engineering, manufacturing, the metal industry, and services.

Her qualifications include a BTech in Human Resources Management and she has successfully completed a Management Advanced Programme (MAP). She is currently enrolled in the Executive Development Programme at Wits Business School.

She joined the company as Human Resources Manager in October 2017 and was promoted to Head Human Resources in March 2020.

Our businesses

SOUTH OCEAN ELECTRIC WIRE COMPANY PROPRIETARY LIMITED

("SOEW")

SOEW is a manufacturer and distributor of a full range of low-voltage electrical cables, from those typically used in households to those used in 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 426 people, including electrical, engineering, administration, marketing, and warehousing personnel, as well as other skilled and semi-skilled staff.

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 that have prevailed for many years 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, SANS 1507 and SANS 61386 (PVC 20mm^2 & 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 previously held the warehouses, showrooms and offices used by Radiant, as well as a light fitting assembly workshop used by Icembu. As mentioned earlier in the report, these properties have been sold and the proceeds of the sale will be received as soon as transfer has been effected.

Five-year review

GROUP PERFORMANCE AND SEGMENTAL ANALYSIS

	2019	2018	2017	2016	2015
GROUP STATEMENT OF COMPREHENSIVE INCOME					
Net revenue (Rm)	**1 566.1**	2 008.9	1 728.8	1 777.2	1 657.4
Operating (loss)/profit (Rm)	**(7.4)**	33.0	(15.2)	(31.8)	0.4
Net loss after taxation (Rm)	**(15.9)**	(3.7)	(57.4)	(39.1)	(13.9)
GROUP STATEMENT OF FINANCIAL POSITION					
Shareholders' equity (Rm)	**471.3**	488.8	472.0	529.9	569.7
Non-current liabilities (Rm)	**61.3**	73.4	84.6	87.5	101.1
Current liabilities (Rm)	**173.2**	296.7	328.3	325.7	238.9
Total liabilities (Rm)	**234.5**	370.1	412.9	413.3	339.9
Non-current assets (Rm)	**306.8**	277.6	297.5	319.3	331.4
Cash and cash equivalents (Rm)	**15.8**	37.5	30.3	22.3	21.8
Other current assets (Rm)	**383.2**	543.7	557.1	601.5	556.5
Total assets (Rm)	**705.8**	858.8	884.9	943.1	909.7
SHAREHOLDER RETURNS					
Loss per share (cents)	**(7.80)**	(1.95)	(36.67)	(25.03)	(8.90)
Headline (loss)/earnings per share (cents)	**(4.14)**	3.74	(35.93)	(13.11)	(9.10)
Dividend per share (cents)	**–**	–	–	–	–
Net tangible asset value per share (cents)	**231.8**	240.5	301.8	333.9	358.7
Total operating profit/(loss) margin (%)	**(0.5)**	1.6	(0.9)	(1.8)	0.03
Cash (utilised)/generated for the year (Rm)	**(20.0)**	6.4	8.5	1.2	(16.1)
Number of shares in issue (millions)	**203.3**	203.3	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 six capital inputs into outputs (products and services) that result in positive outcomes (results) for all stakeholders. The six capitals of sustainability are Financial capital, Manufactured capital, Intellectual capital, Human capital, Social and Relationship capital, and Natural capital.

This internationally recognised framework, developed by the Technical Task Force of the International Integrated Reporting Council (IIRC), is designed to provide a standardised model to secure 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 about inputs, outputs and outcomes, which is designed to meet the needs of both investors and other stakeholders;
- a comprehensive overview of the effective allocation and management of business and natural resources; and
- an overview of the Group's governance framework.

VALUE ADDED STATEMENT	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Revenue	**1 566 078**	2 008 869	1 728 794	1 777 190	1 657 358
Paid to suppliers and providers of services	**(1 338 301)**	(1 653 232)	(1 521 589)	(1 565 421)	(1 419 940)
Value added	**227 777**	355 636	207 205	211 769	237 418
Income from investment	**9 794**	7 958	8 167	6 471	3 396
Total value created	**237 571**	363 594	215 372	218 240	240 814
Distributed as follows:					
Employees	**115 324**	155 489	129 485	130 218	133 884
Providers of capital	**15 723**	24 551	26 988	23 273	20 397
Government taxes	**87 718**	134 827	88 175	82 311	85 765
Retained for growth	**18 806**	48 727	(29 276)	(17 562)	768
Depreciation, amortisation and impairment	**14 943**	26 420	11 916	36 544	19 686
Deferred taxation	**19 724**	25 971	16 158	(14 967)	(4 999)
Accumulated loss	**(15 861)**	(3 664)	(57 350)	(39 139)	(13 919)
Total value distributed	**237 571**	363 594	215 372	218 240	240 814
Value added statement ratio analysis					
Number of employees	**431**	586	622	676	713
Revenue per employee (R'000)	**3 634**	3 428	2 779	2 629	2 324
Value added per employee (R'000)	**528**	607	333	313	333
Average salary per employee (R'000)	**268**	265	208	193	188

Financial capital

Organisational equity

Financial capital, as defined by the IIRC's International Integrated Reporting (<IR>) Framework, is the pool of funds an organisation has access to in order to ensure that it is managed as a going concern. It includes both equity and debt financing. The analytical focus here is on the organisation's source of funding, how this is converted into outputs through added-value processes, and what the financial outcomes of these processes are.

From an equity point of view, SOH has 203.3 million shares in issue (2018: 203.3 million) with a market capitalisation as at 31 December 2019 of R81.3 million (2018: R162.6 million).

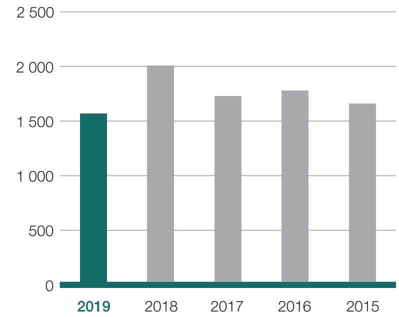
The business also makes use of capital inputs that were previously considered to be non-monetary variables, but which have increasingly become monetised, such as water. A comprehensive analysis of the Group's water usage is given in the relevant section below.

Added value

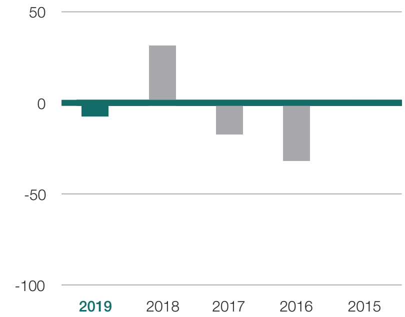
SOH adds value, creates wealth and secures sustainability by using the financial capital at its disposal to manufacture high-quality products, run an efficient distribution system, offer competitive pricing, deliver superior customer service, empower its staff, support external stakeholders, adhere to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

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

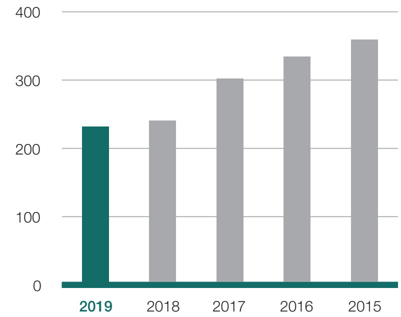
REVENUE
(Rm)



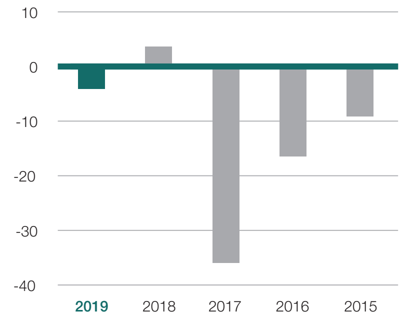
OPERATING PROFIT/(LOSS)
(Rm)



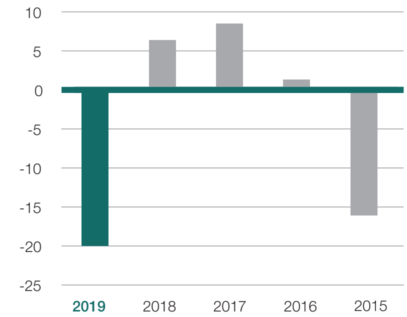
NET TANGIBLE ASSET VALUE
(Value per share cents)



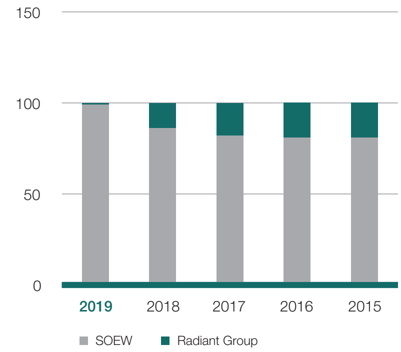
HEADLINE EARNINGS/(LOSS) PER SHARE
(cents)



CASH GENERATED/(UTILISED)
(Rm)



SEGMENT ANALYSIS
(Contribution to revenue %)



Manufactured and intellectual capital

MANUFACTURED CAPITAL

Infrastructure, equipment and tools

Manufactured capital is defined in the International <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 all other manufacturers in South Africa, SOH has had to navigate challenging and uncertain market conditions in recent years.

In the 2019 financial year, the total value added was R237.6 million (2018: R363.6 million) and the value added per employee was R528 000 (2018: R607 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 operating subsidiary, SOEW, manufactures a comprehensive range of low-voltage electrical wire, as outlined in the section giving details of the Group's subsidiaries.

Product quality

Product quality has always been the cornerstone of SOH's success, with SOEW being certified as compliant with ISO 9001: 2015 Quality Management Standards. As mentioned elsewhere in this report, the products produced by SOEW also conform to the SANS 1574, SANS 1576, SANS 1507, SANS 1418 and SANS 61386 (PVC 20mm^2 & 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 International <IR> Framework highlights the fact that intellectual capital and knowledge management are essential to securing an organisation's long-term earning potential and to sustaining its competitive advantage.

The intellectual capital value chain involves making use of the output of research and development activities to add value in various areas of the business, most notably by using proprietary processes and procedures to create products and services. It also involves the effective management of the organisation's knowledge resources. These 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.

This demonstrates the fact that there is obviously a relationship between intellectual capital, human capital, and social and relationship capital. The reports on these capitals in this section 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

SOH 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.

SOH therefore actively invests in developing all of its staff; enhancing 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 development opportunities are offered that inspire employees to advance their careers.

In 2019, 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 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, SOH 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 431 full-time employees excluding non-executive directors as at 31 December 2019 (2018: 586). The reduction in the number of staff was primarily due to the sale of Radiant, effective on 1 January 2019. As in other areas of the business, the Group consistently strives to increase efficiencies in human capital management and to maintain the flexibility necessary to adapt to prevailing economic conditions .

EMPLOYMENT EQUITY AND DIVERSITY

SOH is dedicated to creating a diverse workforce by attracting and developing previously disadvantaged people, women and employees with disabilities. The Group's diversity figures for the reporting period were:

Black permanent employees	Black senior management
male – 81%	male – 47%
female – 6%	female – 12%

6 disabled employees	**6** 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 2019, 184 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 98% 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 six 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 fees, SOH provided learnership beneficiaries with stipends to cover their day-to-day expenses.

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

The total investment in learnerships during the reporting period was R1.4 million.

Training

SOH continues to invest in various training programmes to ensure that the skills of its workforce are enhanced. The total invested in training during the reporting period was R1.5 million (2018: 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.

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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.

The number of employees belonging to trade unions in 2019 was as follows:

Trade union	2019	2018	2017	2016
NUMSA	**255**	318	297	312
Solidarity	**5**	8	8	7
Number of employees who are members of unions	**260**	326	305	319
Percentage employees who are members of unions (%)	**60.3**	55.6	47.1	47.2

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

At SOH, 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 compliance issues and safety incidents to the management committee and make recommendations on areas for improvement. 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 delegated to these committees.

Safety

SOH 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 an increase in the number of safety incidents recorded. In 2019, 73 incidents were recorded, up from 34 in 2018. The increase is due to stricter control and record keeping. Management takes each of these incidents very seriously. All injured employees who require medical attention are provided with appropriate treatment and, where needed, time off work for recovery.

The following table gives details of all safety incidents recorded during the course of the reporting period:

Injury incidents (permanent staff)

Minor injuries	24
Serious injuries	1
Incidents requiring time off work	23
Employees who received medical attention	25
Total number of employees injured	73

Health

SOH 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 2019 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, that person is moved out of the department until blood tests indicate that they are 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 loss control officers and third-party security providers are all given formal training to acquaint them with these security policies and practices.

One security violation was reported during the course of the year.

STAFF TURNOVER

The table below gives a summary of the various reasons why employees left the company:

Reason for leaving (number of employees)	2019	2018
Resigned	**7**	35
Dismissed	**12**	15
Absconded	**1**	2
Death	**3**	3
Retrenched	**3**	26
Other	**7**	22
	33	103

New employment (number of employees)	2019	2018
Replacements and growth	**45**	74

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 (Metal and Engineering Industries Bargaining Council (MEIBC) members can accumulate family responsibility leave up to a total of nine days)
Study leave (approved courses)	Two days per paper

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

Leave type (days taken)	2019	2018
Annual leave	**5 525**	10 294
Family responsibility leave	**255**	404
Maternity leave	**161**	457
Sick leave	**1 529**	2 203
Study leave	**51**	55
Unpaid leave	**666**	920
Total number of leave days taken	**8 187**	14 333
Average number of leave days per employee	**19**	24

EXTERNAL STAKEHOLDERS

SOH engages regularly, openly and honestly with stakeholders involved in and affected by the Group's operations. This enables the Group to build good 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 These stakeholders are vitally important, as the Group has the greatest impact on them directly and, vice-versa, they have the greatest impact on the Group.	Employees	The Group's ability to pay salaries on time, as well as Group performance, which impacts their livelihoods. The Group strives to create a safe environment for all its employees. The Group strives to promote and upskill its previously disadvantage employees.	The 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 meetings, the Integrated Annual Report, the corporate website and investment updates on SENS.
	Board	Ultimate responsibility for the Group's decisions and accountability to investors.	Quarterly meetings and briefings for the Chairperson and the Board on matters of significance between meetings.
	Customers	The Group's ability to supply quality products on time.	Advertisements, the corporate website, the Integrated Annual Report, exhibitions and catalogues.
	Bankers	The Group's ability to continuously service long- and short-term borrowings.	Providing an integrated annual report and information, as required.
Secondary These stakeholders have the ability to directly impact on the success of the Group.	Suppliers	The Group's ability to procure from suppliers and settle debt as agreed.	Regular meetings, the annual industry show, and periodic communications from the respective business managers.
	Government	The Group's ability to pay all taxes due timeously and in adherence to all legislative requirements.	Specific meetings, industry forums, and adherence to legal reporting requirements.
	JSE	Adhering to JSE regulations.	Providing information as required.
	Unions	The fair implementation of wage agreements and incentives.	Union meetings, shop steward meetings and engaging in negotiations.
Tertiary These stakeholders have the ability to affect the brand's reputation.	Media	Positive and negative publicity.	Media releases and presentations.

Social and Relationship capital

A SUCCESSFUL COMPANY IN A SUCCESSFUL SOCIETY

SOH 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

N Lalla	Chair
H Pon	Member
JP Bekker	Chief Executive Officer

The Divisional Director of Finance and the Head of Human Resources also attend the Committee meetings by invitation.

Meetings

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

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 defined in the United Nations Global Compact;
  - 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 and public relations

- Compliance with consumer protection laws.
- Labour and employment, including:
  - the Group's standing in terms of the International Labour Organisation's ("ILO's") protocols on decent work and working conditions; and
  - the Group's employment relationships and its contributions towards the 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.

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EMPLOYMENT EQUITY COMMITTEE

SOH 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Total workforce	**47**	84	**383**	491	**13**	16	**443**	591
Less: non-executive directors and non-permanent staff	**–**	(4)	**(8)**	(1)	**(4)**	–	**(12)**	(5)
	47	80	**375**	490	**9**	16	**431**	586
Gender profile								
Male	**35**	54	**328**	391	**8**	12	**371**	457
Female	**12**	26	**47**	99	**1**	4	**60**	129
	47	80	**375**	490	**9**	16	**431**	586
Occupational level								
Directors	**3**	4	**1**	1	**–**	–	**4**	5
Male	**3**	4	**–**	1	**–**	–	**3**	5
Female	**–**	–	**1**	–	**–**	–	**1**	–
Senior management	**1**	7	**2**	11	**2**	1	**5**	19
Male	**1**	6	**0**	7	**2**	1	**3**	14
Female	**–**	1	**2**	4	**0**	–	**2**	5
Professionally qualified and middle management	**30**	40	**51**	43	**3**	–	**84**	83
Male	**22**	28	**42**	32	**2**	–	**66**	60
Female	**8**	12	**9**	11	**1**	–	**18**	23
Skilled and technical	**7**	24	**61**	129	**4**	5	**72**	158
Male	**5**	13	**55**	103	**4**	4	**64**	120
Female	**2**	11	**6**	26	**–**	1	**8**	38
Semi-skilled and unskilled	**6**	5	**260**	306	**–**	10	**266**	321
Male	**5**	3	**231**	248	**–**	7	**236**	258
Female	**1**	2	**29**	58	**–**	3	**30**	63
	47	80	**375**	490	**9**	16	**431**	586
Disability profile								
Disabled	**–**	–	**6**	11	**–**	–	**6**	11
Male	**–**	–	**6**	9	**–**	–	**6**	9
Female	**–**	–	**–**	2	**–**	–	**0**	2
Non-disabled	**47**	80	**369**	479	**9**	16	**425**	575
Male	**35**	54	**324**	382	**8**	12	**367**	448
Female	**12**	26	**45**	97	**1**	4	**58**	127
	47	80	**375**	490	**9**	16	**431**	586
Age profile								
Under 30	**5**	11	**15**	61	**–**	4	**20**	76
Male	**2**	6	**10**	51	**–**	3	**12**	60
Female	**3**	5	**5**	10	**–**	1	**8**	16
Over 30, but less than 50 years	**32**	40	**353**	356	**8**	10	**393**	406
Male	**23**	24	**332**	277	**7**	7	**362**	308
Female	**9**	16	**21**	79	**1**	3	**31**	98
Over 50 years	**10**	29	**7**	73	**1**	2	**18**	104
Male	**9**	24	**6**	63	**1**	2	**16**	89
Female	**1**	5	**1**	10	**–**	–	**2**	15
	47	80	**375**	490	**9**	16	**431**	586

*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 identified and/or 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)

SOH regards B-BBEE and transformation as essential to achieving its strategic objectives. The Group has therefore consistently made improvements to its B-BBEE score, and is currently Level 4 compliant.

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 (QSEs) and exempt micro enterprises (EMEs). 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

SOH 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 R0.6 million (2018: R1.9 million).

Political party policy

SOH endorses the principles and institutions that support a free and democratic society. It is, however, 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 NBCC, which is situated in Boksburg, and which offers a range of services aimed at stabilising and empowering destitute individuals.

The centre, which has an average residency rate of approximately 290 individuals, provides homeless people of all ages with accommodation, food and structured programmes designed to assist them in integrating back into mainstream society. It also 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.

In addition, the NBCC offers a rehabilitation programme for individuals who are struggling with substance abuse, and distributes food on a daily basis to approximately 120 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.

YES4YOUTH Programme

The Group participates in the government's YES4YOUTH programme, by employing previously disadvantaged unemployed people under the age of 35. Participants are recruited, upskilled and employed for a period of 12 months. The Group currently employs 30 people through this initiative.

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 these businesses by supplying stock at no charge, 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

SOH 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, SOH regards the protection and conservation of the environment as a fundamental aspect of doing business.

Climate change

SOH recognises the impact of climate change on the natural environment and actively seeks opportunities to mitigate the Group's environmental impact. A task team was constituted to measure the carbon impact of the Group's manufacturing processes and vehicles. It operates within the required environmental limits with no negative impact on the environment that will directly or indirectly affect climate change.

Environmental impact assessment and carbon footprint analysis

SOH 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 2020.

Energy usage

During the course of the year, SOEW, the Group's manufacturing subsidiary, used 15.05 MWh of electricity (2018: 20.3 MWh), with decreased production accounting for this decrease in usage. This translates into 0.0127 MWh per hour worked (2018: 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 7 748 kilolitres of water (2018: 7 107 kilolitres), translating into an average of 0.01 kilolitres per hour worked (2018: 0.01).

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 included PVC scrap, which was recycled and reused in the production process. The balance of the PVC scrap and the copper scrap were 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, which either recycles or disposes of them in an environmentally safe manner. During 2019, 14 140 litres of both soluble and lubricating oil (2018: 15 480 litres) were generated and disposed of.

Industrial waste generated and disposed of during the course of the year totalled 995 000 kilograms (2018: 1 050 000 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 1 238 m^3 of refuse was generated (2018: 1 056m^3).

Risk report

RISK MANAGEMENT POLICY STATEMENT

The Board commits SOH 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 of South Africa.

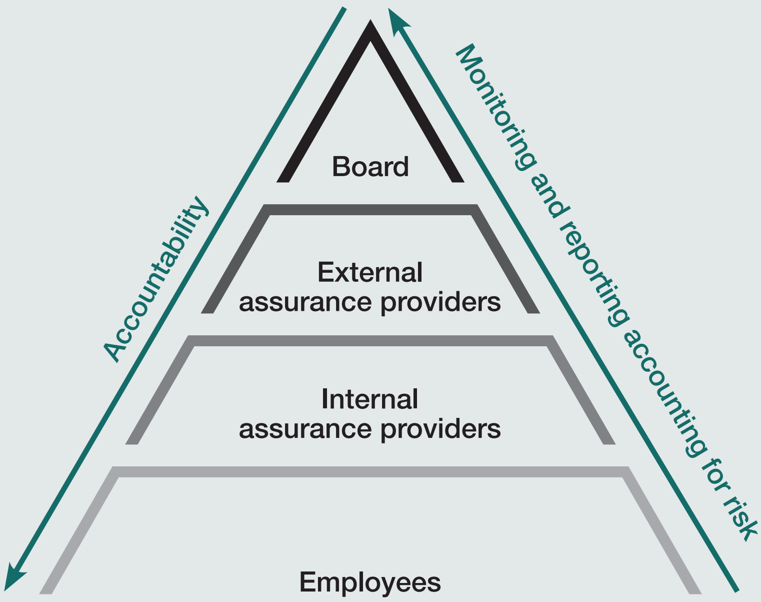
SOH defines enterprise risk management as a structured, systematic and comprehensive process, effected by the Board and Management applied in a strategic context, and designed to:

- 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.

The following principles underpin the risk management processes at SOH:

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

Governance structure



ENTERPRISE RISK MANAGEMENT PHILOSOPHY

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

RISK MANAGEMENT FRAMEWORK

The Board has approved the Risk Management Framework and accompanying implementation plan, and has delegated responsibility for implementation to the CFO. The Board reviews the risk policy, framework and plan annually. The Board has also adopted the ISO 31000:2009 risk management principles and guidelines as the risk management standard for the Group and the ISO Guide 73:2009 vocabulary, which defines risk-related terms.

RISK APPETITE

SOH has a low appetite for risk. The Board therefore prioritises organisational resilience and sustainability over aggressive risk-taking, and management does not seek out exposure to risk in order to drive short-term financial performance or growth. Management must at all times 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
Cash flow risk	There have been changes to key supplier credit terms and many now require cash payments up-front. National and international lockdowns have also impacted on the ability to trade. Further risks include ineffective cash monitoring, over-spending on expenses and a reduced ability to recover debt, all of which can lead to liquidity constraints.	CRITICAL	Collections are closely monitored to identify distressed customers. Working capital expenses are properly controlled. Stock levels are managed optimally.
Complying with Broad-Based Black Economic Empowerment ("B-BBEE") legislation	Non-compliance with B-BBEE legislation or obtaining a low B-BBEE rating could lead to a loss of customers. The related inability to tender for public sector contracts will result in loss of revenue.	CRITICAL	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. Employment policies are consistent with the employment equity targets of the Group.
Business interruption risk	The COVID-19 pandemic or any similar force majeure.	CRITICAL	Precautionary measures have been implemented to prevent the virus from infecting employees, who have also been asked to report any symptoms they may experience. Should any employee display symptoms, they will be provided with assistance and should they test positive, they will be asked to self-isolate to prevent the transmission of the virus. Operations will be halted and the premises vacated and disinfected before, continuing with operations again.
Profitability	The poor economic climate, both in South Africa and internationally; the unstable political environment; the volatile exchange rate; the unstable rand Copper price; poor sales and declining gross profit.	CRITICAL	Offer the best product. Build customer relationships. Develop marketing plans to position products to increase sales. Diversity the revenue stream. Develop excellent sales teams.
Interruptions in the electricity supply	Interruptions in the electricity supply could impact on business continuity as well as on manufacturing operations. Should this happen, it will result in a loss in productivity, which will lead to a decrease in revenue and, ultimately, a loss in profitability.	EXTREME	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 production can continue if one sub-station ceases to operate.
Loss of data and/or corruption of the Group's IT systems	Power outages and improper backup procedures 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.	EXTREME	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/decline sales	The Group operates in a highly competitive industry and failure to compete successfully could result in the loss of one or more significant customers.	EXTREME	The Group aims to continuously improve on customer experience by offering a superior service and by communicating regularly and effectively with customers.

Risk description	Causes	Risk rating: current year	Actions to improve management of the risk
Exchange rate volatility	Volatile exchange rate movements and the unstable RCP increase the cost of sales and reduce margins, leading to reduced profitability.	EXTREME	Exchange rates and 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.
Legal and regulatory compliance	Non-compliance with relevant laws and regulations could result in a penalty, which will result in a loss in profits.	EXTREME	Management monitors the business on an ongoing basis to ensure there are no transgressions. Staff training has been provided to raise awareness of regulations and further training is planned to prevent any transgressions in the future.
Industrial action	Industry strikes, general strikes and section 37 strikes can lead to business continuity disruptions, increased costs, and loss of production and revenue.	EXTREME	The Group has a business continuity plan which stipulates the action to be taken in the event of a strike. Non-union members and office staff are also utilised during strikes.
Loss of key staff	Working conditions, a competitive market and a shortage of skills can result in the loss of key staff, impacting on profitability.	EXTREME	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.
Supply-chain breakdown or 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 would result in an erosion of customer base, a loss of revenue and a loss in profitability.	MEDIUM	The Group uses supplier relationship management processes consistently and a structured process drives strategic value through improvements in innovation and growth, better risk management and vastly improved supply chains.
Misappropriation of assets due to fraud and/or corruption	Ineffective internal control procedures could lead to the misappropriation of assets that, in turn, could affect business continuity and result in a loss of assets and profitability.	LOW	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 and there is strict security control at all exit points.
Default by a major debtor and the application of an exclusion clause by the insurance provider	A bad debt by a significant customer could put financial stress on the debtors' book.	LOW	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)

SOH's 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

Committee meetings are held 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 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 Chair, 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 Annual General Meeting, 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, they shall not, while they continue to hold that position or office, be subject to retirement by rotation and they 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, they may continue to serve in an independent capacity if the Board concludes that they exercise 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 the non-executive directors is evaluated annually and the evaluation performed for 2019 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 are entitled to be compensated for travel and subsistence when travelling on official business, but there is no contractual agreement to compensate them for loss of office.

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 Annual General Meeting. 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 accrues only 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 and senior managers are 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 for each director and senior manager is determined annually based on the market value of his or her position. It is awarded on the assumption that performance targets are higher than they were in the preceding year and that these targets will be 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 contracts and the performance ratings are reviewed by the executive directors and reports are made to the Remuneration Committee, which provides insight into how risks are being managed and controlled internally within each business unit, as well as into succession planning at Group and subsidiary levels.

Performance ratings based on KPIs are the basis on which the annual performance bonus is paid. For directors, this 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

Executives 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 its subsidiary is allocated to be shared by eligible participants. There was no profit-sharing bonus for 2019 due to the losses absorbed by the Group.

Long-term incentive scheme

A long-term incentive scheme has been in place at SOH 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 subsidiary, SOEW.
- 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 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 SOEW, 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; and
  - 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 2019 was as follows:

Company	2019 R'000	2018 R'000
South Ocean Holdings Limited	**5 795**	5 841

Details of the remuneration of individual executive directors are given in the notes to the annual financial statements in this report.

Non-executive directors' remuneration

The fees for non-executive directors during 2019 were as follows:

	Fixed fee Per annum 2019 R
Chair	**511 489**
Deputy Vice-Chair	**295 079**
Non-Executive Director	**170 497**
Chairperson of the Audit Committee	**255 744**
Member of the Audit Committee	**55 245**
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/hour**
Member of a Special Committee	**R1 989/hour**

Details of the remuneration of individual non-executive directors are given in the notes to the annual financial statements in this report.

Interest of directors in the share capital of the Company

The details of individual directors' interest in the share capital of the Company is disclosed in the Directors' Report on page 52 .

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, benefits and incentives paid in 2018 and 2019 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 SOH's 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 position 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 directors may participate in these engagements with selected shareholders and executive management may then 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 2019 were:

HL Li: Chair

KH Pon: Member

CY Wu#: Member

CF Chen*: Member

Resigned 28 June 2019

* Appointed 28 June 2019

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 remuneration and benefits

In determining the cost-to-company increases for executive directors, the Board considered the average increases to general staff and also used relevant market data. Benchmarks were selected based on a number of factors, including, but not limited to, 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: No increase
- Chief Financial Officer: No increase

Details of the remuneration paid to executive directors in office during the year ending 31 December 2019 are set out in the notes to the annual financial statements in this report.

Short-term incentive outcomes

No short-term incentive was due and payable for the 2019 financial year.

Long-term incentive outcomes

The number of shares allocated to directors and prescribed officers as at 1 January 2019 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
Allocation price	R0.64	R14.45
JP Bekker	4 535 547	–
Y Mahomed	341 218	45 318

Non-executive directors' remuneration

Payment of non-executive remuneration for the reporting period was as per the 2019 Annual General Meeting.

The fees for non-executive directors for the 2020 financial year are proposed as follows:

	Fixed fee Per annum 2020 R
Chair	531 949
Deputy Vice-Chair	306 882
Non-Executive Director	177 317
Chairperson of the Audit Committee	265 974
Member of the Audit Committee	57 464
Chairperson of the Remuneration Committee	81 784
Member of the Remuneration Committee	57 464
Chairperson of the Social and Ethics Committee	81 784
Member of Social and Ethics Committee	57 464
Chairperson of Special Committee	R3 448/hour
Member of a Special Committee	R2 069/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 South Ocean Holdings.

Corporate governance report

OVERVIEW

SOH has a fiscal and fiduciary responsibility to adhere to all relevant laws, regulations and guidelines in the territory or territories in which it operates. The Board, the executive and management are responsible for constantly monitoring compliance with South African laws and regulations and internationally accepted governance practices, as well as for ensuring that a robust framework is in place to provide for effective implementation.

Within this context, the Group constantly strives to entrench a culture of good governance and responsible corporate citizenship. This is to ensure that all decisions are taken in an ethical, fair and transparent manner 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 SOH web site.

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 the capital resources needed to optimise the return on shareholders' investment, as well as 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

SOH regularly undertakes assessments of the application of King IV. The Group's governance processes are well established and comply with all of the applicable principles and guidelines set out in King IV.

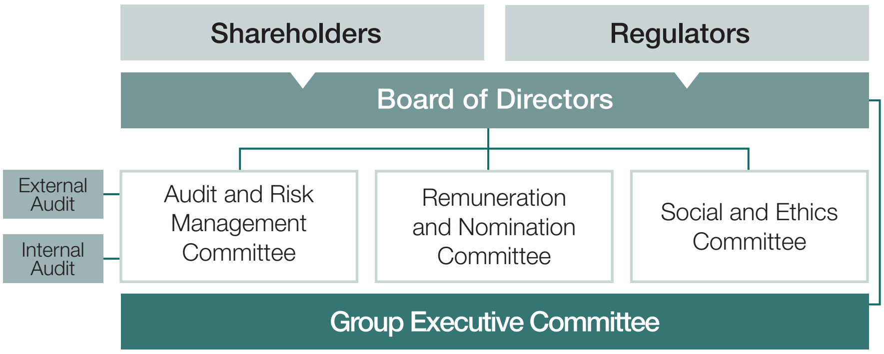
A report on the application and disclosure of all King IV principles is available on the South Ocean Holdings web site.

Board of directors

Composition and responsibilities

During the course of 2019, the Board was made up of nine directors, with two being executive directors and the remainder being non-executive directors. In accordance with King IV, five of the seven non-executive directors are independent. Mr Zack resigned effective 28 February 2020.

GOVERNANCE STRUCTURE



BOARD AND COMMITTEES OF THE BOARD

BOARD OF DIRECTORS

KH Pon:
(Chair): Independent Non-Executive Director

HL Li:
(Vice Chair): Independent Non-Executive Director

N Lalla:
Independent Non-Executive Director

M Chong:
Independent Non-Executive Director[1]

JH Yeh:
Independent Non-Executive Director[2]

B Petersen:
Independent Non-Executive Director

CF Chen:
Non-Executive Director[3]

DJC Pan:
Alternate Independent Non-Executive Director to M Chong[4]

CY Wu:
Alternate Non-Executive Director to CF Chen[5]

J Liu:
Alternate Non-Executive Director to CF Chen[8]

JP Bekker:
Executive Director, Chief Executive Officer and Acting Chief Financial Officer[6]

MK Zack:
Executive Director, Chief Financial Officer[7]

NOMINATION COMMITTEE

KH Pon:
(Chair): Independent Non-Executive Director

HL Li:
Independent Non-Executive Director

JH Yeh:
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

N Lalla:
(Chair): Independent Non-Executive Director

KH Pon:
Independent Non-Executive Director

HL Li:
Independent Non-Executive Director

REMUNERATION COMMITTEE

HL Li:
(Chair): Independent Non-Executive Director

KH Pon:
Independent Non-Executive Director

CF Chen:
Non-Executive Director

SOCIAL AND ETHICS COMMITTEE

N Lalla:
(Chair): Independent Non-Executive Director

KH Pon:
Independent Non-Executive Director

JP Bekker:
Executive Director

MK Zack:
Executive Director[7]

1 Appointed effective 28 June 2019
2 Appointed effective 28 June 2019
3 Appointed effective 28 June 2019
4 Appointed effective 20 November 2019
5 Appointed as alternate, effective 28 June 2019 and resigned effective 10 June 2020
6 Appointed Acting Chief Financial Officer effective 1 March 2020
7 Resigned effective 28 February 2020
8 Appointed effective 10 June 2020

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

- CF Chen was appointed as a non-executive director with effect from 28 June 2019.
- M Chong was appointed as an independent non-executive director with effect from 28 June 2019.
- JH Yeh was appointed as an independent non-executive director with effect from 28 June 2019.
- CY Wu relinquished his role as a director on 28 June 2019 and was appointed as an alternate director to CF Chen on the same day. He resigned on 10 June 2020.
- DJC Pan, who was previously the alternate director for HL Li, was appointed as an alternate director to M Chong on 20 November 2019.
- MK Zack, who fulfilled the role of Chief Financial Officer from August 2018, resigned effective 28 February 2020.
- JP Bekker, who is an executive director and the Group's CEO, assumed the role of Acting Chief Financial Officer on 1 March 2020.
- J Liu, was appointed on 10 June 2020 as an alternate director to CF Chen.

Members of the Board are appointed by the shareholders of SOH, 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 are 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 for SOH 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. It 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. It 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 Nomination Committee and are considered by the Board as a whole. All appointments are subject to shareholder approval and ratification. The Group's Memorandum of Incorporation allows the Board to remove any director by giving written notice signed by the majority of the directors. This process does not require shareholder approval.

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 is evaluated in line with any changes in legislation and governance guidelines. It does not provide for a maximum number of Board members, but does mandate that the Board 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 appropriately 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 of the Company's 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 evaluation is undertaken annually by the directors. This provides for assessment of the performance of the Board, the Chair, the Chief Executive Officer, the Chief Financial Officer, individual directors and all committees of the Board.

The Chairperson discusses the results of these reviews with the Board and he, in turn, receives feedback on his performance from the members of the Board.

Responses from the 2019 evaluation process indicate that the Board is well balanced, that its size and composition are adequate for the effective management of the Group and that the members have the relevant knowledge required to fulfil the leadership role required of them. The directors are of the opinion that Board meetings are well organised and efficiently run and that all relevant aspects of the Group's businesses are dealt with thoroughly by the Board and its various committees.

Succession planning

The Nomination 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 Chair, Chief Executive Officer and Chief Financial 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 directors meet formally on a regular basis and the non-executive directors meet as and when required.

Attendance at meetings

A minimum of four Board meetings are scheduled per financial year and additional meetings may be convened if and when necessary. Five Board meetings were held in 2019.

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

	Attendance of meetings in 2019				
Director	20 Mar	20 May	31 Jul	26 Aug	14 Nov
KH Pon (Chair)	✓	✓	✓	✓	✓
N Lalla	✓	✓	✓	✓	✓
HL Li	✓	✓	✓	♦	✓
B Petersen	✓	✓	✓	✓	✓
CY Wu^	✓	✓	✓	✓	✓
JP Bekker	✓	✓	✓	✓	✓
MK Zack**	✓	✓	✓	✓	✓
M Chong*			✓	✓	✓
JH Yeh*			✓	✓	✓
CF Chen*			♦	✓	✓
DJC Pan (alternate)				✓	

✓ Present
* Appointed 28 June 2019
♦ Apologies
^ Alternate from 28 June 2019
** Resigned 28 February 2020

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 of 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 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 also acts as Chief Financial Officer, and is responsible for the daily operations of the Group.

Chair

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 currently also Acting Chief Financial Officer. He is responsible for the operational management of the Group and his responsibilities include, among 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 Audit and Risk Management Committee or the Remuneration Committee, 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 his qualifications, competence and expertise.

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 its 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 ad hoc committees of the Board.

Proposed fees for non-executive directors in 2019 were submitted to shareholders in advance of the Annual General Meeting of that year and were subsequently approved.

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 both 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 committee 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 chair, which ensures the independence and impartiality of their audit.

Responsibility

The Audit and Risk Management Committee's primary responsibility is to review the interim and annual 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 re-appointing the Group's external auditor, PricewaterhouseCoopers Inc. for the 2020 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 Group Chair.

Internal audit

The Audit and Risk Management Committee will recommend the re-appointment of a firm as the Group's independent internal auditor before the next Annual General Meeting. The firm is responsible for reviewing all of the Group's internal controls, systems and procedures. 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 Audit and Risk Management Committee is satisfied with the knowledge, expertise and objectivity of Phakisa Incorporated as the internal auditors of the Group. The committee is also 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, and guarantee the integrity of the Group's annual financial statements.

The internal auditor reports to the Audit and Risk Management Committee and has unrestricted access to the Chief Executive Officer and the Chairperson of the Audit and Risk Management Committee. The internal audit programme, which runs in three-year cycles, is 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 and the finance function

The Audit and Risk Management Committee is satisfied that the expertise and experience of the Chief Financial Officer was appropriate to meet the responsibilities of the position during the year under review. This is based on the CFO's qualifications, level of experience, continuing professional education, and the Board's assessment of his financial knowledge. The Chief Financial Officer resigned on 28 February 2020 and will be replaced in due course as and when an appropriate candidate is found.

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 the Internal Audit function.

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 decides 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 that the Board should not publish a summarised integrated annual report or engage an external assurance provider to confirm material elements of the sustainability section of the integrated annual report.

The integrated annual report for the year ended 31 December 2019 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:

	Attendance of meetings in 2019			
	20 Mar	20 May	31 Jul	14 Nov
N Lalla (Chair)	✓	✓	✓	✓
KH Pon	✓	✓	✓	✓
HL Li	✓	✓	✓	✓

✓ Present

EXECUTIVE COMMITTEE

Composition

The Executive Committee is made up of the Chief Executive Officer, the Chief Financial Officer and the Managing Director, Divisional Director of Finance, Sales Director, Divisional Director Factory and Operations and Head of Human Resources of the subsidiary.

Meetings

The members of the Executive Committee attend the monthly Management Committee meeting of the subsidiary, 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.

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.

The Remuneration Committee's responsibilities include:

- Developing a remuneration policy that will support the achievement of the Group's strategic objectives and encourage individual performance;
- Advising on the remuneration of non-executive directors;
- Determining and administering remuneration at senior management level;
- 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
- Reviewing the outcomes of the implementation of the remuneration policy to determine whether its objectives are being achieved.

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 executives and senior manager 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.

Meetings

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

	Attendance of meetings in 2019	
	20 Mar	14 Nov
HL Li (Chair)	✓	✓
KH Pon	✓	✓
CY Wu^	✓	✓
CF Chen*		✓

✓ Present
* Appointed 28 June 2019
^ Resigned 28 June 2019

NOMINATION COMMITTEE

Composition

The Nomination Committee consists of two independent non-executive directors and one non-executive director and, like all of the other committees, operates under 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 2019 to interview a potential non-executive director, and to interview a potential Chief Financial Officer. In addition they discuss director development requirements for the Group.

Responsibilities

The Nomination 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. It then recommends the most qualified and experienced candidates for the position.

The Board has established a nomination committee to:

- Ensure that there is a formal process for the appointment of directors, which 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.

Gender diversity policy

The Nomination Committee is also responsible for considering all aspects of diversity on the Board, including gender diversity. The Group's objective is to ensure that at least 40% of the Board is made up of women by the end of the 2020 financial year.

The Nomination Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Meetings

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

	Attendance of meetings in 2019	
	19 Mar	28 Jun
KH Pon (Chair)	✓	✓
HL Li	✓	✓
CY Wu^	✓	✓
JH Yeh*		

✓ Present
* Appointed 28 June 2019
^ Resigned 28 June 2019

SOCIAL AND ETHICS COMMITTEE

Composition

The Social and Ethics Committee is made up of two independent non-executive directors and one executive director. It operates within the framework of the Social and Ethics Committee Charter.

Responsibilities

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

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

	Attendance of meetings in 2019		
	20 Mar	31 Jul	14 Nov
N Lalla (Chair)	✓	✓	✓
KH Pon	≈	✓	✓
JP Bekker	✓	✓	✓

✓ Present
≈ KH Pon attended effective July 2019 onwards

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 in the Group is required to subscribe to the 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 Group 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 does not condone any form of bribery, corruption or any other illegal acts in the conduct of its business. Employees are also 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 is responsible for the Group's activities in 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

SOH employs a variety of participative structures to deal with issues that affect employees directly and indirectly.

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 committee meets periodically, comprises representatives from SOEW, and is chaired by the Chief Executive Officer of Numata, the Group's IT service provider.

The Audit and Risk Management Committee is provided with reports detailing the functionality of Group's IT systems, IT governance and IT investments. The committee also ensures that proper security controls, backup procedures and access controls are in place in the management of the information technology and it associated data.

Disaster recovery plans are 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 company 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 company during prohibited periods or at any time when they are in possession of unpublished price sensitive information in relation to those shares. The consent of the Chairperson is required before any director or member of senior management, including the Company Secretary, can deal in the company's shares.

Interest in contracts

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to SOH. 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 Group'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.

Compliance

- SOH complies with the provisions of the Companies Act and relevant laws of establishment, specifically relating to its incorporation; and
- is operating in conformity with its Memorandum of Incorporation (MOI) and relevant constitutional documents.

Annual Financial Statements

for the year ended 31 December 2019

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

Level of assurance

These Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008 of South Africa.

Preparer

The Annual Financial Statements were internally compiled by:
MK Zack
Group Chief Financial Officer
(Resigned 28 February 2020) and under the supervision of JP Bekker CA(SA)

Issued

19 March 2020

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Report of the Audit and Risk Management Committee

for the year ended 31 December 2019

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2019.

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 2019 and all the members attended 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 2019 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 2020 audit. The appointment of the auditors for the 2020 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 663 500 (2018: R2 396 000). Fees approved for non-audit services amounted to R8 500 (2018: R1 108 921).

6. Annual Financial Statements and accounting controls

The Audit and Risk Management Committee has:

Reviewed the Annual Financial Statements for the year ended 31 December 2019 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 Phakisa Incorporated 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 Phakisa Incorporated 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
- co-ordination between internal and external auditors.

The appointment of the internal auditors for the 2020 financial year will be approved at the next Audit and Risk Management Committee meeting.

8. Legal and regulatory compliance

The Audit and Risk Management Committee reports that, to its knowledge, South Ocean Holdings Limited and its subsidiaries are in compliance with the legislative provisions and JSE Listings Requirements applicable to its operational environment.

9. Review of financial function and Chief Financial Officer

The Audit and Risk Management Committee has reviewed the performance, appropriateness and expertise of the Group Chief Financial Officer and confirms their suitability in terms of the JSE Listings Requirements. Mr. MK Zack resigned as Chief Financial Officer on 28 February 2020.

10. Going concern

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

On behalf of the Audit and Risk Management Committee:

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

Johannesburg

19 March 2020

Directors' responsibilities and approval

for the year ended 31 December 2019

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 are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2020 and, in light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external 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 the Annual Financial Statements

The Annual Financial Statements set out on pages 50 to 101, which have been prepared on the going-concern basis, were approved by the Board of Directors on 19 March 2020 and were signed on their behalf by:

KH Pon CA(SA)
Independent Non-Executive Chairperson

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

Group Secretary's Certification

for the year ended 31 December 2019

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 Commissioner 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
19 March 2020

Directors' report

for the year ended 31 December 2019

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 2019.

1. Nature of business

South Ocean Holdings Limited and its subsidiary companies ("SOH") is the holding company of a group of two main operating subsidiary companies ("Group"): South Ocean Electric Wire Company Proprietary Limited ("SOEW"), an electrical wire manufacturing company and Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), a property investment company, and SOH Calibre International Limited, a foreign procurement company which is a dormant company.

There have been no material changes to the nature of the Group's business from the prior year.

2. Financial results

The consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies have been applied consistently compared to the prior year, except as disclosed in note 2, changes in accounting policies.

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

The decrease in the gross profit percentage was due to a number of factors which include increases in market competition and high cost of production due to inefficiencies. Management has put processes in place to address these factors.

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 (2018: R2 032 768), being 203 276 794 (2018: 203 276 794) ordinary shares of R0.01 each. There were no changes to the issued share capital during the year under review.

4. Special resolutions

At the Annual General Meeting of the Company held on 26 July 2019, shareholders approved the following special resolutions:

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:

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 the Special Committees	R3 315.00 per hour
Member of the 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.

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.

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. Directorate

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

Directors	Office	Designation	Nationality	Changes
JP Bekker		Executive	South African	
MK Zack		Executive	South African	Resigned 28 February 2020
KH Pon		Non-executive Independent	South African	
N Lalla		Non-executive Independent	South African	
HL Li		Non-executive Independent	Taiwanese	
M Chong		Non-executive Independent	South African	Appointed 28 June 2019
JH Yeh		Non-executive Independent	South African	Appointed 28 June 2019
CF Chen		Non-executive	Taiwanese	Appointed 28 June 2019
B Petersen		Non-executive	South African	
DJC Pan (alternate)		Non-executive	Brazilian	
CY Wu (alternate)		Non-executive	Taiwanese	Resigned as director 28 June 2019 and appointed as alternate director on the same date

7. Directors' emoluments

The directors' emoluments are set out in note 30 of the Annual Financial Statements.

8. Dividends

The Board did not declare a dividend for the year ended 31 December 2019 (2018: 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.

Postal address:
PO Box 123738
Alrode
1451

Business address:
21 West Street
Houghton
2198

Directors' report (continued)

for the year ended 31 December 2019

11. Directors' interests in shares

The interest of directors in the issued share capital of the Company as at 31 December 2019 was as follows:

Interests in shares

Directors	2019 Direct beneficial holding	2018 Direct beneficial holding	2019 Total	2018 Total
JP Bekker	**491 807**	491 807	**491 807**	491 807

JP Bekker holds 0.24% (2018: 0.24%) of issued share capital.

No shares were traded by any director from 31 December 2019 until the date of this report.

12. Disposal group held for sale

The disposal group held for sale consists of properties held for sale by the Group and the business of the related rental agreements on those properties. These properties have been held for sale since 2018 and the transfer of the properties to the buyer has experienced administrative delays by municipal authorities which are out of the control of the Group or its management. Management is confident, however, that the transfer will take place in 2020.

13. 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.

14. 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.

15. Interests in subsidiaries

Details of material interests in subsidiary companies are presented in note 31 of the Annual Financial Statements.

16. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the Company and its subsidiaries for the year ended 31 December 2019.

At the Annual General Meeting, the shareholders will be requested to re-appoint PricewaterhouseCoopers Inc. as the independent external auditors of the company and to confirm Mrs. P. Pope as the designated lead audit partner for the 2020 financial year.

17. Events after the reporting period

The directors are not aware of any matters or circumstances 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.

On the 15th of March 2020, the President declared a national state of disaster, due to the pandemic of the COVID-19 virus.

Whilst it is difficult to predict the impact of the COVID-19 virus on our people and our business we are focusing our daily co-ordination efforts at our most senior executive level; we ensure that we adhere to the best practice measures as published by the World Health Organisation.

The Group has been quick to respond, launching an information campaign for employees, which includes information posters in all of the Group's offices and the factory. Precautionary measures have been implemented to prevent the disease from infecting our people. Employees have also been asked to report any symptoms they may experience to their shift or line managers. Should any employee display symptoms, they will be provided with assistance and should they test positive, they will be asked to self-isolate to prevent the transmission of the virus.

As of today's date we have experienced no cases of COVID-19 and are monitoring the situation. We do, however, need to caution stakeholders that, should there be a positive case and should this constitute a risk to the safety of our employees and the broader community – the Group's offices and production facilities may need to be completely shut down for a minimum period of 14 days.

In the event that this should be necessary, we will use inventory on hand to continue supplying our customers as best possible. We do not have sufficient inventory to cover a full 14-day closure but will assist our customers through the hiatus in production to the best of our ability.

After a closure of this nature, it will obviously take time to build up finished goods. Once we are capable of being operational again, we will run production facilities at full capacity in order to stock up.

We support the measures being taken by government to curb the spread of the virus and to isolate and treat affected individuals. The Group is adhering to the best practice measures published by both the World Health Organisation and the National Institute for Communicable Diseases. Please be assured that, should a confirmed case of COVID-19 be present in our business, we will immediately follow all protocols. We believe that curbing the spread of the virus is a collective responsibility and, as a committed corporate citizen, the Group will actively play its part in doing so.

18. 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 R14 million (2018: R92.3 million) as disclosed in note 12 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R200.0 million (2018: R214.3 million). The facility is due for review during May 2020.

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.

19. 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 2019, 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 101 comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other 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.

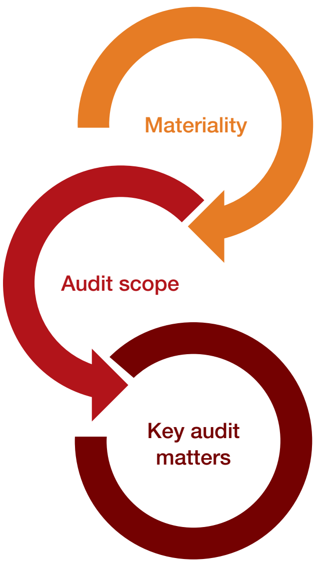
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality

- *Overall group materiality: R7 786 590, which represents 0.5% of total consolidated revenue.*

Group audit scope

- *We conducted a full scope audit for two 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 two other reporting units in order to obtain sufficient appropriate audit evidence to express an opinion on the consolidated financial statements as a whole.*

Key audit matters

- *Impairment assessment for the South Ocean Holdings Limited Group ("SOH Group").*

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	*R7 786 590.*
How we determined it	*0.5% of total consolidated revenue.*
Rationale for the materiality benchmark applied	*We chose total consolidated revenue as our benchmark because it is the benchmark against which the performance of the Group is most commonly measured by users and shareholders. The Group performance over the past 6 years has been extremely volatile due to the volatility of the copper price and as the Company's operating subsidiary, South Ocean Electric Wire Company Proprietary Limited ("SOEW"), continues to seek scale in order to cover its fixed cost base. Furthermore, revenue represents a key driver of the Group's business. We chose 0.5% which is not consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. The reason for using 0.5% is because the Company is a listed entity, the distribution of the consolidated financial statements are widespread, 48.5% of its shares are held by three legal entities and the remaining shares are held by various investors, and the Company's external debt (i.e. long-term borrowings, bank overdraft) contributes to 43.3% of total consolidated liabilities which is a significant level of external debt.*

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, one operating subsidiary, one property investment company, one foreign procurement company and one dormant company. Refer to note 31 (Interest in subsidiaries) to the consolidated financial statements for further details. We performed full scope audits for the holding company and the operating subsidiary based on their financial significance and the audit risk associated with these reporting units. Specified audit procedures were performed for the property investment company and the dormant company in order to obtain sufficient appropriate audit evidence to express an opinion on the consolidated financial statements as a whole. The Group audit team performed all audit work on all reporting units.

Independent auditor's report (continued)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for the South Ocean Holdings Limited ("SOH Group").	
Management identified impairment indicators that provide evidence that the assets of the SOH Group may be impaired in accordance with IAS *36 "Impairment of Assets" ("IAS 36")*. Refer to note 36 (Impairment assessment) to the consolidated financial statements for detail. Management performed an impairment assessment to determine if the combined recoverable amount of the two cash generating units ("CGU's"), namely SOEW and Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), exceeds the net asset value of the SOH Group of R471.3 million as at 31 December 2019. The following valuation methods were used: • SOEW – income approach to calculate the value-in-use; and • Anchor Park – fair value less costs to disposal performed by management's external valuator. The following key assumptions were applied in the valuations: SOEW • Terminal growth rate; • Discount rate; • Revenue growth rates; and • Gross profit margins. Anchor Park • Capitalisation rate; and • Vacancy allowance. Based on results of management's impairment assessments, no impairments for the SOH Group were identified and recognised for 2019 financial year. The impairment assessment for SOH Group is considered to be a matter of most significance to the current year audit due to the significant judgements that are made by management in performing valuations, specifically in respect of the assumptions applied.	Making use of our valuation expertise, we performed the following audit procedures to test the impairment assessment performed on SOEW: • Evaluated the valuation methodology used by management to determine the estimated value-in-use and whether the value-in-use methodology is an appropriate valuation methodology applied in the circumstances. Based on our work performed, we accepted the use of the income approach as a valuation methodology; • Tested management's key valuation assumptions, specifically the discount rate and the terminal growth rate, by comparing the rates used by management to those of entities operating in the same industry. The rates used by management were found to be within an acceptable range of our independently obtained rates; • We tested management's cash flow forecast by comparing the inputs such as revenue, gross profit margins and operating margins in the forecast to management's budget. Management's inputs agreed to the budget; • Tested management's key assumptions applied for revenue growth, gross profit margins and operating margins by comparing them to the historical average revenue growth rate, gross profit and operating margins for the 2010 to 2018 financial years. The assumptions used by management were found to be comparable; • We assessed the reasonableness of management's budgeting process by comparing the budgeted figures for the 2015 to 2018 financial years to actual results for these years; • Performed sensitivity analyses to assess the sensitivity of the valuation based on changes in the assumptions relating to the revenue growth rates and gross margins. We found that the value was within our expected range of values determined; and • We compared our independently calculated value-in-use to the value-in-use calculated by management and noted an immaterial difference. For the valuation of the properties in Anchor Park, we performed the following audit procedures: • Evaluated the competence, capabilities and objectivity of the external valuer; obtained an understanding of the work of the external valuer; and evaluated the appropriateness of the work of external valuer. We did not note any aspect in this regard which required further consideration; • We assessed the methodologies used and the appropriateness of the assumptions through comparison to independently published data and commonly used valuation techniques. We found the methodology applied to be consistent with industry standards; • We assessed whether the rate per square meter used for the properties was within a reasonable range and tested the capitalisation rates used by the valuer by comparing these to the 2019:4 Rode Report. We noted that the value calculated by management's expert was comparable to the value included in the 2019:4 Rode Report, and that the capitalisation rates and vacancy allowances were comparable to the published data; and • We performed independent sensitivity analyses in respect of the assumptions applied in the valuation. Based on the procedures we performed, we accepted the assumptions used. We compared the combined recoverable amounts of SOEW and Anchor Park, after reducing them for the associated debt and the cost of disposal of the properties, to the consolidated net asset value. No impairments were identified for the 2019 financial year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "South Ocean Holdings Limited and its subsidiary companies Annual Financial Statements for the year ended 31 December 2019", which includes the Directors' Report, the Report of the Audit and Risk Management Committee and the Group Secretary's Certification 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 document titled "South Ocean Holdings Integrated Annual Report for the year ended 31 December 2019", which is expected to be made available to us after that date. The 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of 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.

Independent auditor's report (continued)

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of South Ocean Holdings Limited for 11 years. Prior to its incorporation, the business of South Ocean Holdings Limited was transacted through SOEW, of which PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 30 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: P Pope
Registered Auditor
Johannesburg
19 March 2020

Statement of financial position

as at 31 December 2019

	Notes	Group 2019 R'000	2018 R'000
Assets			
Non-current assets			
Property, plant and equipment	4	**204 839**	191 650
Right-of-use assets	5	**15 171**	–
Deferred tax assets	6	**798**	–
		220 808	191 650
Current assets			
Inventories	7	**175 694**	181 003
Trade and other receivables	8	**204 735**	230 942
Current tax receivable		**2 776**	–
Cash and cash equivalents	9	**15 789**	15 600
		398 994	427 545
Disposal group held for sale	10	**86 000**	239 666
Total assets		**705 802**	858 861
Equity and liabilities			
Equity			
Share capital	11	**461 343**	461 343
Reserves		**410**	2 063
Retained income		**9 554**	25 414
		471 307	488 820
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	12	**26 389**	39 005
Lease liabilities	5	**12 666**	–
Deferred tax liabilities	6	**20 522**	25 971
Share-based payment liabilities	13	**1 738**	8 406
		61 315	73 382
Current liabilities			
Trade and other payables	14	**121 816**	171 209
Interest-bearing borrowings	12	**14 026**	66 490
Lease liabilities	5	**2 787**	–
Current tax payable		**–**	1 468
Share-based payment liabilities	13	**–**	890
Bank overdraft	9	**34 551**	–
		173 180	240 057
Disposal group held for sale	10	**–**	56 602
Total liabilities		**234 495**	370 041
Total equity and liabilities		**705 802**	858 861

The accounting policies on pages 63 to 72 and the notes on pages 73 to 101 form an integral part of the Annual Financial Statements.

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

		Group	
	Notes	2019 R'000	2018 R'000
Continuing operations			
Revenue	15	**1 557 318**	1 727 792
Cost of sales	17	**(1 494 235)**	(1 584 314)
Gross profit		**63 083**	143 478
Other operating income	16	**8 761**	6 923
Administration expenses	17	**(38 437)**	(55 183)
Distribution expenses	17	**(1 828)**	(2 116)
Operating expenses	17	**(40 357)**	(32 114)
Operating (loss)/profit		**(8 778)**	60 988
Finance income	19	**1 033**	902
Finance costs	20	**(15 723)**	(21 972)
(Loss)/profit before taxation		**(23 468)**	39 918
Tax	21	**6 247**	(14 250)
(Loss)/profit from continuing operations		**(17 221)**	25 668
Discontinued operations			
Profit/(loss) from discontinued operations	10	**1 360**	(29 332)
Loss for the year		**(15 861)**	(3 664)
Other comprehensive (loss)/income:			
Total items that may be reclassified to (loss)/income		**(1 653)**	833
Other comprehensive (loss)/income for the year net of taxation	22	**(1 653)**	833
Total comprehensive loss for the year		**(17 514)**	(2 831)
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share (cents):			
From continuing operations	23	**(8.47)**	13.66
From discontinued operations	23	**0.67**	(15.61)
Total loss per share (cents)		**(7.80)**	(1.95)

The accounting policies on pages 63 to 72 and the notes on pages 73 to 101 form an integral part of the Annual Financial Statements.

Statement of changes in equity

for the year ended 31 December 2019

	Share capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Retained income (accumulated loss) R'000	Total equity R'000
Group						
Balance at 1 January 2018	1 274	440 371	441 645	1 230	29 079	471 954
Loss for the year	–	–	–	–	(3 664)	(3 664)
Other comprehensive income	–	–	–	833	–	833
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**833**	**(3 664)**	**(2 831)**
Issue of ordinary shares – exercise of option under non-renounceable rights offer	469	19 229	19 698	–	–	19 698
Total contributions by and distributions to owners of company recognised directly in equity	**469**	**19 229**	**19 698**	**–**	**–**	**19 698**
Balance at 1 January 2019	**1 743**	**459 600**	**461 343**	**2 063**	**25 415**	**488 821**
Loss for the year	**–**	**–**	**–**	**–**	**(15 861)**	**(15 861)**
Other comprehensive loss	**–**	**–**	**–**	**(1 653)**	**–**	**(1 653)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1 653)**	**(15 861)**	**(17 514)**
Balance at 31 December 2019	**1 743**	**459 600**	**461 343**	**410**	**9 554**	**471 307**
Note	**11**	**11**	**11**			

The accounting policies on pages 63 to 72 and the notes on pages 73 to 101 form an integral part of the Annual Financial Statements.

Statement of cash flows

for the year ended 31 December 2019

	Notes	Group 2019 R'000	Group 2018 R'000
Cash flows from operating activities			
Cash (used in)/generated from operations	24	**(11 945)**	46 490
Finance income		**1 033**	1 035
Finance costs		**(15 723)**	(24 551)
Tax paid	25	**(4 244)**	(15 105)
Net cash from operating activities		**(30 879)**	7 869
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(27 053)**	(9 385)
Sale of property, plant and equipment	27	**58**	938
Proceeds on disposal of subsidiary	26	**70 319**	–
Net cash from investing activities		**43 324**	(8 447)
Cash flows from financing activities			
Proceeds on share issue	11	**–**	19 698
Repayment of interest-bearing borrowings		**(32 742)**	(14 462)
Payment of share-based payment liabilities		**(890)**	–
Proceeds from interest-bearing borrowings		**2 213**	1 697
Repayment of lease liabilities		**(1 047)**	–
Net cash from financing activities		**(32 466)**	6 933
Total cash and cash equivalents movement for the year		**(20 021)**	6 355
Cash and cash equivalents at the beginning of the year		**15 600**	11 520
Cash and cash equivalents from disposal group at the beginning of the year		**21 863**	18 755
Effect of exchange rate movement on cash balances		**(1 653)**	833
Total cash and cash equivalents from disposal group		**–**	(21 863)
Reclassification of bank overdraft from interest-bearing borrowings		**(34 551)**	–
Total cash and cash equivalents at end of the year	9	**(18 762)**	15 600

The accounting policies on pages 63 to 72 and the notes on pages 73 to 101 form an integral part of the Annual Financial Statements.

Accounting policies

for the year ended 31 December 2019

1. Presentation of Annual Financial Statements

General information

South Ocean Holdings Limited ("the Company" or "the Group" or "SOH") is a holding company of a number of subsidiaries whose businesses are involved in the manufacture and distribution of electrical wires and rental of property.

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

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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 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

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. Depreciation is recognised from the date when the assets are available for use.

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 2019

1. Presentation of Annual Financial Statements (continued)

1.3 Leases

Replace with: The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Low value assets are defined as any assets with a value of R200 000 or less when new.

Details of leasing arrangements where the Group is a lessee are presented in note 5 Leases (Group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 5).

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 20).

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement of financial position. Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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 Annual Financial Statements are presented in Rand which is the Group 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 a foreign operation are translated into the functional currency using the following procedures:

- monetary assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date;
- income and expenses for each item of profit or loss are translated at 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 individual transactions); and
- all resulting exchange differences are recognised to 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.

Accounting policies (continued)

for the year ended 31 December 2019

1. Presentation of Annual Financial Statements (continued)

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

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

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 32, 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 time frame 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

Classification

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 19).

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.

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 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 19).

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 32).

Accounting policies (continued)

for the year ended 31 December 2019

1. Presentation of Annual Financial Statements (continued)

1.8 Financial instruments (continued)

Borrowings and loans from related parties

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 20).

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 32 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 14), excluding VAT and amounts received in advance, 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 20).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 32 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 32).

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's 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.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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
- 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.

Accounting policies (continued)

for the year ended 31 December 2019

1. Presentation of Annual Financial Statements (continued)

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 Tax

Current income tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Income tax expenses

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

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

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

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

1.14 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.

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.

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 of disposal. 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.

Tax

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.

Bank overdraft

Judgement is required to determine the classification of the bank overdraft based on if it has been used primarily for operating or financing activities. Based on these judgements the bank overdraft is either classified as cash and cash equivalents or interest-bearing borrowings in the statement of financial position.

1.17 Related party transactions

All subsidiaries, 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 29. 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.

Accounting policies (continued)

for the year ended 31 December 2019

1. Presentation of Annual Financial Statements (continued)

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 earnings/(loss) per share

Headline earnings/(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 earnings/(loss) per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings/(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.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

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 16 Leases

In the current year, the Group has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Group's Annual Financial Statements is described below.

The Group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 January 2019.

Leases where the Group is the lessee

Leases previously classified as operating leases

The Group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- Recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the date of initial application.
- Recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The Group applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- leases which were expiring within 12 months of 1 January 2019 were treated as short-term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.

Impact on financial statements

On transition to IFRS 16, there were no adjustments recognised in the Group's Annual Financial Statements.

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases.

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 IAS 12 Income Taxes: Annual Improvements to IFRS 2015 – 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

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

The amendment did not have a material impact on the Group's Annual Financial Statements.

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 has adopted the interpretation for the first time in the 2019 Annual Financial Statements.

There was no material impact on the 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 disclosed in note 2.

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

The Group has adopted the standard for the first time in the 2019 Annual Financial Statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

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 2020 or later periods:

Presentation of Financial Statements: Disclosure initiative (Amendment to IAS 1)

The amendment clarifies and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Group expects to adopt the amendment for the first time in the 2020 Annual Financial Statements.

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

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative (Amendment to IAS 8)

The amendment clarifies and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Group expects to adopt the amendment for the first time in the 2020 Annual Financial Statements.

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

4. Property, plant and equipment

Group	2019 Cost R'000	2019 Accumulated depreciation R'000	2019 Carrying value R'000	2018 Cost R'000	2018 Accumulated depreciation R'000	2018 Carrying value R'000
Buildings	97 503	(7 090)	90 413	98 530	(7 842)	90 688
Plant and machinery	204 622	(116 302)	88 320	199 683	(105 799)	93 884
Furniture and fixtures	18 773	(16 697)	2 076	17 529	(15 613)	1 916
Motor vehicles	13 688	(7 714)	5 974	12 380	(7 218)	5 162
Capital work-in-progress	18 056	–	18 056	–	–	–
Total	352 642	(147 803)	204 839	328 122	(136 472)	191 650

Reconciliation of property, plant and equipment

Group	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
2019					
Buildings	90 688	550	–	(825)	90 413
Plant and machinery	93 884	5 006	(6)	(10 564)	88 320
Furniture and fixtures	1 916	1 244	–	(1 084)	2 076
Motor vehicles	5 162	2 197	(244)	(1 141)	5 974
Capital work-in-progress	–	18 056	–	–	18 056
	191 650	27 053	(250)	(13 614)	204 839

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
	293 035	8 629	(1 363)	(94 482)	(14 169)	191 650

Property, plant and equipment encumbered as security

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

	Group 2019 R'000	Group 2018 R'000
Land and buildings	90 413	90 688
Plant and machinery	–	1 948
Motor vehicles and computer equipment	3 898	2 035
Land and buildings held for sale	86 000	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 2019 (2018: Rnil).

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

5. Leases (Group as lessee)

The Group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

The Group leases several assets consisting of motor vehicles. The average lease term is three years.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Group	
	2019 R'000	2018 R'000
Motor vehicles	15 171	–
	15 171	–
Additions to right-of-use assets		
Motor vehicles	16 500	–
	16 500	–
Depreciation recognised on right-of-use assets		
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 17).		
Motor vehicles	1 329	–
	1 329	–
Other disclosures		
Interest expense on lease liabilities	634	–
Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Within one year	2 787	–
Two to five years	12 666	–
	15 453	–
Non-current liabilities	12 666	–
Current liabilities	2 787	–
	15 453	–

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% (2018: 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	
	2019 R'000	2018 R'000
Deferred tax asset		
Tax losses	8 109	4 430
Provisions	4 273	6 640
Total deferred tax asset	**12 382**	11 070
Deferred tax liability		
Property plant and equipment	(32 106)	(37 041)
Deferred tax liability	(32 106)	(37 041)
Deferred tax asset	12 382	11 070
Total net deferred tax liability	**(19 724)**	(25 971)
Reconciliation of deferred tax liability		
At beginning of year	(25 971)	(29 397)
Current year temporary differences	2 568	7 856
Tax losses	3 679	(4 430)
At end of year	**(19 724)**	(25 971)
Disclosed as		
Non-current assets	798	–
Non-current liabilities	(20 522)	(25 971)
	(19 724)	(25 971)

Group	Tax losses R'000	Capital allowances R'000	Provisions R'000	Total R'000
2019				
Opening balance	4 430	(37 041)	6 640	(25 971)
Charged to the statement of comprehensive income	3 679	4 935	(2 367)	6 247
Closing balance	**8 109**	**(32 106)**	**4 273**	**(19 724)**
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)

	Group	
	2019 R'000	2018 R'000
Unprovided tax losses at the end of the year deductible from future taxable income	459	3 379
Unprovided deferred tax asset	128	94

Unremitted earnings from a foreign entity

The unremitted earnings from foreign entities is a loss of R26 068 (2018: R839 343 profit). Deferred tax on the future remittances has not been provided for as the future dividends will not be subject to tax in South Africa.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

	Group	
	2019 R'000	2018 R'000
7. Inventories		
Raw materials, components	**60 694**	63 569
Work in progress	**46 569**	77 060
Finished goods	**48 852**	19 618
Consumable stores	**19 579**	20 756
	175 694	181 003

The cost of inventories recognised as an expense and included in cost of sales is R1 343 290 376 (2018: R1 440 859 116).

	Group	
	2019 R'000	2018 R'000
8. Trade and other receivables		
Financial instruments		
Trade receivables	**192 459**	226 854
Loss allowance	**(744)**	(1 040)
Trade receivables at amortised cost	**191 715**	225 814
Other receivables	**5 318**	256
Non-financial instruments		
South African Revenue Services – VAT receivables	**3 880**	4 137
Deposits	**424**	424
Prepayments	**3 398**	311
Total trade and other receivables	**204 735**	230 942
Categorisation of trade and other receivables		
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial instruments:		
At amortised cost	**197 033**	226 070
Non-financial instruments	**7 702**	4 872
	204 735	230 942

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R200 000 000 (2018: R214 335 000) of the Group. At year-end the overdraft amounted to R34 550 753 (2018: R53 882 410).

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. This 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 but also incorporates forward looking information, including competition in the industry, volatility of copper prices and demand, and other factors such as industry stability and unemployment levels.

8. Trade and other receivables(continued)

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. 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:

Group	Estimated gross carrying amount at default R'000	Loss allowance (Lifetime expected credit loss) R'000
2019		
Expected credit loss rate		
Not past due: 0.03% (2018: 0.10%)	**63 099**	**18**
Less than 30 days past due: 0.02% (2018: 0.20%)	**103 730**	**24**
31 – 60 days past due: 0.86% (2018: 1.00%)	**31 313**	**270**
61 – 90 days past due: 91.10% (2018: 90.61%)	**474**	**432**
	198 616	**744**
2018		
Not past due: 0.03% (2018: 0.10%)	78 499	78
Less than 30 days past due: 0.02% (2018: 0.20%)	127 759	256
31 – 60 days past due: 0.86% (2018: 1.00%)	27 694	277
61 – 90 days past due: 91.10% (2018: 90.61%)	473	429
Total	**234 425**	**1 040**

The gross carrying amount above differs from trade receivables of R192 459 000 because of debtors with credit balances and settlement discounts included in trade receivables.

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	Group	
	2019 R'000	2018 R'000
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurements	**(1 040)**	(835)
Opening balance in accordance with IFRS 9	**(1 040)**	(835)
Provision raised on new trade receivables	**(667)**	(1 210)
Provision reversed on settled trade receivables	**963**	1 005
	(744)	(1 040)

Fair value of trade and other receivables

Refer to note 32 financial instruments and risk management and fair value information for the fair value of trade and other receivables.

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

	Group	
	2019 R'000	2018 R'000
Rand amount		
Rand	**204 735**	230, 102
US Dollar	**–**	840
	204 735	230 942

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

	Group	
	2019 R'000	2018 R'000
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	**15 683**	15 597
Bank overdraft	**(34 551)**	–
Cash on hand	**106**	3
	(18 762)	15 600

Exposure to currency risk

The net carrying amounts, in Rand, of cash and cash equivalents, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

	Group	
	2019 R'000	2018 R'000
Rand amount		
Rand	**(24 710)**	9 541
US Dollar	**137**	130
Hong Kong Dollar	**5 811**	5 929
	(18 762)	15 600
Disclosed as		
Current assets	**15 789**	15 600
Current liabilities	**(34 551)**	–
	(18 762)	15 600

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 can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

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

Aa3 – Bank of Taiwan

Aa3 – HSBC

In the current year, management assessed the overdraft to be used primarily to fund operating activities and has classified the amount as cash and cash equivalents. The overdraft was classified as interest-bearing borrowings (note 12) in the prior year.

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. The effective date of the disposal and loss of control of Radiant Group was 1 January 2019. The selling price of Radiant Group was R96.8 million, of which R77.0 million was received on 18 January 2019, R15.2 million received on 3 May 2019 with the balance of R4.9 million to be received during 2020 and has been included in other receivables in note 8. The selling price was determined at fair value less cost of disposal.

On the same date, the shareholders also approved the disposal of the properties from which Radiant Group operates for R86 million, which is the fair value less costs of disposal. Due to administrative delays the transfer of the properties was not concluded in the current year and management expects this to be completed by June 2020.

In 2018, the disposal group consisted 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. In 2019, the disposal group consists of the properties held for sale which have not yet been transferred to the buyer. These are classified as held for sale in terms of IFRS 5 and are set out below.

	Group	
	2019 R'000	2018 R'000
Assets and liabilities		
Assets of disposal groups		
Property, plant and equipment	**86 000**	86 000
Inventory	**–**	100 928
Trade and other receivables	**–**	30 853
Derivative financial instrument	**–**	22
Cash and cash equivalents	**–**	21 863
	86 000	239 666
Liabilities of disposal groups		
Interest-bearing borrowings	**–**	25 773
Trade and other payables	**–**	30 829
	–	56 602
Cash flows		
Net cash inflow from operating activities	**–**	4 295
Net cash inflow from investing activities	**–**	10 753
Net cash outflow from financing activities	**–**	(90)
	–	14 958
Discontinuing operations		
Revenue	**8 760**	281 076
Cost of sales	**–**	(198 458)
Gross profit	**8 760**	82 618
Other operating income	**–**	6 421
Total expenses	**(7 400)**	(103 224)
Impairment assets	**–**	(13 804)
Operating profit/(loss)	**1 360**	(27 989)
Finance income	**–**	133
Finance costs	**–**	(2 579)
Profit/(loss) before taxation	**1 360**	(30 435)
Taxation	**–**	1 103
Profit/(loss) for the year	**1 360**	(29 332)

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

	Group 2019 R'000	Group 2018 R'000
11. Share capital		
Authorised		
500 000 000 ordinary shares of R0.01 each	**5 000**	5 000
Issued		
203 276 794 Ordinary shares	**1 743**	**1 743**
Share premium	**459 600**	459 600
	461 343	461 343

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 29.99000 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 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 2019 R'000	Group 2018 R'000
12. Interest-bearing borrowings		
Mortgages		
First National Bank, a division of FirstRand Bank Limited: 3-000-013-732-425	**20 220**	23 497
First National Bank, a division of FirstRand Bank Limited: 3-000-012-798-538	**4 866**	7 942
First National Bank, a division of FirstRand Bank Limited: 3-000-013-460-751	**8 015**	9 510
Other loans		
Instalment sale agreements	**3 973**	3 982
Other loans	**3 341**	6 682
Bank overdraft	**–**	53 882
	40 415	105 495
Non-current liabilities		
Mortgage bonds	**24 484**	33 266
Other financial liabilities	**–**	3 342
Instalment sale agreements	**1 905**	2 397
	26 389	39 005
Current liabilities		
Mortgage bonds	**8 617**	7 684
Instalment sale agreements	**2 068**	1 582
Other financial liabilities	**3 341**	3 342
Bank overdraft	**–**	53 882
	14 026	66 490
The maturity of non-current liabilities is as follows:		
Between one and five years	**26 389**	33 822
Over five years	**–**	5 183
	26 389	39 005

12. Interest-bearing borrowings (continued)

Borrowing powers

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

In the prior year, management assessed the bank overdraft to have been primarily used to fund financing activities. In the current year the assessment concluded that the overdraft was used for operating purposes and has been classified as cash and cash equivalents (note 9).

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 for R68 665 000

Erven 445 and 446 Wynberg Extension 3, Erf 539 Wynberg, Erven 1111 and 1112 Marlboro Extension 1 for R55 900 000 and Erf 688 Alrode Extension 2 for R30 000 000 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank Limited, suretyship for R400 000 000 by South Ocean Electric Wire Company Proprietary Limited and Anchor Park Investments 48 Proprietary Limited. 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 10.00% (2018: 10.25%). The loan is repayable in monthly instalments of R447 469 (2018: R451 080) inclusive of interest.

Loan agreement 3-000-012-798-538 for R24 000 000

Erf 685 Alrode Extension 2 Township of R28 800 000 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 1.00% per annum. The prime lending rate at year-end is 10.00% (2018: 10.25%). The loan is repayable in monthly instalments of R303 672 (2018: R305 825) inclusive of interest. The loan is also secured by the subordination agreement of South Ocean Electric Wire Company Proprietary Limited.

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

Erf 637 Alrode Extension 4 Township of R14 918 150 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 0.50% per annum. The prime lending rate at year-end is 10.00% (2018: 10.25%). The loan is repayable in monthly instalments of R194 321 (2018: R195 759) inclusive of interest. The loan is also secured by unlimited securityship by South Ocean Electric Wire Company Proprietary Limited.

Other loans

Instalment sale agreements are secured by the underlying assets with a net book value of R3 890 000 (2018: R3 983 000), bear interest at rates varying from 10.5% to 11.5% (2018: 8.95%) and are repayable over 36 months (note 4).

Other financial liabilities consist of a loan from the Competition Commission, which is unsecured, bears interest at prime interest rate and will be fully repaid in the next financial year.

Exposure to liquidity risk

Refer to note 32 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Banking facilities 2019

The following securities are held by 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 R200.0 million (2018: 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. The overdraft is also secured by a bond of R30 million (2018: R30 million) registered over Erf 688 Alrode, extension 1. The facility, when utilised, bears interest at prime less 0.25% (2018: prime plus 2.00%). The unused facility at year-end amounted to R165.4 million (2018: R160.4 million). The facility is renewable annually in May. The Group has an instalment sale facility of R20.0 million (2018: R20.0 million) with the same bank, of which R16.0 million (2018: R16.0 million) was unutilised at year-end.

Banking facilities 2018

The following securities were held by the Group's bankers:

First National Bank Limited, a division of FirstRand Bank Limited

The Group had an overdraft facility with First National Bank of R214.3 million. The facility was 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 was 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 was also secured by a bond of 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 registered over Erf 688 Alrode, extension 1. The facility, when utilised, bore interest at prime plus 2.00%. The unused facility at year-end amounted to R160.4 million (note 26). The facility is renewable annually in May. The Group had an instalment sale facility of R20.0 million with the same bank, of which R16.0 million was unutilised at year-end.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

12. Interest-bearing borrowings (continued)

Radiant Group had an overdraft facility with First National Bank of R40.0 million. The facility was secured by an unlimited surety given by SOEW. Trade receivables of R33.8 million were also ceded. The facility, when utilised, bore interest at prime plus 2.25%. The unused facility at year-end amounted to R14.2 million. The facility was renewable annually in May.

13. Share-based payment liabilities

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 2020. The grant value to employees of SOEW 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:

	2019	2018
Share price (Volume Weighted Average Price)	**R0.39**	R0.64
Strike price: SOH	**R0.64**	R0.29
Strike price: SOEW	**R14.45**	R53.44
Spot price: SOH	**R0.48**	R0.80
Spot price: SOEW	**R6.29**	R14.45
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 subsidiary is determined using three-year average profit after tax.

	Group	
	2019 R'000	2018 R'000
Reconciliation of liability		
Opening balance	**9 296**	492
(Credit)/charge in statement of comprehensive income	**(6 668)**	8 804
Encashment of units	**(890)**	–
Closing balance	**1 738**	9 296
Non-current liabilities	**1 738**	8 406
Current liabilities	**-**	890
	1 738	9 296
Reconciliation of units		
Opening balance	**32 654**	23 529
Units granted	**7 327**	17 302
Equity units forfeited	(7 567)	(8 177)
Encashment of units	**(4 473)**	–
Closing balance	**27 941**	32 654

Units comprise a combination of SOH and SOEW units.

At year-end 8 276 462 (2018: 7 737 501) shares have vested with an intrinsic value of Rnil (2018: R890 237).

13. Share-based payment liabilities (continued)

	Number of SAR units R'000	Value R'000	Total number of SAR units R'000
Directors' interest in long-term incentive plans			
2019			
JP Bekker	**19 107**	**1 738**	**19 107**
2018			
JP Bekker	19 145	4 961	19 145

	Group 2019 R'000	Group 2018 R'000
14. Trade and other payables		
Financial instruments:		
Trade payables	**92 764**	143 490
Accruals	**17 848**	12 328
Warranty provision	**2 300**	–
Non-financial instruments:		
Payroll accruals	**8 495**	15 054
Deposits received	**230**	323
South African Revenue Services – VAT payable	**179**	14
	121 816	171 209
Financial instrument and non-financial instrument components of trade and other payables		
At amortised cost	**112 912**	155 818
Non-financial instruments	**8 905**	15 391
	121 817	171 209
Exposure to currency risk		
The trade and other payables are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.		
Rand amount		
Rand	**115 876**	171 159
Hong Kong Dollar	**4 790**	50
US Dollar	**1 151**	–
	121 817	171 209

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Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

	Group	
	2019 R'000	2018 R'000
15. Revenue		
Revenue from contracts with customers		
Sale of goods	**1 541 057**	1 710 393
Rendering of services	**16 261**	17 399
	1 557 318	1 727 792
Disaggregation of revenue from contracts with customers		
All revenue earned by the Group is earned at a point in time and no revenue is earned over time. The Group disaggregates revenue from customers as follows:		
Sale of goods at a point in time		
Copper cable sold	**1 513 252**	1 668 258
Aluminium cable sold	**1 809**	13 959
Conduit sold	**25 996**	28 176
	1 541 057	1 710 393
Rendering of services at a point in time		
Distribution income	**15 430**	15 016
Rental income	**831**	2 383
	16 261	17 399
Total revenue from contracts with customers	**1 557 318**	1 727 792
16. Other operating income		
Profit on exchange differences	**5 536**	2 742
Sundry income	**3 225**	4 181
	8 761	6 923
17. Expenses by nature		
The total cost of sales and other operating expenses are analysed by nature as follows:		
Advertising and promotions	**87**	76
Auditor's remuneration	**2 761**	2 202
Depreciation	**14 943**	13 278
Electricity and water	**24 270**	22 500
Employee benefit expense	**116 435**	131 109
Freight	**1 828**	2 130
Insurance – trade receivables	**3 276**	3 277
Insurance – other	**4 241**	3 168
Legal fees	**671**	2 209
Levies	**57**	240
Loss allowance movement	**(246)**	246
Loss on disposal of assets	**192**	770
Loss on disposal of disposal group	**7 317**	–
Motor vehicle expenses	**5 499**	5 138
Other expenses	**12 314**	9 789
Professional fees	**5 509**	6 352
Rates and taxes	**1 656**	1 666
Raw materials and consumables used	**1 344 579**	1 444 398
Repairs and maintenance	**23 705**	21 327
Secretarial fees	**212**	200
Security expenses	**2 618**	1 765
Social development	**633**	1 887
Warranty provision	**2 300**	–
Total cost of sales, administration, distribution and operating expenses	**1 574 857**	1 673 727

	Group	
	2019 R'000	2018 R'000

18. Employee benefit expense

	2019 R'000	2018 R'000
Salaries, wages and bonuses	117 626	117 588
Share-based payment expense	(6 668)	8 804
Pension and provident fund contributions	5 477	5 120
	116 435	131 512

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	436	408
Part time	7	5
Discontinued operations		
Full time	–	178
	443	591

19. Finance income

Interest received		
Bank and other cash	646	730
Other	387	172
Total interest income	1 033	902

20. Finance costs

Mortgage bonds	3 485	4 166
Instalment sale agreements	609	631
Bank overdraft	10 138	15 976
Lease liabilities	634	–
Other	857	1 199
Total finance costs	15 723	21 972

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

	Group	
	2019 R'000	2018 R'000

21. Tax

	2019 R'000	2018 R'000
Major components of the tax (income)/expense		
Current		
Local income tax – current period	–	16 573
Deferred tax		
Originating and reversing temporary differences	(6 247)	(3 426)
	(6 247)	13 147
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting (loss)/profit – continuing	(23 468)	39 918
Accounting profit/(loss) – discontinued	1 360	(29 332)
Tax at the applicable tax rate of 28% (2018: 28%)	(6 190)	2 655
Tax effect of adjustments on taxable income		
Loss on disposal of subsidiary	–	1 526
Warranty provision	644	–
Other impairments	39	(41)
Impairment reversal	–	(671)
Reversal of loan impairment in disposal group	–	940
Loss on disposal of disposal group	2 049	–
Expenses of a capital nature which are not deductible	51	1 240
Deferred tax asset recognised	(1 848)	(776)
Unprovided deferred tax	(992)	8 336
Tax allowances	–	(62)
	(6 247)	13 147
The tax expense is disclosed as follows:		
Continuing operations	(6 247)	14 250
Discontinued operations	–	(1 103)
	(6 247)	13 147

No provision has been made for 2019 tax as the Group has assessed losses. The details of the assessable losses are disclosed in note 6.

22. Other comprehensive (loss)/income

Components of other comprehensive/(loss) income

Group	Gross R'000	Tax R'000	Net R'000
2019			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	18	–	18
Exchange differences arising on disposal of foreign operation	(1 671)	–	(1 671)
	(1 653)	–	(1 653)
2018			
Items that may be reclassified to income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	833	–	833

	Group	
	2019 R'000	2018 R'000

23. Earnings/(loss) per share

	2019 R'000	2018 R'000
Basic and diluted loss per share of continuing and discontinued operations (cents)	**(7.80)**	(1.95)
Loss for the year	**(15 861)**	(3 644)
Headline (loss)/earnings per share (Restated)		
Headline (loss) earnings and diluted (loss)/earnings per share (cents)	**(4.14)**	3.74
Reconciliation between (loss)/earnings and headline (loss)/earnings		
Loss for the year	**(15 861)**	(3 644)
Loss on disposal of property, plant and equipment	**192**	612
Loss on disposal of subsidiary	**–**	5 450
Loss on disposal of disposal group	**7 317**	–
Impairments	**–**	8 354
Tax effect on adjustments	**(54)**	(3 733)
Headline (loss)/earnings	**(8 406)**	7 039
Number of share in issue (R'000)	**203 277**	203 277
Headline (loss)/earnings of continuing operations (cents)	**(4.80)**	17.54
Headline earnings/(loss) of discontinued operations (cents)	**0.67**	(13.80)
Weighted average number of shares		
Number of shares	**203 276 794**	203 276 794
Weighted average number of shares in issue at the beginning of the year	**203 276 794**	156 378 794
Weighted average number of shares in issue at the end of the year	**203 276 794**	187 858 273

The headline earning per a share was restated due to the application of the incorrect tax rate to one of the capital items included in the headline earnings reconciliation. The effect of the restatement was as follows:

	Restated	Previously
Headline earning per share from continuing operations (cents)	**17.54**	17.54
Headline loss of discontinued operations (cents)	**(13.80)**	(13.97)
	3.74	3.57

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

	Group	
	2019 R'000	2018 R'000
24. Cash generated (used in)/from operations		
(Loss)/profit before taxation from continuing and discontinued operations	(22 108)	9 483
Adjustments for:		
Depreciation	14 943	26 420
Finance income	(1 033)	(1 035)
Finance costs	15 723	24 551
Share-based payment provision	(6 668)	8 804
Movement in derivative financial instruments	–	(4 370)
Loss on disposal of property, plant and equipment	192	612
Impairment reversal in discontinued operations	–	(2 396)
Changes in working capital:		
Inventories	5 309	17 174
Trade and other receivables	31 089	(3 782)
Trade and other payables	(49 392)	(28 971)
	(11 945)	46 490
25. Tax paid		
Balance at beginning of the year	(1 468)	–
Current tax for the year recognised in profit or loss	–	(16 573)
Balance at end of the year	(2 776)	1 468
	(4 244)	(15 105)
26. Proceeds on disposal of subsidiary		
Inventory	100 928	–
Trade and other receivables	30 853	–
Derivative asset	22	–
Cash and cash equivalents	21 863	–
Interest-bearing borrowings	(25 773)	–
Trade and other payables	(30 829)	–
Net book value	97 064	–
Amount included in trade and other receivables	(4 882)	–
Less: Opening cash and cash equivalents	(21 863)	–
Proceeds on disposal subsidiary	70 319	–

	Group 2019 R'000	Group 2018 R'000

27. Proceeds on disposal of property, plant and equipment

	2019 R'000	2018 R'000
Net book amount of assets disposed of	250	1 363
Loss on disposal of property, plant and equipment	(192)	(770)
Net book value of assets from disposal group held for sale	–	187
Profit on disposal disclosed in discontinued operations	–	158
	58	938

28. Net debt reconciliation

	2019 R'000	2018 R'000
Cash and cash equivalents	(18 762)	15 600
Cash and cash equivalents of disposal group	–	21 863
Interest-bearing borrowings repayable within one year	(26 389)	(39 005)
Interest-bearing borrowings repayable after one year	(14 026)	(66 490)
Interest-bearing borrowings of disposal group	–	(25 773)
Lease liabilities repayable within one year	(12 666)	–
Lease liabilities repayable after one year	(2 787)	–
Net debt	(74 630)	(93 805)

	Cash and cash equivalents		Interest bearing borrowings			
Net debt movement reconciliation – Group	Disposal Group R'000	Continuing operations R'000	Disposal Group R'000	Continuing operations R'000	Lease liabilities R'000	Total R'000
Balance at 1 January 2018	18 755	11 520	(38 374)	(105 659)	–	(113 758)
Cash movements	3 108	3 247	15 170	22 634	–	44 159
Interest charged	–	–	(2 569)	(20 773)	–	(23 342)
Funds advanced	–	–	–	(1 697)	–	(1 697)
Non-cash movement	–	833	–	–	–	833
Balance at 31 December 2018	21 863	15 600	(25 773)	(105 495)	–	(93 805)
Cash movements	–	1 842	–	46 974	1 681	50 497
Interest charged	–	–	–	(14 232)	(634)	(14 866)
Funds advanced	–	–	–	(2 213)	–	(2 213)
Lease liability recognised	–	–	–	–	(16 500)	(16 500)
Non-cash movement	–	(1 653)	–	–	–	(1 653)
Reclassification of bank overdraft	–	(34 551)	–	34 551	–	–
Disposal of subsidiary	(21 863)	–	25 773	–	–	3 910
Balance at 31 December 2019	–	(18 762)	–	(40 415)	(15 453)	(74 630)

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

29. Related parties

Relationships

Directors	KH Pon HL Li N Lalla JP Bekker MK Zack (Resigned 28 February 2020) B Petersen K Yeh M Chong CF Chen DJC Pan (Alternate) CY Wu (Alternate)
Subsidiaries	Anchor Park Investments 48 Proprietary Limited Icembu Services Proprietary Limited South Ocean Electric Wire Company Proprietary Limited SOH Calibre International Limited (Incorporated in Hong Kong)

	Group	
	2019 R'000	2018 R'000
Compensation to directors and other key management		
Salaries and short-term benefits – continuing operations	**11 409**	7 268
Salaries and short-term benefits – discontinued operations	**–**	9 839
	11 409	17 107

30. Directors' and prescribed officers' emoluments

Executive

Group	Salary R'000	Medical group benefit contributions R'000	Provident fund R'000	Total R'000
2019				
JP Bekker	**4 319**	**129**	**388**	**4 836**
MK Zack	**947**	**–**	**12**	**959**
	5 266	**129**	**400**	**5 795**
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**

30. Directors' and prescribed officers' emoluments (continued)

Non-executive

Group	Directors' fees R'000	Total R'000
2019		
KH Pon	698	698
HL Li	438	438
N Lalla	505	505
CY Wu (alternate)	122	122
CF Chen	113	113
B Petersen	170	170
M Chong	85	85
JH Yeh	85	85
	2 216	2 216
2018		
KH Pon	658	658
HL Li	367	367
N Lalla	383	383
CY Wu (alternate)	179	179
M Chong	44	44
JH Yeh	2	2
B Petersen	121	121
	1 754	1 754

Prescribed officers

Group	Emoluments R'000	Medical aid R'000	Provident fund R'000	Total R'000
2019				
DD Johnson	3 942	52	99	4 093
YB Mahomed	1 948	72	86	2 106
	5 890	124	185	6 199
2018				
DD Johnson	1 711	76	111	1 898
YB Mahomed	1 332	80	80	1 492
FO Ally	3 148	100	101	3 349
	6 191	256	292	6 739

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

30. Directors' and prescribed officers' emoluments (continued)

Directors' interests in share capital

No shares were traded by any director from 31 December 2019 until the date of this report. Refer to note 13 for details of share appreciation rights allocated to the directors during the year.

The interest in the issued share capital of the Group as at 31 December 2019 was as follows:

	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2019				
JP Bekker	**491 807**	**–**	**491 807**	**0.24%**
2018				
JP Bekker	491 807	–	491 807	0.24%

31. Interest in subsidiaries

	Issued share capital and percentage held					
Direct Holdings	**2019 %**	2018 %	**Shares at cost 2019 R'000**	Shares at cost 2018 R'000	**Indebtedness by 2019 R'000**	Indebtedness by 2018 R'000
South Ocean Electric Wire Company Proprietary Limited	**100**	100	**712 165**	712 165	**101 475**	12 361
Radiant Group Proprietary Limited	**–**	100	**–**	488 038		
Anchor Park Investments 48 Proprietary Limited	**100**	100	*****	*	**10 013**	10 330
Icembu Services Proprietary Limited	**100**	100	**–**	270	**66**	–
SOH Calibre International Limited**	**100**	100	*****	*	**151**	121
			712 165	1 200 473	**111 705**	22 812
Less: Dividends received from pre-acquisition profits (prior to 2009)			**(41 550)**	(84 750)		
Less: Impairments						
South Ocean Electric Wire Company Proprietary Limited			**(302 290)**	(288 990)		
Radiant Group Proprietary Limited			**–**	(347 994)		
Icembu Services Proprietary Limited			**–**	(270)		
			368 325	478 469		

* Denotes amounts of less than R1 000.

** Incorporated in Hong Kong.

Refer to note 10 for disposal group held for sale.

31. Interest in subsidiaries (continued)

Indirect holdings

The following table indicates the issued share capital and proportion held of indirect holdings:

	2019 %	2018 %
Radiant Lighting Proprietary Limited	–	100
Lohuis Properties Proprietary Limited	–	100
Lohuis SA Proprietary Limited	–	100
Ripple Effect 55 Proprietary Limited	–	100
Wild Break 116 Proprietary Limited	–	100
Diaspara Developers Proprietary Limited	–	100
Stand 53 Atlas Gardens Proprietary Limited	–	100
Stand 431 Wynberg Proprietary Limited	–	100
Radiant Lighting and Electrical International Limited**	–	100

** Incorporated in Hong Kong.

32. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group	Amortised cost R'000	Total R'000	Fair value R'000
2019			
Trade and other receivables	**197 033**	**197 033**	**197 033**
Cash and cash equivalents	**15 789**	**15 789**	**15 789**
	212 822	**212 822**	**212 822**
2018			
Trade and other receivables	226 070	226 070	226 070
Cash and cash equivalents	15 600	15 600	15 600
	241 670	**241 670**	**241 670**

Categories of financial liabilities

Group	Amortised cost R'000	Total R'000	Fair value R'000
2019			
Bank overdraft	**34 551**	**34 551**	**34 551**
Trade and other payables	**112 912**	**112 912**	**112 912**
Interest-bearing borrowings	**40 415**	**40 415**	**40 415**
Lease liabilities	**15 453**	**15 453**	**15 453**
	203 331	**203 331**	**203 331**
2018			
Trade and other payables	151 373	151 373	151 373
Interest-bearing borrowings	105 495	105 495	105 495
	256 868	**256 868**	**256 868**

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

32. Financial instruments and risk management (continued)

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 2019, the gearing ratio was 16% (2018: 18%). The gearing ratio decreased primarily as a result of a decrease in interest bearing borrowings.

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

Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

a. Credit risk.

b. Liquidity risk.

c. Market risk (currency risk, interest rate risk and price risk).

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.

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 34% (2018: 27%) 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 an 15% of trade receivables within their credit limit, after an excess of R400 000 in respect of SOEW and 25% of the fair value of trade receivables within the credit terms. 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 33.09% (2018: 13.36%), First National Bank 29.87% (2018: 65.95%) and HSBC 37.04% (2018: 16.69%).

The overdraft is renewable annually in May. All the indications from the Group's bankers is that the facility will be renewed.

The maximum exposure to credit risk is presented in the table below:

Group	2019 Gross carrying amount R'000	2019 Credit loss allowance R'000	2019 Amortised cost/fair value R'000	2018 Gross carrying amount R'000	2018 Credit loss allowance R'000	2018 Amortised cost/fair value R'000
Trade and other receivables	197 777	(744)	197 033	227 110	(1 040)	226 070
Cash and cash equivalents	15 789	–	15 789	15 600	–	15 600
	213 566	(744)	212 822	242 710	(1 040)	241 670

32. Financial instruments and risk management (continued)

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. The table below shows the credit limit and balances of the major counter parties at the reporting date:

Group	2019 Credit limit R'000	2019 Balance utilised R'000	2018 Credit limit R'000	2018 Balance utilised R'000
Counter-party				
First National Bank – Overdraft	**(200 000)**	**(34 551)**	(214 335)	(53 882)
	(200 000)	**(34 551)**	(214 335)	(53 882)

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 R'000	1 to 2 years R'000	2 to 5 years R'000	Total contractual cash flows R'000	Carrying amount R'000
2019						
Non-current liabilities						
Interest-bearing borrowings	12	**–**	**11 007**	**19 755**	**30 762**	**26 389**
Lease liabilities	5	**–**	**4 172**	**10 836**	**15 008**	**12 666**
Current liabilities						
Trade and other payables	14	**112 912**	**–**	**–**	**112 912**	**112 912**
Interest-bearing borrowings	12	**16 791**	**–**	**–**	**16 791**	**14 026**
Lease liabilities	5	**4 172**	**–**	**–**	**4 172**	**2 787**
Bank overdraft	9	**37 756**	**–**	**–**	**37 756**	**37 756**
		171 631	**15 179**	**30 591**	**217 401**	**206 536**

Group	Notes	Over 5 years R'000	1 to 2 years R'000	2 to 5 years R'000	Over 5 years R'000	Total contractual cash flows R'000	Carrying amount R'000
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
		289 313	16 844	25 720	4 743	330 620	328 318

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 2019, if the currency had weakened/strengthened against the United States Dollar by 2% (2018: 2% USD) with all other variables held constant, (loss)/profit after tax would have decreased/increased by R14 576 (2018: R183 507), 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 2019

32. Financial instruments and risk management (continued)

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:

	Group	
	2019 R'000	2018 R'000
US Dollar exposure		
Current assets:		
Trade and other receivables	**–**	840
Cash and cash equivalents	**137**	130
Current liabilities:		
Trade and other payables	**(1 151)**	–
Net US Dollar exposure	**(1 014)**	970
Hong Kong Dollar exposure		
Current assets:		
Cash and cash equivalents	**5 811**	5 929
Current liabilities:		
Trade and other payables	**(4 790)**	(50)
Net Hong Kong Dollar exposure	**1 021**	**5 879**
Net exposure to foreign currency in Rand	**7**	**6 849**

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 079 521 (2018: R1 519 135).

33. Segment reporting

The Group is organised into two (2018: three) main business segments:

- Electrical cable manufacturing – manufacturing and distribution of electric wire (SOEW);
- Property investments (Anchor Park); and
- Lightning and electrical accessories – import and distribution of light fittings, lamps and electrical accessories (Radiant Group) which was sold during 2018 with loss of control being 1 January 2019 and therefore no longer part of the Group's results.

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.

33. Segment reporting (continued)

The details of the business segments are reported as follows:

Group	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
2019				
Electrical cable manufacturing	1 556 487	28 459	589 050	245 879
Property investments	24 872	14 952	182 928	39 936
	1 581 359	43 411	771 978	285 815
2018				
Electrical cable manufacturing	1 728 365	85 878	517 806	230 127
Lighting and electrical accessories (discontinued 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**

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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2019

33. Segment reporting (continued)

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

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

	2019 R'000	2018 R'000
Revenue		
Reportable segment revenue	1 581 359	2 042 243
Inter-segment revenue (property rentals)	(15 281)	(21 385)
Inter-segment revenue – other	–	(11 990)
Discontinued operations revenue	(8 760)	(281 076)
Revenue per statement of comprehensive income	**1 557 318**	1 727 792
EBITDA		
Adjusted EBITDA	43 411	90 531
Corporate and other overheads	(13 287)	(27 986)
Depreciation	(14 943)	(15 524)
Inter-segment expenses	(15 282)	–
Amortisation of intangible assets – lighting and electrical accessories segment	–	(218)
Reversal of impairment of non-current assets – lighting and electrical accessories segment*	–	2 396
Impairment of current assets – lighting and electrical accessories segment*	–	(5 450)
Impairment of intangibles – lighting and electrical accessories segment*	–	(2 015)
Impairment of non-current assets – property investments segment*	–	(8 482)
Impairment of loan to Group company*	–	(253)
Loss on disposal of disposal group	(7 317)	–
Discontinued operations	(1 360)	27 989
Operating profit per consolidated statement of comprehensive income	**(8 778)**	60 988
Operating (loss)/profit	(8 778)	60 988
Finance income	1 033	1 035
Finance costs	(15 723)	(24 551)
Discontinued operations	–	2 446
(Loss)/profit before taxation per consolidated statement of comprehensive income	**(23 468)**	39 918
Assets		
Reportable segment assets	771 978	851 234
Corporate and other assets	11 904	7 627
Current tax receivable	2 776	–
Deferred tax	798	–
Inter-segment right-of-use asset	(81 654)	–
Total assets per statement of financial position	**705 802**	858 861
Liabilities		
Reportable segment liabilities	285 815	330 759
Corporate and other liabilities	13 821	11 843
Taxation payable	–	1 468
Deferred tax	20 521	25 971
Inter-segment lease liability	(85 662)	–
Total liabilities per statement of financial position	**234 495**	370 041

* The impairments and impairment reversal relate to the disposal group and is included in the impairment amount disclosed in discontinued operations (note 10).

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 564 172 943 (2018: R1 972 018 254) and earned from other countries is R1 046 204 (2018: R36 850 408). Revenue in excess of 34% (2018: 27%) of total revenue was derived from a single external customer.

The total non-current assets other than financial instruments and excluding deferred tax assets located in South Africa is R220 010 000 (2018: R191 650 000) and the total of these non-current assets located in other countries is Rnil (2018: Rnil).

34. Commitments

Authorised capital expenditure

This committed expenditure relates to property and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

35. 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 R14 million (2018: R92.3 million) as disclosed in note 12 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R200.0 million (2018: R214.3 million). The facility is due for review during May 2020.

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.

36. Events after the reporting period

The directors are not aware of any matters or circumstances 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.

On the 15 of March 2020 the President declared a national state of disaster, due to the pandemic of the COVID-19 virus.

Whilst it is difficult to predict, the impact of the COVID-19 virus on our people and our business we are focusing our daily co-ordination efforts at our most senior executive level; we ensure that we adhere to the best practice measures as published by the World Health Organisation.

The Group has been quick to respond, launching an information campaign for employees, which includes information posters in all of the Group's offices and the factory. Precautionary measures have been implemented to prevent the disease from infecting our people. Employees have also been asked to report any symptoms they may experience to their shift or line managers. Should any employee display symptoms, they will be provided with assistance and should they test positive, they will be asked to self-isolate to prevent the transmission of the virus.

As of today's date we have experienced no cases of COVID-19 and are monitoring the situation. We do, however, need to caution stakeholders that, should there be a positive case and should this constitute a risk to the safety of our employees and the broader community – the Group's offices and production facilities may need to be completely shut down for a minimum period of 14 days.

In the event that this should be necessary, we will use inventory on hand to continue supplying our customers as best possible. We do not have sufficient inventory to cover a full 14-day closure but will assist our customers through the hiatus in production to the best of our ability.

After a closure of this nature, it will obviously take time to build up finished goods. Once we are capable of being operational again, we will run production facilities at full capacity in order to stock up.

We support the measures being taken by government to curb the spread of the virus and to isolate and treat affected individuals. The Group is adhering to the best practice measures published by both the World Health Organisation and the National Institute for Communicable Diseases. Please be assured that, should a confirmed case of COVID-19 present in our business, we will immediately follow all protocols. We believe that curbing the spread of the virus is a collective responsibility and, as a committed corporate citizen, the Group will actively play its part in doing so.

Analysis of ordinary shareholders

as at 31 December 2019

Shareholder Spread	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
1 – 1 000	214	37.74	75 524	0.04
1 001 – 10 000	178	31.39	757 151	0.37
10 001 – 100 000	119	20.99	4 604 284	2.26
100 001 – 1 000 000	39	6.88	12 074 517	5.94
Over 1 000 000	17	3.00	185 765 318	91.39
Total	567	100.00	203 276 794	100,00

Shareholder Types	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
Banks, Brokers & Nominees	4	0.71	1 344	–
Close Corporations	7	1.22	501 264	0.25
Collective Investment Schemes	4	0.71	8 588 585	4.22
Hedge Funds	1	0.18	1 100 490	0.54
Non-SA Custodians	1	0.18	2 555 279	1.26
Pooled & Mutual Funds	1	0.18	13 600	0.01
Private Companies	14	2.47	42 667 781	20.99
Public Companies	3	0.53	88 581 705	43.58
Retail Individuals	492	86.77	33 929 934	16.69
Retirement Benefit Funds	8	1.41	3 131 415	1.54
Trusts & Investment Partnerships	32	5.64	22 205 397	10.92
Total	567	100.00	203 276 794	100.00

Key Shareholders	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
Non-Public Shareholders	4	0.71	106 028 447	52.16
Beneficial Holders > 10%	3	0.53	105 536 640	51.92
Directors and associates (direct holdings)	1	0.18	491 807	0.24
Public Shareholders	563	99.29	97 248 347	47.84
Total	567	100 00	203 276 794	100.00

Beneficial Shareholders Holding > 3% of issued shares	Number of shares	% of issued capital
Hong Tai Electric Industrial Co., Ltd	56 270 187	27.68
Metallic City International Ltd	26 088 888	12.83
Macrovest Capital 147 (Pty) Ltd	23 177 565	11.40
Joseph Investments (Pty) Ltd	17 219 085	8.47
H.S Family Trust	14 245 992	7.01
Chua Pan Mary Mrs	10 231 862	5.03
Investec	7 825 701	3.85
Moneywin International Ltd	6 222 630	3.06
Total	161 281 910	79.33

Fund Managers Holding greater > 3% of the issued shares	Number of shares	% of issued capital
Investec Asset Management	11 348 761	5.58
Total	11 348 761	5.58

Shareholders By Country	Number of shares	% of issued capital
Taiwan	108 215 227	53.24
South Africa	92 474 277	45.49
Belgium	2 555 279	1.26
Botswana	29 898	0.01
Namibia	2 113	–
Total	203 276 794	100.00

Non-Public Shareholder Type

Strategic Shareholders (>10%)	Number of shares	% of issued capital
Hong Tai Electric Industrial Co., Ltd	56 270 187	27.68
Metallic City International Ltd	26 088 888	12.83
Macrovest Capital 147 (Pty) Ltd	23 177 565	11.40
	105 536 640	51.91
Directors and Associates (direct holdings)		
Bekker Jacobus Petrus Mr	491 807	0.24
	491 807	0.24
Non-public shareholder totals	106 028 447	52.16

Market Statistics	Indicator
Opening Price 02 January 2019	R0.80
Closing Price 31 December 2019	R0.40
High for period (25 July 2019)	R0.93
Low for period (10 December 2019)	R0.35
Number of shares in issue	203 276 794
Volume traded during period	3 928 167
Ratio of volume traded to shares issued	1.93%
Rand value traded during the period	R2 521 962
Earnings yield as at 31 December 2019	18.500
Price/Earnings Ratio as at 31 December 2019	5.410
Market capitalisation at 31 December 2019	R81 310 718

Notice of the Annual General Meeting

Notice is hereby given that the thirteenth Annual General Meeting of shareholders of South Ocean Holdings Limited ("SOH" or "the Company") will be held on Monday, 3 August 2020 at 11:00. The Annual General Meeting will be conducted entirely by electronic communication as contemplated in Section 63(2)(a) of the Companies Act, 2008. Shareholders or their proxies may only participate in the Annual General Meeting by way of electronic participation. Shareholders will need to access an online meeting platform. Shareholders who wish to participate in the Annual General Meeting are advised to contact Computershare Investor Services Proprietary Limited on +27 11 370 5000 or via email on proxy@computershare.co.za.

The Board has determined, in terms of section 62(3)(a), as read with sections 59(1)(a) and (b) of the Companies Act, the following dates in respect of the Annual General Meeting ("AGM").

2020	
Record date for determining those shareholders entitled to receive the notice of AGM	Friday, 19 June
Last day to trade in order to be eligible to participate in, and vote at the AGM	Tuesday, 21 July
Record date (for voting purposes at the AGM)	Friday, 24 July

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 2019, 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 M Chong as a director

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

The curriculum vitae for Ms M Chong appears on page 5 of this annual report.

4. ORDINARY RESOLUTION NUMBER 4

Re-election of Mr JH Yeh as a director

Resolved that Mr JH Yeh who retires in terms of the Company's Memorandum of Incorporation, be re-elected a director of the Company.

The curriculum vitae for Mr JH Yeh appears on page 5 of this annual report.

5. ORDINARY RESOLUTION NUMBER 5

Re-election of Mr HL Li as a director

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

The curriculum vitae for Mr HL Li appears on page 4 of this annual report.

6. ORDINARY RESOLUTION NUMBER 6

Re-election of Mr CF Chen as a director

Resolved that Mr CF Chen who retires in terms of the Company's Memorandum of Incorporation, be re-elected a director of the Company.

The curriculum vitae for Mr CF Chen appears on page 6 of the annual report.

7. ORDINARY RESOLUTION NUMBER 7

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.

8. ORDINARY RESOLUTION NUMBER 8

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.

9. ORDINARY RESOLUTION NUMBER 9

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.

10. ORDINARY RESOLUTION NUMBER 10

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.

10.1 Ordinary resolution number 10.1

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

10.2 Ordinary resolution number 10.2

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 2019, will be tabled at the Annual General Meeting.

11. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' fees for the financial year ending 31 December 2020 and quarters ending 31 March 2021 and 30 June 2021

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 2020 and the quarters ending 31 March 2021 and 30 June 2021 (being two quarters of the fees payable for the year ending 31 December 2020) be approved as follows:

	31 December 2020
• Chair	R531 949.00
• Deputy Vice-Chair	R306 882.00
• Non-Executive Director	R177 317.00
• Chair of the Audit Committee	R265 974.00
• Member of the Audit Committee	R57 464.00
• Chair of the Remuneration Committee	R81 784.00
• Member of the Remuneration Committee	R57 464.00
• Chair of the Social and Ethics Committee	R81 784.00
• Member of Social and Ethics Committee	R57 464.00
• Chair of Special Committees	R3 448.00 per hour
• Member of Special Committees	R2 069.00 per hour

The reason for special resolution number 1 is to obtain shareholders' approval for the remuneration of each of the Non-Executive Directors of the Company for the financial year ending 31 December 2020 and for the quarters ending 31 March 2021 and 30 June 2021 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the fees payable to the directors for the quarters ended 31 March 2020 and 30 June 2020. 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 2020 and quarters ending 31 March 2021 and 30 June 2021 as well as confirming and ratifying the increase in fees paid to the Directors for the quarters ended 31 March 2020 and 30 June 2020. The fees payable for the quarters ending 31 March 2021 and 30 June 2021 will be based on the quarters of the fees as approved above. Shareholders will be requested to approve any adjustment to the fees payable for the quarters ending 31 March 2021 and 30 June 2021 at the 2021 Annual General Meeting.

Notice of the Annual General Meeting (continued)

12. 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.

13. ORDINARY RESOLUTION NUMBER 11

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

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

14. SOCIAL AND ETHICS COMMITTEE

A report on the Social and Ethics Committee, in terms of Regulation 43 of the Companies Act, 2008, has been included in the annual report (page 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 4 to 7;
- the major shareholders of the Company on page 102;
- the directors' shareholding in the Company on page 52; 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 2019 and 19 March 2020.

The directors, whose names are given on pages 4 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, 24 July 2020, then:

- You may electronically participate 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 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 to participate 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 participate at 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 participate at 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 participate 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 June 2020

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 11:00 on Monday, 3 August 2020. Shareholders listed in the shareholder register as at Friday, 24 July 2020 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 participate and vote at the Annual General Meeting is entitled to appoint a proxy (who need not also be a shareholder of the Company) to 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 participating 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 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 participate on my behalf at the Annual General Meeting, provided that my/our proxy:

- May only delegate his/her authority to participate 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 M Chong as a director			
Ordinary resolution number 4:	Re-election of Mr JH Yeh as a director			
Ordinary resolution number 5:	Re-election of Mr HL Li as a director			
Ordinary resolution number 6:	Re-election of Mr CF Chen a director			
Ordinary resolution number 7:	Appointment of Audit and Risk Management Committee member Ms N Lalla			
Ordinary resolution number 8:	Appointment of Audit and Risk Management Committee member Mr HI Li			
Ordinary resolution number 9:	Appointment of Audit and Risk Management Committee member Mr KH Pon			
Ordinary resolution number 10.1:	Approval of Remuneration report			
Ordinary resolution number 10.2:	Approval of Implementation report			
Special resolution number 1:	Approval of non-executive directors' fees for 2020			
Special resolution number 2:	Approval of loans or other financial assistance to related or inter-related companies			
Ordinary resolution number 11:	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 2020

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 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, 24 July 2020 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 participates 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 (Private Bag X9000, Saxonwold, 2132), 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 if it is accepted by the Chair.
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.

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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-Chair)*
JP Bekker *(Chief Executive Officer and Acting Chief Financial Officer)*
CF Chen *(Appointed 28 June 2019)*
M Chong *(Appointed 28 June 2019)*
N Lalla
JH Yeh *(Appointed 28 June 2019)*
B Petersen
DJC Pan *(Alternate)*
J Liu *(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
AcaciaCap Advisors (Pty) Limited
(Trading as Arbor Capital Sponsors)
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

2019 FINANCIAL YEAR-END

Annual General Meeting	3 August 2020

FINANCIAL YEAR-END

Financial year-end	31 December

REPORTS

Interim Report – 2020	August 2020
Final Report – 2020	March 2021
Publication of Integrated Annual Report – 2020	April 2021

DIVIDEND

Final	April 2021

2020 FINANCIAL YEAR-END

Annual General Meeting	July 2021

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