South Ocean
HOLDINGS

Integrated Annual Report 2022

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 2022.

Key data

South Ocean Holdings Limited
(Registration number 2007/002381/06)
Incorporated in the Republic of South Africa
Listed on the Johannesburg Stock Exchange
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 2022 to 31 December 2022.

It includes an overview of the environment in which the Group operates, details of our business model and strategy, a broad-based operational report, and comprehensive reports on both financial and non-financial matters. These are intended to inform stakeholders of all material matters relevant to and affecting the Group and to enable them to make an informed assessment of the Group's performance during the reporting period. They are also intended to give an informed view of our future prospects.

South Ocean Holdings is an investment holding company listed on the Johannesburg Stock Exchange (JSE) and domiciled in South Africa. It comprises the following operating subsidiaries:

- South Ocean Electric Wire Company Proprietary Limited ("South Ocean Electric Wire Company" or "SOEW"), a manufacturer of low-voltage electrical cables;
- Icembu Cables Proprietary Limited ("Icembu Cables"), a manufacturer of low-voltage electrical wire;
- Icembu Services Proprietary Limited ("Icembu Services"), a manufacturer of conduit and compounding material;
- SOH Calibre International Limited ("SOH Calibre"), a foreign procurement company; and
- Anchor Park Investments 48 Proprietary Limited ("Anchor Park Investments" or "Anchor Park"), a property investment company.

During the reporting period, the Group also made investments with the following associate companies all of which are outlets for the sale of electrical wire:

- Niehoff Electrical Warehouse Proprietary Limited;
- Global PE Proprietary Limited;
- Global Pretoria Proprietary Limited; and
- Mwanga Afrika Cables Proprietary Limited.

Finally, SOEW is the holding company of Icembu Holdings Proprietary Limited and South Ocean Electric Wire Company Namibia Proprietary Limited, both of which are dormant.

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) of South Ocean Holdings is Mr Andre Smith and our Independent Non-Executive Chairperson is Mr Henry Pon.

Mr Smith may be contacted at:

South Ocean Holdings Limited
16 Botha Street, Alrode, 1451
+27(0) 11 864 1606
andres@soew.co.za

We welcome feedback on this report and any suggestions for future reports. All comments and suggestions should please be addressed to Mr Smith.

The Six Capitals

South Ocean Holdings uses the Six Capitals of Sustainable Development model developed by the International Integrated Reporting Council (IIRC) in order to accurately evaluate and report on both our financial and non-financial performance.

By looking beyond an understanding of capital as just a statement of assets on a balance sheet, we are able to harness the value of our people, knowledge, processes and relationships. This multi-capital framework connects our strategy, values, business model and metrics to broader socio-economic development goals. Details of capital inputs and outputs in these six key areas are provided in the body of this report.

Reporting framework

This report has been prepared in accordance with:

- International Financial Reporting Standards (IFRS);
- The Companies Act, (No. 71 of 2008);
- JSE Listings Requirements;
- The King Report on Corporate Governance for South Africa™ (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 and Consulting (Pty) Ltd.

The consolidated Annual Financial Statements, presented separately, were prepared internally by Mr Werner Basson (CFO) and audited by PricewaterhouseCoopers Inc. (PwC), who expressed an unmodified opinion for the year ended 31 December 2022. The Annual Financial Statements were approved for issue by the directors on 17 March 2023.

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 Board of Directors and the Audit and Risk Management Committee acknowledge their responsibility to ensure the integrity of the information presented in this report as well as to ensure that it fairly presents the state of the Group at the end of the reporting period. The Annual Financial Statements included in the report have, as specified, been audited by external auditors.

Henry KH Pon CA(SA)
Chairperson

Andre Smith
Chief Executive Officer

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

Group at a glance

Overview

South Ocean Holdings is an established South African manufacturer and distributor of low-voltage electric cable, wire and related products. It is a preferred supplier in the local market, servicing the building and construction industries, the mining industry, and the country's parastatals. It also exports into the SADC region.

As mentioned in the opening section, the Group has a number of subsidiaries, the largest of which is South Ocean Electric Wire Company, a manufacturer of low-voltage electrical cables.

Investment case

At South Ocean Holdings, we have a solid investment case to offer our shareholders:

- We are a key player in the market sectors in which we operate.
- We have a Level 2 B-BBEE rating.
- We have a stable, credible and highly experienced Board.
- We have knowledgeable and highly experienced management teams.
- We have a large and established customer base in the building and construction industries.
- We have growing customer bases in the mining industry and the parastatal sector.
- We are developing distribution channels into the SADC region.
- We are planning to open up distribution channels into other African countries.
- We have strong relationships with key suppliers.
- We are continually investing in more manufacturing capacity.
- We are committed to R&D of products for emerging markets such as electric vehicles and renewable energy.
- We are committed to being a good corporate citizen based on compliant corporate governance functions and structures that are independently audited.
- We have strong and enduring relationships with the financial institutions we use.
- We continue to reduce manufacturing cost and increase efficiencies.

VISION

Our vision is to position the Group as a major market player and preferred supplier in South Africa and in selected African countries based on product quality and superior customer service.

MISSION

At South Ocean Holdings, we aim to:

- **maximise the profitability of our subsidiaries through strategic management in order to deliver excellent returns for shareholders;**
- **respond to changing market dynamics, secure cost efficiencies and focus on growing the business in both established and new markets;**
- **manufacture, import and supply consistently high-quality products;**
- **provide excellent customer service; and**
- **create an environment that develops our employees and enables them to attain their true potential.**

Values

Our values, which have remained constant for many years, are an expression of our business strategy and sustainability objectives. Every component of our ecosystem, including customers, employees and shareholders, is vital to our sustainability, growth and success. Everything we do is therefore based on a foundation of integrity and ethics, as well as a commitment to being a good corporate citizen.

Our values are:

- **Accountability:** We take ownership of outputs and deliverables.
- **Trust:** We keep our promises and complete tasks and deliverables as agreed.
- **Commitment:** We commit to departmental goals and objectives, are reliable team members and help teammates to meet our goals.
- **Teamwork:** Each of us makes a significant contribution to performance.
- **Communication**: We maintain consistent, regular and meaningful communication within and between departments.
- **Customer centricity:** We aim to exceed customer expectations and to foster a positive customer experience at all stages of the customer journey.

Our values are expressed through:

Service excellence

- Customers are the cornerstone of our business and are essential to sustainable success.
- Our business is rooted in long-term, mutually respectful relationships with our customers.
- We are dedicated to satisfying customer needs and have the appropriate people and systems in place to achieve this.

Employee satisfaction

- We support and show concern for our employees.
- We actively involve employees in managing their work processes and career growth.
- We aim to develop and advance our employees so that each employee can realise their full potential.
- We value, encourage and actively strive to create diversity.
- We promote honesty and open debate.
- We promote awareness of fraudulent practices and dishonest conduct so that employees can be an integral part of living our values of honesty and integrity.
- We facilitate, encourage and monitor both individual performance and cooperation within teams.

Empowerment

- We aim to empower our employees with appropriate skills and knowledge.
- We provide equal opportunities for them to grow in a supportive environment.
- We provide support and mentorship for our employees through the Human Resources department.
- We ensure 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 join a union.

Integrity and ethics

- We comply with all appropriate legal and regulatory frameworks and guidelines.
- We subscribe to and actively create and support a culture of good corporate governance.
- We act ethically, with honesty and integrity.

Corporate responsibility

- We actively and consistently contribute to the improvement of the communities in the areas in which we operate.
- We subscribe to business practices that are fair and just and which minimise the business's impact on the environment.

Strategy

Strategy for value creation

South Ocean Holdings is a strategically focused and robust entity that, despite operating in highly challenging socio-economic conditions, remains a resilient investor, product designer, developer, manufacturer and distributor. We aim to be a successful and sustainable Group that produces quality products to the highest standards and provides excellent customer care. We also aim to deliver reliable returns for all of our stakeholders, make a positive contribution to the communities in which we operate, be a good corporate citizen, and fulfil our responsibility as a custodian of the natural environment.

Our strategy is reviewed quarterly to take into account the rapidly changing environment in which the Group operates and we undertook a major review during the fourth quarter of 2022. Our "Good to Great: 2025" strategy was reviewed with a specific focus on operational requirements for the next three years, on ways of improving efficiencies and quality controls, and on ways of moving closer to our goal of becoming the employer of choice in our sector.

Our strategy is based on three conceptual pillars that reflect our 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 ongoing basis against well-defined financial and non-financial indicators.

Strategic pillars

Our three strategic pillars are designed to:

1 **Secure sustainable returns for stakeholders**

We focus 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 our stakeholders.

2 **Secure our position as a respected and influential player in the cable manufacturing and related accessories market**

We consistently aim to maintain a leadership position in the market sectors and segments we serve. We do this through organic growth and, where appropriate, through buy-ins, mergers or acquisitions.

3 **Develop a globally competitive business**

We consistently assess and streamline our business in order to ensure that we remain competitive within the markets and segments we serve. We also strive to identify, enter into and develop within viable new geographies.

Strategic goals

In the short- to medium-term, our strategy is focused on:

- organisational agility and flexibility;
- expansion of our footprint in South Africa;
- developing new distribution channels in new geographies;
- rebranding SOEW;
- greater independence from the national power grid in South Africa;
- cost saving;
- staff development; and
- obtaining Level 1 B-BBEE accreditation.

In the medium- to long-term, we intend to focus on:

- consistent brand and reputation management;
- organic growth;
- growth by merger and acquisition if and as appropriate;
- securing a strong presence in the SADC;
- securing a diverse mix of local and international supply chains;
- innovation; and
- skills development and staff enrichment.

Critical risks

Critical challenges for the Group are:

- maintaining a positive cash flow;
- maintaining and improving efficiency and profitability;
- managing disruptions to the supply chain, both locally and internationally;
- managing the impact of an unstable power supply;
- managing disruptions to operations;
- managing labour relations to the benefit of both the Group and our staff; and
- managing the impact of the poor economic climate, volatile exchange rate, unpredictable rand copper price (RCP), and unstable political environment.

Key opportunities

Key opportunities include:

- improving awareness and likeability of the SOEW brand;
- securing our existing client base through innovation, efficiency, product quality and excellent customer service;
- growing our client base in the public sector;
- expanding into new geographies;
- constantly improving our capacity to produce;
- constantly improving our quality assurance processes;
- maintaining a strong and experienced Board and executive management team;
- securing distribution channels by using our own fleet in South Africa and strategic partners in other geographies; and
- developing, recognising and rewarding our staff.

Board of Directors

Executive directors

Andre Smith (57)

Higher National Diploma: Mechanical Engineering

Chief Executive Officer

Andre is a qualified mechanical engineer with 30 years of experience in the cable industry. He has been employed in several senior management and executive positions in the manufacturing, sales, export and technical areas of the industry. He has visited and trained in cable factories around the world including in the US, Europe, Australia, China and Korea.

Andre is a proven strategic thinker with extensive experience in business strategy; new product development; operational, asset, quality and people management; Six Sigma processes; and lean management principles.

He joined the South Ocean Holdings Board on 1 March 2021 and was appointed CEO.

Werner Basson (40)

BAcc, BAcc (Hons), CA(SA)

Chief Financial Officer

Werner is a qualified chartered accountant who completed his articles at one of the "big four" audit and advisory firms. He later gained managerial experience with the firm before joining a JSE-listed group as CFO in 2012. Since then, he has gained valuable experience in several different industries.

He joined the South Ocean Holdings Board in September 2020 and was appointed CFO.

Independent non-executive directors

Kwok Huen (Henry) Pon (86)

BCom, CA(SA)

Independent Non-Executive Director and Chairperson

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

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

Hung-Lung (Eric) Li (70)

MSc (Industrial and System Engineering) (USA)

Independent Non-Executive Director and Deputy Vice Chairperson

Eric began his career in Silicon Valley, where he worked in the software engineering and semi-conductor manufacturing sectors for more than 20 years. In 2004, he joined Hong-Tai 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 Deputy Vice Chairperson in 2016. He served on the Audit and Risk Management Committee until 31 December 2022, and the Nominations Committee and the Remuneration Committee until 3 August 2022, of which he was the Chairperson.

Independent non-executive directors continued

Melanie Chong (46)

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 had previously served on the Board in the same capacity and had served as Chairperson of the Audit and Risk Management Committee, the Remuneration Committee and the Social and Ethics Committee. She was re-appointed as member to the Remuneration Committee on 27 January 2022 and as Chairperson on 3 August 2022. She was appointed as member of the Nominations Committee on 3 August 2022, and re-appointed as a member to the Audit and Risk Management Committee on 1 January 2023.

Jen-Hao (Kevin) Yeh (49)

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.

Kevin 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 in June 2019 and serves on the Nominations Committee. He was appointed as a member to the Remuneration Committee on 3 August 2022.

Natasha Lalla (48)

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 (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 then progressed to various managerial roles, with her last one being Head of Internal Audit for the Corporate and Investment Banking (CIB) division. She is currently the Regional Head of Internal Audit at a JSE listed investment holding company.

Natasha was appointed to the South Ocean Holdings Board in June 2014. She serves as Chairperson on both the Audit and Risk Management Committee and the Social and Ethics Committee.

Non-executive directors

Lawrence Chen (45)

MBA

Non-Executive Director

Lawrence began his career in Hong Kong's equity capital market, where he worked on the marketing strategy for and execution of IPOs and SPOs. He participated in more than 40 projects between 2009 and 2013, when he joined Hong-Tai Electrical Industrial Company Limited (Hong Tai) as Portfolio Manager of the investment department. He later established the Development and Training Center at Hong-Tai. In this position, he was in charge of peripheral products development as well as in providing support with cost-saving, process optimisation and IP portfolio management.

Lawrence is a director of Hong Tai, which is a major shareholder in South Ocean Holdings. He joined the Board as a non-executive director on 1 March 2022, replacing Jeff Chen.

Johannes Van Rensburg (60)

BCom (Accounting), BCom (Hons), MCom (Business Management)

Non-Executive Director

Johannes has been a director and partner at Eureka DIY Solutions for the past 20 years. He and his sales team have been pivotal in developing the company from a small start-up into the powerhouse it is today.

He is a passionate, pioneering leader with first-class communication skills and has a three-decade track record as a successful manager. He has a natural flair for strategy and his experience will always ensure that clear objectives (KPIs) are defined and implemented.

Johannes joined the Board as a non-executive director on 10 March 2021.

Alternate non-executive directors

Daphne JC Pan (39) (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.

Shin-Nan (Michael) Yeh (64)

BSc (Mechanical Engineering)

Alternate Non-Executive Director

Michael is a qualified mechanical engineer with 39 years of experience in the cable industry. He joined Hong-Tai Electric Industrial Company Limited in 1993 as the project manager in charge of technical cooperation projects with Japanese cable manufacturers including Sumitomo Electric Industries Limited, Mitsubishi Electric Wire Company Limited and Fujikura Company. He held this position for 10 years. He later worked in the cable industry in mainland China for a further 10 years, where he implemented comprehensive technical and management improvement in several cable factories.

Michael joined the Board of South Ocean Holdings in March 2022 as an alternate director to Lawrence Chen.

SOUTH OCEAN
ELECTRIC WIRE COMPANY (PTY) LTD
Co Reg No.: 1989/006650/07

11 January 2022

PRODUCT GUARANTEE

GUARANTEE GUARANTEE 10 YEAR

To whom it may concern

Dear Sir/Madam,

All of our manufactured cables are guaranteed to comply with the relevant SANS specifications. The material content of the cable is of a high-grade quality and the cable is manufactured to high standards. Due to the above mentioned we can therefore undertake to, at our cost, to replace, at our discretion, and cable or portion thereof, with any manufacturing defect which may develop under normal working condition and proper use, provided the cable is selected and installed as per the applicable standards, within the guaranteed period of ten years from date of purchase.

Any claim in respect of defective cable will first be investigated to ascertain the defect originated solely due to a faulty manufacturing process and/or design, material and workmanship before the claim will be honored.

The respective contact person at South Ocean Electric Wire Company (Pty) Ltd will need to be notified immediately, in writing, upon discovery of the defective cable.

The repaired or replaced portion of the cable will be delivered free of charge to the initial place of delivery. The defective portion of cable that will be replaced will be the property of South Ocean Electric Wire Company (Pty) Ltd.

All liability on the Company's behalf will cease at termination of the guaranteed ten-year period.

Out liability is in all cases limited as provided in these conditions and does not extend to the consequential loss of damages, either direct or indirect, nor to expenses incurred by the customers in respect to repairs or replacements or otherwise, paid or incurred without our prior written authority.

Sincere regards

Werner Basson
Chief Financial Officer

Andre Smith
Chief Executive Officer

SABS ISO 9001
Certified company

Directors: A Smith (CEO) WP Basson (CFO),
Company Secretary: WT Green

South Ocean HOLDINGS

Chairperson's report

> The year 2022 proved to be yet another challenging period for South Ocean Holdings but we were nevertheless able to gain market share, expand our operations, consolidate our presence in several SADC countries and remain profitable.

During the first half of the year, Covid-19 was very much still an issue and continued to have an impact on economic growth, both at home and abroad. This was exacerbated by the fuel and raw materials shortages caused by the ongoing war in Ukraine, which precipitated high levels of inflation and cost-of-living crises in countries around the world, including in South Africa. This, in turn, resulted in flat consumer demand, which had a measurable impact on all manufacturers.

During the second half of the year, labour action at the country's ports as well as at our own plant affected our ability to operate, as did the most severe period of load-shedding the country has experienced since load-shedding was first implemented 15 years ago.

While we are in the process of installing hybrid solar capabilities, load-shedding continues to have an impact on us as a business, most notably by affecting our ability to operate at full capacity. Had the first phase of our hybrid solar project not gone live in April 2022 and had we not had robust risk management processes in place, the business would undoubtedly have come under even more pressure than it did. As it was, production output decreased from an average of 2 500 tons a month to around 1 000 tons a month during the last quarter as a direct result of load-shedding. This was complicated by a progressive decrease in the Rand Copper Price during the course of the year, which compromised our margins.

These issues were, however, mitigated by a seismic shift in the cable manufacturing industry, which resulted in several competitors being placed under business rescue or having to close down. This enabled us to acquire a broader customer base and decrease the risk associated with a limited number of large customers. We were also able to begin expanding our footprint into the mining and public sectors, to grow our geographic footprint in South Africa and in the SADC countries, and to expand our production capacity by purchasing additional low-voltage plant and equipment.

South Ocean Holdings is now the largest supplier of low-voltage cable in South Africa and is trading in an environment in which demand exceeds supply. This, together with increasing demand in neighbouring countries, places us in a solid position to continue implementing our growth strategy and to consolidate our position in both the local and export markets. We are supporting this position with backwards integration that is securing the important plastics supply chain.

Our steady performance in the face of both negative and positive developments in our operating environment is attributable to the knowledge and experience of the Group's executive directors, the cohesive and forward-looking approach of our management team, and the steadfastness, loyalty and hard work of our staff. I commend all of them for their contribution to our sustainability and success in 2022.

Although none of the challenges we are facing are likely to be resolved in the near future, we are optimistic about our outlook for 2023.

We will continue to remain strategically driven yet agile, which will enable us to mitigate the risk of operating in such an unstable environment and take advantage of business opportunities as they present themselves. We will also continue to minimise our exposure to the country's unreliable power supply and to manage productivity through best-practice production and human resources management. In addition, we will continue to secure our supply chains and production capacity through backwards integration, organic growth and strategic distribution partnerships.

Finally, we will continue to actively manage the risk presented by policy uncertainty, political instability and corruption and mismanagement in government. In both our governance and operational procedures, we unfailingly take a proactive approach to managing all of these risks.

Macroeconomic factors

On a socio-economic level, low growth, high levels of unemployment, exchange rate fluctuations and subdued levels of business and investor confidence all had an impact on the environment in which we operate during the reporting period. In response to this, we continued to implement our strategy and to strengthen our business fundamentals while actively managing risks and planning for growth both locally and in the SADC countries.

One of the greatest macroeconomic challenges we face remains the poor performance of the local economy and the risk of labour action and civil unrest related to this.

While the size of the economy had grown to 0.3% above pre-pandemic levels by the end of 2022, this was well below target and, notably, had not kept pace with the population growth of 3.5% since 2019. In addition, South Africa's unemployment rate remains the highest in the world (World Population Review) and is one of our most significant socio-economic concerns. With an expanded unemployment rate of 42.6% in 2022, this means that over 40% of the working population is not formally employed; a situation that is simply not sustainable.

Together with an inflation rate of 4.4% in 2022, this is placing significant strain on social cohesion. As importantly, it is creating what NielsenIQ South Africa has called a "hypersensitive consumer environment" in which consumers are making purchasing trade-offs that have not been seen before. This, in turn, is placing downward pressure on key industries although, at present, agriculture, finance, transport and manufacturing remain the key drivers of supply-side growth.

The economic situation is naturally also being affected by load-shedding, which reached a highest-ever frequency peak in the fourth quarter of 2022, precipitating the sharpest contraction in the economy since the third quarter of 2021.

On the positive side of the equation, growth is expected to be around 0.2% in the first two quarters of 2023, effectively enabling us to avert a technical recession. We nevertheless need to see this within the context that South Africa faces an uphill battle to bring about a turnaround in the country's growth trajectory. The most notable hindrances are primarily on the supply side, being Eskom's inability to keep the lights on and Transnet's operational difficulties.

Fluctuations in the value of the rand will naturally continue to be a risk for the business, but like all of the other risks we face, we actively manage this using mechanisms such as limited advance ordering procedures and appropriate exchange rate insurance. Cheap imports will also continue to pose a threat to the electrical wire segment as a whole, especially as it is highly commoditised. Regulatory improvements and more stringent monitoring of sub-standard imports therefore continue to be urgently needed.

Internationally, the effects of the war in Ukraine continue to be felt as do the effects of the high rates of inflation in the US and other developed countries. What is clear is that the world economy remains unstable and that it is difficult to predict how this will impact on our country and, more specifically, our business. We are, however, strongly positioned to deal with known issues such as supply shortages and load-shedding, and continue to implement our growth strategy in our markets of choice.

Business challenges

The business challenges of recent years notwithstanding, we have continued to implement our strategy of focusing on our core competencies and on improving productivity, building resilience, growing market share, expanding into new markets and exploring opportunities to extend our product range.

This approach, together with stringent cost and operational control management, has enabled us to become increasingly productive, which was evident in our results for the past two periods. The severe load-shedding in 2022 did, however, affect productivity and, while we were able to keep revenue steady, our profitability in the reporting period was lower than in the previous period. This was partly mitigated by the first phase of our hybrid solar system being brought online, but we were not able to mitigate the impact completely.

We were also able to continue adding to our manufacturing capacity by purchasing additional low-voltage plant and equipment, which will enable us to take advantage of the demand-side shortages that have been precipitated by the pandemic, the realignment in the competitor landscape and the disruptions to both local and international supply chains. We were further able to enhance our distribution capabilities by opening branches in Pretoria and Gqeberha and, through strategic partnerships, by extending our reach into several SADC countries.

The realignment of the competitor landscape has, of course, been beneficial to the Group as it has enabled us to gain new customers and move into new jurisdictions. We will continue to seek and take advantage of the opportunities presented by this realignment, always mindful that the competitive situation may change at any time.

On a regulatory level, we were able to improve our Broad-Based Black Economic Empowerment (B-BBEE) status from Level 4 to Level 2 in 2022 and are now focusing on obtaining Level 1 accreditation. This will open up many new opportunities for us, most notably in the public sector.

Governance

From a governance point of view, the Group is fully compliant with all relevant legislation as well as with the principles and guidelines outlined in the King Report on Corporate Governance for South Africa™ (2016) (King IV™). We also comply fully with the Department of Trade and Industry's B-BBEE Codes of Good Practice. Compliance is constantly monitored, and both the Board and management actively support continuous improvement in standards and practices. Members of the Board are required to uphold the highest ethical standards and adherence to these standards is constantly monitored too. All decisions relating to material matters are vested with the Board, which oversees all major transactions as well as risk management policies, processes and procedures.

From a transformation perspective a third of the Board is made up of people of colour, while at management level, 17% of employees are people of colour. At workforce level, the percentage is 65%, which more closely reflects the demographics of the country.

In terms of gender, 17% of the general staff complement is female which, to some extent, reflects the nature of the business and the sector in which it operates. The Group is strategically committed to an ongoing process of transformation at all levels of the business.

The health, safety and well-being of employees is also one of our 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, and we have a doctor on call to attend to any serious medical issues.

In addition, we continue to adhere to all Covid-19 management protocols and to educate and advise our staff on both risk and mitigation factors. And while we encourage our employees to avail themselves of the national vaccination programme, we have not made it compulsory for everyone to be vaccinated. A range of other healthcare support, including advice on HIV/Aids, is available at our on-site clinic.

Group results

While the Group had to face a number of unprecedented events during the course of the year, our strategy, our agility and the hard work and dedication of our staff enabled us to emerge from 2022 as one of only two electric cable manufacturers that are financially stable at present.

Taking a closer look at our results, we see that revenue from ongoing operations decreased by a relatively small margin of 6% to R1.873 billion (2021: R2.002 billion). Gross profit did, however, decrease by 24% to R132.6 million from R175.4 million in 2021, while operating profit decreased by 46% to R60.8 million from R112.1 million in 2022, all for reasons already mentioned. We were, however, still able to declare a dividend of 6.00 cents per share (2021: 9.00 cents).

The sale of the loss-making Radiant subsidiary in 2019 enabled the Group to regain a sustainably profitable position and we have continued to build on that.

On a positive note, the value of the Group's assets increased to R885.4 million in 2022 from R755.45 million in the previous period, while the tangible net asset value per share increased by 5% to 292.2 cents per share from 279.1 cents per share in 2021. Cash flow remains carefully managed and the Group is well positioned to fund ongoing operations.

Based on these fundamentals, South Ocean Holdings continues to be a going concern and our financial statements for 2022 received an unmodified opinion from our auditors, PwC.

Outlook

Like all South African companies, we continue to face a high level of uncertainty in our operating environment but 2023 promises to be an exciting year. As the Chinese economy opens up again, we are likely to see this stimulating the global economy and having a positive impact on consumer demand. Global supply chains are also likely to return to some level of stability, which will benefit all manufacturers. With our market leadership position, increased production capacity, more secure supply chains and expanded distribution capacity, we anticipate a positive year.

There are nevertheless many variables that we need to take into account. The South African economy remains subdued and there is insufficient power supply to drive growth. The rapidly rising cost of living and high levels of unemployment continue to place constraints on consumer demand and this is only exacerbating the causal conditions. Labour action also remains a real and ever-present possibility, with manufacturers having little control over the disruptions they cause, while corruption and mismanagement in government continues to have a detrimental effect of all aspects of our socio-economic life.

Further afield, the US is fighting rising inflation and is unlikely to be able to contain it at any time soon. Attempts to rein it in by dropping interest rates have created an unfavourable climate for investment and this is likely to have a knock-on effect on growth. The confiscation of Russian assets in the US has also caused uneasiness among investors, resulting in a marked shift in investment from Wall Street to Hong Kong. In addition, several countries have sold off US bonds, which is only heightening negative sentiment.

In the UK, year-on-year inflation reached just over 10% at the end of January 2023 and the country finds itself in the grip on a cost-of-living crisis that is placing a dampener on consumer spending. The scenario is similar in the EU, where inflation closed at 10% at the end of January 2023 having reached an all-time high of 11.5% in October 2022. In comparison, inflation in the EU averaged 2.31% between 2000 and 2023, even falling into negative territory in January 2015.

In today's interconnected world, there can be no doubt that these developments in some of the world's biggest markets will impact on South Africa; it is just difficult to quantify exactly what that impact will be.

From a business point of view, we at South Ocean Holdings will continue to monitor and adjust our strategy as necessary in response to market circumstances and in order to secure both our sustainability and our profitability. At present, demand for low-voltage electric cable continues to exceed supply and this is a favourable position for us to be in. We are therefore focusing on meeting the demand represented by our large order book and on upweighting capacity in order to service new markets in Africa. Our new plant and equipment is already operating at 50% capacity and this will reach 100% capacity during the first half of 2023. This will, to some extent, offset the risk inherent in the South African market, as will our increasing focus on innovation and product development.

From an operational point of view, we will continue to implement our objectives under the guidance of a strong executive team, maintain stringent control over expenditure, reduce wastage during the production process, and adhere to our goal of continuous improvement in standards, processes, product quality and customer service. This will be supported by ongoing training and development throughout the organisation.

We are well positioned to take advantage of opportunities in both the local and African markets and to grow our capacity to service demand in all of the markets in which we operate.

Changes to the Board

There were a few changes to the composition of the Board during the course of the reporting period, all of which were reported as post-year-end events in 2021:

- Chieh-Fu (Jeff) Chen and his alternate, Jacky Liu, resigned as directors of the Board with effect from 27 January 2022.
- Lawrence Chen was appointed as a non-executive director with effect from 1 March 2022.
- Shin-Nan (Michael) Yeh was appointed as alternate to LL Chen, also with effect from 1 March 2022.

I would like to thank Mr Chen and Mr Liu for their many years of dedicated service to the Board and for their wise counsel. I would also like to welcome Lawrence Chen and Michael Yeh to the Board and wish them a long and productive tenure.

Dividend and executive remuneration

As I have mentioned, we declared a dividend of 6.00 cents per share on 15 March 2023 (2021: 9.00 cents per share). We are pleased to have been able to declare a dividends for three years in a row after several years of being unable to do so.

Executive remuneration is carefully monitored and maintained within a market-related range. Comprehensive details are given in the Remuneration Report.

Appreciation

In conclusion, I would like to extend my sincere thanks to the Group's Board of Directors for their vision, dedication and resilience in leading the Group through a year that proved to be more difficult than anyone could have anticipated. A special word of thanks is due to our CEO, Andre Smith, and our CFO, Werner Basson, who have worked together so strongly as a team to lead the Group on its strategic growth path in the face of many obstacles. They have been ably assisted by several members of the Board, who have extensive financial and operational experience.

I would similarly like to express the Board's appreciation to both management and staff for their steadfastness and their role in enabling us to not only to maintain a profitable and sustainable position but also to secure a market leadership position against all odds.

Last, but certainly not least, sincere thanks are due to our valued customers, suppliers, advisors, business partners, banking partners, shareholders and stakeholders for their continued support and commitment to the Group and its subsidiaries. We look forward to another successful year in 2023.

KH (Henry) Pon CA(SA)
Chairperson

Chief Financial Officer's report

Contrary to expectations, 2022 turned out to be a year in which many companies in the manufacturing sector had to focus on survival rather than profitability. At South Ocean Holdings, we were able to maintain profitability by reviewing our strategy and sharpening our focus on sectors that are still recording growth and on expansion into new geographies.

Overview

It is my pleasure to present this report on the business performance of South Ocean Holdings (SOH) for the year ended 31 December 2022. As indicated in the "About Us" section, SOH is an investment holding company with several operating subsidiaries, the largest of which is South Ocean Electric Wire Company (SOEW), a manufacturer of low-voltage electrical cables.

As the Chairperson has mentioned in his report, the Group continued to operate under challenging conditions throughout the reporting period, with low economic growth, an unstable power supply situation and multiple labour actions being the most significant issues affecting our business.

While there was an increase in demand for SOEW's products in the first quarter of the year, partly due to an uptick in infrastructure projects and a competitor reducing its capacity in the low-voltage segment, conditions began to change in the second quarter. The number of public holidays in April and early May always has an impact on demand and, in April 2022, the manufacturing sector reported the largest decrease in output for six months.

In the third quarter, multiple issues had an impact on both demand and revenue. These included the implementation of Stage 6 loadshedding, a sudden drop in the Rand Copper Price (RCP) and industrial action in the transport sector, which negatively affected supply chains. The electric cable and wire segment as a whole was also affected by a number of thefts, hijackings and organised robberies in the Alberton, Kempton Park and Edenvale areas, with armed gangs hijacking entire truckloads of copper cathode and finished cable. SOEW nevertheless managed to maintain a strong advance order book during this period and continued to implement its strategic plan to upweight production capacity in order to meet anticipated demand in markets outside of South Africa.

In October, we concluded the purchase of low-voltage plant and equipment from a competitive company. Together with sound B-BBEE partners, we are also adding further capacity to handle the production of a wider range cable in line with our strategic plan. With all of these factors in mind, we are in the process of expanding our distribution network in South Africa, Namibia and other SADC countries.

At industry level, several cable manufacturers declared *force majeure* three or more times during the course of the year and, as far as we can ascertain, only SOEW and African Cables were financially viable by year-end. This decline in the cable industry was precipitated by multiple factors, including a steep rise in the cost of living, which, in turn, led to employees and unions demanding extraordinary and unsustainable wage increases. A similar situation was evident in the steel and mining industries and at the country's major ports, all of which had an effect on our operations.

In the fourth quarter, a strike in the steel wire industry and continued loadshedding affected the raw materials pipeline and we experienced a go-slow at our Alrode plant. Workers refused to work overtime in response to the dismissal of 23 people for submitting false sick notes. While we had a strategy in place to deal with the resulting loss in revenue, the closure of the ports and continued loadshedding prevented us from being able to implement it. As a result, we had to undertake cost-cutting measures and had to put the workforce on short time in order to at least retain a break-even position.

Contrary to expectations at the start of the year, 2022 turned out to be one in which many companies in the manufacturing sector had to focus on survival rather than profitability as they were not in a position to increase revenue or grow their businesses. In response to this situation, the Group undertook a major review of its short- and medium-term strategies during the fourth quarter, sharpening its focus on sectors that are still recording growth and on expansion into new geographies.

Financial performance

Group revenue for the year ended 31 December 2022 decreased by 6% to R1.873 billion (2021: R2.002 billion), while gross profit decreased by 24% to R132.6 million (2021: R175.5 million). Operating profit, in turn, decreased by 46% to R60.9 million (2021: R112.2 million) while Group profit before tax decreased by a similar 45% to R58.2 million (2021: R106.1 million).

Total comprehensive profit for the year amounted to R44.97 million, a decrease of 40% from the R75.08 million recorded in the 2021 financial year.

Basic earnings per share decreased by 40% to 22.12 cents per share (2021: 36.93 cents per share), with the declared dividend also decreasing from 9.00 cents in 2021 to 6.00 cents in 2022. The total dividend payment to shareholders amounted to R12 196 608, being 27% of headline earnings.

During the reporting period, SOEW accounted for all of the Group's reported revenue, with the decreases in both revenue and profitability being attributable to the factors mentioned in the section above.

In terms of acquisitions, the Group invested in several associates during the reporting period in order to support sales and distribution. There were no further acquisitions or disposals other than of plant and equipment.

Finally, the directors are not aware of any other matter or circumstance arising since the end of the financial year that is not otherwise dealt with in the Annual Financial Statements, except for the exercising of a rights option. On 10 February 2023 the Group exercised a call option whereby Icembu Holdings increased its shareholding in Icembu Cables from 49% to 70%. The Group now effectively owns 49% of the issued share capital.

Macroeconomic context

The macro-economic environment in which the Group operates is not expected to improve within the foreseeable future, with fundamental political and fiscal uncertainties remaining a constant feature of economic reality. The power supply crisis is also expected to continue throughout the 2023 financial year and to contribute to low levels of business and investor confidence.

Within this context, we will continue to actively pursue our strategy of expansion into Africa, where there is a growing demand for our products. This is therefore not only a strategic growth strategy but a risk mitigation strategy as well. At operational level, we will continue to focus on reducing costs and using technology to drive growth, productivity and greater efficiencies in a sustainable way, which we anticipate will improve the profitability of our subsidiaries and therefore of the Group.

The Board will also continue on its journey towards a Level 1 B-BBEE rating. The achievement of a Level 2 rating during the course of the reporting period is notable and more closely reflects our view on the importance of transformation than previous ratings have done.

Management is confident that all of the above actions will secure the Group's sustainability and enable it to improve profitability.

Managing the risk of new Covid-19 variants

The Group continues to adhere to the best-practice Covid-19 management measures published by both the World Health Organisation and the National Institute for Communicable Diseases. We believe that curbing the spread of the novel coronavirus and its variants is a collective responsibility and, as a committed corporate citizen, we will continue to play an active part in managing its impact, both within the business and within the communities in which we operate.

Prospects

A full analysis of the Group's financial performance for the reporting period is given in the Annual Financial Statements included in this report. As indicated in our Corporate Governance Report, these were 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 throughout the 2023 financial year and well into the future.

Werner Basson
Chief Financial Officer

Chief Executive Officer's message

While radical disruptions to both our business and to the market in general have been difficult to navigate, they have also presented us with new opportunities to secure our sustainability and to grow. The fact that we continue to be able to adjust to such rapidly changing circumstances is testament to the resilience of our business, the institutional knowledge of our executives and management, and the commitment of our staff.

Reflecting on 2022

As with so many other groups and companies in the manufacturing sector, South Ocean Holdings had to face a number of hurdles during in the 2022 financial year, some foreseen and others not.

Fundamental changes in the economic context over the past three years have redefined the environment in which we operate, as have more recent issues such as the impact of the ongoing war in Ukraine, the catastrophic flooding in KwaZulu-Natal in April 2022, supply chain disruptions throughout the year, and the worsening electricity supply crisis in the second half of the year. Low growth at home and abroad also continued to affect us, as did the poor exchange rate and fluctuations in the Rand Copper Price (RCP).

Developments that worked in our favour included the fact that many of our competitors came under significant financial pressure during the year, with several of them having to declare *force majeure* three or more times. Some of these competitors sold off their operations and one is currently in business rescue. This naturally opened up opportunities for us in the local market and presented the opportunity for us to expand our operations to meet expected future demand.

In the area of risk, business and investor confidence remains muted and there was a concerning uptick in the armed hijacking of large consignments of copper and finished cable over the past year. SOH was also affected by events like these during the reporting period, which represent a notable risk for the business.

Our adaptability and flexibility nevertheless enabled us to navigate the obstacles we had to face successfully, to remain profitable and to continue implementing our objective of expanding into new territories, both in South Africa and in the SADC countries.

Strategy

With these conditions in mind, we continued to undertake quarterly strategy reviews throughout the year, concluding with a major review and a realignment of the Group's strategy in the fourth quarter.

In this review, we revisited both our long-term strategy and addressed more tactical issues, specifically to redefine our risk and opportunity landscape and to position ourselves to take advantage of developing opportunities in both existing and new markets. We similarly reviewed our approach to innovation, quality and efficiency as our effectiveness in these areas has enabled us to weather many storms in recent years. Of particular focus for us now is our B-BBEE status. Having achieved a Level 2 rating during the course of the year, our objective is to obtain a Level 1 rating as soon as possible as this will enable us to expand our reach in the public sector.

Issues affecting profitability, including operational efficiencies, also came under the spotlight as did the ways in which we can strengthen and grow our business around core competencies.

Operational review

The fact that we continue to be able to adjust to such rapidly changing circumstances is testament to the resilience of our business, the institutional knowledge of our executives and management, and the commitment of our staff. And, while radical disruptions to both our business and to the market in general have been difficult to navigate, they have also presented us with new opportunities to secure our sustainability and to grow.

Facing the challenges

On the challenge side of the equation, loadshedding and sporadic labour action posed the greatest challenges for us during the course of the year and we had to be agile in order to be able to deal with their impact.

In the first instance, loadshedding continued to affect our ability to operate at full capacity, adversely impacting on production output. Historically, we have managed the impact of loadshedding by drawing power from two different sub-stations and we continue to do so. However, as I mentioned in my message in 2021, the power supply situation in South Africa has become so uncertain that we have had to move quickly to reduce our dependence on the national grid.

In April 2022, we completed the a R12 million hybrid solar project designed to add 0.75MW in capacity to our manufacturing site at Alrode in Gauteng. We have also secured a more stable power supply line during the same period. The installation was designed by our own engineers, who have in-depth knowledge of our needs as a business and a strong commitment to efficiency and cost management. The additional capacity brought online with the commissioning of the first phase of the project enabled us to survive the severe loadshedding during the second half of the year, which would otherwise have had a catastrophic effect on the business.

Reducing our dependence on the grid even further will enable us to secure our most important production processes against the interruptions caused by loadshedding and to reduce the amount of scrap produced during the manufacturing process. This will reduce our environmental impact and help us improve our ROI.

In the case of labour action, a strike at key ports in October significantly disrupted our supply chain, adding to the existing challenge of having to deal with shipping delays caused by the energy crisis in Europe and a worldwide shortage of containers. All of the copper and many of the other raw materials we use are imported and are shipped through the Port of Durban in KwaZulu-Natal. Delays in offloading shipments and despatching them inland caused general supply-side shortages, especially a shortage of copper wire, throughout the fourth quarter.

While our policy of holding strategic stocks of raw materials enabled us to continue production at our cable manufacturing plant, our PVC compounding plant was unable to run for several months as we were struggling to source raw materials. At the time of writing, sufficient raw materials had been secured to run the plant at 50% capacity from the beginning of March 2023.

Labour action also impacted directly on our own operations when workers undertook a go-slow in response to the dismissal of 23 employees for submitting false sick notes. As we were unable to respond to this by implementing phased shift cycles due to Stage 6 loadshedding, we had to put the entire workforce onto short time for a period in order to manage costs.

All of these factors resulted in a reduction in production volume from 19 789 tons in 2021 to 16 254 tons in 2022. Stop-start operations and excessive changeovers due to the shortage of raw materials also had an impact on our scrap rate, which increased to an average of 9.30% in 2022 from an average of 7.9% in 2021. We therefore continue to assess and manage scrap rates very carefully and anticipate notable gains in the volume of PVC bleed scrap, which accounts for 25% of our scrap, during the 2023 financial year.

Identifying the opportunities

While so much uncertainty is difficult to navigate, it also presents new opportunities. During the course of the reporting period, several competitors closed down their low-voltage operations or were placed under business rescue. This opened up opportunities for us to grow our client base and extend our distribution capabilities both locally and within the SADC countries, supporting long-term sustainability and mitigating the risk associated with a more limited client base.

SOH is now the largest manufacturer and distributor of low-voltage electric cable in South Africa and demand for our products, which have an established reputation for quality, outstrips supply. We have therefore continued to focus on expanding our production capacity to cater for this demand. We have done this by augmenting equipment in our existing plants and by entering into a B-BBEE deal to add additional plant and equipment to our fleet. This deal, in turn, has enabled us to obtain a Level 2 B-BBEE rating, opening up opportunities in new sectors and segments, including mining and the public sector.

From a productivity point of view, our three-shift system means that we have eliminated the need for overtime work, which has significantly benefitted our operating budget. We also continue to work on process improvement and waste reduction, both of which have an impact on our bottom line. The fact that we will be even less dependent on power from the national grid once the second phase of our hybrid solar system comes online will go a long way towards improving productivity and reducing waste in 2023.

All of these actions, supported by the commitment of our people, have enabled us to post positive results for the 2022 period as well as to declare a dividend for the third year in a row.

As a business, we have come through the past three years stronger, more productive and more resilient than we were before and this is testament not only to the strength of our business model, but also to the quality of our management and the hard work of our employees. New challenges are sure to present themselves during 2023, but we are well positioned not only to survive but to thrive.

The competitive environment

The competitive environment has changed significantly over the past two periods and, although this has benefitted us, we always need to be alert to developments and trends within the industry and the markets we serve. While demand for our products is increasing, which is positive for us, high levels of demand also provide fertile ground for new competitors to enter any of the markets in which we are active. Locally, the illegal importation of sub-standard cables continues to erode the market, although the authorities are making an attempt to address this problem.

Conversely, we have been able to benefit from the consolidation of the market, especially during the reporting period. Our Level 2 B-BBEE rating will also open up opportunities in mining and the public sector, where competitors previously had a strong foothold.

Macroeconomic factors

The fact nevertheless remains that the South African economy continues to be in a precarious position and that global uncertainty is only adding to the severity of the situation. Business and investor confidence continues to be low, GDP has not yet recovered to pre-pandemic levels, and unemployment and poverty remain serious issues in our society.

In addition, the war in Ukraine continues to impact on the international supply of copper and other raw materials and is exacerbating a cost-of-living crisis in all of the major economies, most notably the US and the UK. We are, however, in a firm position to deal with shocks like these as we have positive cash flow and demand for our products exceeds supply. We have also secured alternative sources for the supply of copper in the year since we have been unable to source this material from Russia.

The demand for electric cables also continues to grow in Africa and the fact that we are now entering new jurisdictions will have a positive effect on the business. Taking an ownership stake in Icembu Services, which supplies SOH with the plastic we use in our manufacturing processes, has supported and enhanced our integration strategy and made us less vulnerable to supply chain disruptions. And our Level 2 B-BBEE status, together with the moves we have made to secure local and international distribution over the past year will further strengthen our position and help us to mitigate against unexpected socio-economic developments.

Going forward, we intend to continue implementing our strategy of backwards integration and to seek new distribution channels for our products in order to further strengthen the business. As part of our growth strategy, we will also continue to be alert to suitable merger and acquisition opportunities, both in South Africa and in the rest of Africa, and to explore opportunities to extend our product range.

Sustainability and integrated reporting

In line with the guidelines set out in the King Report on Corporate Governance for South Africa™ (2016) (King IV™), we 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 will continue to be guided by the Six Capitals of Sustainable Development, which provide a widely accepted benchmark for listed companies around the world.

Further information is available in the Corporate Governance section of this report.

Outlook

While the outlook remains uncertain for 2022, we have a strong outlook.

While the outlook for 2023 is uncertain, we have a strong advance order book and continue to enhance our production capabilities, efficiencies, quality management processes and product range. As in the previous period, we are therefore well positioned to take advantage of opportunities as they develop.

Many of the challenges we expect to face remain constant and include fluctuations in the copper price, ongoing loadshedding, the impact of cheap imports, political and policy instability, and a volatile exchange rate. We have, however, planned for all of these risks and have procedures in place to manage them as they arise.

From a brand perspective, quality management, and customer service will continue to be our key focus areas. We will also continue to explore opportunities in Africa as moving into new territories is one of the most immediate ways to secure growth.

Similarly, we will continue to explore opportunities to access large contractors serving government, the parastatals and corporates in South Africa, especially those working on infrastructure projects.

The broader socio-economic context within which we operate is naturally beyond the direct control of the Group. Persistently low economic growth, low business confidence, and low levels of investment are all of concern but, again, we have plans in place to deal with the risk associated with these factors. We therefore anticipate a positive and productive year in 2023.

Appreciation

In concluding, I would like to thank the Chairperson, Mr Pon, and my colleagues on the Board for their stalwart support and invaluable input throughout the reporting period, which was my first full year in office. It takes a strong team to run a business successfully in such an unpredictable operating environment and I am proud to be part of just such a team.

Special thanks are due to our CFO, Werner Basson who, as always, has been extraordinarily generous in sharing his knowledge and experience with me. His input and support have been invaluable.

I would also like to extend my sincere thanks to our valued shareholders, partners, suppliers and customers for their trust in us and for their steadfast support. It is their unwavering commitment that has enabled us not only to navigate unexpected developments in the market but also to ensure that the Group is both sustainable and in a solid position to secure growth and profitability.

Last but definitely not least, I would like to extend my thanks to every one of our staff, whose hard work and dedication to the business has enabled us to report another successful year. You are the backbone of our business and your efforts are recognised and appreciated.

Andre Smith
Chief Executive Officer

Five-year review

Group performance and segmental analysis

	2022	2021	2020	2019	2018
GROUP STATEMENT OF COMPREHENSIVE INCOME					
Net revenue (Rm)	**1 873.2**	2 001.5	1 748.8	1 566.1	2 008.9
Operating profit/(loss) (Rm)	**60.9**	112.2	43.4	(7.4)	33.0
Net profit/(loss) after taxation (Rm)	**45.0**	75.1	26.9	(15.9)	(3.7)
GROUP STATEMENT OF FINANCIAL POSITION					
Shareholders' equity (Rm)	**593.9**	567.3	498.2	471.3	488.8
Non-current liabilities (Rm)	**50.8**	75.2	59.5	61.3	73.4
Current liabilities (Rm)	**240.7**	113.0	136.6	173.2	296.7
Total liabilities (Rm)	**291.5**	188.2	196.1	234.5	370.1
Non-current assets (Rm)	**250.3**	207.5	229.6	306.8	277.6
Cash and cash equivalents (Rm)	**134.0**	140.0	20.7	15.8	37.5
Other current assets (Rm)	**501.1**	408.0	444.0	383.2	543.7
Total assets (Rm)	**885.4**	755.5	694.3	705.8	858.8
SHAREHOLDER RETURNS					
Earnings/(loss) per share (cents)	**22.12**	36.93	13.25	(7.80)	(1.95)
Headline earnings/(loss) per share (cents)	**21.96**	36.83	13.32	(4.14)	3.74
Dividend per share (cents)	**6.0**	9.0	3.0	–	–
Net tangible asset value per share (cents)	**292.1**	279.1	245.1	231.8	240.5
Total operating profit/(loss) margin (%)	**3.3**	5.6	2.5	(0.5)	1.6
Cash generated/(utilised) for the year (Rm)	**85.9**	126.3	39.48	(20.0)	6.4
Number of shares in issue (millions)	**203.3**	203.3	203.3	203.3	203.3

Subsidiaries

South Ocean Electric Wire Company

About us

South Ocean Electric Wire Company (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 applications in which higher current ratings are required. Our 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.

The Group's interests in Icembu Holdings, Icembu Cables, Icembu Services, Mwanga Afrika Cables, South Ocean Electric Wire Company (Namibia), Niehoff Electric Warehouse (Namibia), Global PE and Global Pretoria are managed through SOEW.

In 2022, the company became the largest producer of low-voltage electric wire and cables in South Africa and achieved a Level 2 B-BBEE rating. Our vision is to be recognised as the employer of choice in the industry and as a designer, developer and manufacturer of special cables for use in emerging applications such as renewable energy and electric vehicles. We aim to be a Level 1 B-BBEE company with a footprint throughout South Africa and in every SADC country.

Our products are manufactured at our plant in Alrode (Gauteng) and at our cable factory, also in Alrode. We have recently acquired additional plant and equipment in Elandsfontein as well, which is housed in a leased facility. Best-practice quality controls are in place at all of these. During the course of 2022, we took a controlling interest in Icembu Cables and Icembu Services, which supply the plastics we use in our products, effectively securing this aspect of our supply chain through strategic backend integration. In addition, we entered into a B-BBEE deal to establish Mwanga Afrika Cables, in which we have a 30% shareholding.

We distribute directly to our clients in South Africa using our own fleet of trucks and delivery vehicles. Our clients are electrical wholesalers and distributors who, in turn, supply the building, construction, industrial, mining and retail sectors. Distribution to clients in Mozambique, Botswana, the DRC and Zambia is handled through strategic partners.

As at 31 December 2022, SOEW employed 463 people, including manufacturing, engineering, administration, marketing, warehousing, skilled and semi-skilled personnel.

Our competitive advantage

Our competitive advantage as a company is based on product innovation, production capacity, the low-cost and efficient production processes we use, and our increasing independence from the national electricity grid. All of this ensures that we produce superior products, maintain reliable distribution and deliver excellent customer service. These are the key strategic deliverables have enabled us to remain competitive despite the challenging market conditions that have prevailed in South Africa for many years.

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-insulated PVC cable
- Single core double PVC AWA PVC cable
- Aluminium conductor
- Aluminium conductor steel reinforced (ACSR)
- Low-voltage aerial bundle conductor (ABC)
- Conduit pipe

What sets us apart?

- SOEW is a 100% local manufacturer with a Level 2 B-BBEE rating.
- Our world-class computer-integrated manufacturing (CIM) facilities feature multiple factories on various sites, accounting for floor space of 40 000 square metres.
- We have an in-house compounding plant.
- We maintain strategic reserves of key raw materials.
- Our company is ISO 9001:2008 compliant.
- All of our products conform to the SANS 1507, SANS 1574, SANS 1576, SANS 1418, SANS 182 and SANS 61386 (PVC 20mm^2 & 25mm^2 conduit) quality standards.
- All of our products are quality tested and approved by the SABS.
- We have an on-time in-full (OTIF) delivery record of over 90%.
- Our operations run on a shift system 24/7.
- We have a 24-hour maintenance team on-site to ensure production consistency, quality and reliability.
- We offer competitive pricing and proven customer service.
- We operate our own distribution and logistics division.
- Half of the workforce has been employed for at least 10 years, so we have retained valuable institutional knowledge.
- We adhere to the highest health and safety standards using our integrated Safety, Health, Environment and Quality Management (SHEQ) System.
- We procure from and empower local suppliers.
- We promote skills development and knowledge transfer.
- Our manufacturing processes are specifically designed to minimise their impact on the environment.

Anchor Park Investments

Anchor Park is an investment holding company that holds the Group's property assets. Our three properties in Alrode house SOEW's manufacturing operations and the South Ocean Holdings head office. Our property portfolio includes the new factory in Elandsfontein.

SOH Calibre International

SOH Calibre International Limited is a foreign procurement company that is wholly-owned by South Ocean Holdings.

Directors and management

Andre Smith (57)

Higher National Diploma: Mechanical Engineering

Chief Executive Officer

Andre is a qualified mechanical engineer with over 30 years of experience in the cable industry. He has been employed in several senior management and executive positions in the manufacturing, sales, export and technical areas of the industry. He has visited and trained in cable factories around the world, including in the US, Europe, Australia, China and Korea.

Andre is a proven strategic thinker with extensive experience in business strategy; new product development; operational, asset, quality, and people management; Six Sigma processes; and lean management principles.

He joined the South Ocean Holdings Board in March 2021 and was appointed CEO.

Werner Basson (40)

BAcc, BAcc (Hons), CA(SA)

Chief Financial Officer

Werner is a qualified chartered accountant who completed his articles at one of the 'big four' audit and advisory firms. He later gained managerial experience with the firm before joining a JSE-listed group as CFO in 2012. Since then, he has gained valuable experience in several different industries.

He joined the South Ocean Holdings Board and was appointed CFO in September 2020.

Johan Prinsloo (49)

General Manager: Factory and Operations

Johan was appointed Divisional Director of Factory Operations at SOEW in January 2021. He initially joined the company as an electrician in 1999. He was appointed Technical Manager in 2006, Production Manager in 2009, and Divisional Director: Factory and Operations in 2010. He resigned effective 31 May 2017 and re-joined SOEW in 2021.

He is a qualified millwright by trade and has 23 years of cable and technical experience.

Tertius Ness (51)

General Manager: Manufacturing Engineering Services

Tertius started his career in the cable industry in 1991. He joined SOEW in 2000 when the Alrode factory was built. Tertius held various senior management level positions at various cable companies. He also held the position of Regional Technical Manager Africa at (BASEC) British Approvals Service for Cable. Tertius re-joined SOEW in July 2022.

Tertius holds a Quality Management qualification through City and Guilds of London, is a Lean Six Sigma Black Belt and has completed his management training at Gordon Institute of Business Science.

Michèle Lobley (37)

General Manager: Sales

Michèle has 16 years of experience within the cable manufacturing sector and joined SOEW in 2006 as an Internal Sales Consultant. She was appointed as a sales representative in 2009, as Senior Internal Sales Representative in 2013, and as Internal Sales Manager in 2016. She was promoted to General Manager: Sales in 2021 after successfully completing the Management Advancement Program at Wits Business School.

Michèle is a customer-centric and sales-driven individual with a proven track record in the SOEW Sales and Marketing Department.

Aisha Khan (49)

BTech (Cum Laude)

General Manager: Human Resources

Aisha comes with 20 years' experience and exceptional skills set in all aspects of the Human Resources fraternity. Her previous role as a Senior HR Manager in the mining industry is where she drove and delivered on legal compliance, business performance achieving strategic results. Her strong drivers are business strategy, Leadership, EQ and Organisational transformation delivering on strategic goals.

Aisha is also a qualified life skills coach and motivational speaker delivering results through people, systems, and implementation of best practice processes.

She began her journey with the company on 1 January 2023 as the General Manager Human Resources.

Angelique Swanepoel (35)

BCom (Financial management)

Financial Manager

Angelique has 16 years experience in finance in the manufacturing sector. She successfully completed her BCom degree in 2015 and Management Advancement Programme at Wits Business School in 2021.

Angelique was appointed as Accountant/Cost Accountant in December 2019 and was promoted to Financial Manager in August 2020.

Gert Loots (54)

Human Capital/Talent Manager

Gert started his career in the Manufacturing, Supply Chain and the FMCG environment in 1988 and has 35 years of experience, with a passion for educating people on Manufacturing Processes and Systems. In 2003, Gert has transitioned into Human Resources, specifically Human Capital and Development, designing processes and systems to mobilise the human being behind the Technical Competence requirements within the broader spectrum of Manufacturing and the Supply Chain. Within Gert's extensive career, he has acquired a vast skill set ranging from technical to business acumen.

Operational report

Overview

The market in which we operate has remained stable and we have sound customer relationships despite the fact that we are not always able to meet full demand. All local manufacturers are currently underperforming because of raw material shortages, labour issues, the unstable electricity supply situation and the increase in demand that followed the civil unrest in July 2021 and the flooding in KwaZulu-Natal in April 2022. Output has also been affected by various labour actions over the past two years.

As mentioned in the reports by the Group executives, these and other factors undoubtedly had an impact on our operations during the reporting period.

The most notable continued to be disruptions to local and global supply chains, a significant decrease in the Rand Copper Price, a go-slow at our plant in October and, as mentioned, the worsening electricity supply situation. All of these issues were exacerbated by low economic growth, muted business and investor confidence, and fluctuations in the value of the rand. They were, however, mitigated by the opportunities presented by a shake-up in our competitive environment.

IE Aberdare, MTEC, Alvern Cables and Tulisa Cables all declared *force majeure* several times during the course of the year. CBI Telecoms and Alcon Marepha were both placed under business rescue. Walro Flex was sold but the deal fell through and plant and equipment was sold on auction in August 2022. Empire Cables (formerly Norco) purchased UIC and is in the process of integrating plant and equipment but, like many other manufacturers, is facing financial difficulties. Aberdare Cables closed its low-voltage manufacturing facility in Johannesburg in 2021 and is yet to commission its plant in Pietermaritzburg.

All of these developments have enabled us to grow our business with existing clients, expand our client base and strengthen our distribution channels into the SADC countries. In addition, we were able to acquire the factory Aberdare had closed down in 2021, which increased our manufacturing capacity and placed us in a strong position to benefit from a market in which demand exceeds supply. It has also enabled us to manage the impact of the extreme load-shedding experienced during the last two quarters of the year.

These challenges did, however, have an impact in terms of profitability. While revenue decreased by only 6% year-on-year, PBIT decreased by 45%. We were nevertheless able to declare a dividend of 6 cents per share.

Going forward, one of the greatest business risks we face continues to be the impact of load-shedding but this is being mitigated by the development of our hybrid solar capabilities. A less controllable risk is that of ongoing disruptions to local and international supply chains. Actions taken by the Board and management do, however, considerably mitigate these risks. They include our practice of holding reserves of key raw materials, of securing copper supply in countries other than Russia, and of continuing to implement our backwards integration strategy. Labour action poses a further risk but this is managed by maintaining open relationships with our staff and the unions to which they belong.

On the positive side of the equation, demand for our products is expected to continue increasing throughout 2023, partly due to the realignment in the competitor landscape and partly due to increasing demand both locally and in the SADC countries.

The upweighting of our production capabilities during 2022, our well-managed maintenance programme and our regular process reviews have secured both short-term and long-term sustainability and we expect to have a successful year in 2023.

People

Since acquiring a majority holding in Icembu Cables and Icembu Services, and since establishing Mwanga Afrika Cables, we now employ 463 people across all of our operations. Our staff are supported by our HR division as well as by a well-established organisational health and safety programme. In line with our vision of becoming the employer of choice in our industry, skills training and education are a strategic priority for the business.

From an occupational health and safety point of view, we are proud to have maintained a good record, with (only) 28 minor incidents having been recorded during the course of the year (2021: 24 incidents). Employee health and safety remains a top priority at SOEW and we follow all statutory and best-practice guidelines in this aspect of our business.

With regard to collective bargaining, a new three-year wage agreement was concluded at the end of 2021 which will remain in place until 2024.

Further information relating to staffing at both Group and subsidiary level is available in the Human Capital section of this report.

Outlook

South Africa's economic outlook is unlikely to improve markedly during 2023 and there is, in fact, a risk of growth not meeting predictions. GDP is therefore unlikely to return to pre-pandemic levels during the course of the period.

At SOEW, we intend to retain the market leadership position we attained in 2022, to focus on meeting local demand, to expand our reach into the public sector, and to focus on exports into SADC countries where there is positive growth, such as Namibia, Mozambique and the DRC.

In addition, we will continue to drive our strategy towards entering emerging industries like renewable energy and electric vehicles. The first samples for use in these industries were produced in the first quarter of 2022 and research and development of new products continues.

Although SOEW is well positioned to take advantage of the opportunities available to us locally and in neighbouring countries, we are mindful that economic instability is likely to persist well into the foreseeable future. As a result, immediate planning remains largely tactical, focusing on such fundamentals such as securing our supply chains and managing input costs, production efficiency and cash flow.

Wealth creation and sustainability

Overview

At South Ocean Holdings, we aim 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 (profits, dividends and other 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.

By reporting in this way, we aim to provide stakeholders with:

- a meaningful assessment of the long-term viability of our strategy and business model;
- in-depth information about inputs, outputs and outcomes;
- a comprehensive overview of the effective allocation and management of business and natural resources; and
- an overview of our governance framework.

Value-added statement

	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
Revenue	**1 873 155**	2 001 546	1 748 796	1 566 078	2 008 869
Paid to suppliers and providers of services	**(1 528 920)**	(1 611 377)	(1 459 298)	(1 338 301)	(1 653 233)
Value added	**344 235**	390 169	289 498	227 777	355 636
Income from investment	**23 683**	6 815	4 230	9 794	7 958
Total value created	**367 918**	396 984	293 728	237 571	363 594
Distributed as follows:					
Employees	**115 135**	133 645	125 999	115 324	155 489
Providers of capital	**4 122**	6 333	9 725	15 723	24 551
Government taxes	**164 555**	132 961	89 475	87 718	134 827
Retained for growth	**84 106**	124 045	68 529	18 806	48 727
Depreciation, amortisation and impairment	**20 357**	24 381	19 584	14 943	26 420
Deferred taxation	**18 785**	24 582	22 006	19 724	25 971
Retained earnings/(Accumulated loss)	**44 964**	75 082	26 939	(15 861)	(3 664)
Total value distributed	**367 918**	396 984	293 728	237 571	363 594
Value-added statement ratio analysis					
Number of employees	**463**	438	473	431	586
Revenue per employee (R'000)	**4 046**	4 570	3 697	3 634	3 428
Value added per employee (R'000)	**743**	891	612	528	607
Average salary per employee (R'000)	**249**	305	266	268	265

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. This includes both equity and debt financing. The analytical focus here is on our sources of funding, how funding is converted into outputs through added-value processes, and the financial outcomes of these processes.

From an equity point of view, we have 203.3 million shares in issue (2021: 203.3 million) and a market capitalisation as at 31 December 2022 of R246.0 million (2021: R262.3 million).

From a financing point of view, the Group's ability to continue to meet its financial obligations as they fall due is dependent on its ability to continue to improve its performance and/or on the Group's bankers, FNB, renewing its working capital facilities.

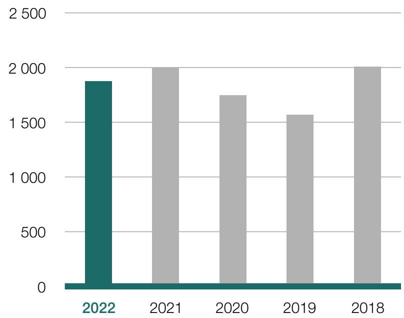
In addition to equity and financing, we make use of capital inputs that were previously considered to be non-monetary variables, but which have increasingly become monetised, such as water. A comprehensive analysis of our water usage is given in the relevant section below.

Added value

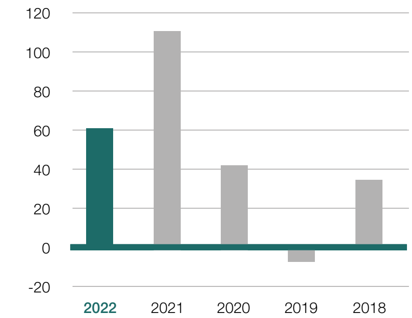
We add value, create wealth, and secure sustainability by using the financial capital at our disposal to manufacture high-quality products, run an efficient distribution system, offer competitive pricing, deliver superior customer service, empower our staff, support external stakeholders, adhere to accepted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

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

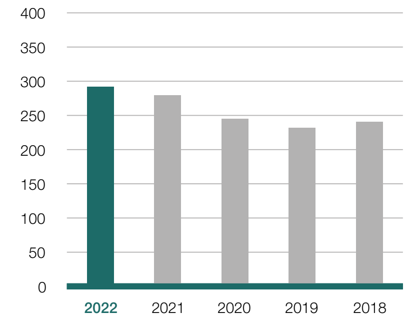
REVENUE
(Rm)



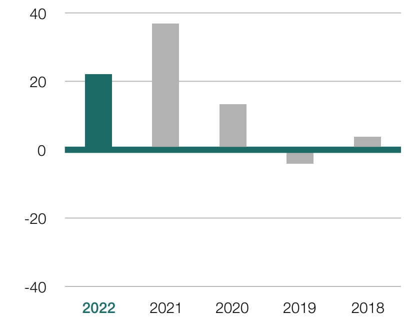
OPERATING PROFIT/(LOSS)
(Rm)



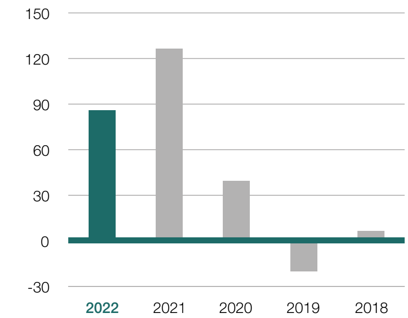
NET TANGIBLE ASSETS VALUE
Value per share (cents)



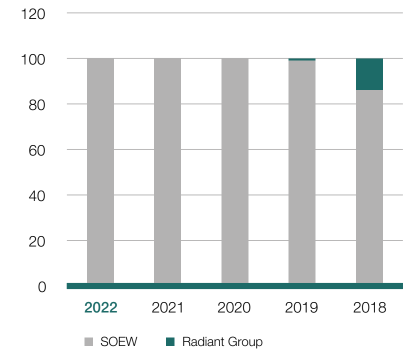
HEADLINE EARNINGS/(LOSS) PER SHARE
(cents)



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, we have had to navigate challenging and uncertain market conditions in recent years.

In the 2022 financial year, the total value added was R368 million (2021: R397 million) and the value added per employee was R743 000 (2021: R891 000).

Our financial contribution to society is summarised in the value-added statement in the preceding section of this report.

Product range

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

Product quality

Product quality has always been the cornerstone of our 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 1507, SANS 1574, SANS 1576, SANS 1418, SANS 182, and SANS 61386 (PVC 20mm^2 and 25mm^2 conduit) quality standards. To ensure strict adherence to quality standards, we have quality control facilities and a testing laboratory on-site at our Alrode plant. We also have 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 an 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 we manage and secure our intellectual capital. Our stable and time-tested governance procedures also protect the intellectual capital that secures our leadership position in the market.

Human capital

Managing the skills vested in skill and experience

We regard the management of human capital and the creation of value in this aspect of our business as essential to the successful delivery of our strategic objectives. The value vested in the skills, abilities and productivity of our employees is critical to our sustainability, growth and development.

We therefore actively invest in developing all of our staff; enhancing human capital through training and development, competitive remuneration and incentive schemes. We also strive to create a motivating and inclusive work environment, in which the value of employees is acknowledged and in which they feel appreciated. We offer many development opportunities that inspire employees to advance their careers.

Despite the challenges the year 2022 presented, we continued to focus on building a resilient and engaged workforce by strengthening and enhancing the skills, experience, diversity and productivity of our employees. We did this 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 our long-term success, and we have initiated a number of targeted interventions to ensure that employees in this demographic benefit from skills development and improvement.

We are also committed to a process of meaningful 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. We aim to be compliant with all laws and regulations designed to ensure that our business reflects the country's demographics. This is a particular focus in our recruitment practices.

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

As at 31 December 2022, we were employing 463 (2021: 438). This increase in the number of staff is due to the Group taking a controlling interest in Icembu Cables and Icembu Services and also to it entering a joint venture to establish Mwanga Afrika Cables.

We constantly strive to increase efficiencies in human capital management and to maintain the flexibility necessary to adapt to prevailing economic conditions.

Employment equity and diversity

We are dedicated to creating a diverse workforce by attracting and developing previously disadvantaged people, women and employees with disabilities. Our diversity figures for the reporting period were:

Black permanent employees	Black management
Male – 75%	Male – 0%
Female – 17%	Female – 0%

4 Disabled employees	**4** Disabled learners

Employee development

We are very proud to be able to partner with our employees in their development. We actively encourage staff at all levels to improve their skills and experience and we provide appropriate mechanisms for them to do so.

Continuing education

In 2022, 123 employees including executives, managers, office staff and factory staff had the opportunity to enhance their skills by studying further (2021: 131). We provided both financial and academic support for employees undertaking further studies in this way and are proud to announce that they achieved a 70% pass rate.

Bursaries

In addition to educational support for employees, we offer a number of bursaries for suitably qualified dependents. We offered seven bursaries to the dependents of employees in 2022.

Learnerships

On a broader basis, we also funded learnerships for four disabled and unemployed learners with the aim of upskilling them 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 course fees, we 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.

Training

We continue to invest in various training programmes to ensure that the skills of our workforce are consistently being enhanced. The total invested in training during the reporting period was R2.3 million (2021: R1.4 million).

Employee incentives

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

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

Freedom of association

In compliance with the Constitution of the Republic of South Africa, we uphold the right of employees to exercise freedom of association and collective bargaining. We recognise trade unions that are sufficiently representative of our employees and give formal assurance that our staff may associate with employee representative organisations and trade unions or, indeed, choose not to do so.

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

The number of employees belonging to trade unions in 2022 was as follows:

Trade union	2022	2021	2020	2019
NUMSA	**239**	327	296	255
Solidarity	**3**	5	6	5
Number or employees who are members of unions	**242**	332	302	260
Percentage employees who are members of unions (%)	**52**	75.8	63.8	60.3

Safety, health, environment and quality (SHEQ)

Safety is a way of life for us. We believe that zero harm is not only possible but attainable through dedicated focus and teamwork. Compliance with safety rules and procedures, which include the mandatory use of personal protective gear, is rigorously enforced.

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, we have health and safety committees in various areas of the business and it is their function to ensure that we abide 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 the oversight of processes necessary to ensure the safe operation of factory equipment, are all functions that are delegated to these committees.

Safety

We facilitate and oversee 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 their colleagues.

There was a slight increase in the number of safety incidents during the reporting period compared to the number in the previous period. In 2022, 28 incidents were recorded, up from 24 in 2021. 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. All injuries that occurred during the year were treated on-site as none were serious.

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

Injury incidents (permanent staff)	Number of employees
Minor injuries	28
Serious injuries	–
On-site treatment	14
Incidents requiring time off work	2
Employees who received medical attention	12
Total number of employees injured	28

Health

We value the lives of our employees and believe 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 2022 to ensure that employees have the knowledge to detect both acute and chronic conditions early. We also encourage employees to adopt a generally healthy way of living, partly through a programme of communications designed to inform them of the risks associated with various lifestyle choices. This is supported by access to our on-site clinic.

Since the advent of the Covid-19 pandemic, we have also adhered to all mandated management protocols. As part of this, we have a comprehensive communications programme in place to inform employees about risk factors and mitigation measures. We also provide information about vaccination and encourage employees to take advantage of the national vaccination programme.

In 2017, we conducted a comprehensive health and wellness survey to determine the basis for a long-term health management approach. Since then, we have 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. Everyone is 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 is not 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 our manufacturing facilities. 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

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

One security violation was reported where Icembu Cables was the subject of an armed robbery.

Staff turnover

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

Reason for leaving (number of employees)	2022	2021
Resigned	5	12
Dismissed	60	3
Absconded	–	1
Death	2	2
Retrenched	51	–
Contract expired	1	–
Other	–	8
Total	119	26

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:

In 2022, an increase in absenteeism had a negative impact on the cost of quality and the volumes achieved in our cable plants. Employees who abuse the system are disciplined and, during the period, 23 employees were dismissed for presenting fraudulent sick notes.

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

Leave type (days taken)	2022	2021
Annual leave	5 830	6 190
Family responsibility leave	200	299
Maternity leave	3	65
Sick leave	1 601	1 477
Study leave	–	–
Unpaid leave	1 638	3 468
Total number of leave days taken	9 272	11 499
Average number of leave days per employee	20%	26%

External stakeholders

We engage regularly, openly and honestly with all stakeholders involved in and affected by the Group's operations. This enables us to build good relationships with these stakeholders, as well as to align development plans with their needs. These interactions also provide us with the opportunity to identify and report on important issues raised by both individual stakeholders and communities.

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

Level	Group of stakeholders	Issues	Method of communication
Primary These stakeholders are vitally important to us as we have the greatest direct impact on them and, vice versa, they have the greatest direct impact on our business.	Employees	Our ability to pay salaries on time. Our performance as a Group, which impacts on employee livelihoods. Providing a safe working environment for all our employees. Actively upskilling and promoting employees from previously disadvantaged communities.	The intranet Union meetings Shop steward meetings Face-to-face meetings Communication boards Internal newsletter
	Investors	Returns on their investment.	The Annual General Meeting Semi-annual financial results presentations Integrated Annual Report Corporate website Investment updates on SENS
	Board	The Board carries the ultimate responsibility for the Group's decisions and for its accountability to investors.	Quarterly meetings Briefings for the Chairperson and the Board on matters of significance between meetings
	Customers	Our ability to supply quality products on time.	Advertisements Website Integrated Annual Report Exhibitions Catalogues
	Bankers	Our ability to continuously service short- and long-term borrowings.	Integrated annual report Specific information, as required
Secondary These stakeholders have the ability to directly impact the success of our business.	Suppliers	Our ability to procure from suppliers and settle debt as agreed.	Regular meetings The annual industry show Periodic communications from the respective business managers
	Government	Our ability to pay all taxes due timeously and in adherence to all legislative requirements.	Specific meetings Industry forums Adherence to legal reporting requirements
	JSE	Adherence to JSE regulations.	Providing information as required
	Unions	The fair implementation of wage agreements and incentives.	Union meetings Shop steward meetings Engaging in negotiations
Tertiary These stakeholders have the ability to affect the brand's reputation.	Media	Positive and negative publicity.	Media releases Presentations

Social and relationship capital

A successful company in a successful society

We strive to be a successful Group that contributes to creating and sustaining socio-economic development in South Africa. We have 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 Companies 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:

N Lalla: Chairperson
KH Pon: Member
A Smith: Member

The CFO, the General Manager Human Resources and the Human Capital Manager also attend the Committee meetings by invitation.

Meetings

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

Reporting

The Chairperson of the Committee reports to the Board on its 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 our products are sold; and
  - sponsorships and donations.
- The environment, health and public safety.
- The impact of the Group's activities and of our products or services.
- Consumer relationships, including our advertising and public relations.
- 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
  - our employment relationships and our 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.

Employment Equity Committee

We monitor adherence with the Employment Equity Act on an ongoing basis through our 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. We are fundamentally committed to ensuring that our 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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Total workforce	**33**	52	**444**	391	**–**	10	**477**	453
Less: non-executive directors and non-permanent staff	**–**	–	**(14)**	(10)		(5)	**(14)**	(15)
	33	52	**430**	381	**–**	5	**463**	438
Gender profile								
Male	**24**	38	**349**	333	**–**	4	**373**	375
Female	**9**	14	**81**	48	**–**	1	**90**	63
	33	52	**430**	381	**–**	5	**463**	438
Occupational level								
Directors	**2**	3	**–**	1	**–**	–	**2**	4
Male	**2**	3	**–**	–	**–**	–	**2**	3
Female	**–**	–	**–**	1	**–**	–	**–**	1
Senior management	**5**	6	**2**	8	**–**	3	**7**	17
Male	**3**	4	**1**	7	**–**	3	**4**	14
Female	**2**	2	**1**	1	**–**	–	**3**	3
Professionally qualified and middle management	**6**	29	**8**	70	**–**	2	**14**	101
Male	**5**	21	**7**	60	**–**	1	**12**	82
Female	**1**	8	**1**	10	**–**	1	**2**	19
Skilled and technical staff	**17**	10	**112**	66	**–**	–	**129**	76
Male	**11**	7	**91**	59	**–**	–	**102**	66
Female	**6**	3	**21**	7	**–**	–	**27**	10
Semi-skilled and unskilled staff	**3**	4	**308**	236	**–**	–	**311**	240
Male	**3**	3	**250**	207	**–**	–	**253**	210
Female	**–**	1	**58**	29	**–**	–	**58**	30
	33	52	**430**	381	**–**	5	**463**	438
Disability profile								
Disabled	**–**	–	**4**	5	**–**	–	**4**	5
Male	**–**	–	**4**	5	**–**	–	**4**	5
Female	**–**	–	**–**	–	**–**	–	**–**	–
Non-disabled	**33**	52	**426**	376	**–**	5	**459**	433
Male	**24**	38	**345**	328	**–**	4	**369**	370
Female	**9**	14	**81**	48	**–**	1	**90**	63
	33	52	**430**	381	**–**	5	**463**	438
Age profile								
Under 30	**4**	7	**38**	17	**–**	–	**42**	24
Male	**2**	2	**33**	12	**–**	–	**35**	14
Female	**2**	5	**5**	5	**–**	–	**7**	10
Over 30, but less than 50 years	**20**	42	**333**	334	**–**	5	**353**	381
Male	**16**	33	**265**	296	**–**	4	**281**	333
Female	**4**	9	**68**	38	**–**	1	**72**	48
Over 50 years	**9**	3	**59**	30	**–**	–	**68**	33
Male	**6**	3	**51**	25	**–**	–	**57**	28
Female	**3**	–	**8**	5	**–**	–	**11**	5
	33	52	**430**	381	**–**	5	**463**	438

*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)

We regard B-BBEE and transformation as essential to achieving our strategic objectives. We have therefore consistently made improvements to our B-BBEE score and, in 2022, achieved a Level 2 rating. We are now working towards obtaining Level 1 certification.

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

We are optimistic that we will continue to increase procurement from businesses like these.

Corporate social investment

We are committed to making sustainable contributions to and uplifting communities in the areas in which we operate. We do 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

Our CSI spend during the year was made up of grants to the value of R0.82 million (2021: R3.3 million).

Political party policy

We fully endorse the principles and institutions that ensure a free and democratic society. It is, however, our policy not to make any donations to or in favour of any political party.

New Beginnings Care Centre (NBCC)

The primary beneficiary of our socio-economic development programme is the 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 300 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 to individuals who are struggling with substance abuse and distributes food on a daily basis to approximately 120 community feeding schemes.

We source all of our casual and part-time labour from the NBCC and are proud to be part of an initiative that is making a difference in so many lives.

Yes Programme

Our Yes Programme employs previously disadvantaged people under the age of 35. Participants are recruited, upskilled and employed for a period of 12 months. We currently employ 30 people through this initiative.

Enterprise development

Enterprise development is another critical focus for us as it is a powerful means of creating jobs and alleviating poverty. As already mentioned, we focus in particular on supporting sustainable businesses owned by black people, especially black women. We assist these businesses by supplying stock at no charge, which can then be sold on to their customers at a profit. We have continued to do this throughout all of the financial challenges the business has faced in recent years.

Human rights

We ensure that all employees are afforded the dignity and respect they deserve, as enshrined in the Bill of Rights. We diligently ensure that none of our policies and procedures infringe on the rights of employees as articulated in all applicable legislation.

Child labour

We procure materials, products and services from a number of suppliers who are domiciled in various jurisdictions, each governed by a different legislative framework. We strongly reject the use of child labour by any of our 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 we have not encountered instances of the use of child labour among our suppliers.

Natural capital

Towards a greener and cleaner future

In line with the guidelines outlined in King IV™, we regard the protection and conservation of the environment as a fundamental aspect of doing business.

Climate change

We recognise the impact of climate change on the natural environment and actively seek opportunities to mitigate our own environmental impact. A task team regularly measures the carbon impact of our manufacturing processes and our vehicles. We operate within the required environmental limit and have no negative impact on the environment that will directly or indirectly affect climate change.

Environmental impact assessment and carbon footprint analysis

Due to the pandemic, our usual environmental impact assessments and our annual carbon footprint analysis were not undertaken during the reporting period as service providers did not want to perform on-site assessments. The assessments and analysis are scheduled to take place during 2023.

Energy usage

During the course of the year, SOEW, our manufacturing subsidiary, used 17.21 MWh of electricity (2021: 24.78 MWh). This translates into 0.005 MWh per hour worked (2021: 0.011 MWh per hour worked).

Water management

Our manufacturing processes use very little water and, in this respect, we have only a minor impact on the environment. During the course of the year, we used 12 947 kilolitres of water (2021: 7 337 kilolitres), translating into an average of 0.02 kilolitres per hour worked (2021: 0.009 kilolitres).

While our manufacturing processes have very little impact on biodiversity and the environment, we make every effort to conserve water on a Group-wide basis and to educate our employees on the importance of keeping water usage to a minimum.

Waste management

We have 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. We use specialist companies to handle the disposal of hazardous materials, such as used oil from manufacturing machinery, and paper recycling bins are situated throughout our factories, testing facilities and offices.

A portion of the total scrap generated 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 was sold. We aim to keep cable scrap to a minimum and, where it is unavoidable, we sell it on as a financial recovery measure.

Used soluble and lubricating oils, which are a by-product of the manufacturing process, are disposed of through a third party, which either recycles or disposes of them in an environmentally safe manner. During 2022, 60 000 litres of both soluble and lubricating oil was generated and disposed of (2021: 16 000 litres).

Industrial waste generated and disposed of during the course of the year totalled 1 512 000 kilograms (2021: 1 426 000 kilograms). Some soil was also disposed of from the manufacturing site. In order to minimise waste in all categories, we adhere to a planned maintenance schedule designed to maximise the operating efficiency of all our equipment over its lifetime.

Finally, we attempt to keep refuse to a minimum and we recycle as much as possible. During the course of the year, a total of 1 512m^3 of refuse was generated (2021: 1 428m^3).

Risk report

Risk management policy statement

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

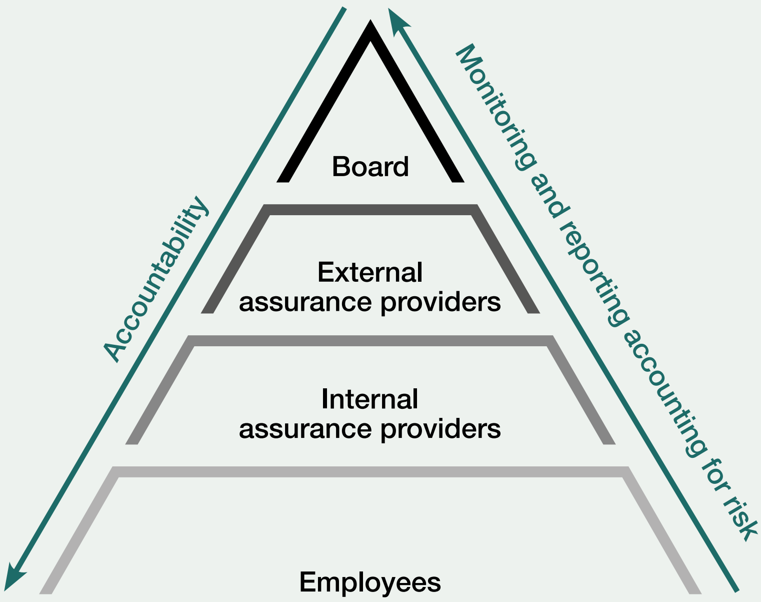
- identify potential risks that may affect the Group;
- prioritise and effectively manage these risks within clearly defined risk appetite parameters; and
- provide reasonable assurance regarding the achievement of organisational objectives.

Enterprise risk management principles

The following principles underpin our risk management processes:

- 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. These have been tailored to our specific circumstances and form part of our daily operational activities.
- Risk identification, risk assessment, risk mitigation, and risk monitoring are ongoing and evolving processes and form an integral part of our daily decision-making.
- Quarterly risk reporting provides a balanced assessment of significant risks and the effectiveness of internal control in managing these risks.
- Through the skilled application of high-quality, integrated risk analysis and management, our employees exploit risk to enhance opportunities, reduce threats and sustain a competitive advantage. As a Group, we take calculated risks subject to tolerance limits.

Governance structure



Enterprise risk management philosophy

Our enterprise risk management philosophy is defined by the following features:

- We are committed to proactive risk management as a discipline that is intended 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.
- We have a formal risk management policy in place to ensure that there is a standardised approach to and understanding of risks and risk management throughout the Group.
- 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 Annual Report each year and provides an opinion on the effectiveness of the risk management processes.

Risk management framework

Our risk management framework has been approved by the Board and it includes a comprehensive implementation plan. The Board delegates responsibility for the implementation of the plan to the Chief Financial Officer and reviews the risk policy, risk framework and implementation plan annually.

As a Group, we adhere to ISO 31000:2009 risk management principles and guidelines and use ISO 73:2009 risk management principles to define risk-related terms.

Risk appetite

South Ocean Holdings has a low appetite for risk. The Board therefore prioritises organisational resilience 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 always ensure that decision-making and risk exposure is maintained within the parameters approved by the Board.

Principal risks and mitigations

Nature of risk	Cause and effect	Risk rating:	Mitigating actions
Business interruption	**Cause:** Any *force majeure* resulting from such events as a pandemic, civil unrest, labour action, a cyberattack, a radical disruption of the power or fuel supply or a radical disruption of our supply chain. **Effect:** Any of these factors could lead to the cessation of operations, a critical loss of revenue or business failure.	CRITICAL (2021: CRITICAL)	• Many of the factors that can impact on our ability to operate are beyond our immediate control, but we proactively plan for the eventualities listed and have policies in place to mitigate their effects should they occur. • The National State of Disaster that was implemented in response to the Covid-19 pandemic was lifted on 5 April 2022. Throughout the pandemic, we adhered to all Covid-19 regulations and will adhere to any similar regulations government may put into place in the future in response to a national health crisis. We also continue to maintain awareness among our staff of the risk factors and encourage them to avail themselves of the national vaccination programme. • We have a well-defined crisis management policy, which is reviewed annually and which will come into effect if we have to declare a *force majeure* due to civil unrest. • We adhere to all collective bargaining procedures and agreements, and in the event of a strike whether protected or not our crisis management policy will be applied. • We constantly review our IT risk in accordance with international best practice and in cooperation with local and international partners. An IT crisis management policy is in place and this will be applied immediately in the event of a cyberattack. • We have implemented an on-site hybrid solar power system to mitigate the risk of ongoing load-shedding or catastrophic power failure. • We have a policy of maintaining strategic stocks of raw materials and a diversified supply chain in order to mitigate the risk of disruptions to our supply chains.

Nature of risk	Cause and effect	Risk rating:	Mitigating actions
Loss of revenue and/or decrease in profitability	**Cause:** The poor economic climate, both locally and internationally; the unstable power supply situation in South Africa; the unstable political environment in the country; the risk of civil unrest; the high level of labour disputes and strikes; disruptions to local and international supply chains; the volatile exchange rate; the unstable rand copper price; poor sales; significant customer returns; and a decline in gross profit. **Effect:** Any of these factors could lead to an unsustainable loss of profitability or business failure.	**HIGH (2021: HIGH)**	• Many of the factors that can impact on revenue and profitability are beyond our immediate control, but we proactively plan for the eventualities listed and have policies in place to mitigate their effects should they occur. • We are taking advantage of changes in the competitive environment and the high level of demand for our products to secure our market position, grow our client base and expand our footprint within South Africa. • We have entered into strategic partnerships in Mozambique and Namibia in order to extend our footprint in the SADC countries. • We are exploring other growth markets in Africa also to extend our footprint and enhance profitability. • We are implementing our strategy of backwards integration in order to further secure our supply chain and minimise the risk associated with using third-party suppliers. • We maintain a high level of quality control in order to minimise the risk of returns. • We nurture our customer relationships. • We are in the process of researching and developing new products to add to our product range, specifically to extend our reach into the public sector and to enter into developing industries, such as renewable energy. • We consistently develop and execute marketing plans to position our products within the electric wire market and to increase sales. • We maintain diversity in our revenue stream. • We consistently develop and support excellent sales teams.

Nature of risk	Cause and effect	Risk rating:	Mitigating actions
Unstable cash flow	**Cause:** A volatile exchange rate and unstable RCP, an increase in the cost of sales, reduced margins, high levels of debt, and/or reduced revenue/profitability. **Effect:** Any of these factors could lead to a critical cash flow crisis that could result in business failure.	HIGH (2021: HIGH)	• Reasonable fluctuations in the exchange rate and the RCP are taken into account when developing the annual budget. • Reasonable increases in the cost of sales is also taken into account when developing the annual budget. • Collections are closely monitored to identify distressed customers. • Working capital expenses are properly controlled. • Stock levels are optimally managed. • Bank borrowings are maintained at a reasonable level.
Unstable electricity supply	**Cause:** Continuing interruptions in the electricity supply. **Effect:** This has the potential to impact on manufacturing operations and affect business continuity, potentially impacting on revenue, profitability and even sustainability.		• All of our offices are equipped with back-up generators to ensure business continuity during load-shedding and other power outages. • Manufacturing operations require capacity that cannot be supplied by generators, but the plant and our other factories source electricity from multiple sub-stations to ensure that production can continue if one of these sub-stations goes off-line or ceases to be functional. • We have implemented an on-site hybrid solar power system to mitigate the risk of ongoing load-shedding or catastrophic power failure.
Cyberattacks, loss of data or corruption of the Group's IT systems	**Cause:** Cyberattacks, power outrages, poor cybersecurity and/or improper backup procedures. **Effect:** Any of these eventualities could lead to a loss of functionality or to our data being compromised, corrupted or lost.		• Critical IT services are outsourced to a proven and capable IT company. • Firewalls are in place to prevent infiltration by unknown parties. • Emerging cyber threats, including viruses and hacking attempts, are closely monitored and dealt with appropriately. • All backups are done offsite. • Controls are in place to ensure that backups are complete. • An IT crisis management policy is in place and this will be applied immediately in the event of a cyberattack or any other critical threat to our data.
Loss of significant customers and/or a decline in sales	**Cause:** Failure to compete successfully or to retain customer trust. **Effect:** Either of these eventualities could result in the loss of one or more significant customers and/or a general decline in sales.		• We continuously aim to improve customer experience by offering high-quality products and superior service, as well as by communicating regularly and effectively with our customers. • We are actively extending our client base in South Africa and the SADC countries to minimise dependence on a small group of significant customers.
Exchange rate volatility	**Cause:** Significant fluctuations in the value of the rand against other major currencies. **Effect:** This could impact heavily of financial security and sustainability.		• We continuously monitor exchange rates and the business's expenditure against budget. • We take foreign exchange rate cover at the best possible rates on all foreign purchases in order to minimise the impact of exchange rate losses.

Nature of risk	Cause and effect	Risk rating:	Mitigating actions
Unpredictable and/or unstable legislative and/or regulatory environment	**Cause:** Unexpected or unpredictable changes to the country's legislative and/or regulatory regimes. **Effect:** This could impact on our ability to operate effectively	HIGH (2021: HIGH)	• We monitor our business processes on an ongoing basis to ensure there that we are compliant with all applicable regulations and legislation. • We carefully monitor proposed changes to the regulatory and legislative regimes so that we can respond appropriately if and as necessary. • Staff are trained in order to raise awareness of Competition Commission regulations. • Further training is conducted on an ongoing basis to ensure that staff are fully aware of and compliant with changes in regulations and legislation.
Industrial action	**Cause:** Labour disputes and/or strikes. **Effect:** Interruption of operations and loss of revenue.		• Our business continuity plan outlines the actions to be taken in the event of a strike or other industrial action. • Non-union factory workers and office staff are used to maintain business continuity in the event of a strike or other industrial action.
Loss of key staff	**Cause:** Competitive offers from other companies, disputes, illness or death. **Effect:** Any of these factors would impact on the Group's knowledge base and ability to operate effectively.		• We have comprehensive job descriptions and succession plans in place for all key staff to mitigate against the loss of key staff for any reason. • Short- and long-term incentive schemes are in place to encourage the retention of key staff.
A breakdown in the supply chain or long periods of disruption	**Cause:** Changes in or disputes with suppliers and/or disruptions in international supply chains due to global events such as military conflict. **Effect:** Any of these factors would impact directly on our ability to operate, our profitability and, potentially, our sustainability.	MEDIUM (2021: MEDIUM)	• We have a highly effective and proven supply chain management system. • We have formal processes in place to deal with supply chain disruptions, whether local or international. • We maintain close direct ties with all of our suppliers. • We have a policy of maintaining a strategic stocks of raw materials to mitigate against external events that may have an impact on our supply chain. • We have mitigated our risk in the mission-critical copper supply chain by securing alternative sources of supply since trade with Russia was restricted at the start of the war in Ukraine.

Nature of risk	Cause and effect	Risk rating:	Mitigating actions
Non-compliance with JSE regulations	**Cause:** Non-compliance with the rules and regulations defined by the JSE for all companies that trade on the exchange. **Effect:** This could lead to trading being suspended, to a loss of revenue and reputation, and even to business failure.	LOW (2021: LOW)	• The Board, the Committees of the Board, the Company Secretary, the Group's auditors, and independent external suppliers are all tasked with ensuring that the Group and its subsidiaries remain compliant with JSE regulations. Compliance is closely monitored.
Non-compliance with B-BBEE legislation	**Cause:** Non-compliance with B-BBEE legislation or a low B-BBEE rating. **Effect:** Either of these factors could lead to a loss of customers. The related inability to tender for public sector contracts would result in a loss of		• We obtained a Level 2 B-BBEE rating in 2022, significantly mitigating this risk. • We have a comprehensive B-BBEE strategy in place to ensure that we consistently comply with legislation and our aim is to attain a Level 1 rating as soon as possible. • Preferential procurement assessments are undertaken on an ongoing basis to ensure that we procure goods and services from suppliers with a high B-BBEE rating. • Black-owned and black woman-owned enterprises are being identified as suppliers and for development assistance. • Our employment policies are consistent with our employment equity targets.
Misappropriation of assets due to fraud and/or corruption	**Cause:** Internal or external fraud and/or corruption. **Effect:** This could impact on effective financial management, reputation, and even sustainability.		• To mitigate against fraud and corruption, we have a whistle-blowing hotline in place and all staff are aware of our whistle-blowing policy. • We have a clear segregation of duties throughout the Group. • The approval of the directors is necessary before assets can be removed from the premises. • There are strict security control in place at all exit points.
A default by a major debtor and/or a significant insurance exclusion	**Cause:** Debtor default and/or insurance exclusion. **Effect:** These factors could impact on effective financial management and even sustainability.		• Sales are spread out across a number of significant customers and we monitor the debtors' book closely. • The debtor's book is insured through the Credit Guarantee Insurance Corporation of South Africa Limited.

Remuneration report

PART 1: REMUNERATION POLICY

South Ocean Holdings' Remuneration Policy is aligned with the guidelines set out in King IV™ and complies with both the Companies Act and the JSE Listings Requirements. As a Group, we have an integrated approach to remuneration, and we aim to ensure that there is an appropriate balance between the interests of shareholders and other stakeholders and our strategic and operational requirements.

Our remuneration policy is designed to:

- support the implementation of our 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 our 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 our 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. The Committee complies with all legal requirements and governance guidelines.

Composition

The Remuneration Committee is made up of three Independent non-executive directors, 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 our remuneration practices. It deals mostly with the remuneration of directors and senior management.

Remuneration of non-executive directors

Terms of service

Non-executive directors, 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.

According to the 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 Group 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 2022 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

Our remuneration philosophy is to pay executive directors, management 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 packages 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 their 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. The contracts and related performance ratings are reviewed by the executive directors and reports are made to the Remuneration Committee. The Committee provides insight into how risks are being managed and controlled, as well as into succession planning at both 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. This policy was 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 subsidiaries is allocated to be shared by eligible participants.

Long-term incentive scheme

A long-term incentive scheme has been in place at South Ocean Holdings since 1 January 2009. The objective of this scheme is to align the interests of directors, executive managers 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 operating 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 based 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 as it 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 2022 was as follows:

Company	2022 R'000	2021 R'000
South Ocean Holdings Limited	**7 684**	5 250

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 paid during 2022 were as follows:

	Fixed fee per annum 31 December 2022 R
Chairperson	**580 888**
Deputy Vice-Chairperson	**335 115**
Non-executive Director	**193 630**
Chairperson of the Audit Committee	**290 443**
Member of the Audit Committee	**62 751**
Chairperson of the Remuneration Committee	**89 308**
Member of the Remuneration Committee	**62 751**
Chairperson of the Social and Ethics Committee	**89 308**
Member of the Social and Ethics Committee	**62 751**
Chairperson of a Special Committees	**R3 765/hour**
Member of a Special Committees	**R2 260/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 Group

The details of individual directors' interest in the share capital of the Group is disclosed in the Directors' Report on page 59.

Interest of directors in contracts

The directors have certified that they had no material interest in any transaction of any significance with the Group 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 2021 and 2022 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 and senior managers are subject to South Ocean Holdings' standard terms and conditions of employment and have notice periods that vary between 30 and 90 days. In line with Group policy, no director is compensated for loss of position and none of the directors have special termination benefits.

Our 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 Engineering Industry Bargaining Council are contributing to the Alexander Forbes Access Retirement Fund and their contributions vary between 6.6% and 15% of their basic salaries. Employees who are members of the Metal Engineering 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 salaries.

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 related 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 directors will engage with shareholders to ascertain the reasons for the dissenting vote.

Whenever considered appropriate, non-executive directors may participate in these engagements with selected shareholders and executive directors may then make specific recommendations to the Board as to how the legitimate and reasonable objections of shareholders might be addressed, either in the Remuneration Policy or through changes to the way in which the policy is implemented.

Remuneration Committee members

The Remuneration Committee members in 2022 were:

- M Chong: Chairperson (appointed Chairperson 3 August 2022)
- KH Pon: Member
- JH Yeh: Member (appointed 3 August 2022)
- HL Li: Member (resigned 3 August 2022)

Non-binding advisory vote

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

PART 2: IMPLEMENTATION OF REMUNERATION POLICY

Executive directors' remuneration

Guaranteed pay: Basic remuneration and benefits

In determining the cost-to-company increases for executive directors in 2022, 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 the 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: 20%
- Chief Financial Officer: 20%

Details of the remuneration paid to executive directors in office during the year ending 31 December 2022 are set out in the notes to the Annual Financial Statements in this report.

Short-term incentive outcomes

Executive directors and prescribed officers' short-term incentives for 2022, which were paid at the beginning of the 2023 financial year, were as follows:

Company	**2022 R'000**	2021 R'000
A Smith	**490**	1 042
W Basson	**291**	799

Long-term incentive outcomes

The number of shares allocated to directors and prescribed officers as at 1 January 2022 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
Allocation price	R1.29
A Smith	968 855
W Basson	594 558

Non-executive directors' remuneration

Payment of non-executive remuneration for the reporting period was as per the 2022 Annual General Meeting.

The fees for non-executive directors for the 2023 financial year are proposed as follows:

	Fixed fee per annum 31 December 2023 R
Chairperson	**638 977**
Deputy Vice-Chairperson	**368 627**
Non-executive Director	**212 993**
Chairperson of the Audit Committee	**319 487**
Member of the Audit Committee	**69 026**
Chairperson of the Remuneration Committee	**98 239**
Member of the Remuneration Committee	**69 026**
Chairperson of the Social and Ethics Committee	**98 239**
Member of the Social and Ethics Committee	**69 026**
Chairperson of a Special Committees	**R4 142/hour**
Member of a Special Committees	**R2 486/hour**

Non-binding advisory vote

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

Approval

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

Corporate governance report

Overview

South Ocean Holdings recognises that it has a fiscal and fiduciary responsibility to adhere to all relevant laws, regulations and guidelines in the territories in which it operates. The Board, the executive and management are responsible for constantly monitoring compliance with laws, 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 our website.

Corporate responsibility

All decisions related to material matters are approved by the Board. These include, but are not limited to, decisions regarding the allocation of 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 granted to management).

Statement of compliance

South Ocean Holdings regularly undertakes assessments of its 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™.

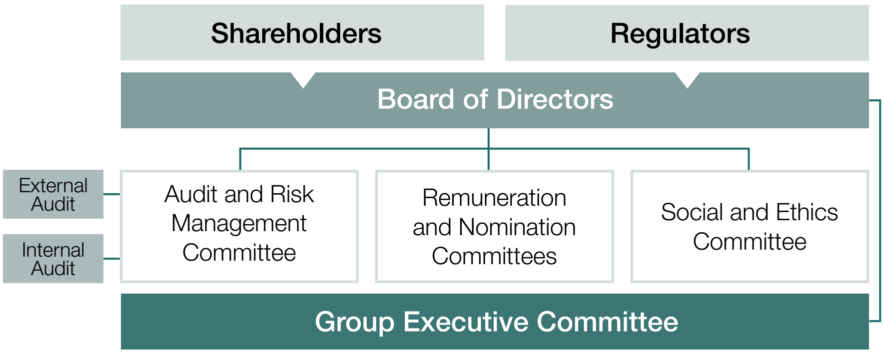
A report on the application and disclosure of all King IV™ principles is available on the South Ocean Holdings website.

Board of directors

Composition and responsibilities

The Board is 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. There are also two alternate directors.

Governance structure



Board and Committees of the Board

BOARD OF DIRECTORS

KH Pon (Chairperson):
Independent Non-Executive Director

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

M Chong:
Independent Non-Executive Director

N Lalla:
Independent Non-Executive Director

JH Yeh:
Independent Non-Executive Director

CF Chen:
Non-Executive Director[1]

LL Chen:
Non-Executive Director[2]

J van Rensburg:
Non-Executive Director

DJC Pan:
Alternate Non-Executive Director to M Chong

J Liu:
Alternate Non-Executive Director to CF Chen[3]

SN Yeh:
Alternative Non-Executive Director to LL Chen[4]

A Smith:
Executive Director, Chief Executive Officer

WP Basson:
Executive Director, Chief Financial Officer

AUDIT AND RISK MANAGEMENT COMMITTEE

N Lalla (Chairperson):
Independent Non-Executive Director

KH Pon:
Independent Non-Executive Director

HL Li:
Independent Non-Executive Director[5]

M Chong:
Independent Non-Executive Director[6]

REMUNERATION COMMITTEE

HL Li (Chairperson):
Independent Non-Executive Director[7]

M Chong (Chairperson):
Independent Non-Executive Director[8]

KH Pon:
Independent Non-Executive Director

J H Yeh:
Independent Non-Executive Director[9]

NOMINATIONS COMMITTEE

KH Pon (Chairperson):
Independent Non-Executive Director

HL Li:
Independent Non-Executive Director[10]

M Chong:
Independent Non-Executive Director[11]

K H Yeh:
Independent Non-Executive Director

SOCIAL AND ETHICS COMMITTEE

N Lalla (Chairperson):
Independent Non-Executive Director

KH Pon:
Independent Non-Executive Director

A Smith:
Executive Director, Chief Executive Officer

[1] Resigned effective 27 January 2022.
[2] Appointed effective 1 March 2022.
[3] Resigned effective 27 January 2022.
[4] Appointed effective 1 March 2022.
[5] Resigned effective 31 December 2022.
[6] Appointed effective 1 January 2023.
[7] Resigned effective 3 August 2022.
[8] Appointed effective 3 August 2022.
[9] Appointed effective 3 August 2022.
[10] Resigned effective 3 August 2022.
[11] Appointed effective 3 August 2022.

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

- Chieh-Fu (Jeff) Chen and his alternate, Jacky Liu, resigned as directors of the Board with effect from 27 January 2022.
- Lawrence Chen was appointed as a non-executive director with effect from 1 March 2022.
- Shin-Nan (Michael) Yeh was appointed as alternate to LL Chen with effect from 1 March 2022.

Members of the Board are appointed by the Group's shareholders 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 taken into account. The Board recognises that, being a South African-based company, it is important for South Ocean Holdings 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 Nominations 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 Chairperson, the Chief Executive Officer, the Chief Financial Officer, individual directors and all of the 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 2022 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 Nominations Committee evaluates the pool of skills, knowledge and experience on the Board and identifies the capabilities required for individual Board appointments. The Committee also makes recommendations for appointments to the Board, including recommendations for appointments to the committees of the Board. Appointments to the Audit and Risk Management Committee and to the Board are subject to shareholders' approval. A succession plan for the Chairperson and Chief Executive Officer is in place.

Meetings

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

Attendance at meetings

A minimum of four Board meetings are scheduled per financial year and additional meetings may be convened if and when necessary. Five Board meetings were held in 2022.

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

	Attendance of meetings in 2022				
Director	9 Mar	18 May	3 Aug	6 Oct	16 Nov
KH Pon	✓	✓	✓	✓	✓
HL Li	✓	✓	✓	✓	✓
N Lalla	✓	✓	✓	✓	✓
M Chong	✓	✓	✓	✓	✓
JH Yeh	✓	✓	✓	✓	✓
CF Chen*	×	×	×	×	×
LL Chen**	✓	✓	✓	✓	✓
DJC Pan	✓	✓	✓	✓	×
J van Rensburg	✓	✓	✓	✓	✓
CC Liu*	×	×	×	×	×
A Smith	✓	✓	✓	×	✓
WP Basson	✓	✓	✓	✓	✓
SN Yeh**	×	×	×	×	×

✓ Present
× Not Present
* Resigned effective 27 January 2022
** Appointed effective 1 March 2022

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 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.

Mr Pon and Mr Li have been directors for more than nine years, in accordance with King IV™, the board has considered their independence and their deep knowledge of the business and is of the view that Mr Pon and Mr Li continue to exercise objective judgement on all matters 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 their decision-making.

Executive directors

Executive directors are permanent employees of the Group and are subject to a notice period of between one and three months, depending on the terms of their contracts. The Chief Executive Officer and Chief Financial Officer are both executive directors and are responsible for the daily operations of the Group.

Chairperson

Mr KH (Henry) 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 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

Andre Smith is the Chief Executive 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, Chairpersons 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 three independent non-executive directors. 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 2022 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 both the short-term and long-term incentive schemes. Full details of executive remuneration are given in the report of the Remuneration Committee.

Committees of the Board

Certain Board responsibilities have been formally delegated to the committees of the Board, which have well-defined terms of reference and functions. The committees are appropriately constituted with due regard to the skills required by each committee and these 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 Chairperson, 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, PwC for the 2023 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 PwC, 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 Audit Committee is aware that IRBA issued a rule prescribing that auditors of public interest entities in South Africa must comply with mandatory audit firm rotation with effect from 1 April 2023 for financial year ends starting on or after this date. PwC has been the auditor for 14 years and quotes will be obtained in line with the IRBA requirements in due course.

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 Chairperson.

Internal audit

The Group is responsible for reviewing all of its internal controls, systems and procedures.

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 GRIPP Advisory, which was the internal auditor for the Group in 2022. 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 two-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 matters have come to the attention of the Committee or the Board that have 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 reporting period. This assessment is based on his qualifications, level of experience, continuing professional education and the Board's assessment of his financial knowledge.

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

Risk management

Risk management is the responsibility of the Audit and Risk Management Committee. The development, implementation and maintenance of strategies to minimise risk to the Group is designed to support the Group's strategic, operational, reporting and compliance objectives, as well as to ensure sustainable value for shareholders.

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

- reviewing, on behalf of the Board, the effectiveness and integrity of the Group's risk management systems, processes, procedures and controls;
- reviewing the Group's approach to risk management and the effectiveness of its systems and processes;
- reviewing reports 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 Integrated Annual Report for the year ended 31 December 2022 has been approved by the Board.

Attendance at meetings

The Committee met four times during the course of the year. Attendance at meetings was as follows: Committee met four times during the course of 2022:

	Attendance of meetings in 2022			
	7 Mar	18 May	1 Aug	16 Nov
KH Pon	✓	✓	✓	✓
HL Li*	✓	✓	✓	✓
N Lalla	✓	✓	✓	✓
M Chong^	×	×	×	×

✓ Present
* Resigned effective 31 December 2022
^ Appointed 1 January 2023
× Not present

Executive Committee

Composition

The Executive Committee is made up of the Chief Executive Officer, Chief Financial Officer, General Manager: Human Resources, General Manager: Factory and Operations, General Manager Mechanical and Engineering Support Services, General Manager: Sales, Financial Manager and Human Capital Manager. All matters related to policy and strategy are referred to the Board.

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, all of which are independent non-executive directors. 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-term 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 the Chief Financial Officer, 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 have been 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 2022	
	9 Mar	16 Nov
HL Li*	✓	×
KH Pon	✓	✓
M Chong	✓	✓
JH Yeh ^	×	✓

✓ Present
* Resigned effective 3 August 2022
^ Appointed 3 August 2022
× Not present

Nomination Committee

Composition

The Nominations Committee consists of three independent non-executive directors 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.

Responsibilities

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

The Board has established the Nominations 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.

Diversity policy

The Nominations Committee is also responsible for considering all aspects of diversity on the Board, including race, disability, culture. age and gender diversity.

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

Meetings

The Committee met once during the course of the reporting period and attendance was as follows:

	Attendance of meetings in 2022
	1 Mar
KH Pon	✓
HL Li*	✓
JH Yeh	✓
M Chong^	×

✓ Present
* Resigned effective 3 August 2022
^ Appointed 3 August 2022
× Not present

Social and Ethics Committee

Composition

The Social and Ethics Committee is made up of two independent non-executive director 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 2022		
	9 Mar	3 Aug	16 Nov
N Lalla	✓	✓	✓
KH Pon	✓	✓	✓
A Smith	✓	✓	✓

✓ Present

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 progressively become more representative of the demographics of the region in which it operates while still maintaining the Group's high standards.

Code of Conduct and Ethics

Every employee at South Ocean Holdings is required to subscribe to 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

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

These include collective bargaining mechanisms and 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 its business objectives and oversees the implementation its 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 its information technology and associated data.

Disaster recovery plans are in place for any unforeseen circumstances to ensure minimum disruption to operations as any interruption in the Group's information technology systems can have a material impact on the business.

Dealing in Company securities

Directors are required to disclose their shareholdings and any dealings in shares of the Group to the Chairperson and Chief Executive Officer who, together with the Group's sponsor, ensure that any such dealings are published on SENS in compliance with the JSE Listings Requirements.

In addition, all directors, including the Company Secretary, are prohibited from dealing in the shares of the 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 of interest or potential conflicts of interest they may have in relation to South Ocean Holdings. Directors are obliged to recuse themselves from discussions or decisions on matters in which they have a conflict of interest.

Relationships with stakeholders and investors

The Group actively promotes communication with shareholders, business analysts, business advisers and all other stakeholders. These include timeous, accurate, relevant and accessible announcements and circulars to shareholders in accordance with the JSE Listings Requirements. All shareholders are encouraged to attend the Annual General Meeting and to ask questions about the Group, its results and prospects. The Group also encourages stakeholders to approach executive directors whenever they wish.

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

Interim and final results are published in one English newspaper, on the 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.

Annual Financial Statements

Annual Financial Statements

for the year ended 31 December 2022

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, No. 71 of 2008 of South Africa.

Preparer

The Annual Financial Statements were internally compiled by:

WP Basson
Group Chief Financial Officer

Issued

17 March 2023

Report of the Audit and Risk Management Committee

for the year ended 31 December 2022

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2022.

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 No. 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) who is also the Chairperson of the Board, and Ms M Chong (Independent Non-Executive Director). Ms M Chong replaced Mr HL Li with effect 1 January 2023 as member.

The Committee is satisfied that the members have the required knowledge, experience and expertise as set out in Section 94(5) of the Companies Act No. 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 No. 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 all stakeholders.

The Audit and Risk Management Committee held four scheduled meetings during 2022 and all the members attended the Committee meetings.

The Chief Executive Officer, Chief Financial Officer and all other 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 2022 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 PwC as the independent auditors and Ms S Akoojee as the designated auditor, who is a registered independent auditor, for the year ending 31 December 2023 audit. The appointment of the auditors for the 2023 financial year will be approved at the next Annual General Meeting.

The Committee satisfied itself through enquiry and receiving a written independence declaration through the Audit committee document that the external auditors are independent as defined in the Companies Act No. 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 PwC 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 considers, and pre-approves the fees relative thereto so as to ensure the independence of the external auditors is maintained. There were no non-audit services provided by the external auditors.

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 348 560 (2021: R3 240 038). Fees approved for non-audit services amounted to Rnil (2021: Rnil).

Report of the Audit and Risk Management Committee (continued)

for the year ended 31 December 2022

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 2022 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No. 71 of 2008 (the Companies Act);
- whether the Annual Financial Statements present a balanced and understandable assessment of the Group statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows; 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 summary 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.

7. Internal auditors

The Audit and Risk Management Committee has:

- appointed the company's internal auditors for 2022 and 2023;
- satisfied itself with the competence of the internal auditor and adequacy of the internal audit staffing;
- satisfied itself through enquiry that GRIPP Advisory 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;
- reviewed and is satisfied with the quality and effectiveness of the internal audit;
- satisfied itself with the competence of the internal audit firm; and
- satisfied itself with the co-ordination between internal and external auditors.

8. Legal and regulatory compliance

The Audit and Risk Management Committee reports that, to its knowledge, South Ocean Holdings Limited is in compliance with the legislative provisions and JSE Listing 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 Listing Requirements.

10. Going concern

The Audit and Risk Management Committee has reviewed management's 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
17 March 2023

Directors' responsibilities and approval

for the year ended 31 December 2022

The directors are required in terms of the Companies Act No. 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 (IFRS).

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 behaviour 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 of the company are responsible for the controls over, and the security of the website and, where applicable for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2023 and, in light of this review and the current financial position, they are satisfied that the Group 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 61 to 65.

Approval of the Annual Financial Statements

The Annual Financial Statements set out on pages 57 to 60 and pages 66 to 108, which have been prepared on the going concern basis, were approved by the Board of Directors on 17 March 2023 and were signed on their behalf by:

KH Pon CA(SA)
Independent Non-Executive Chairperson

A Smith
Chief Executive Officer

CEO and FD responsibility statement

for the year ended 31 December 2022

Annual compliance certificate in terms of Form D1 of the Johannesburg Stock Exchange Listings Requirements

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 66 to 108, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

A Smith
Chief Executive Officer

WP Basson
Financial Director (Group Chief Financial Officer)

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Company Secretary's certification

for the year ended 31 December 2022

In terms of Section 88(2)(e) of the Companies Act No. 71 of 2008 of South Africa, as amended, I certify that the company 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
17 March 2023

Directors' Report

for the year ended 31 December 2022

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 2022.

1. Nature of business

South Ocean Holdings Limited (SOH) is the holding Company of a Group of four main operating subsidiary companies (Group): South Ocean Electric Wire Company Proprietary Limited (SOEW), Icembu Cables Proprietary Limited, electrical wire manufacturing companies, Icembu Services Proprietary Limited, manufacturer of Conduit and Compounding material, and Anchor Park Investments 48 Proprietary Limited (Anchor Park), a property investment company. It is also the holding Company of Icembu Holdings Proprietary Limited and South Ocean Electric Wire Company Namibia Proprietary Limited, two dormant companies. They have acquired investments in the current year in the following associates, i.e. Niehoff Electrical Warehouse Proprietary Limited, Global PE Proprietary Limited, Global Pretoria Proprietary Limited and Mwanga Afrika Cables Proprietary Limited outlets for electrical wire. It also wholly owns SOH Calibre International Limited, a foreign procurement company.

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

2. Financial results

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No. 71 of 2008 (the Companies Act). The Group have adopted all new accounting standards and interpretations that is relevant to the business that became effective in the current reporting period.

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

Due to limited production, the cable industry experienced supply side limitations shortages in the South African market. The Group was able to leverage off this as demand increased.

The Group remains vigilant in maintaining all protocols for the safety of all staff members, and business partners alike, whilst continuing to produce and trade during this time.

For the full view of the Annual Financial Statements of the Group, the user of the Annual Financial Statements should, in conjunction with this set, view the set titled "South Ocean Holdings Limited Annual Financial Statements for the year ended 31 December 2022".

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 (2021: R2 032 768), being 203 276 794 (2021: 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 27 July 2022, shareholders approved the following special resolutions:

Special Resolution Number 1:

Non-executive directors' fees for the financial year ended 31 December 2022 and quarters ending 31 March 2023 and 30 June 2023.

Resolved that the fees, to be paid to the non-executive directors for their services as directors of the Company, for the year ended 31 December 2022 and the quarters ending 31 March 2023 and 30 June 2023 (being two quarters of the fees payable for the year ending 31 December 2023) be approved as follows:

Chairperson	R580 888.00
Deputy Vice-Chairperson	R335 115.00
Non-Executive Director	R193 630.00
Chairperson of the Audit Committee	R290 442.00
Member of the Audit Committee	R62 751.00
Chairperson of the Remuneration Committee	R89 308.00
Member of the Remuneration Committee	R62 751.00
Chairperson of the Social and Ethics Committee	R89 308.00
Member of the Social and Ethics Committee	R62 751.00
Chairperson of Special Committees	R3 765.00 per hour
Member of Special Committees	R2 260.00 per hour

Directors' Report (continued)

for the year ended 31 December 2022

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 ended 31 December 2022 and for the quarters ending 31 March 2023 and 30 June 2023 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 ending 31 March 2023 and 30 June 2023. The passing of the special resolution will have the effect of approving the remuneration of the Non-executive directors of the Company for the financial year ended December 2022 and quarters ending 31 March 2023 and 30 June 2023 as well as confirming and ratifying the increase in fees paid to the directors for the quarters ended 31 March 2022 and June 2022. The fees payable for the quarters ending 31 March 2023 and 30 June 2023 will be based on a 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 2023 and 30 June 2023 at the 2023 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 financial institutions, for use by the Company and its subsidiary companies.

6. Directorate

The directors in office during the year are as follows:

Directors	Designation	Nationality	Changes
A Smith	Executive	South African	
WP Basson	Executive	South African	
KH Pon	Non-Executive (Independent)	South African	
HL Li	Non-Executive (Independent)	Taiwanese	
N Lalla	Non-Executive (Independent)	South African	
M Chong	Non-Executive (Independent)	South African	
JH Yeh	Non-Executive (Independent)	South African	
LL Chen	Non-Executive	Hong Kong	Appointed 1 March 2022
J van Rensburg	Non-Executive	South African	
CF Chen	Non-Executive	Taiwanese	Resigned 27 January 2022
DJC Pan (alternate)	Non-Executive	Brazilian	
SN Yeh (alternate)	Non-Executive	Taiwanese	Appointed 1 March 2022
J Liu (alternate)	Non-Executive	Taiwanese	Resigned 27 January 2022

7. Directors' emoluments

The directors' emoluments are set out in note 28 the Annual Financial Statements.

8. Dividends

Taking into account the earnings performance for the year ended 31 December 2022, notice is hereby given that a dividend of 6.00 cents per ordinary share was approved by the directors on 15 March 2023, payable to shareholders recorded in the share register of the Company at the close of business on 21 April 2023.

In compliance with STRATE, the Company determined the following salient dates for payments of the dividend:

Last day of trade *cum* dividend	Tuesday, 18 April 2023
Trading *ex* dividend commences	Wednesday, 19 April 2023
Record date	Friday, 21 April 2023
Dividend payment date	Monday, 24 April 2023

Share certificates were not dematerialised or rematerialised between Wednesday 19 April 2023 and Friday 21 April 2023, both days inclusive.

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

11. Directors' interests in shares

The interest of directors in the issued share capital of the Company as at 31 December 2022 was as follows:

Interests in shares

Directors	2022 Indirect	Percentage of issued share capital
J van Rensburg	**62 205 447**	**30.60%**

No shares were traded by any director from 31 December 2022 until the date of this report.

12. Share-based payments

The Group has a long-term incentive plan for identified senior management. Details of the scheme and rights allocated are disclosed in note 12 of the Annual Financial Statements.

13. Management by third and related parties

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

14. Interests in subsidiaries

Details of material interests in subsidiary companies and investments in associates are presented in the Annual Financial Statements in notes 29 and 35.

Directors' Report (continued)

for the year ended 31 December 2022

15. Auditor

PwC continued in office as auditors for the Company and its subsidiaries for the year ended 31 December 2022.

At the Annual General Meeting, the shareholders will be requested to reappoint PwC as the independent external auditors of the Company and to confirm Ms S Akoojee as the designated lead audit partner for the 2023 annual financial year.

16. Events after the reporting period

On 10 February 2023 the company exercised its rights in terms of a call option where Icembu Holdings increased its shareholding in Icembu Cables from 49% to 70%. Effectively the company owns 49% of the issued share capital. The financial effect of the increase in ownership is estimated to be R443 438 on non-controlling interest had the call option been exercised before year end for the year ended 31 December 2022.

The directors are not aware of any other 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.

17. 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.

At 31 December 2022, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of twelve months. Various scenarios have been considered to test the Group's resilience against operational risks.

Management has concluded that the Group's ability to continue to meet its financial obligations as they fall due is dependent on the Group's ability to continue to improve its performance.

The Group has short-term borrowings to the value of R14.6 million (2021: R13.5 million) as disclosed in note 11 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R229 million (2021: R250 million). The facility is due for renewal during May 2023.

The directors perform a property valuation every three years, with the latest independent valuation having been performed in 2020, management performs its own valuation every year. The market valuation of the properties was in excess of the carrying value at the time. The properties are stated at historical cost less accumulated depreciation and accumulated losses in line with the Group's accounting policy.

18. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act No. 71 of 2008 of South Africa which indicated that the Group and Company are 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 2022, 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 66 to 108 comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

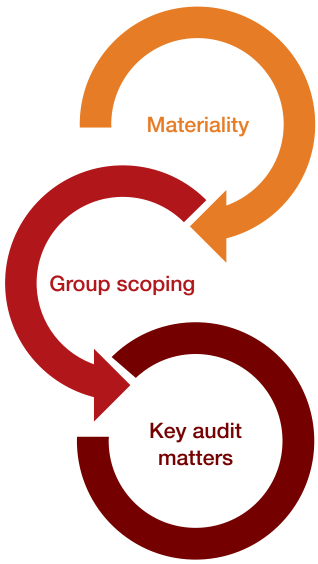
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall Group materiality

- Overall Group materiality: R9 451 725, which represents 0.5% of consolidated revenue.

Group audit scope

The Group consists of 12 components.

- We conducted a full scope audit for two of the components based on their financial significance to the Group and the audit risk associated with them [South Ocean Electric Wire Company (Pty) Ltd and South Ocean Holdings Limited (standalone)].
- We performed an audit of material financial statement line items for one component in order to obtain sufficient, appropriate audit evidence to express an opinion on the consolidated financial statements as a whole.
- Group-wide analytics were performed over the remaining components.

Key audit matters

- Impairment assessment of cash generating units.

Independent Auditor's Report (continued)

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	*R9,451,725*
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, in our view, it is the benchmark against which the performance of the Group is most commonly measured by shareholders and other users of the consolidated financial statements.* • *We chose 0.5% which is consistent with quantitative materiality thresholds used for similarly geared companies in this sector.*

How we tailored our Group audit scope

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

The Group consists of the holding company, five operating subsidiaries, one property investment subsidiary and one foreign procurement subsidiary. We performed:

- full scope audits for the holding company and the main operating subsidiary (South Ocean Electric Wire Company (Pty) Ltd) based on their financial significance to the Group and the audit risk associated with these components;
- an audit of material financial statement line items for one component; and
- Group-wide analytics were performed over the remaining components.

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 the audit work across all the components.

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 of cash generating units	**How our audit addressed the key audit matters**
Refer to Note 9: Impairment assessment for details Management identified an impairment indicator which provided evidence that the assets of the Group may be impaired as at the reporting date in accordance with International Accounting Standard 36: "Impairment of Assets" (IAS 36). The impairment indicator identified was that the Group's net asset value of R593.933 million exceeded the Group's market capitalisation of R245.964 million as at 31 December 2022. Management performed an impairment assessment to determine if the recoverable amounts of the two cash generating units (CGUs), namely South Ocean Electric Wire Company Proprietary Limited (SOEW) and Anchor Park Investments 48 Proprietary Limited (Anchor Park), exceed the net asset value of the Group as at 31 December 2022. The following valuation methods were used: • SOEW – income approach to calculate the value-in-use (a value-in-use calculation was prepared using cash flow projections based on financial budgets approved by management that cover a five-year period and a terminal year); and • Anchor Park – fair value less costs of disposal performed by management. The following key assumptions were applied in the valuations: **SOEW** • Terminal growth rate • Discount rate • Revenue growth rates • Gross profit margins **Anchor Park** • Capitalisation rate • Vacancy allowance Based on the results of management's impairment assessment, no impairment was identified and recognised for the Group in the current reporting period. We considered the impairment assessment of the CGUs to be a matter of most significance to our current year audit due to the following: • Inherent subjectivity of the key assumptions that underpin the valuations of the CGUs and the heightened uncertainty involved in making these assumptions; and • The magnitude of the Group Net Asset value as recorded in the consolidated statement of financial position.	Utilising our valuations expertise, we performed the following audit procedures over management's impairment assessment of the SOEW CGU: • We evaluated the valuation methodology used by management in their value-in-use model against the requirements of IFRS 13: "Fair value measurement" (IFRS 13). We found management's valuation model to be in line with the IFRS 13 requirements. • We tested management's cash flow forecast by comparing the key inputs to the approved budget. We found no material discrepancies; • We assessed the reasonableness of management's budgeting process by comparing the budgeted figures for the current and prior financial years to the actual results for these years. We evaluated any significant differences noted against underlying support to corroborate explanations obtained from management. We found management's budgeting process to be reasonable; • We tested management's key assumptions applied for revenue growth and gross profit margins by comparing these to the historical actual average revenue growth rate and gross profit margins for the current and prior financial years. The rates used by management were found to be within an acceptable range and management's assumptions were found to be comparable; • We tested the mathematical accuracy of management's valuation model by recalculating the value-in-use and we did not note any discrepancies requiring further consideration; • We compared the value-in-use of the CGU to the net asset value of the same CGU and noted no impairment required; • We independently recalculated the weighted average cost of capital discount rate taking into account independently obtained data such as the cost of debt, risk-free rate, market risk premium, capital structure as well as the beta of comparable companies. Where differences were noted between the respective discount rate, we obtained an understanding of the reasons and incorporated our independently calculated discount rate as part of our sensitivity analysis testing to assess the impact of the differences noted in the discount rate on the valuation results. Management's discount rate was within an acceptable range and there was enough headroom with no further consideration required; • The terminal growth rate as used by management was compared to the long-term inflation rate obtained from independent sources. Where differences were noted between the respective growth rates, we obtained an understanding of the reasons for these differences and incorporated the independently obtained growth rates as part of our sensitivity analysis testing to assess the impact of the differences in the growth rates noted on the valuation results. No material differences were noted; • We performed sensitivity analyses on the inputs and assumptions used by management in their valuation model relating to the revenue growth rates, gross margins, discount rate and terminal growth rate to evaluate the minimum changes in these inputs that would result in a material change to the value-in-use calculation for both disclosure and measurement purposes. We did not note any aspect requiring further consideration; and • We calculated the value-in-use using the independently determined discount rate and terminal growth rate as applied to management's forecasts and compared this independently calculated value-in-use to the value-in-use calculated by management and noted no material differences.

Independent Auditor's Report (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>We performed the following audit procedures over management's impairment assessment of the Anchor Park CGU:

We evaluated the valuation methodology used by management in their fair value less costs of disposal model against the requirements of IFRS 13. We found management's valuation model to be in line with the IFRS 13 requirements;
We tested the key assumptions used by management's expert in the model relating to the capitalisation rates and vacancy allowances by comparing these to publicly available rates from a reputable source. We noted that the capitalisation rates and vacancy allowances were comparable to the published data;
We tested the mathematical accuracy of management's valuation model by agreeing fair values used by management in the model to the fair values as determined by management's independent valuer and we did not note any discrepancies requiring further consideration;
We performed a reasonability test on management's costs to sell by taking into account what would make up the costs to sell in the area the properties are located, the type of assets being sold and all other costs necessary to bring an asset into condition for its sale. We found management's estimate to be reasonable;
We compared the fair value less costs to sell to the net asset value of the CGU and noted no impairment required; and
We performed sensitivity analyses on the inputs and assumptions used by management's expert in his valuation model relating to the capitalisation rate and vacancy allowances to evaluate the minimum changes in these inputs that would result in a material change to the fair value calculation for both disclosure and measurement purposes. We did not note any aspect requiring further consideration. We performed the following audit procedures over both CGUs:

We agreed the information disclosed in the financial statements relating to valuation methods used, and the percentages for the key assumptions used in the current and prior year to the work performed as noted above and the prior year audited financial statements.
In addition, we ensured that the disclosures included in the financial statements were in accordance with the requirements of IAS 36. We did not note any aspect requiring further consideration.
We compared the recoverable amounts of the SOEW and Anchor Park CGUs, to the net asset value and noted no impairment.

</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "South Ocean Holdings Limited and its subsidiary companies Annual Financial Statements for the year ended 31 December 2022" and "South Ocean Holdings Limited Annual Financial Statements for the year ended 31 December 2022", which includes the Directors' Report, Report of the Audit and Risk Management Committee and the Company 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 2022", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of 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 and the Company'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 and the Company'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 and / or Company 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, actions taken to eliminate threats or safeguards applied.

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 PwC has been the auditor of South Ocean Holdings Limited for 14 years. Prior to its incorporation, the business of South Ocean Holdings Limited was transacted through South Ocean Electric Wire Company Proprietary Limited, of which PwC and its predecessor firms have been the auditor for 32 years.

PricewaterhouseCoopers Inc

Director: S Akoojee
Registered Auditor
Johannesburg, South Africa
17 March 2023

Statement of Financial Position

as at 31 December 2022

	Notes	Group 2022 R'000	Group 2021 R'000
Assets			
Non-current assets			
Property, plant and equipment	3	**244 202**	200 645
Right-of-use assets	4	**4 895**	6 304
Deferred tax assets	5	**1 210**	583
		250 307	207 532
Current assets			
Inventories	6	**295 352**	209 500
Trade and other receivables	7	**203 949**	198 452
Loans to associates		**1 933**	–
Cash and cash equivalents	8	**133 932**	139 974
		635 166	547 926
Total assets		**885 473**	755 458
Equity and liabilities			
Equity			
Share capital	10	**461 343**	461 343
Reserves		**461**	451
Retained earnings		**133 593**	105 460
Non-controlling interest		**(1 464)**	–
		593 933	567 254
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	11	**24 038**	33 814
Right-of-use liabilities	4	**2 702**	4 574
Deferred tax liabilities	5	**19 995**	25 165
Share-based payments	12	**4 111**	11 662
		50 846	75 215
Current liabilities			
Trade and other payables	13	**212 445**	94 509
Interest-bearing borrowings	11	**14 618**	13 529
Right-of-use liabilities	4	**2 872**	1 944
Current tax payable		**5 625**	3 007
Share-based payments	12	**5 134**	–
		240 694	112 989
Total liabilities		**291 540**	188 204
Total equity and liabilities		**885 473**	755 458

The accounting policies on pages 70 to 78 and the notes on pages 79 to 108 form an integral part of the annual financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

		Group	
	Notes	2022 R'000	2021 R'000
Revenue	14	**1 873 155**	2 001 546
Cost of sales	16	**(1 740 485)**	(1 826 053)
Gross profit		**132 670**	175 493
Other operating income	15	**22 234**	6 933
Administration expenses	16	**(46 951)**	(53 562)
Distribution expenses	16	**(2 814)**	(2 627)
Operating expenses	16	**(43 470)**	(13 289)
Movement in credit loss allowance	16	**(809)**	(754)
Operating profit		**60 860**	112 194
Finance income	18	**1 449**	224
Finance costs	19	**(4 122)**	(6 333)
Profit before taxation		**58 187**	106 085
Taxation	20	**(13 223)**	(31 020)
Profit for the year		**44 964**	75 065
Other comprehensive income for the year net of taxation	21	**10**	17
Total comprehensive income for the year		**44 974**	75 082
Profit and total comprehensive profit attributable to:			
Equity holders of the parent		**46 438**	75 082
Non-controlling interest		**(1 464)**	–
Earnings per share			
Basic and diluted earnings per share (cents):	22	**22.12**	36.93
Dividend per share (cents)	34	**6.00**	9.00

The accounting policies on pages 70 to 78 and the notes on pages 79 to 108 form an integral part of the annual financial statements.

Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve* R'000	Retained earnings R'000	Non-controlling interest	Total equity R'000
Balance at 1 January 2021	1 743	459 600	461 343	434	36 493	–	471 307
Profit for the year	–	–	–	–	75 065	–	75 065
Dividend paid	–	–	–	–	(6 098)	–	(6 098)
Other comprehensive income	–	–	–	17	–	–	17
Total comprehensive income for the year	–	–	–	17	68 967	–	68 984
Balance at 1 January 2022	**1 743**	**459 600**	**461 343**	**451**	**105 460**	**–**	**567 254**
Profit for the year	**–**	**–**	**–**	**–**	**46 428**	**(1 464)**	**44 964**
Dividend paid	**–**	**–**	**–**	**–**	**(18 295)**	**–**	**(18 295)**
Other comprehensive income	**–**	**–**	**–**	**10**	**–**	**–**	**10**
Total comprehensive income for the year	**–**	**–**	**–**	**10**	**28 133**	**(1 464)**	**26 679**
Balance at 31 December 2022	**1 743**	**459 600**	**461 343**	**461**	**133 593**	**(1 464)**	**593 933**
Note	10	10	10				

* The translation deficit represents the accumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary company and also long-term loan of the subsidiary company, to the reporting currency.

The accounting policies on pages 70 to 78 and the notes on pages 79 to 108 form an integral part of the annual financial statements.

Statement of Cash Flows

for the year ended 31 December 2022

	Notes	Group 2022 R'000	2021 R'000
Cash flows from operating activities			
Cash generated from operations	23	**104 950**	152 452
Interest received	18	**1 449**	224
Interest paid	19	**(4 122)**	(6 333)
Tax paid	24	**(16 402)**	(20 031)
Net cash from operating activities		**85 875**	126 312
Cash flows used in investing activities			
Purchase of property, plant and equipment	3	**(67 029)**	(2 250)
Proceeds on disposal of property, plant and equipment	25	**6 204**	523
Net cash used in investing activities		**(60 825)**	(1 727)
Cash flows used in financing activities			
Repayment of interest-bearing borrowings	26	**(8 686)**	(16 722)
Payment of dividends	34	**(18 295)**	(6 098)
Proceeds from interest-bearing borrowings	26	**–**	20 200
Repayment of lease liabilities	26	**(2 188)**	(2 753)
Loan to associates		**(1 933)**	–
Net cash used in financing activities		**(31 102)**	(5 373)
Total cash and cash equivalents movement for the year		**(6 052)**	119 212
Cash and cash equivalents at the beginning of the year		**139 974**	20 745
Effect of exchange rate movement on cash balances		**10**	17
Total cash and cash equivalents at end of the year	8	**133 932**	139 974

The accounting policies on pages 70 to 78 and the notes on pages 79 to 108 form an integral part of the annual financial statements.

Accounting Policies

for the year ended 31 December 2022

1. Presentation of the Annual Financial Statements

General information

South Ocean Holdings Limited ("the Company or Group") 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. It has investments in a number of associates whose businesses are involved in outlets for electrical wire.

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 Group financial statements have been prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No. 71 of 2008 (the Companies Act). The Group have adopted all new accounting standards and interpretations that is relevant to the business that became effective in the current reporting period. The consolidated and separate financial statements are presented in South African Rands (R), which is the Group's functional and the Group's 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.

For the full view of the Annual Financial Statements of the Group, the user of the Annual Financial Statements should, in conjunction with this set, view the set titled "South Ocean Holdings Limited Annual Financial Statements for the year ended 31 December 2022".

1.1 Consolidation

Basis of consolidation

The Annual Financial Statements incorporate the Annual Financial Statements of the Company and all its subsidiaries.

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 and is deconsolidated from the date that the control ceases (disposal date).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless they provide evidence of impairment. 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 associates

An associate is an entity in which the Group has significant influence. The Group's interests in associates are accounted for on the equity accounting basis.

Financial results of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity accounting method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in an associate. The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the joint venture and associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and the carrying value and recognises the amount in profit and loss.

The losses in the associate get recognised in profit and loss until the investment is written down to its nominal value. Equity accounting will apply once the associate has retained profits. Refer to note 35 of the notes to the consolidated financial statements for assessment of the recoverability of the loan receivable from the associate.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment comprises the purchase consideration and plus any acquisition costs and 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.

1. Presentation of Annual Financial Statements (continued)

1.2 Property, plant and equipment (continued)

Land is not depreciated, and capital work-in-progress is depreciated once the asset is available for use. 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 – 25 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.

Borrowing cost are not capitalised on capital work in progress.

1.3 Leases

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 a 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 use all of the economic benefits from 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 4 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 16).

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 19).

Accounting Policies (continued)

for the year ended 31 December 2022

1. Presentation of Annual Financial Statements (continued)

1.3 Leases (continued)

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 asset 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. Depreciation gets applied on a straight line basis.

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's 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's 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 average exchange rate between the functional currency and foreign currency.

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.

1. Presentation of Annual Financial Statements (continued)

1.5 Translation of foreign currencies (continued)

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 average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the individual transactions); and
- all resulting exchange differences are recognised to other comprehensive income.

The cash flows of a foreign subsidiary are translated at the average exchange rates between the functional currency and the foreign currency or at the exchange rate applicable at the date of the respective cash flows, where applicable.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of manufactured goods is determined using the weighted average cost 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.

Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses. There was no inventory write down recognised in the statement of comprehensive income. Therefore, there were no significant judgements made in the determining the 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 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

Financial liabilities:

- Amortised cost

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the 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:

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 7).

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.

Accounting Policies (continued)

for the year ended 31 December 2022

1. Presentation of Annual Financial Statements (continued)

1.8 Financial instruments (continued)

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 finance income (note 18).

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

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable 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, 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. All trade receivables are credit insured. Details of the provision matrix is presented in note 7.

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 the statement of other comprehensive income and is separately disclosed in terms of IFRS 9.

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 (note 7) and the financial instruments and risk management note (note 30).

Borrowings

Classification

Interest-bearing borrowings (note 11) are classified as financial liabilities subsequently measured at amortised cost. Where the Group has an unconditional right to defer payments beyond 12 months, the obligation is classified as a non-current liability. If there is no right to defer the obligation, the obligation is classified as a current liability.

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 finance costs (note 19).

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

Trade and other payables

Classification

Trade and other payables (note 13), excluding VAT, payroll accruals and deposits, 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

1. Presentation of Annual Financial Statements (continued)

1.8 Financial instruments (continued)

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 finance costs (note 19).

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

Trade and other payables denominated in foreign currencies

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at the bank, other short-term highly liquid investments with original maturities of three months or less. 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 recognises a collateralised borrowing for the proceeds received.

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.9 Employee benefits

Defined contribution plans

The Group operates 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.

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.

Accounting Policies (continued)

for the year ended 31 December 2022

1. Presentation of Annual Financial Statements (continued)

1.10 Revenue recognition

The Group recognises revenue from the following major sources:

Revenue from contracts with customers:

- Sales of goods

Revenue other than from contracts with customers:

- Rental income

Revenue from contracts with customers is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties.

Sale of goods

The Group manufactures and sells copper and aluminium cables and conduit which is considered to represent a single performance obligation. Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

In majority of sales, transport is considered to be a fulfilment activity as the costs are incurred as the goods are shipped to the specific location and control of the goods transfer upon delivery to the customer's premises.

The goods are often sold with retrospective volume rebates to customers based on aggregate sales over a 12-month period. In addition, trade and settlement discounts are provided to customers when the criteria for early settlement have been met. Revenue is recognised based on the price specified in the contract, net of the estimated trade and settlement discounts and volume rebates. Accumulated experience is used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume rebates payable to customers in relation to sales made until the end of the reporting period.

The Group also provides a right of return to its customers. At the end of each reporting period it has been concluded that a significant reversal of cumulative revenue recognised in relation to goods sold as a result of the right of return provided, will not occur from a change in the estimated returns. As a result, any impact from right of return has been concluded to be immaterial.

No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. Due to the short period of time that elapses between the satisfaction of the performance obligation and billing of amounts due, no material contract assets are expected to arise at reporting date. In addition, customer payments are also not received in advance resulting in no contract liabilities having to be accounted for.

The Group's obligation to replace faulty products under the standard warranty terms is recognised as a provision. Customers do not have the ability to purchase warranties separately.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rental income

The Group is party to leasing contracts as the lessor of property. All leases are operating leases, which are those leases where the Group retains a significant portion of the risks and rewards of ownership. Rental income is recognised on a straight-line basis over the period of the lease term.

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 income tax liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities

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).

1. Presentation of Annual Financial Statements (continued)

1.13 Tax (continued)

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.

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).

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 employee costs (note 17).

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 judgements 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 estimates and judgements include:

Share-based payments (estimate)

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

Tax (judgement and estimate)

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.

Accounting Policies (continued)

for the year ended 31 December 2022

1. Presentation of Annual Financial Statements (continued)

1.16 Significant judgements and sources of estimation uncertainty (continued)

Impairment of inventory (judgement)

The Company will provide for slow moving goods and will write off obsolete materials where required.

Impairment of trade receivables (judgement)

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

Bank overdraft (judgement)

Judgement is required to determine the classification of the bank overdraft based on if it has been used primarily for operating or financing activities. The bank overdraft is repayable on demand, used for working capital management as part of the operations and the balance has fluctuated in the previous years from negative to positive. Based on these judgements the bank overdraft is classified as cash and cash equivalents in the Statement of Financial Position.

Incremental borrowing rate (judgement)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third-party financing; and
- makes adjustments specific to the lease.

If a readily observable amortising loan rate is available to the individual lessee which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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 27. All transactions entered into with subsidiaries were on terms no more favourable than those with third parties and have been eliminated in the consolidated Group accounts. There were no other material contracts with related parties.

1.18 Earnings/(loss) per share

Earnings/(loss) per share is based on attributable earnings/(loss) for the year divided by the weighted average number of ordinary shares in issue during the year. Fully diluted loss per share is presented when the inclusion of potential ordinary shares have 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 1/2022: "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 Cost of sales

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

1.21 Dividends

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

Notes to the Annual Financial Statements

for the year ended 31 December 2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IFRS 1	1 January 2022	The impact of the standard is not material
Annual Improvement to IFRS Standards 2018 – 2021: Amendments to IFRS 9	1 January 2022	The impact of the standard is not material
IFRS 16: "Leases" COVID-19-Related Rent Concessions Amendment	1 April 2021	The impact of the standard is not material
Amendments to IAS 16: "Property, Plant and Equipment: Proceeds before Intended Use"	1 January 2022	The impact of the standard is not material
Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IAS 41	1 January 2022	The impact of the standard is not material
Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	The impact of the standard is not material
Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	The impact of the standard is not material

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory and relevant for the Group's accounting periods beginning on or after 1 January 2023 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
Initial application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023	Unlikely there will be a material impact
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023	Unlikely there will be a material impact
Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
IFRS 17: "Insurance Contracts Amendments"	1 January 2023	Unlikely there will be a material impact
Narrow scope amendments to IAS 1: "Presentation of Financial Statements", Practice statement 2 and IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors"	1 January 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

3. Property, plant and equipment

Group	2022 Cost R'000	2022 Accumulated depreciation R'000	2022 Carrying value R'000	2021 Cost R'000	2021 Accumulated depreciation R'000	2021 Carrying value R'000
Buildings	**102 461**	**(11 979)**	**90 482**	102 460	(10 974)	91 486
Plant and machinery	**242 313**	**(148 190)**	**94 123**	243 083	(147 441)	95 642
Furniture and fixtures	**25 615**	**(22 786)**	**2 829**	24 628	(20 490)	4 138
Motor vehicles	**13 334**	**(8 896)**	**4 438**	14 209	(8 735)	5 474
Capital work-in-progress	**52 330**	**–**	**52 330**	3 905	–	3 905
	436 053	**(191 851)**	**244 202**	388 285	(187 640)	200 645

Reconciliation of property, plant and equipment – Group – 2022

Group	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Total R'000
Buildings	**91 486**	**–**	**–**	**–**	**(1 004)**	**90 482**
Plant and machinery	**95 642**	**–**	**(5 503)**	**17 222**	**(13 238)**	**94 123**
Furniture and fixtures	**4 138**	**987**	**–**	**–**	**(2 296)**	**2 829**
Motor vehicles	**5 474**	**391**	**(263)**	**–**	**(1 164)**	**4 438**
Capital work-in-progress	**3 905**	**65 647**	**–**	**(17 222)**	**–**	**52 330**
	200 645	**67 025**	**(5 766)**	**–**	**(17 702)**	**244 202**

Reconciliation of property, plant and equipment – Group – 2021

Group	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Total R'000
Buildings	92 340	150	–	–	(1 004)	91 486
Plant and machinery	106 910	1 238	–	4 779	(17 285)	95 642
Furniture and fixtures	6 452	102	–	–	(2 416)	4 138
Motor vehicles	5 975	909	(133)	–	(1 277)	5 474
Capital work-in-progress	8 681	3	–	(4 779)	–	3 905
	220 358	2 402	(133)	–	(21 982)	200 645

3. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

Carrying value of assets pledged as security for interest-bearing borrowings (note 11):

	Group	
	2022 R'000	2021 R'000
Buildings	**90 482**	91 486
Plant and machinery	**10 163**	10 827
Motor vehicles	**–**	1 325

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

4. Right-of-use assets (Group as lessee)

The Group leases several assets consisting of motor vehicles. The average lease term is 5 years and the interest rate ranges from 7.5% to 11.5%. There is an option to extend and or to terminate the contracts. The contracts have no residual values, guarantees or restrictions.

Net carrying amounts of right-of-use assets

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

	Group	
	2022 R'000	2021 R'000
Motor vehicles	**4 895**	6 304
	4 895	6 304
Depreciation recognised on right-of-use assets		
Depreciation recognised on each class of right-of-use assets, is presented below and is included in the total depreciation charge in profit or loss (note 16).		
Motor vehicles	**2 654**	2 399
	2 654	2 399
Other disclosures		
Interest expense on lease liabilities	**629**	796
Capital repayment on lease liabilities	**2 188**	2 753
Total cash outflow for leases	**2 817**	3 549
Leases of low value assets included in operating expenses	**649**	611
Right-of-use lease liabilities		
Non-current liabilities	**2 702**	4 574
Current liabilities	**2 872**	1 944
	5 574	6 518

The classification of interest on the cash-flow statement is driven by the nature of the assets.

Refer to note 30 Financial instruments and financial risk management for details of the maturity analysis of lease liabilities and the liquidity risk exposure and management.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

5. Deferred tax

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 27% (2021: 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 is analysed as follows:

	Group	
	2022 R'000	2021 R'000
Deferred tax asset		
Tax losses	**–**	4 297
Provisions	**1 210**	6 824
Total deferred tax asset	**1 210**	11 121
Deferred tax liability		
Property, plant and equipment	**(19 995)**	(35 703)
Deferred tax liability	**(19 995)**	(35 703)
Deferred tax asset	**1 210**	11 121
Total net deferred tax liability	**(18 785)**	(24 582)
Reconciliation of deferred tax (liability)/asset		
At beginning of year	**(24 582)**	(22 006)
Current year tax losses	**618**	1 830
Temporary differences on capital allowances	**(1 649)**	(5 158)
Temporary differences on provisions	**5 404**	752
Section 45 roll over relieve utilised	**1 424**	–
At end of year	**(18 785)**	(24 582)
Disclosed as		
Non-current assets	**1 210**	583
Non-current liabilities	**(19 995)**	(25 165)
	(18 785)	(24 582)

Group	Tax losses R'000	Capital allowances R'000	Provisions R'000	Total R'000
2022				
Opening balance	**4 297**	**(35 703)**	**6 824**	**(24 582)**
Charged to the statement of comprehensive income	**618**	**(1 649)**	**6 828**	**5 797**
Closing balance	**4 915**	**(37 352)**	**13 652**	**(18 785)**
2021				
Opening balance	2 467	(30 544)	6 071	(22 006)
Charged to the statement of comprehensive income	1 830	(5 159)	753	(2 576)
Closing balance	4 297	(35 703)	6 824	(24 582)

Recognition of deferred tax asset

The Group recognises a deferred tax asset when a loss is incurred in either the current or preceding period and the Group expects future taxable profits based on budgets and forecasted cash flows. Utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The Group expect to recover this after 12 months.

On 23 February 2022, the Finance Minister noted in the Budget Speech that there will be a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023.

Unremitted earnings from a foreign entity

The unremitted earnings from foreign entities is a loss of R74 404 (2021: R112 095 loss). Deferred tax on the future remittances has not been provided for as the future dividends will not be subject to tax in South Africa.

	Group	
	2022 R'000	2021 R'000
6. Inventories		
Raw materials, components	**95 040**	29 369
Work-in-progress	**162 790**	120 142
Finished goods	**17 860**	42 727
Consumable stores	**19 662**	17 262
	295 352	209 500

The cost of inventories recognised as an expense and included in cost of sales is R1 609 932 013 (2021: R1 691 855 161).

	Group	
	2022 R'000	2021 R'000
7. Trade and other receivables		
Financial instruments:		
Trade receivables	**184 759**	184 784
Other receivables	**2 281**	6 864
Loss allowance	**(3 145)**	(2 337)
Trade receivables at amortised cost	**183 895**	189 311
Non-financial instruments:		
South African Revenue Services – VAT receivable	**11 092**	6 485
Deposits	**225**	2 536
Prepayments	**8 737**	120
Total trade and other receivables	**203 949**	198 452
Categorisation of trade and other receivables		
Trade and other receivables are categorised as follows in accordance with IFRS 9: "Financial Instruments":		
Financial instruments	**183 895**	189 311
Non-financial instruments	**20 054**	9 141
	203 949	198 452

Trade and other receivables pledged as security

60% (2021: 60%) of the carrying value of trade and other receivables were pledged as security for overdraft facilities limited to R229 000 000 (2021: R250 000 000) of the Group. At year end the overdraft amounted to Rnil (2021: Rnil).

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited. The Group is exposed to 20% (2021: 20%) trade receivables within their credit limits and 100% of trade receivables in excess of their approved credit limits. No trade receivables were in excess of their credit limit.

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 subject to enforcement activities.

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors 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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

7. 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			
	2022		2021	
Expected credit loss rate:	Estimated gross carrying amount at default R'000	Loss allowance (Lifetime expected credit loss) R'000	Estimated gross carrying amount at default R'000	Loss allowance (Lifetime expected credit loss) R'000
Not past due: 0.38% (2021: 0.39%)	**69 569**	**267**	81 277	320
Less than 30 days past due: 0.70% (2021: 1.07%)	**44 427**	**310**	104 835	1 119
31 – 60 days past due: 0.17% (2021: 0.31%)	**41 409**	**72**	10 253	32
61 – 90 days past due: 8.50% (2021: 79.16%)	**29 354**	**2 496**	1 094	866
	184 759	**3 145**	197 459	2 337

The gross carrying amount above differs from trade receivables because of 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 receivables:

	Group	
	2022 R'000	2021 R'000
Opening balance	**(2 337)**	(1 583)
Expected credit loss on new trade receivables	**–**	(170)
Expected credit loss on trade receivables with increased risk	**(808)**	(584)
	(3 145)	(2 337)

Fair value of trade and other receivables

Due to the short-term nature of trade and other receivables, the carrying amount is considered to be the same as the fair value.

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables are denominated in the following currency:

	Group	
	2022 R'000	2021 R'000
Rand	**195 317**	198 452
USD	**1 906**	–
Euro	**6 726**	–
	203 949	198 452

	Group	
	2022 R'000	2021 R'000
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	**133 896**	139 961
Cash on hand	**36**	13
	133 932	139 974

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	
	2022 R'000	2021 R'000
Rand amount		
Rand	**132 749**	124 411
US Dollar	**–**	9 000
Hong Kong Dollar	**1 182**	6 563
Euro	**1**	–
Disclosed as		
Current assets	**133 932**	139 974

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

Ba1 (2021: Ba2) – First National Bank, a division of FirstRand Bank Limited

AA- (2021: Aa-) – HSBC Hong Kong

There has been an increase in the credit risk of the banks, however, the Group has determined that no expected credit loss is required.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

9. Impairment assessment

An impairment assessment was performed to determine if the recoverable amounts of the two cash generating units (CGUs), namely South Ocean Electric Wire Company Proprietary Limited (SOEW) and Anchor Park Investments 48 Proprietary Limited (Anchor Park), exceeded the net asset value of the Group included in the Statements of Financial Position. The market capitalisation in the company is lower than its net asset value which was an impairment indicator at Group level. This assessment and disclosure was included in the annual financial statements for this purpose.

The following valuation methods were used:

- SOEW CGU – Income approach to calculate the value-in-use
- Anchor Park CGU – Fair value less costs to sell

The debt of both units was then deducted from the values calculated above to determine the value of the businesses.

The recoverable amount of the SOEW CGU is determined based on the higher of its value-in-use or fair value less costs to sell. Value-in-use calculations are prepared using cash flow projections based on financial budgets approved by management and cover a five-year period. The estimated growth rates applied are in line with that of the industries in which the companies operate and are materially similar to assumptions of external market sources. The CGU's recoverable amount is most sensitive to the growth rate and gross margin assumptions applied. Management assumed budgeted gross margins and growth rates for the first five years based on past performance and best estimates regarding forecasts. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The discount rates used are pre-tax and reflect the appropriate risk associated with the industry and respective business.

In addition to the assumptions mentioned above, the other key assumptions used for value-in-use calculations are as follows:

- Terminal growth rate – (Weighted average growth rate used to extrapolate cash flows into perpetuity) 5.0% (2021: 4.8%)
- Discount rate – (Weighted after-tax discount rate applied to the cash flow projections) 17.1% (2021: 16.2%)
- Revenue growth rate – (Average growth rate applied to the revenue cash flow projections) 10.0% (2021: 10.5%)
- Gross profit rate – (Average growth rate applied to the cash flow projections) 10.0% (2021: 10.1%)

The recoverable amount of the Anchor Park CGU is determined based on the higher of its value-in-use or its fair value less costs to sell. The fair value of the properties was determined by management. The value was performed using a single year's cash flow and applying a capitalisation rate which is the ratio between the net operating income produced by the asset and its capital cost. The single year cash flow was calculated using the square meters available for rental multiplied by the expected market rental per square meter and deducting operating expenses using an expected operating expenses ratio in relation to the derived revenues based on the market rental per square meter. All rates used in the calculation was obtained from publicly available rates prepared by a reputable source. The calculation represents the open market value of the properties.

A summary of the key assumptions used for fair value calculations are as follows:

- Vacancy allowance 3.2%–5.4% (2021: 3.5%–5%)
- Capitalisation rate – (weighted average rate used to calculate the market value of the property) 5.4%–6.4% (2021: 11%–12%)

After calculating the value for the individual CGUs the individual results were reduced by the associated debt and these amounts were compared to the carrying value of the investments in the Company's Statement of Financial Position and no impairment was identified and recognised for 2022 (2021: Rnil).

After calculating the individual recoverable amount of the CGUs, and comparing it to the net asset value of each CGU, no impairment was identified and recognised for the Company in 2022 (2021: Rnil).

Sensitivity analysis (heading)

The table below indicates the change in assumption and resultant change in the valuation:

	Expected change in valuation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	945 014	1 107 962
Revenue growth rate	2.00%	1 112 772	932 307
Gross profit	1.00%	1 019 657	1 019 657
Terminal growth rate	1.00%	1 059 574	985 872

	Group 2022 R'000	Group 2021 R'000
10. Share capital		
Authorised		
500 000 000 paid 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

	Group 2022 R'000	Group 2021 R'000
11. Interest-bearing borrowings		
Mortgages		
First National Bank, a division of FirstRand Bank Limited: 3-000-013-732-425	**8 025**	12 342
First National Bank, a division of FirstRand Bank Limited: 3-000-013-460-751	**10 422**	4 454
First National Bank, a division of FirstRand Bank Limited: 3-000-017-904-697	**10 801**	20 113
Other loans		
Instalment sale agreements	**9 408**	10 434
	38 656	47 343
Non-current liabilities		
Mortgage bonds	**21 322**	28 856
Instalment sale agreements	**2 716**	4 958
	24 038	33 814
Current liabilities		
Mortgage bonds	**7 926**	8 053
Instalment sale agreements	**6 692**	5 476
	14 618	13 529

Refer to note 30 Financial instruments and financial risk management for details of the maturity analysis of interest-bearing borrowings and the liquidity risk exposure and management.

Borrowing powers

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

Securities

The interest-bearing borrowings are secured as follows:

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 an initial R68 665 000

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 10.50% (2021: 7.25%). The loan is repayable in monthly instalments of R433 770 (2021: R419 432) inclusive of interest.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

11. Interest-bearing borrowings (continued)

Loan agreement 3-000-013-460-751 for an initial 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 10.50% (2021: 7.25%). The loan is repayable in monthly instalments of R188 083 (2021: R183 243) inclusive of interest.

Loan agreement 3-000-013-460-697 for an initial R20 200 000

Erf 685 Alrode Extension 2 Township of R24 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. 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 10.50%. The loan is secured by a cross suretyship for R300 000 dated 13 May 2019 by Anchor Park and SOEW, and a cross suretyship for R30 000 000 dated 23 June 2021 by Anchor Park and SOEW. The loan is repayable in monthly instalments of R264 536 (2021: R229 366) inclusive of interest.

Other loans

Instalment sale agreements are secured by the underlying assets with a net book value of R10 163 000 (2021: R12 152 000), bear interest at rates varying from 7.50% to 10.50% (2021: ranged between 8.95% to 10.25%) and are repayable over 36 months (note 3).

Exposure to liquidity risk

Refer to note 30 Financial instruments and financial risk management for details of liquidity risk exposure and management. For the borrowings, the fair values are not materially different from their carrying amounts since the interest payable on those borrowings are close to current market rates.

Banking facilities

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 R229 million (2021: R250 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, a general notarial bond over stock for the amount of R50 million, 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 (2021: R30 million) registered over Erf 688 Alrode, Extension 1. The facility, when utilised, bears interest at prime (2021: prime). The unused facility at year end amounted to R229 million (2021: R250 million). The facility is renewable annually in May. The Group has an instalment sale facility of R60 million (2021: R30 million) with the same bank, of which R50.59 million (2021: R19.64 million) was unutilised at year end.

The classification of interest on the cashflow statement is driven by the nature of the assets.

12. Share-based payment liabilities

Share Appreciation Rights – Long-term incentive plan

The Group has a 100% cash settled Share Appreciation Rights (SARs) plan in place, which has been in place since 2009. The next SARs were eligible to be exercised in 2022, if not exercised in 2022, they can be exercised in 2023. 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 as at the end of the respective reporting periods are summarised as follows:

	2022	2021
Share price (Volume Weighted Average Price)	**R0.89**	R1.29
Strike price: SOH	**R1.29**	R0.25
Strike price: SOEW	**R31.21**	R11.52
Spot price: SOH	**R1.29**	R0.25
Spot price: SOEW	**R41.77**	R29.59
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 JSE Debt Market 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.

12. Share-based payment liabilities (continued)

	Group 2022 R'000	Group 2021 R'000
Rights granted		
Grant date	**1 January 2022**	1 January 2021
Grant price: SOEW	**R31.21**	R11.52
Grant price: SOH	**R1.29**	R0.25
Number of units granted	**2 623**	11 607
Reconciliation of liability		
Opening balance	**11 662**	3 974
Charge in statement of comprehensive income	**(2 417)**	7 688
Closing balance	**9 245**	11 662
Non-current liabilities	**4 111**	11 662
Current liabilities	**5 134**	–
	9 245	11 662

	Number of SAR units	Number of SAR units
Reconciliation of units		
Opening balance	**16 149**	9 588
Units granted	**2 623**	11 607
Equity units forfeited/Encashment of units	**(9 727)**	(5 046)
Closing balance	**9 045**	16 149

Units comprise a combination of SOH and SOEW units.

At year end 5 455 407 (2021: nil) shares have vested with an intrinsic value of R2 968 712 (2021: Rnil).

	Number of SAR units	Value R'000
Directors' interest in long-term incentive plans		
2022		
A Smith	**969**	**–**
W Basson	**3 426**	**2 772**

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for the year ended 31 December 2022

	Group	
	2022 R'000	2021 R'000
13. Trade and other payables		
Financial instruments:		
Trade payables	**173 550**	56 470
Accruals and provisions	**18 643**	29 640
Deposits received	**–**	212
Non-financial instruments:		
Payroll accruals	**7 000**	7 962
South African Revenue Services – VAT payable	**252**	225
Sundry creditors	**13 000**	–
	212 445	94 509
Financial instrument and non-financial instrument components of trade and other payables		
Financial instruments	**192 193**	86 322
Non-financial instruments	**20 252**	8 187
	212 445	94 509
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		
US Dollar	**417**	11 723
Hong Kong Dollar	**–**	5 458
	417	17 181

The carrying amounts of trade and other payables are considered to be the same as their fair values due to the short-term nature. Refer to note 30 Financial instruments and financial risk management for details of liquidity risk exposure and management.

	Group	
	2022 R'000	2021 R'000
14. Revenue		
Revenue from contracts with customers		
Sale of goods	**1 872 677**	2 001 091
	1 872 677	2 001 091
Revenue other than from contracts with customers		
Rental income	**478**	455
	478	455
	1 873 155	2 001 546
Disaggregation of revenue from contracts with customers		
The Group disaggregates revenue from customers as follows:		
Sale of goods at a point in time		
Copper cable sold	**1 819 174**	1 985 052
Aluminium cable sold	**35 139**	9 639
Conduit sold	**18 364**	6 400
Total revenue from contracts with customers	**1 872 677**	2 001 091

	Group	
	2022 R'000	2021 R'000
15. Other operating income		
Profit on exchange differences	**20 927**	6 483
Profit on the sale of assets	**437**	342
Sundry income	**870**	108
	22 234	6 933
16. Expenses by nature		
The total cost of sales, administrative expenses, distribution expenses and other operating expenses are analysed by nature as follows:		
Auditor's remuneration	**4 729**	2 732
Depreciation	**20 357**	24 381
Electricity and water	**27 906**	26 290
Employee benefit expense	**116 106**	137 053
Freight	**2 814**	2 627
Changes in inventories of finished goods and WIP	**(17 782)**	(42 000)
Insurance – trade receivables	**4 180**	3 591
Insurance – other	**5 145**	87
Loss allowance movement	**809**	754
Loss on disposal of assets	**649**	611
Claim provision	**–**	(855)
Motor vehicle expenses	**5 426**	5 107
Other expenses	**35 657**	30 893
Professional fees	**1 210**	2 648
Rates and taxes	**2 275**	1 251
Raw materials and consumables purchased	**1 609 932**	1 688 920
Repairs and maintenance	**11 480**	9 508
Security expenses	**3 636**	2 687
Total cost of sales, administration, distribution and operating expenses	**1 834 529**	1 896 285

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

	Group 2022 R'000	Group 2021 R'000
17. Employee benefit expense		
Salaries, wages and bonuses	**113 148**	123 739
Share-based payment expense	**(2 417)**	7 688
Pension and provident fund contributions	**5 375**	5 626
	116 106	137 053

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

	Group 2022 R'000	Group 2021 R'000
Number of persons employed at 31 December		
Full time	**456**	430
Part time	**7**	8
	463	438

	Group 2022 R'000	Group 2021 R'000
18. Finance income		
Bank and other cash	**1 139**	129
Other	**310**	95
Total interest income	**1 449**	224
19. Finance costs		
Mortgage bonds	**2 613**	1 659
Instalment sale agreements	**121**	918
Bank overdraft	**688**	2 601
Lease liabilities	**629**	796
Other	**71**	359
Total finance costs	**4 122**	6 333

	Group	
	2022 R'000	2021 R'000
20. Tax		
Major components of the tax expense/(income)		
Current		
Local income tax – current period	**20 213**	28 444
Local income tax – prior period (over)/under provision	**(1 192)**	–
Deferred tax		
Local income tax – prior period (over)/under provision	**(4 374)**	2 576
Section 45 roll over relief utilised	**(1 424)**	–
	13 223	31 020
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit – continuing	**58 187**	106 085
Tax at the applicable tax rate of 28% (2021: 28%)	**16 292**	29 704
Tax effect of adjustments on taxable income		
Expenses of a capital nature which are not deductible	**(453)**	–
Local income tax – prior period (over)/under provision	**(1 192)**	–
Section 45 roll over relief utilised	**(1 424)**	–
Unprovided deferred tax asset	**–**	1 555
Claim provision	**–**	(239)
	13 223	31 020

21. Other comprehensive income

Components of other comprehensive income

Group	**Gross R'000**	**Tax R'000**	**Net R'000**
2022			
Items that may be reclassified to income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	**10**	**–**	**10**
	10	**–**	**10**
2021			
Items that may be reclassified to income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	17	–	17
	17	–	17

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

	Group	
	2022 R'000	2021 R'000
22. Earnings per share		
Basic and diluted earnings per share (cents)	**22.12**	36.93
Profit for the year	**44 964**	75 065
Headline earnings per share		
Headline earnings and diluted headline earnings per share (cents)	**21.96**	36.81
Reconciliation between earnings and headline earnings		
Profit for the year	**44 964**	**75 065**
Profit on disposal of property, plant and equipment	**(438)**	**(342)**
Tax effect on adjustments	**123**	**96**
Headline earnings	**44 649**	74 819
Number of share in issue ('000)	**203 277**	203 277
Headline and diluted headline earnings (cents)	**21.96**	36.81
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**	203 276 794
Weighted average number of shares in issue at the end of the year	**203 276 794**	203 276 794

	Group	
	2022 R'000	2021 R'000
23. Cash generated from operations		
Profit before taxation from operations	**58 188**	106 085
Adjustments for:		
Depreciation	**20 357**	24 381
Finance income	**(1 449)**	(224)
Finance costs	**4 122**	6 333
Share-based payment provision	**(2 417)**	7 688
Profit on disposal of property, plant and equipment	**(438)**	(342)
Changes in working capital:		
Inventories	**(85 852)**	(27 155)
Trade and other receivables	**(5 497)**	57 170
Trade and other payables	**117 936**	(21 484)
	104 950	152 452
24. Tax paid		
Balance at beginning of the year	**(3 007)**	5 406
Current tax for the year recognised in profit or loss	**(19 020)**	(28 444)
Balance at end of the year	**5 625**	3 007
	(16 402)	(20 031)

	Group 2022 R'000	Group 2021 R'000
25. Proceeds on disposal of property, plant and equipment		
Profit on disposal of property, plant and equipment	**438**	342
Net book amount of assets disposed of	**5 766**	132
Non-current asset held for disposal	**–**	49
	6 204	523

	Group 2022 R'000	Group 2021 R'000
26. Net debt reconciliation		
Cash and cash equivalents	**133 932**	139 974
Interest-bearing borrowings repayable within one year	**(14 618)**	(13 529)
Interest-bearing borrowings repayable after one year	**(24 038)**	(33 814)
Lease liabilities repayable within one year	**(2 872)**	(1 944)
Lease liabilities repayable after one year	**(2 702)**	(4 574)
Net debt	**89 702**	86 113

Net debt movement reconciliation – Group	Cash and cash equivalents R'000	Interest-bearing borrowings R'000	Lease liabilities R'000	Total R'000
Balance at 1 January 2021	20 745	(43 865)	(9 271)	(32 391)
Cash movements	121 813	16 722	3 549	142 084
Funds advanced	(2 601)	(20 200)	–	(22 801)
Non-cash movement	17	–	(796)	(779)
Balance at 31 December 2021	**139 974**	**(47 343)**	**(6 518)**	**86 113**
Cash movements	**(6 052)**	**11 421**	**2 817**	**8 186**
Funds advanced	**–**	**–**	**(1 244)**	**(1 244)**
Non-cash movement	**10**	**(2 734)**	**(629)**	**(3 353)**
Balance at 31 December 2022	**133 932**	**(38 656)**	**(5 574)**	**89 702**

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

27. Related parties

Relationships

Directors	KH Pon HL Li N Lalla LL Chen YH Yeh M Chong WP Basson DJC Pan (Alternate) SN Yeh (Alternate) J van Rensburg A Smith
Subsidiaries	Anchor Park Investments 48 Proprietary Limited Icembu Services Proprietary Limited Icembu Holdings Proprietary Limited Icembu Cables Proprietary Limited South Ocean Electric Wire Company Proprietary Limited South Ocean Electric Wire Company Namibia Proprietary Limited SOH Calibre International Limited
Associates	Global PE Proprietary Limited Global Pretoria Proprietary Limited Niehoff Electrical Warehouse Proprietary Limited Mwanga Afrika Cables Proprietary Limited

Dividends paid to directors as at 31 December 2022 was as follows:

	2022 R'000	2021 R'000
J van Rensburg	**5 598**	1 229

Related party balances

	Group	
	2022 R'000	2021 R'000
Compensation to directors and other key management		
Salaries and short-term benefits – continuing operations	**10 376**	11 866

Refer to note 12 Share-based payments for details on key management personnel. Refer to note 28 Directors' and prescribed officers' emoluments for details on terminations and post-employment details on key personnel.

28. Directors' and prescribed officers' emoluments

Executive

	Group			
	Salary R'000	Medical group benefit contributions R'000	Provident fund R'000	Total R'000
2022				
A Smith	**4 290**	**143**	**255**	**4 688**
WP Basson	**2 857**	**29**	**110**	**2 996**
	7 147	**172**	**365**	**7 684**
2021				
A Smith (appointed 1 March 2021)	2 922	109	161	3 192
WP Basson	1 937	21	100	2 058
	4 859	130	261	5 250

Non-executive

	Group	
	Directors' fees 2022 R'000	Directors' fees 2021 R'000
Henry KH Pon	**798**	908
HL Li	**434**	464
N Lalla	**573**	546
CF Chen (resigned 27 February 2022)	**20**	244
B Petersen (resigned 12 July 2021)	**–**	44
M Chong	**276**	200
JH Yeh	**220**	192
J van Rensburg	**194**	154
LL Chen (appointed 1 March 2022)	**177**	–
	2 692	2 752

Prescribed officers

2022

Divisional Directors were classified as prescribed officers in 2021. In 2022 the Company discontinued the Divisional Director Designation.

	Group			
	Salary R'000	Medical group benefit contributions R'000	Provident fund R'000	Total R'000
2021				
YB Mahomed (resigned 7 September 2021)	2 899	200	65	3 164
C Govender (resigned 5 May 2021)	1 356	26	57	1 439
	4 255	226	122	4 603

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

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

Directors' interests in share capital

No shares were traded by any director from 31 December 2022 until the date of this report. Refer to note 12 for details of share appreciation rights allocated to the directors during the year.

The interest in the issued share capital of the Company as at 31 December 2022 was as follows:

	Direct beneficial holding	Indirect beneficial holding	Total	Percentage of issued share capital
2022				
J van Rensburg	**–**	**62 205 447**	**62 205 447**	**30.60%**
2021				
J van Rensburg (appointed 10 March 2021)	–	62 205 447	62 205 447	30.60%

29. Interest in subsidiaries

	Issued share capital and percentage held		Shares at cost	Shares at cost
	2022 %	2021 %	**2022 R'000**	2021 R'000
Direct Holdings				
South Ocean Electric Wire Company Proprietary Limited	**100**	100	**712 165**	712 165
Anchor Park Investments 48 Proprietary Limited	**100**	100	**–***	–*
Icembu Services Proprietary Limited	**–**	100	**–***	–*
SOH Calibre International Limited	**100**	100	**–***	–*
Indirect Holdings				
Icembu Holdings Proprietary Limited	**70**	–	**–***	–
Icembu Services Proprietary Limited	**49**	–	**–***	–
Icembu Cables Proprietary Limited	**34**	–	**–***	–
South Ocean Electric Wire Company Namibia (Proprietary Limited)	**100**	–	**–***	–
			712 165	712 165
Less: Dividends received from pre-acquisition profits (prior to 2009)			**(41 550)**	(41 550)
Less: Impairments				
South Ocean Electric Wire Company Proprietary Limited			**(302 290)**	(302 290)
			368 325	368 325

* denotes amounts of less than R1 000

All subsidiaries are incorporated and operate in South Africa with the exception of SOH Calibre International Limited which is incorporated in Hong Kong. All subsidiaries have a 31 December year end.

29. Interest in subsidiaries (continued)

The Group owns 70% equity shares of Icembu Holdings, Icembu Holdings owns 70% equity shares in Icembu Services, and 49% of the equity shares Icembu Cables, collectively known as Icembu. The Directors of the company concluded that the company has control in terms of IFRS 10: "Consolidated Financial Statements" over Icembu, and that they are consolidated in the Group's financial statements due to the following reasons:

- the Group's directors are the only appointees to the Icembu executive board of directors at financial year end;
- Icembu is dependent on South Ocean for providing key management services and vital expertise and the Icembu operations are dependent on South Ocean's key management personnel;
- South Ocean is the only appointee of key management personnel and the Icembu business is run by South Ocean appointed personnel;
- the Group is responsible to secure Icembu's suppliers and customers; and
- the Group's exposure to variable returns disproportionately exceeds the exposure of the other investors due to a significant management fee being charged.

On 10 February 2023 the company exercised its rights in terms of a call option where Icembu Holdings increased its shareholding in Icembu Cables from 49% to 70%. Effectively the company owns 49% of the issued share capital. The financial effect of the increase in ownership is estimated to be R443 438 on non-controlling interest had the call option been exercised before year end for the year ended 31 December 2022.

Summarised financial information of non-wholly-owned subsidiaries:

Summary statement of comprehensive income	Revenue R'000	Interest expense R'000	Tax income/ (expense) R'000	Profit/(loss) from continuing operations R'000	Total compre-hensive income R'000
Icembu Services	42 811	–	–	(150)	(150)
Icembu Cables	–	–	–	(2 112)	(2 112)
	42 811	–	–	(2 262)	(2 262)

Summary statement of financial position	Non-current assets R'000	Cash and cash equivalents R'000	Other current assets R'000	Total current assets R'000	Total assets R'000
Assets					
Icembu Services	5 189	4 312	3 954	8 266	13 455
Icembu Cables	30 953	3	3 277	3 280	34 233
	36 142	4 315	7 231	11 546	47 688

	Non-current liabilities R'000	Total non-current liabilities R'000	Other current liabilities R'000	Total current liabilities R'000	Total liabilities R'000
Liabilities					
Icembu Services	–	–	(13 590)	(13 590)	(13 590)
Icembu Cables	–	–	(36 346)	(36 346)	(36 346)
	–	–	(49 936)	(49 936)	(49 936)

There were no contingent liabilities or commitments in the non-wholly-owned subsidiaries.

There were no unrecognised share of losses realised during the period under review.

The principle place of business for the subsidiaries are in Alrode and Elandsfontein respectively.

No dividends were received from the subsidiaries.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

30. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

	Notes	Group		
		Amortised cost R'000	Total R'000	Fair value R'000
2022				
Trade and other receivables	7	**183 895**	**183 895**	**183 895**
Cash and cash equivalents	8	**133 932**	**133 932**	**133 932**
		317 827	**317 827**	**317 827**
2021				
Trade and other receivables	7	189 311	189 311	189 311
Cash and cash equivalents	8	139 974	139 974	139 974
		329 285	329 285	329 285

Categories of financial liabilities

	Notes	Group		
		Amortised cost R'000	Total R'000	Fair value R'000
2022				
Trade and other payables	13	**192 193**	**192 193**	**192 193**
Interest-bearing borrowings	11	**38 656**	**38 656**	**38 656**
Lease liabilities	4	**5 574**	**5 574**	**5 574**
		236 423	**236 423**	**236 423**
2021				
Trade and other payables	13	86 322	86 322	86 322
Interest-bearing borrowings	11	47 343	47 343	47 343
Lease liabilities	4	6 518	6 518	6 518
Trade and other payables	13	140 183	140 183	140 183

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 disclosed in notes 4 and 11, cash and cash equivalents disclosed in note 8, 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 2022 the gearing ratio was 6.50% (2021: 8.00%). The gearing ratio considers interest-bearing borrowings and decreased as a result thereof.

30. Financial instruments and risk management (continued)

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)

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 Board of Directors.

Credit risk

Potential concentrations of credit risk consist primarily of cash and cash equivalents 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 24.00% (2021: 29.00%) 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 7.

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 20% of trade receivables within their credit limit and 100% of trade receivables in excess of their approved limits. 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: First National Bank 99% (2021: 95%) and HSBC Hong Kong 1% (2021: 5%).

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					
		2022			2021		
	Notes	**Gross carrying amount R'000**	**Credit loss allowance R'000**	**Amortised cost/ fair value R'000**	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/ fair value R'000
Trade and other receivables	7	**187 040**	**(3 145)**	**183 895**	191 648	(2 337)	189 311
Cash and cash equivalents	8	**133 932**	**–**	**133 932**	139 974	–	139 974
		320 972	**(3 145)**	**317 827**	331 622	(2 337)	329 285

Notes to the Annual Financial Statements (continued)

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30. 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 to meet short-term obligations as they become due and payable. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

	Group			
	2022		2021	
	Credit limit R'000	Balance utilised R'000	Credit limit R'000	Balance utilised R'000
Counter-party				
First National Bank – Overdraft	**(229 000)**	**–**	(250 000)	–

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	Over 5 years R'000	Total R'000	Carrying amount R'000
2022							
Non-current liabilities							
Interest-bearing borrowings	11	**–**	**9 245**	**10 052**	**11 998**	**36 404**	**24 038**
Lease liabilities	4	**–**	**2 876**	**–**	**–**	**2 876**	**2 702**
Current liabilities							
Trade and other payables	13	**192 193**	**–**	**–**	**–**	**192 193**	**192 193**
Interest-bearing borrowings	11	**17 729**	**–**	**–**	**–**	**17 729**	**14 618**
Lease liabilities	4	**2 872**	**–**	**–**	**–**	**2 872**	**2 872**
		212 794	**12 121**	**10 052**	**11 998**	**249 198**	**236 423**
2021							
Non-current liabilities							
Interest-bearing borrowings	11	–	16 336	12 428	9 998	38 762	33 814
Lease liabilities	4	–	3 032	1 903	–	4 935	4 574
Current liabilities							
Trade and other payables	13	86 322	–	–	–	86 322	86 322
Interest-bearing borrowings	11	17 756	–	–	–	17 756	13 529
Lease liabilities	4	1 944	–	–	–	1 944	1 944
		106 022	19 368	14 331	9 998	149 719	140 183

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 raw copper 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.

The Group does not hedge foreign currency risk.

At 31 December 2022, if the currency had weakened/strengthened against the United States Dollar by 2.00% (2021: 2.00% USD) with all other variables held constant, (loss)/profit after tax would have decreased/increased by R21 437 (2021: R11 839 975), mainly as a result of foreign exchange gains/losses on translation of trade payables.

At 31 December 2022, if the currency had weakened/strengthened against the Hong Kong Dollar by 2.00% (2021: 2.00% HKD) with all other variables held constant, (loss)/profit after tax would have decreased/increased by R17 021 (2021: R4 018), mainly as a result of foreign exchange gains/losses on translation of trade payables and cash and cash equivalents.

30. Financial instruments and risk management (continued)

Currency exposure

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

	Notes	Group 2022 R'000	Group 2021 R'000
US Dollar			
Current assets:			
Trade and other receivables	9	**1 906**	–
Current liabilities:			
Trade and other payables	13	**(417)**	(11 723)
Net US Dollar exposure		**1 489**	(11 723)
Hong Kong Dollar exposure			
Current assets:			
Cash and cash equivalents	8	**1 182**	6 563
Current liabilities:			
Trade and other payables	13	**–**	(5 458)
Net Hong Kong Dollar exposure		**1 182**	1 105
Euro exposure			
Current assets:			
Trade and other receivables	9	**6 726**	–
Net Euro exposure		**6 726**	–
Net exposure to foreign currency in Rand		**9 397**	(10 618)

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 as well as cash and cash equivalents. Borrowings, cash balances and leasing arrangements 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 11.

All Group borrowings are denominated in Rands. The Group is 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 profit after tax will decrease/increase by R556 647 (2021: R681 739).

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

31. Segment reporting

The Group is organised into two main business segments:

- Electrical cable manufacturing – manufacturing and distribution of electric cables and wire (SOEW, Icembu Cables, Icembu Services); and
- Property investments (Anchor Park).

The activities of other Group companies are not significant enough and do not warrant to be regarded as a segment on their own and are reported together with 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 intercompany management fees and the effect of non-recurring expenditure from the operating segments, such as profit on disposal of property, plant and equipment and impairments. Earnings are defined as the operating profits. The reported total assets and liabilities exclude current and deferred taxation and intercompany balances.

The details of the business segments are reported as follows:

	Group			
	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
2022				
Electrical cable manufacturing	**1 911 039**	**84 712**	**819 869**	**296 158**
Property investments	**21 344**	**18 067**	**137 135**	**30 554**
	1 932 383	**102 779**	**957 004**	**326 712**
2021				
Electrical cable manufacturing	2 001 091	140 303	702 034	192 080
Property investments	21 321	22 502	133 251	37 588
	2 022 412	162 805	835 285	229 668

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

Segment liabilities comprises operating liabilities and exclude taxes and any inter-group liabilities existing at reporting date.

Corporate assets and liabilities incorporates the assets and liabilities of South Ocean Holdings Limited and SOH Calibre International which comprise receivables, payables and cash balances.

31. Segment reporting (continued)

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

	Group	
	2022 R'000	2021 R'000
Revenue		
Reportable segment revenue	**1 932 383**	2 022 412
Inter-segment revenue	**(59 228)**	(20 866)
Revenue per statement of profit or loss and other comprehensive income	**1 873 155**	2 001 546
EBITDA		
Adjusted EBITDA	**102 779**	162 805
Corporate and other overheads	**(10 454)**	(4 792)
Depreciation	**(17 675)**	(24 381)
Inter-segment eliminations	**(13 790)**	(21 438)
Operating profit per consolidated statement of profit or loss and other comprehensive income	**60 860**	112 194
Operating profit	**60 860**	112 194
Finance income	**1 449**	224
Finance costs	**(4 122)**	(6 333)
Profit before taxation per consolidated statement of profit or loss and other comprehensive income	**58 187**	106 085
Assets		
Reportable segment assets	**957 004**	835 285
Corporate and other assets	**4 672**	12 319
Current tax receivable	**–**	–
Deferred tax	**1 210**	583
Inter-segment eliminations	**(77 413)**	(92 729)
Total assets per statement of financial position	**885 473**	755 458
Liabilities		
Reportable segment liabilities	**326 712**	229 668
Corporate and other liabilities	**10 564**	16 001
Current tax payable	**5 625**	3 007
Deferred tax	**19 995**	25 165
Inter-segment eliminations	**(71 356)**	(85 637)
Total liabilities per statement of financial position	**291 540**	188 204

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 850 159 731 (2021: R1 994 688 989) and earned from other countries is R22 995 269 (2021: R6 857 285). Revenue of 24% (2021: 29%) 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 R243 627 926 (2021: R206 948 527) and the total of these non-current assets located in other countries is Rnil (2021: Rnil).

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

32. Going concern

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

At 31 December 2022, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of 12 months. Various scenarios have been considered to test the Group's resilience against operational risks.

Management has concluded that the Group's ability to continue to meet its financial obligations as they fall due is dependent on the Group's ability to continue to improve its performance, and/or the Group's bankers, First National Bank, renewing the Group's working capital facilities (refer note 8). Each of these matters present a risk to the Group remaining as a going concern.

Management 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.

The Group has short-term borrowings to the value of R14.6 million (2021: R13.5 million) as disclosed in note 11 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R229 million (2021: R250 million). The facility is due for renewal during May 2023.

The directors perform a property valuation every three years, with the latest independent valuation having been performed in 2020. The market valuation of the properties was in excess of the carrying value at the time. The properties are stated at historical cost less accumulated depreciation and accumulated losses in line with the Group's accounting policy.

33. Events after the reporting period

On 10 February 2023 the company exercised its rights in terms of a call option where Icembu Holdings increased its shareholding in Icembu Cables from 49% to 70%. Effectively the company owns 49% of the issued share capital. The financial effect of the increase in ownership is estimated to be R443 438 on non-controlling interest had the call option been exercised before year end for the year ended 31 December 2022.

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Annual Financial Statements.

	Group	
	2022 R'000	2021 R'000
34. Dividends per share		
Dividends recommended (R'000)	**12 197**	18 295
Number of shares in issue ('000)	**203 277**	203 277
Dividend per share (cents)	**6.00**	9.00

A final dividend of 6.00 cents per share was approved at the board meeting of the Company held on 15 March 2023. In compliance with IAS 10: "Events after reporting date", the annual financial statements do not reflect this dividend. This dividend will only be accounted for in the financial statements for the year ending 31 December 2023.

35. Investment in associates

The following amounts represent the Group's share of the aggregate carrying amount of the assets and liabilities and income and expenses in the associates:

Name of company	% Ownership interest	% Ownership interest	Carrying amount	Carrying amount
Global PE Proprietary Limited	30	–	–*	–
Global Pretoria Proprietary Limited	30	–	–*	–
Niehoff Electrical Warehouse Proprietary Limited	25	–	–*	–
Mwanga Afrika Cables Proprietary Limited	30	–	–*	–

* denotes amounts of less than R 1 000

All associates are incorporated and operate in South Africa with the exception of Niehoff Electrical Warehouse which is incorporated in Namibia.

Summarised financial information of associates

Group – 2022

Summary statement of comprehensive income	Revenue R'000	Interest expense R'000	Tax income/ (expense) R'000	Profit/(loss) R'000	Total compre-hensive income R'000
Global PE Proprietary Limited	**25 865**	**–**	**(170)**	**559**	**559**
Global Pretoria Proprietary Limited	**35 774**	**–**	**(117)**	**380**	**380**
Niehoff Electrical Warehouse Proprietary Limited	**14 502**	**–**	**468**	**(1 340)**	**(1 340)**
Mwanga Afrika Cables Proprietary Limited	**–**	**–**	**–**	**–**	**–**
	76 141	**–**	**181**	**(401)**	**(401)**

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2022

35. Investment in associates (continued)

Summary statement of financial position	Non-current assets R'000	Cash and cash equivalents R'000	Other current assets R'000	Total current assets R'000	Total assets R'000
Assets					
Global PE Proprietary Limited	15 623	4 026	14 669	18 695	34 318
Global Pretoria Proprietary Limited	268	3 028	15 632	18 660	18 928
Niehoff Electrical Warehouse Proprietary Limited	207	1 244	14 532	15 776	15 983
Mwanga Afrika Cables Proprietary Limited	–	–	–	–	–
	16 098	8 298	44 833	53 131	69 229

	Non-current liabilities R'000	Total non-current liabilities R'000	Other current liabilities R'000	Total current liabilities R'000	Total liabilities R'000
Liabilities					
Global PE Proprietary Limited	–	–	(33 707)	(33 707)	(33 707)
Global Pretoria Proprietary Limited	–	–	(18 512)	(18 512)	(18 512)
Niehoff Electrical Warehouse Proprietary Limited	(8 584)	(8 584)	(8 856)	(8 856)	(17 440)
Mwanga Afrika Cables Proprietary Limited	–	–	–	–	–
	(8 584)	(8 584)	(61 075)	(61 075)	(69 659)

There were no contingent liabilities or commitments in the associates.

There were no unrecognised share of losses realised during the period under review.

The associates are outlets, established for the sale and distribution of house wire.

The principle place of business for the associates are in Gqeberha, Pretoria, Windhoek and Alrode respectively.

No dividends were received from the associates.

Analysis of Ordinary Shareholders

as at 31 December 2022

Shareholder spread	Number of shareholder accounts	% of total shareholder accounts	Number of shares	% of issued shares
1 – 1 000	1 906	83.67%	202 968	0.10%
1 001 – 10 000	212	9.31%	884 127	0.44%
10 001 – 100 000	114	5.00%	4 472 451	2.20%
100 001 – 1 000 000	36	1.58%	11 474 670	5.64%
Over 1 000 000	10	0.44%	186 242 578	91.62%
Total	2 278	100.00%	203 276 794	100.00%

Shareholder types	Number of shareholder accounts	% of total shareholder accounts	Number of shares	% of issued shares
Banks, Brokers & Nominees	5	0.22%	7 410	0.00%
Close Corporations	5	0.22%	533 720	0.26%
Collective Investment Schemes	3	0.13%	8 401 789	4.13%
Non-SA Custodians	2	0.09%	4 943 506	2.43%
NPO & Charity Funds	1	0.05%	20	0.00%
Pooled & Mutual Funds	1	0.05%	273 277	0.14%
Private Companies	16	0.70%	62 552 408	30.77%
Public Companies	3	0.13%	103 541 805	50.94%
Retail Individuals	2 212	97.10%	17 275 608	8.50%
Retirement Benefit Funds	5	0.22%	1 899 471	0.94%
Trusts & Investment Partnerships	25	1.10%	3 847 780	1.89%
Total	2 278	100.00%	203 276 794	100.00%

Key shareholders	Number of shareholder accounts	% of total shareholder accounts	Number of shares	% of issued shares
Non-public shareholders	4	0.18%	159 524 622	78.47%
Beneficial Holders > 10%	2	0.09%	97 319 175	47.88%
Directors and Associates (Indirect Holdings)	2	0.09%	62 205 447	30.60%
Directors and Associates (Direct Holdings)	0	0.00%	0	0.00%
Public Shareholders	2 274	99.82%	43 752 172	21.53%
Total	2 278	100.00%	203 276 794	100.00%

Beneficial shareholders holding > 3% of issued shares	Number of shares	% of issued shares
Joseph Investments (Pty) Ltd	62 118 517	30.56%
Hong Tai Electric Industrial Co Ltd	56 270 187	27.68%
Metallic City International Ltd	41 048 988	20.19%
Ninety One	7 624 507	3.75%
Moneywin International Ltd	6 222 630	3.06%
Total	173 284 829	85.24%

Fund managers holding > 3% of issued shares	Number of shares	% of issued shares
Ninety One	10 348 496	5.09%
Total	10 348 496	5.09%

Shareholders by country	Number of shares	% of issued shares
South Africa	90 021 176	44.29%
Taiwan, Province of China	60 943 609	29.98%
Virgin Islands, British	47 271 618	23.26%
United States	4 186 714	2.06%
Luxembourg	756 792	0.37%
Australia	60 839	0.03%
Botswana	29 898	0.01%
Zimbabwe	3 000	0.00%
Namibia	2 128	0.00%
Other	1 020	0.00%
	203 276 794	100.00%

Analysis of Ordinary Shareholders (continued)

as at 31 December 2022

Non-public shareholder type

Strategic shareholders (>10%)	**Account**	Shares	%
Hong Tai Electric Industrial Co Ltd	Hong Tai Electric Industrial Co Ltd	56 270 187	27.68%
Metallic City International Ltd	Metallic City International Ltd	41 048 988	20.19%
		97 319 175	47.88%

Directors and associates	**Account**	Shares	%
Joseph Investments (Pty) Ltd	Joseph Investments Proprietary Limited	62 118 517	30.56%
J van Rensburg		89 930	0.04%
		62 205 447	30.60%
Non-public shareholder totals		159 524 622	78.47%

Share price performance	Indicator
Opening Price 3 January 2022	R1.29
Closing Price 30 December 2022	R1.21
High for period (12 and 13 January 2022)	R1.74
Low for period (28 and 29 July 2022 and 1 August 22 and 25 October 2022)	R0.91
Number of shares in issue	203 276 794
Volume traded during period	19 065 511
Ratio of volume traded to shares issued	9.38%
Rand value traded during the period	R24 459 865
Dividend yield as at 30 December 2022	7.912
Earnings yield as at 30 December 2022	38.549
Price / Earnings Ratio as at 30 December 2022	2.590
Market capitalisation at 30 December 2022	R245 964 921

Notice of the Annual General Meeting

for the year ended 31 December 2022

Notice is hereby given that the Annual General Meeting of shareholders of South Ocean Holdings Limited ("SOH" or "the Company") will be held virtually on Wednesday, 26 July 2023 at 11:00. The Annual General Meeting will be conducted entirely by electronic communication as contemplated in Section 63 (2) 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).

	2023
Record date for determining those shareholders entitled to receive the notice of AGM	Friday, 21 April
Last day to trade to be eligible to participate in, and vote at the AGM	Tuesday, 18 July
Record date (for voting purposes at the AGM)	Friday, 21 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 2022, 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 PwC be and are hereby re-appointed auditors of the Company and that Ms S Akoojee 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 PwC as auditors of the Company with Ms S Akoojee being appointed as the designated auditor for the current financial year.

3. ORDINARY RESOLUTION NUMBER 3

Re-election of Ms N Lalla as a director

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

The curriculum vitae for Ms N Lalla appears on page 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

Appointment of Audit and Risk Management Committee member

Resolved that Ms N Lalla be appointed a member of the Company's Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

6. ORDINARY RESOLUTION NUMBER 6

Appointment of Audit and Risk Management Committee member

Resolved that Mr M Chong be appointed a member of the Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

7. ORDINARY RESOLUTION NUMBER 7

Appointment of Audit and Risk Management Committee member

Resolved that Mr KH Pon be appointed a member of the Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

Notice of the Annual General Meeting (continued)

for the year ended 31 December 2022

8. ORDINARY RESOLUTION NUMBER 8

Remuneration Report and Implementation Report

Section 3.84(k) of the JSE Listings Requirements require the Company to submit its Remuneration Report and Implementation Report every year to shareholders for consideration and to provide shareholders with an opportunity to indicate whether they do or do not support the material provisions of the Remuneration Report and policy of the Company and the implementation thereof. Shareholders are referred to the Remuneration Report and the Implementation Report set out on pages 37 to 40 of the Integrated Annual Report.

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

8.1 Ordinary resolution number 8.1

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

8.2 Ordinary resolution number 8.2

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

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 37 of the annual report, for the financial year ended 31 December 2022, will be tabled at the Annual General Meeting.

9. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' fees for the financial year ending 31 December 2023 and quarters ending 31 March 2024 and 30 June 2024

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 2023 and the quarters ending 31 March 2024 and 30 June 2024 (being two quarters of the fees payable for the year ending 31 December 2023) be approved as follows:

	31 December 2023
• Chairperson	R638 977.00
• Deputy Vice Chairperson	R368 627.00
• Non-Executive Director	R212 993.00
• Chairperson of the Audit Committee	R319 487.00
• Member of the Audit Committee	R69 026.00
• Chairperson of the Remuneration Committee	R98 239.00
• Member of the Remuneration Committee	R69 026.00
• Chairperson of the Social and Ethics Committee	R98 239.00
• Member of Social and Ethics Committee	R69 026.00
• Chairperson of Special Committees	R4 142.00 per hour
• Member of Special Committees	R2 486.00 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 2023 and for the quarters ending 31 March 2024 and 30 June 2024 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify, if necessary, the fees payable to the directors for the quarters ended 31 March 2023 and 30 June 2023. 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 2023 and quarters ending 31 March 2024 and 30 June 2024 as well as confirming and ratifying, if necessary, the increase in fees paid to the directors for the quarters ended 31 March 2023 and 30 June 2023. The fees payable for the quarters ending 31 March 2024 and 30 June 2024 will be based on a quarter of the fees as approved above. Shareholders will be requested to approve, if necessary, any adjustment to the fees payable for the quarters ending 31 March 2024 and 30 June 2024 at the 2023 Annual General Meeting.

Notice of the Annual General Meeting (continued)

for the year ended 31 December 2022

10. SPECIAL RESOLUTION NUMBER 2

Loans or other financial assistance

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

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

11. ORDINARY RESOLUTION NUMBER 9

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

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

12. SOCIAL AND ETHICS COMMITTEE

A report on the Social and Ethics Committee, in terms of Regulation 43 of the Companies Act, 2008, has been included in the annual report (page 27). 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 6;
- the major shareholders of the Company on page 109;
- the directors' shareholding in the Company on page 98; and
- the share capital of the Company in note 10 on page 87.

There are no other material changes to the Company's financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Company between 31 December 2022 and 17 March 2023.

The directors, whose names are given on pages 4 to 6 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, 21 July 2023, then:

- You may 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 participate in and speak and vote in your place at the Annual General Meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover of the annual report. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the Annual General Meeting.

Any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Section 63(1) of the 2008 Companies Act, requires that persons wishing to participate at 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.

Notice of the Annual General Meeting (continued)

for the year ended 31 December 2022

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

17 March 2023

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 Wednesday, 26 July 2023. Shareholders listed in the shareholder register as at Friday, 21 July 2023 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 afore mentioned representative) provide satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We

Address:

Contact telephone number:

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

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the Annual General Meeting,

as my/our proxy to participate in and speak and vote at the meeting in my/our place and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below.

My/our proxy may delegate to another person his/her authority to act on my behalf at the Annual General Meeting, provided that my/our proxy:

- May only delegate his/her authority to act on my behalf at the Annual General Meeting to a director of the Company; and
- Must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the Annual General Meeting; and
- Must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my behalf at the Annual General Meeting.

Number of votes (one vote per ordinary share)		For	Against	Abstain
Ordinary resolution number 1:	Approval of Annual Financial Statements			
Ordinary resolution number 2:	Appointment of the auditors and designated auditor			
Ordinary resolution number 3:	Re-election of Ms N Lalla as a director			
Ordinary resolution number 4:	Re-election of Mr JH Yeh as a director			
Ordinary resolution number 5:	Appointment of Audit and Risk Management Committee member Ms N Lalla			
Ordinary resolution number 6:	Appointment of Audit and Risk Management Committee member Ms M Chong			
Ordinary resolution number 7:	Appointment of Audit and Risk Management Committee member Mr KH Pon			
Ordinary resolution number 8.1:	Approval of Remuneration Report			
Ordinary resolution number 8.2:	Approval of Implementation Report			
Special resolution number 1:	Approval of non-executive directors' fees for financial year ending 31 December 2023 and quarters ending 31 March 2024 and 30 June 2024			
Special resolution number 2:	Approval of loans or other financial assistance to related or inter-related companies			
Ordinary resolution number 9:	Directors' and Company Secretary's authority to implement ordinary and special resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote.

Signed at on 2023

Signature:

(Authority of signatory to be attached if applicable – see note 8)

Telephone number:

Notes to the form of proxy

for the year ended 31 December 2022

Summary of shareholders' rights in respect of proxy appointments as contained in section 58 of the Companies Act, 2008

Please note that in terms of section 58 of the Companies Act, 2008:

- This proxy form must be dated and signed by the shareholder appointing the proxy;
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at the Annual General Meeting on your behalf;
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- This proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing or, by making a later 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 participate 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 six months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

1. Only shareholders listed in the shareholder register as at Friday, 21 July 2023 will be eligible to participate and vote at the Annual General Meeting to which this proxy forms part.
2. The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to participate as a proxy to the exclusion of those whose names which follow thereafter.
3. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Proxy forms must be lodged at the Head Office of the Company, 16 Botha Street, Alrode, 1451 or posted to the Company Secretary at PO Box 260362, Excom, 2023, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107, South Africa).
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialed by the signatory/ies.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

General information

COMPANY REGISTRATION NUMBER
2007/002381/06

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Holding company with interest in electrical wire manufacturing and property investment

DIRECTORS
KH Pon *(Chairperson)*
HL Li *(Deputy Vice Chairperson)*
A Smith *(Chief Executive Officer)*
WP Basson *(Chief Financial Officer)*
LL Chen
M Chong
N Lalla
J van Rensburg
JH Yeh
DJC Pan (alternate)
SN Yeh (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.

SPONSOR
AcasiaCap Advisors Proprietary Limited

SECRETARY
WT Green

LEVEL OF ASSURANCE
These Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008 of South Africa.

PREPARER
The Annual Financial Statements were internally compiled by:
WP Basson CA(SA)
Group Chief Financial Officer

ISSUED
17 March 2023

Shareholders' diary

2022 FINANCIAL YEAR-END
Annual General Meeting	26 July 2023

FINANCIAL YEAR-END
Financial year-end	31 December

REPORTS
Interim Report – 2023	August 2023
Final Report – 2023	March 2024
Publication of Integrated Annual Report – 2023	April 2024

DIVIDEND
Final	April 2023

2023 FINANCIAL YEAR-END
Annual General Meeting	July 2024