South Ocean HOLDINGS

INTEGRATED ANNUAL REPORT

for the year ended 31 December

2016

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ABOUT THIS REPORT

South Ocean Holdings Limited is pleased to present its Integrated Annual Report for the year ended 31 December 2016.

KEY DATA

South Ocean Holdings Limited

(Registration number 2007/002381/06)

Incorporated in the Republic of South Africa ("**South Ocean Holdings**" or "**the Group**" or "**the Company**")

Share code: SOH

Listing date: 2007

Sector: Electronic and Electrical Equipment

ISIN: ZAE000092748

The Integrated Annual Report reflects a holistic account of all relevant and material financial and non-financial activities of South Ocean Holdings and its subsidiaries, to enable stakeholders to evaluate the Group's business performance and impact in society against it strategic objectives and business model. In this regard, our main focus is to provide a complete analysis of Group's activities to satisfy the information needs of key stakeholders that use the Integrated Annual Report. In addition, the report highlights the risks, opportunities and challenges facsed by the Group in the normal course of its business while outlining the Group's governance, environmental and social footprint. The report is primarily targeted at all our stakeholders, including, but not limited to, shareholders, staff, investors and regulators.

Issues that are not considered material to our business are not discussed in this report.

SCOPE AND BOUNDARY OF THE REPORT

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

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

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

CORPORATE INFORMATION

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

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

BASIS OF PRESENTATION

This report has been prepared in terms of:

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

ASSURANCE

The Company's external auditor, for the year ended 31 December 2016, PricewaterhouseCoopers Inc., has provided assurance on the financial statements and expressed an unqualified audit opinion. The financial statements have been prepared under the supervision of Ms Kabelo Lehloenya the Chief Financial Officer ("CFO") of South Ocean Holdings. The content of the Integrated Annual Report has been reviewed by the Board but has not been externally assured.

The complete set of the Company and Consolidated Financial Statements for the year ended 31 December 2016 is available for inspection at 16 Botha Street, Alrode.

FORWARD-LOOKING STATEMENTS

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

STATEMENT OF RESPONSIBILITY

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

Henry Pon CA (SA)
Chairman

Koos Bekker CA (SA)
Chief Executive Officer

Melanie Chong CA (SA)
Audit and Risk Management Committee Chairperson

AT A GLANCE

Contribution to Group revenue

SOEW

R1 432,9 MILLION

Radiant Group

R343,5 MILLION

Contribution to Group results

SOEW

R5,8 MILLION (loss)

Radiant Group

R18,5 MILLION (loss)

OUR GROUP

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

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

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

INVESTMENT CASE

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

OUR VISION

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

OUR MISSION

- To maximise profitability of our subsidiaries through strategic management to deliver excellent returns to our shareholders
- To respond to changing market dynamics, extracting cost efficiencies and focusing on growing our main businesses in established and new markets
- To manufacture, import and supply consistent high quality standard products to the market
- To provide excellent customer service To create an environment that develops our employees to attain their true potential.

OUR COMPANY STRUCTURE

South Ocean Holdings Limited

South Ocean HOLDINGS

100% South Ocean Electric Wire Company Proprietary Limited

100% Anchor Park Investments 48 Proprietary Limited

100% Icembu Services Proprietary Limited

100% Radiant Group Proprietary Limited

What4 Electronics

STRATEGIC MILESTONES

1989
SOEW established in King Williams Town, Eastern Cape

1990
Radiant established

1993
Radiant starts importing light fittings

1994
Hong-Tai Electric Industrial Co. Ltd. (Taiwan) becomes a major shareholder of SOEW

2000
Radiant diversified into the lamp business in joint venture with Lohuis

2001
SOEW relocated manufacturing plant to Alrode

2005
Radiant diversified into electrical products

2007
South Ocean Holdings lists on the JSE

South Ocean Holdings acquires Radiant Group

2008
SOEW starts exporting to Africa

2009
South Ocean Holdings revenue exceeds R1 billion

SOEW achieves ISO 9001:2008

2014
Radiant diversify into audio visual hardware and accessories under What 4 Electronics

2016
South Ocean Holdings showed tangible commitment to transformation by hiring the first African female executive

OUR FOOTPRINT

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

VALUES

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

CUSTOMER EXCELLENCE

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

OUR EMPLOYEES

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

INTEGRITY AND ETHICS

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

CORPORATE RESPONSIBILITY

- Contribute to the improvement of communities in our surrounding areas
- Utilise business practices that minimise any potential harmful impact on the environment

EMPOWERMENT

- Equal opportunities to grow in a supportive environment

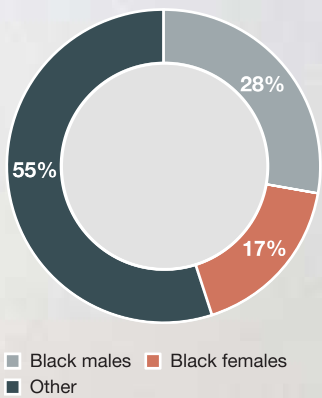
ACHIEVEMENTS

- SOEW achieved **highest production volumes;**
- Radiant **grew revenue** after three successive years of declining revenue; and
- Continued contribution to **Socio-Economic Development and Enterprise Development** despite poor performance

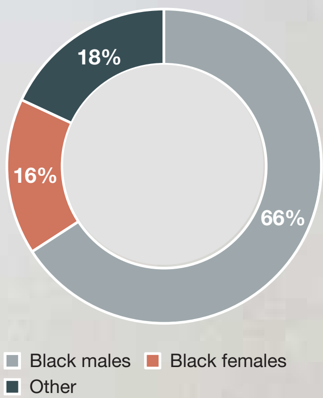
TRAINING DURING 2016

- **Number of learners on learnerships**
  22 previously disadvantaged disabled learners
  32 unemployed disabled people
- **Cost of learnerships**
  R3.5 million over two years
- **Training spend**
  Total spend on training and development for the year – **R1.9 million**

Managers



Permanent employees



OUR STRATEGY

EFFECTIVE STRATEGY TO VALUE CREATION

The three pillars of our strategy are designed to deliver earnings and growth for all our stakeholders. We continually monitor our progress, benchmarking our performance against our key financial and non-financial performance indicators. Underpinning this is a commitment to good corporate governance, a responsible approach to risk management and dedication to taking care of our employees. Overall, South Ocean Holdings aims to make a positive contribution to the environment and communities in which it operates.

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

OUR TOP THREE STRATEGIC IMPERATIVES

ENSURING SUSTAINABLE RETURNS FOR OUR STAKEHOLDERS

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

TO BE A FORMIDABLE PLAYER IN THE CABLE MANUFACTURING, LIGHT FITTINGS, LAMPS, ELECTRICAL ACCESSORIES AND ELECTRONICS MARKET

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

DEVELOP A GLOBALLY COMPETITIVE BUSINESS

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

TOP RISKS

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

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

FEATURES DURING THE YEAR

OUR OPERATING CONTEXT

The macro-economic backdrop:

- Slow global **economic recovery**;
- Slow **economic growth**;
- **Commodity prices**;
- Volatile **foreign currency** movements;
- Increasing **inflation**; and
- Increasing **interest rates**.

Features that influence our business

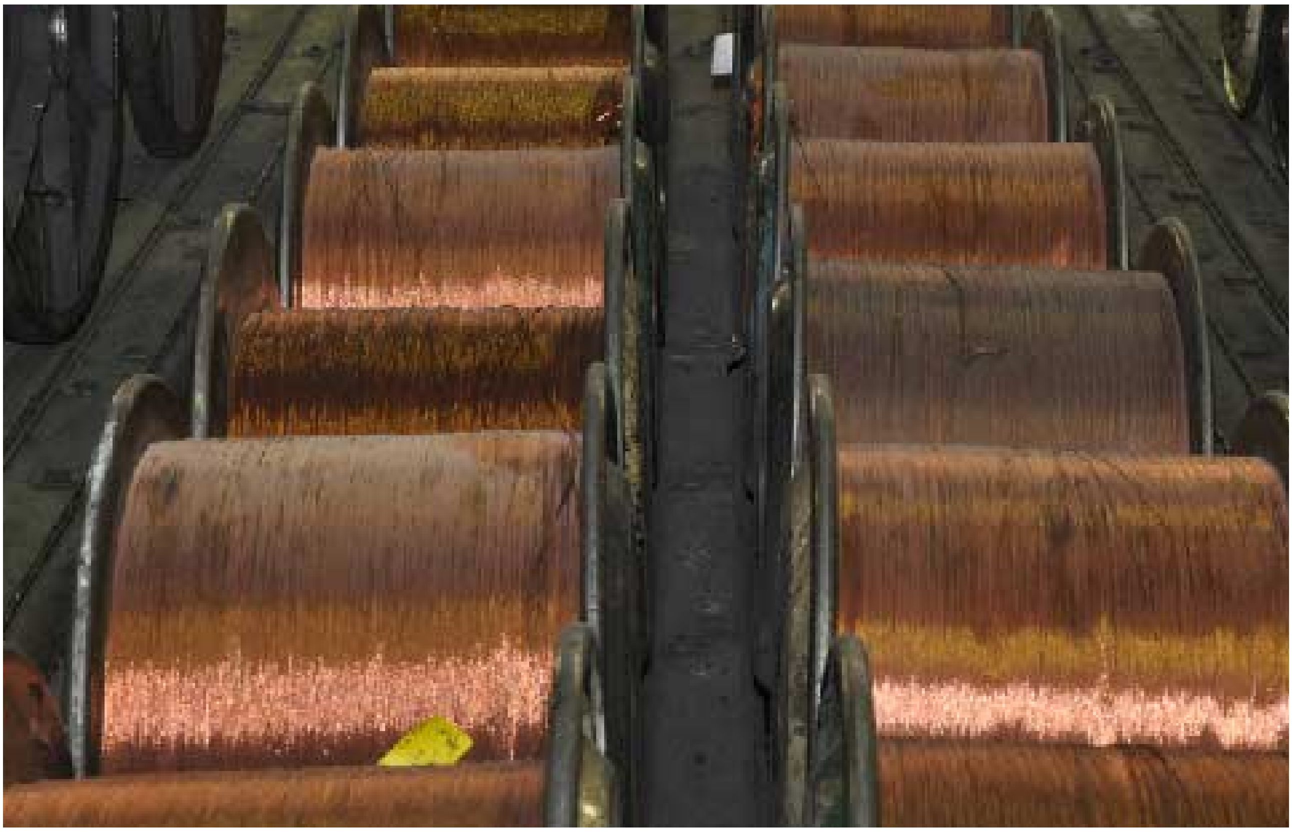
- Volatility in the **Rand Copper Price**;
- Increasing cost of **raw materials**;
- **Depressed manufacturing**, construction wholesale and retail and mining sectors;
- Worsening **disposable income**; and
- **Increased costs** of imported products driven by volatile exchange rate.

RESILIENCE IN ACTION

Group revenue
R1.777 billion
up 7.2%

Gross profit
R153.7 million
down 2.7%

Operating loss
R31.8 million
up by R32.3 million



BOARD OF DIRECTORS

EXECUTIVE

Jacobus (Koos) Petrus Bekker (60)

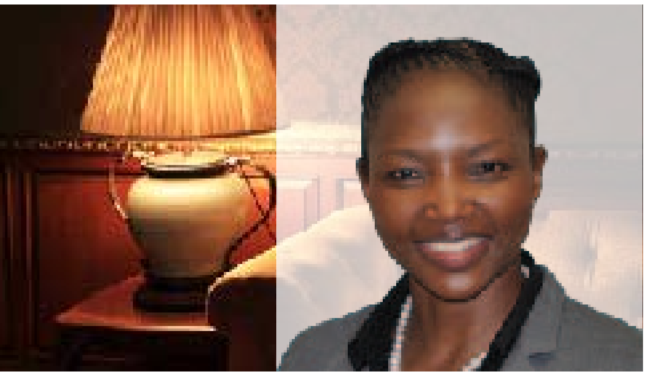
BCom, BCom (Hons), CA (SA)

Chief Executive Officer

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

Board committee: Social and Ethics

With effect from August 2016 Koos was appointed the Chief Executive Officer ("CEO") of South Ocean Holdings. Koos brings a wealth of experience to the position gained as an acting CEO from September 2015 until August 2016, and from industry insight attained as the Chief Financial Officer of the Group from February 2007 until August 2016, a position which he held for nine years, before being appointed CEO of the Group. Koos also held the position of CEO of Radiant from August 2009 until July 2010. He joined SOEW in July 2001 as Administration and Financial Operational Manager. Koos entered the accounting profession in 1978 and was appointed audit partner in 1986. He served as an audit partner with a medium-sized firm and also one of the big four firms during his career as an auditor. He left the auditing profession in 1997 and opened a stock broking firm in the Eastern Cape. He qualified as a stock broker in 1999 and was a member of the South African Institute of Stock Brokers until 2001. Koos is a member of the South African Institute of Chartered Accountants.



EXECUTIVE

Mantsu Kabelo Lehloenya (37)

BCom, BCom (Hons), CA (SA)

Chief Financial Officer

Appointed: Chief Financial Officer effective August 2016.

Board committee: Social and Ethics

With effect from August 2016 Kabelo was appointed the Chief Financial Officer ("CFO") of South Ocean Holdings. She started her career at one of the big four accounting firms in January 2006. She left the public accounting profession to join the finance department of a state-owned entity. She has also led the Internal Audit department of a multi-national pharmaceutical company. Kabelo has valuable experience in finance, tax, auditing, accounting and risk management. Kabelo is a member of the South African Institute of Chartered Accountants.

INDEPENDENT NON-EXECUTIVE

Kwok Huen (Henry) Pon (80)

BCom (Rand), CA (SA)

Independent Non-Executive Chairman

Appointed: November 2007; Chairman effective April 2014.

Board committees: Audit and Risk Management; Remuneration and Nominations (Chairman)

Henry has been in public practice as a Chartered Accountant since 1962 and is still active in the accounting and auditing field. During his many years of practice, Henry has had exposure to the different fields of commerce and industry and has gained extensive experience in finance, tax, auditing, accounting and management. Throughout his career he has audited public companies at the highest level. He is a member of the South African Institute of Chartered Accountants and Independent Regulatory Board for Auditors. The Board has assessed Henry's independence and concluded that it was neither affected nor impaired by the length of his service.

BOARD OF DIRECTORS CONTINUED

INDEPENDENT NON-EXECUTIVE

Melanie Chong (40)

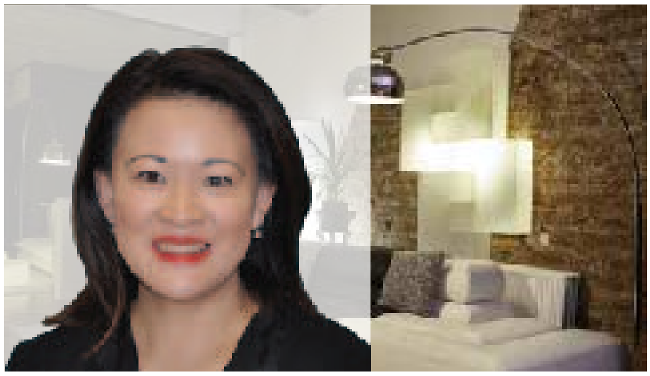
BCom, BCom (Hons), CA (SA)

Independent Non-Executive Director

Appointed: April 2010; Chairperson of Audit and Risk Committee, Social and Ethics Committee and Remuneration Committee effective April 2014.

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

Over the past 11 years Melanie has worked predominantly in the financial services sector. She was the corporate governance officer at a listed company. She also started her own business and partnered with other owner-managed businesses in the consulting, accounting, luxury accessories and recruitment industries. She was the vice-president of the Business Women's Association of South Africa. Melanie is a member of the South African Institute of Chartered Accountants.



INDEPENDENT NON-EXECUTIVE

Natasha Lalla (42)

BCom, BCom (Hons), CA (SA)

Independent Non-Executive Director

Appointed: June 2014.

Board committee: Audit and Risk Management

Natasha started her career as an auditor at one of the big four accounting firms in January 1998. She left the public accounting profession to work as a finance manager in a treasury environment for one of the big four banks in South Africa and is currently working as a Head of Audit in the internal audit division specialising in corporate and investment banking. During her many years of practice and exposure to the financial services industry, she has gained extensive experience in finance, banking, auditing, accounting and risk management practices. Natasha is a member of the South African Institution of Chartered Accountants and the Institute of Internal Auditors South Africa.

INDEPENDENT NON-EXECUTIVE

Jen-Hao (Kevin) Yeh (43)

Bachelor of Science (Actuarial Science), Diploma in Actuarial Techniques, Certificate in Finance and Investments, Post-graduate Diploma in Financial Planning

Independent Non-Executive Director

Appointed: February 2016.

Board committee: None

Kevin is the owner and Financial Advisor of Daberistic Financial Services. He was previously employed as a Life Reinsurance Manager at Munich Reinsurance Company of Africa (Pty) Ltd from 1999 to 2005, and was an Actuarial Consultant at NMG Consultants & Actuaries from 1996 to 1999. He has been the Chairman of the Johannesburg Taiwanese Chamber of Commerce since 2014. Kevin resigned as an Independent Non-Executive Director effective 17 May 2017.

NON-EXECUTIVE

Hung-Lung (Eric) Li (65)

MSc, Industrial & System Engineering

Non-Executive Director; Deputy Vice-Chairman

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

Board committee: Remuneration

Eric is the Chief Information Officer at Hong-Tai Electric Industrial Co. Ltd (Hong-Tai) in Taiwan. Eric joined Hong-Tai in 2004 as the Vice-President of the Information Technology Center (ITC). In 2008, he was assigned to start and manage Hong-Tai's Photovoltaic Business Division, he returned to ITC in 2014. He was previously involved in the software engineering and semi-conductor manufacturing business in Silicon Valley in the US for more than 20 years. Eric has held positions of General Manager at VLI Communications, Vice-President at Everlasting Software Company and Software Engineering Director at Sun Microsystems.

NON-EXECUTIVE

Chi-Yung (Joe) Wu (52)

BSc Business Administration

Non-Executive Director

Appointed: January 2007.

Board committee: Nomination

From 2015, Joe has been the assistant president of the Development Division of Hong-Tai Electric Industrial Co. Ltd. (Hong-Tai). He has a wide range of experience in accounting, financial, administration and internal control systems. He joined Hong-Tai in 1996, was appointed as the assistant manager of the accounting department in 2002, the manager of the internal audit department in 2005, and the assistant president of management service department and principal financial and accounting officer in 2008.

ALTERNATE NON-EXECUTIVE DIRECTOR

Wen-Ping (Benjamin) Li (60)

BSc Electrical Engineering

Alternate Non-Executive Director

Appointed: March 2014, alternate to Mr Chi-Yung (Joe) Wu.

Benjamin is the Vice-President of SA division of Hong-Tai Electric Industrial Co. Ltd. (Hong-Tai), a position he has held since 2015. His experience covers the field of Research & Development, quality control, manufacturing, marketing and sales relating to the Power Cable Division. He joined Hong-Tai in 1991 as the Chief of Technical Department of the Power Cable Division. Benjamin resigned as an alternate Non-Executive Director effective 17 May 2017.

ALTERNATE NON-EXECUTIVE DIRECTOR

Daphne JC Pan (33)

BS Hotel and Tourism Management, Certificate in Finance

Alternate Non-Executive Director

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

Daphne started her career in sales at an international hotel chain in Taiwan in 2005. After completing further studies in finance in 2009, Daphne joined a real estate firm in New York City, project managing the development of various real estate assets, including a hotel and other properties. She has a wide range of experience in real estate valuation and in financing of projects. Simultaneously, Daphne also served as the owner's representative upon completion of the hotel in 2011, overseeing the entire hotel's operations, including its financial performance and sales and marketing initiatives. She is now working as a manager of real estate development and financing at a private investment company.

CHAIRMAN'S REPORT

While the Group is facing significant challenges, a strategy is in place to mitigate the impact of these, and this is currently being implemented.

The year 2016 was a challenging one for South Ocean Holdings, with the Group facing both internal and external pressures. These had a direct impact on both sales and profitability, and long-term sustainability is therefore an issue for consideration. The Group has nevertheless overcome the operational difficulties experienced in 2016 and remains a going concern.

Strategically, the Group needs to address regulatory constraints unique to the South African business environment. It also has to take into account and allow for political and socio-economic instability within the country.

MACRO-ECONOMIC FACTORS

At national level, political uncertainty continued to impact on key economic indicators throughout 2016. Growth remained extremely constrained and inflation remained at the top end of the Reserve Bank's target range. The fluctuating value of the Rand and unstable commodity prices also had a significant impact on the business and its ability to be competitive. Dollar-denominated commodities, in particular, were heavily hit by exchange rate fluctuations, with customers hedging purchases to allow for the impact of these variations.

Both Group subsidiaries, Radiant and SOEW, are affected by the exchange rate, and it is not always possible to pass on higher costs resulting from exchange rate and Dollar-based commodity price fluctuations to customers due to the highly competitive environment in which the Group operates.

Poor economic growth also continued to impact on the trading environment, with an average growth rate of only 0.3% recorded in 2016. The Group depends largely on the construction industry for its trade, and this is one of the industry's most adversely affected by this situation. Low growth not only places constraints on monetary flow, but is a disadvantage to the country when trading with countries recording much more solid growth.

Revenue and profitability were further impacted by instability in the labour market, high levels of unemployment, and high levels of both national and personal debt, all of which contributed to the constrained operating environment.

BUSINESS CHALLENGES

The most significant challenges facing the business itself were its Broad-Based Black Economic Empowerment (B-BBEE) status, its gearing status, and the highly competitive nature of the sectors in which it operates.

B-BBEE is a government programme aimed at addressing the economic inequalities of the past. In order to obtain B-BBEE certification, which enables companies to trade with large corporates, mines, government departments, state-owned entities and municipalities, they have to comply with the B-BBEE Codes of Good Practice. The most notable of these codes is the requirement that at least 26% of the company's equity should be black-owned. Other criteria include compliance with employment equity and skills development targets, black representation in both management and the workforce, support for socio-economic development, and preferential procurement from black-owned companies.

Due to the fact that South Ocean Holdings has a majority foreign shareholding, it currently has a low B-BBEE rating, which directly impacts on its ability to trade in the South African environment. This is especially true as all of its major competitors, especially in the cabling sector, have high B-BBEE ratings. It is therefore imperative that the Group aims to obtain a high B-BBEE rating as soon as possible in order to remain both competitive and sustainable.

The Board is committed to exploring an alternative ownership structure and is, in every other way, committed to upholding the principles of good corporate governance as outlined in the King Report on Corporate Governance (King III). Compliance with government regulations, policies and procedures is also constantly monitored, and both the Board and management actively support an ongoing process of continuous improvement.

Transformation of the Board, management and workforce remains a key focus, as does skills development. At present, 50% of the Board is made up of people of colour, and the Group has recently appointed an African female Chief Financial Officer. At senior management level, 45% of employees are people of colour, while at workforce level, 82% of employees are people of colour. In terms of gender, 17% of senior managers are female and 16% of the general staff complement is female.

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

With regards to financial challenges, the Group is highly geared at the moment, with a gearing ratio of 47.5%. The recent downgrade of South Africa's sovereign debt rating to "junk" status by two of the three large ratings agencies will undoubtedly make it even more costly to manage the gearing ratio. To improve the gearing, a new rights issue is therefore being considered, and stakeholders will be kept updated of developments in this area.

GROUP RESULTS

The Group's results reflect the impact of all of these aforementioned factors, but were positively influenced by the stabilisation of operations at Radiant, which had experienced significant disruptions due to a change in operating systems in 2014.

A modest increase in Group revenue was recorded in 2016, but profitability was affected by a number of factors.

These included a net impairment after tax of R13.5 million to the plant and machinery of SOEW due to the subsidiary's value in use being lower than the enterprise value. SOEW also undertook a section 189 retrenchment process in the fourth quarter of the year in order to cut operating costs, accruing a once-off after-tax cost of R2.4 million.

In summary, while Group revenue increased by 7.2% (2015: 3.4% decrease) to R1.777 billion (2015: R1.657 billion), gross profit decreased by 2.7% (2015: 39.7% decrease) to R153.7 million (2015: R158.1 million). Operating profit decreased from R438 000 in 2015 to a loss of R31.8 million in 2016. Management is nevertheless confident that cost-cutting measures undertaken during the year will have a positive effect on results in 2017.

SIGNIFICANT EVENTS

As noted in the previous financial statements, the Competition Commission case arose from a complaint that the Competition Commission first initiated on 16 March 2010 and which was referred to in the South Ocean Holdings' SENS announcement dated 6 May 2010. SOEW has engaged the services of specialist competition lawyers and economists to advise SOEW in respect of the Commission's referral. SOEW has cooperated with the Commission during its investigation of the complaint and continues to do so now that the complaint has been referred to the Tribunal. In terms of IAS 37 no further disclosures are made as this would unfairly prejudice SOEW in its current dealings with the Commission.

THE ROAD AHEAD

While the Group is facing significant challenges, a strategy is in place to mitigate the impact of these, and this is currently being implemented.

The Group will continue to undertake appropriate cost and inventory rationalisation in order to secure sustainability and facilitate a return to profitability. It will also be exploring ways in which to secure a favourable B-BBEE rating in order to secure access to customers that it is currently unable to serve. Both the Board and the management team are strong, representing a valuable diversity of skills and experience, and are committed to the Group's strategic and operational objectives.

On a macro-economic level, the outlook remains uncertain, with economic growth anticipated to remain below target and with inflation anticipated to remain at the top end of the targeted range. The Group also anticipates that political and labour uncertainty will continue to impact on the trading environment. Direct foreign investment is also expected to decline, especially as many sovereign investment funds need to follow mandate and withdraw from South Africa in the wake of the country's downgrade to "junk" status.

As the economic outlook for 2017 is bleak, the Group anticipates that trading conditions will remain challenging.

CHANGES IN BOARD COMPOSITION

There have been some changes to the composition of the Board since 2015. Mr JP Bekker, who was appointed Acting CEO on 1 September 2015, was appointed as CEO on 4 August 2016. Mr Bekker has been with the Group for 16 years and has a wealth of both institutional and industry experience. He is guiding the Group through a difficult period with a sure hand.

Also on 4 August 2016, Ms MK Lehloenya was appointed as Chief Financial Officer. I would like to take this opportunity to welcome her to South Ocean Holdings and to wish her a long and successful tenure.

Ms L Stephens resigned as an Independent Non-Executive Director on 10 August 2016.

Mr EHT Pan resigned as a director and as Deputy Vice-Chairman on 18 February 2016 and was replaced by Mr HL Li as Deputy Vice-Chairman with effect from the same date. Ms DJC Pan replaced Mr CH Pan as an alternate director to Mr Li, who resigned as a director effective on 18 February 2016.

DIVIDEND AND EXECUTIVE REMUNERATION

As the Group incurred a loss in 2016, no dividend was declared. Resumption of the payment of dividends at the earliest possible time remains a priority.

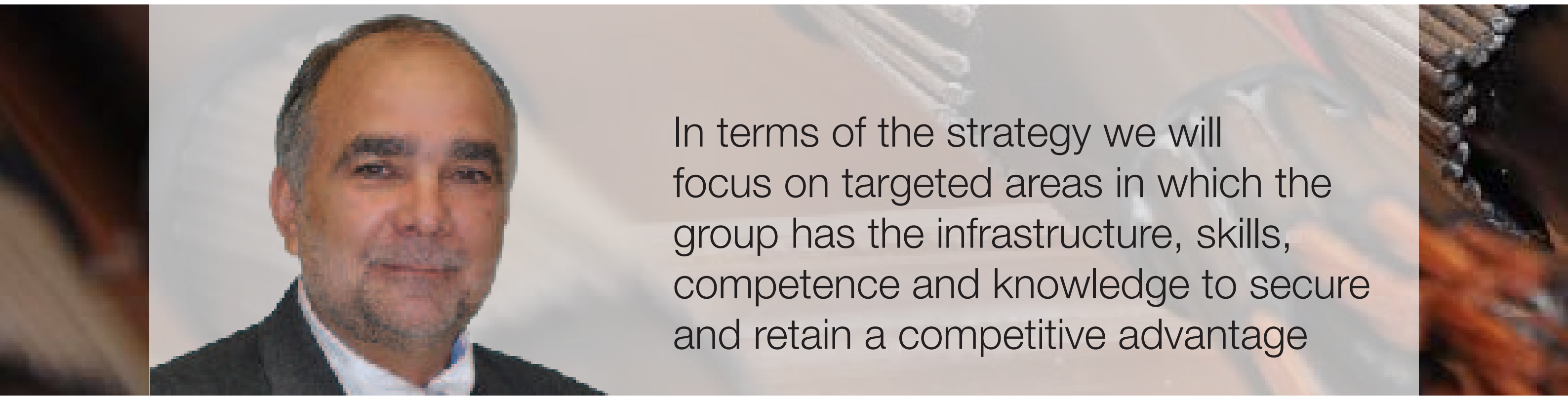
Executive remuneration is carefully monitored and maintained within a market-related range. Currently, all non-executive directors' remuneration have not been paid with effect from 1 April 2016, as the necessary special resolution for approval was not obtained at the Annual General Meeting held on 11 August 2016.

APPRECIATION

In conclusion, I would like to thank the Group's directors for their invaluable contribution throughout 2016. I would also like to express the Board's appreciation to our management and staff for their hard work and commitment, as well as to our valued customers, suppliers, advisors, business partners, shareholders and all other stakeholders for their continued support.

Henry Pon CA (SA)

CHIEF EXECUTIVE OFFICER'S REPORT



I am pleased to be able to present the integrated annual report for South Ocean Holdings for the year ended 31 December 2016, although it was undoubtedly a difficult year for the Group.

I was appointed as CEO on 4 August 2016, having been Acting CEO with effect from 1 September 2015. During the period, I served in that role, I continued to serve as CFO until the Group was able to appoint a new incumbent. Ms MK Lehloenya was appointed to take up that position on 4 August 2016.

It is a privilege to be the CEO of a well-established Group that has tremendous potential. We are, however, facing challenges on many fronts, and the effects of these are reflected in our results.

MACROECONOMIC AND SEGMENTAL REVIEW

As we are all aware, the South African economy remains under significant strain, and has recently been hit by the added shock of the sovereign credit rating downgrade to "junk" status. Ongoing difficulties include the volatility of the Rand and fluctuations in commodity prices, which are driving up the cost of imports and having a direct impact on the Group's cost of sales.

The construction sector, one of the key sectors in which the Group trades, has been particularly hard hit. It has been in a slump since 2009 and there seems to be little light at the end of the tunnel.

In 2016, seven of the country's nine largest construction companies reported an aggregated decrease of 3% in market capitalisation (Source: SA Construction, Fourth Edition, November 2016). The differential between the JSE all-share index and the construction and materials index is also undeniable. Since September 2009, when the sector reached its peak, the construction and materials index has fallen by 68%, while the all-share index has increased by 129%. Similar trends are evident in mining and manufacturing, the other two major sectors served by SOH.

Against this rather grim backdrop, a promising development was government's adoption of the National Infrastructure Plan in 2012; a plan which sets out to address the country's most pressing infrastructure needs. This led to modest year-on-year increases in capital expenditure in the public sector, with total expenditure in the 2015 financial year amounting to R258 billion, representing an increase of 5% over the previous year. Of this, new construction accounted for R157 million, a 20% increase over the previous year (Source: SA Construction).

However, in order to be able to benefit from this public sector expenditure, SOH needs to achieve a high B-BBEE rating, which is currently not the case.

Ideally, we could look at increasing our black shareholding in a phased way, but there are two drawbacks to this approach. Firstly, the longer we delay in securing the necessary B-BBEE shareholding, the longer we will be unable to compete for large corporate and government tenders – and the more vulnerable our market position will become. Secondly, black-owned consortia express little interest in purchasing less than 51% of the company's shares as they have their own B-BBEE targets to meet.

OPERATIONAL REVIEW

Within this context we have, however, undertaken solid measures to secure the business's market position and sustainability.

At Radiant, we have fully recovered from the disruptions caused by the implementation of new inventory control systems in 2014 and have stabilised client service, deliveries and staff losses that resulted from this. Both new and existing staff are receiving systems and sales training in order to strengthen our institutional capacity in this area. We are also beginning to regain clients that were lost during this period and to recover from the loss to reputation and market share. In addition, we are exploring ways in which to expand our sales reach directly to end users.

The environment in which we operate nevertheless continues to be highly competitive and this is exacerbated by the fact that all of our major competitors, particularly in the cabling segment, have favourable B-BBEE ratings. Our products do, however, continue to compete well in terms of quality, with Radiant being ISO 9001, SABS and LOA compliant, and with SOEW being ISO 9001: 2008 and SABS compliant.

Despite this, liquidity remains a concern and, in order to contain costs, we undertook a planned retrenchment process at SOEW in October 2016, resulting in a saving of R700 000 per month. We are currently also undergoing a retrenchment process at Radiant.

In addition, we have reviewed our processes and procedures, and have undertaken a number of efficiency measures to reduce wastage and improve productivity. At Radiant, an extensive inventory rationalisation process is in progress and this should, to some extent, counterbalance lower profit margins resulting from greater competition, both from local manufacturers and cheap imports.

FINANCIAL REVIEW

Notwithstanding these difficult conditions, we were able to increase revenue by 7.2% (2015: 3.4% decrease) to R1.777 billion (2015: R1.657 billion). The full picture nevertheless gives us an indication of how urgently we need to implement all aspects of our turnaround strategy.

The 2.7% decrease in gross profit (2015: 39.7% decrease) to R153.7 million (2015: R158.1 million) and the 185.9% decrease in loss before tax (2015: 132% decrease in profit), resulting in a net loss before tax of R54.1 million (2015: R18.9 million loss), indicates that long-term business sustainability is at risk. This is similarly reflected in the Group's share price. In Y2016, the basic loss per share increased by 180.9% (2015: 137.1 % decrease in headline earnings) to a loss per share of 25.0 cents (2015: 8.9 cents). Headline loss per share increased by 44.0% (2015: 137.9% decrease in headline earnings) to a headline loss of 13.1 cents (2015: 9.1 cents).

The increase in the loss was partly as a result of the net impairment charge of R13.5 million to the plant and machinery of SOEW due to the subsidiary's value in use being lower than the enterprise value, as well as an additional net provision against Radiant's inventory to the value of R6.4 million. The impairment and the additional provision were performed to comply with IFRS. Furthermore, SOEW undertook a section 189 retrenchment process in the fourth quarter of 2016 to save

costs. The after-tax cost of this amounted to R2.4 million.

The above expenses contributed R22.3 million to the Group's loss after tax, which negatively impacted on its profitability. Management is confident that the upside benefit of the cost saving will be realised in 2017 and in succeeding years. Management is of the view that these were once-off extraordinary items that will not reoccur in the near future as it remains committed to maximising the returns and benefits for its shareholders.

The electric cable segment saw production volumes increase due to a stable power supply in 2016. However, the decline in the economic environment led to gross profit margins being under pressure, and this negatively affected the company's profitability.

The lighting and electrical accessories segment has recorded increased revenue for the first time in three years. Subdued market conditions and increased competition have resulted in lower gross profit which, in turn, has had a direct effect on the overall profitability of the company.

The cash utilised from operations amounted to R55.7 million (2015: R67.5 million, cash generated), declining by R123.2 million compared to the prior year. Working capital increased by R44.1 million, primarily due to an increase in inventory and an increase in trade receivables. Working capital is currently at 26.6% (2015: 25.8%) of revenue.

The Group invested R13.3 million (2015: R16.7 million) in capital expenditure, which was financed mainly through long-term borrowings. It utilised R38.3 million (2015: R94.0 million) to repay its interest-bearing long-term borrowings.

As a positive counterbalance to this, we have managed to successfully implement many aspects of our turnaround strategy, placing strong emphasis on normalising operations at Radiant, cutting costs, improving efficiencies, restoring customer confidence, improving customer service and rationalising inventory. We are also focusing on our marketing strategy and on updating the design, content and functionality of the websites. Radiant, in particular, is a strong consumer brand and has the potential to carry the Group through this difficult period.

We are nevertheless faced with an increasingly competitive trading environment, resulting in lower profit margins, and we need to find viable ways in which to address this.

GROWTH AND STRATEGY

In terms of strategy, we will continue to focus on targeted areas in which the Group has the infrastructure, skills, competence and knowledge to secure and retain a competitive advantage.

Stringent cost management and efforts to improve the Group's working capital position will continue. We will also remain highly focused on leveraging operational efficiencies and capitalising on existing marketing opportunities to improve profitability. Revenue and margins will, however, continue to be affected by tough market conditions, as well as by the fact that the Group does not have a good B-BBEE rating.

SUSTAINABILITY AND INTEGRATED REPORTING

As required, SOH will continue to report on non-financial information such as corporate citizenship, transformation, sustainable development and regulatory imperatives, all of which are material to stakeholders.

As a Group, we understand that it is vital to incorporate social and environmental as well as economic factors into our decision-making processes. The Social and Ethics Committee of the Board oversees issues relating to transformation. We have just had our B-BBEE audit for 2017 and the Group has achieved a Level 8 rating.

The Group's policy on corporate governance is listed on pages 39 to 57 of this report. Also listed are adherence to the governance principles outlined in King III, as well as explanations where deviations have occurred.

PROSPECTS

While market conditions remain challenging and the Group is hampered by its lack of a good B-BBEE rating, its prospects are sound if we are able to address the latter issue. This will give SOH access to corporate and government business, which represents the lion's share of expenditure in infrastructure development at present.

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

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

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

APPRECIATION

In conclusion, I would like to take this opportunity to thank all of the employees who have remained loyal to the company through these particularly difficult times. It has not been an easy journey, but we envisage better times ahead.

I would also like to express my heartfelt appreciation to all our valued stakeholders including shareholders, partners, suppliers and customers for the support they have given South Ocean Holdings this year. Their partnership has enabled us to maintain a firm position in a turbulent market, and to place the Group in a position to secure growth and profitability in the future.

Koos Bekker CA (SA)

MANAGING DIRECTOR'S REPORT: SOEW

ELECTRICAL CABLE MANUFACTURING SEGMENT

Performance and Operations

The electrical cable manufacturing segment faced challenges on many fronts in what was, without doubt, another challenging year. Market conditions remained subdued and margins continued to be under pressure within the context of an extremely competitive market. Despite this, the business recorded its highest-ever outputs and turnover during 2016.

This was partly due to the fact that power supply was more reliable and, as a result, the business did not experience the same level of disruption from power cuts as it did in April and May 2015. At that time, SOEW arranged for each production plant to be supplied from a different sub-station, which has also mitigated against the risk and impact of power failures.

On a macro-economic level, conditions remained extremely constrained and impacted on expenditure across the board. This was especially evident in the infrastructure sector, which continued to contract. A complicating factor was an oversupply of electrical cabling in the market, which meant that a growing number of manufacturers were chasing an ever-smaller pie.

Fluctuations in the dollar-denominated copper price due to fluctuations in the value of the Rand also had a negative impact. Demand for copper is directly related to price and this is further influenced by customers hedging their expenditure. This is especially evident when there is a high level of uncertainty about the price, when they delay their purchases until the price is more favourable. With the average Rand Copper Price (RCP) fluctuating between R69.49/kg in January and R76.01/kg in December, there can be no doubt that this had an influence on trade.

As a result of factors such as these, SOEW had to undertake a voluntary retrenchment process in October 2016, which resulted in a once-off after-tax cost to the business of R2.4 million. Savings on the wage bill will, however, result in this cost being recuperated in 2017.

With regard to operations in general, the segment strives for continuous improvement in efficiencies and the highest level of quality. All products comply with SABS standards and ISO 9001:2008 quality management measures. This commitment to quality is supported by excellent customer service, which remains a competitive advantage. Management is fundamentally committed to maintaining a culture of service and an in-house maintenance team comprising mechanics, electricians, engineers and millwrights ensures that production facilities remain operational 24 hours a day, seven days a week.

Management is equally committed to mitigating the environmental impact of production. In 2017, the segment is intending to appoint an independent specialist to measure the carbon footprint of both production and transportation. The results of this study will be used to manage carbon outputs. Recycling is also encouraged and recycling bins are available at the various plants. The segment further uses specialists to dispose of bio-hazardous materials such as oil and lubricants.

Finally, safety remains a top priority for the business, and the health and well-being of employees is crucially important to the business. The SHEQ team continues to perform well and keeps incidents and injuries to a minimum. Twenty-three minor injuries were recorded during the reporting year.

People

The segment employs 383 employees, which is down by 10% compared to 2015. This is partly as a result of the voluntary retrenchment process and partly as a result of implementing efficiencies and eliminating the duplication of work.

The segment is fully aligned to the Group's policy that ongoing skills development and training is essential to success of the business. During the course of 2016, 12 learnerships were offered by SOEW, all of which were taken up by disabled black people.

In addition to these learnerships, the segment has spent in excess of R0.8 million on training during 2016. A total of 112 employees attended workshops and courses, or completed degrees or diplomas.

Prospects

The economic outlook for 2017 remains weak, and fluctuations in both the value of the Rand and commodity prices are expected to continue to impact on demand. However, should there be improvements in the construction and mining sectors during the course of the current year, this will have a positive impact on the segment.

DIRECTORS: SOEW

MANAGING DIRECTOR

Dean Johnson (50)

Dean was appointed as Executive Director and Managing Director of SOEW in September 2015. He joined SOEW in May 2009 as Financial Manager and was appointed Divisional Director of Finance in March 2010. After qualifying as a Chartered Accountant, Dean was appointed as Financial Manager for a manufacturing business in 1993 and was later appointed as Financial Director of that Group. He has also worked in the FMCG and IT industries. Dean is a member of the South African Institute of Chartered Accountants.

EXECUTIVE DIRECTOR: SALES

Yasmin Mahomed (50)

Yasmin was appointed Sales Director of SOEW in March 2010. She joined SOEW in October 2002 as a sales consultant. She was appointed Sales Manager in 2007 and she had 13 years experience in the cable industry before joining SOEW. She started her working career in 1987 at a large cable manufacturer in South Africa.

DIVISIONAL DIRECTOR: FACTORY OPERATIONS

Johan Prinsloo (43)

Johan was appointed Divisional Director of Factory Operations at SOEW in 2010. He joined SOEW in 1999 as an electrician. He was appointed Technical Manager in 2006 and Production Manager in 2009. He is a qualified millwright by trade. Johan has 18 years cable and technical experience. Johan resigned effective 31 May 2017.

MANAGING DIRECTOR'S REPORT: RADIANT

LIGHTING AND ELECTRICAL ACCESSORIES SEGMENT

Performance and Operations

A number of different factors impacted on this segment during the course of the year, both at company level and at national level. The most significant of these were the fluctuating value of the Rand, the increasingly competitive operating environment, the influx of cheaper imports into the market, lower profit margins, the high value of the company's inventory, and a significant provision raised on inventories.

The fluctuating value of the Rand, in particular, impacted directly on the price of imports and this, in turn, impacted on profitability. In the competitive market in which we operate, price increases resulting from higher import costs cannot always be passed on to the customer and have to be absorbed by the company. Cheap imports have similarly affected profitability, trading as they do on pricing differentials rather than on quality.

This situation is further complicated by the fact that there are no compulsory specifications to regulate the import of light-emitting diode ("LED") lamps, therefore certain products of poor quality compete equally with products of good quality in the marketplace because customers have no way of determining the difference between the two at the point of sale. The impact of this factor cannot be discounted as the market for compact fluorescent lamps ("CFLs") is shrinking and the market for LED lamps is growing rapidly.

At macro-economic level, the country's economic growth rate remains very low, especially in relation to its key trading partners. The high rate of inflation, rising cost of fuel and rising cost of utilities has negatively affected household debt levels and therefore disposable income. At sector level, the construction industry has continued to shrink and, as this is one of the largest sectors served by the lighting and accessories segment. It follows that revenue for the segment would be negatively affected.

More positively, the Warehouse Management System continues to function at an optimal level after the disruptions that were experienced when it was introduced in 2014. As a result, customer confidence is recovering and this is being supported by a targeted marketing strategy. Costs are also being well controlled and an inventory rationalisation process has been undertaken to reduce the high value of the inventory currently on our books.

Notably, the Radiant brand has a high level of equity, which is standing us in good stead as new competitors enter the market. This is reinforced by the fact that the company is ISO 9001 certified and is also certified to use the SABS mark.

Further, during the course of the 2015 financial year, the segment entered into contracts with a number of wholesale consortiums and these are starting to deliver positive results in terms of both revenue and profit. The segment continues to focus on exports into sub-Saharan Africa and is working with key customers to promote its products in the region.

People

Improved efficiencies over the past two years have made the segment less labour-intensive, but it continues to invest in skills development and training, which is vital to its long-term sustainability.

During the course of the year, 16 learnerships were offered to employees, all of whom completed the training successfully. In addition, eight learnerships were offered by Radiant, which were taken up by unemployed disabled black people.

Diversity and equality in the workplace remains a priority for management and the segment continues to work towards achieving its employment equity targets.

Prospects

While market conditions are expected to continue to be constrained throughout 2017, the segment is well positioned to take advantage of market opportunities, and the improvement of our B-B-BBEE scorecard will provide further growth.

Management anticipates that Radiant will continue to regain lost market share and secure customer confidence through a combination of high quality standards, efficient operations and focused efforts to improve customer service. Fostering and maintaining strong relationships is expected to result in positive growth in the current financial year, while leveraging off the strong Radiant brand is expected to improve the segment's capacity to yield better results.

DIRECTORS: RADIANT

MANAGING DIRECTOR

Farhad Ally (43)

Farhad was appointed Managing Director of Radiant with effect from 1 February 2013. He was previously appointed as General Manager: Finance and IT in 2010 and as Executive Financial Director in August 2011. Prior to this he was employed as an audit manager at a firm of public accountants and auditors. Thereafter he moved to an FMCG company and financial services company. Farhad has experience in internal and external audit, finance, taxation and business analysis. He is a member of the South African Institute of Directors in Southern Africa and the South African institute of Professional accountants.

FINANCIAL MANAGER

Ebrahim Surtee (32)

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

OUR BUSINESSES

SOUTH OCEAN ELECTRIC WIRE COMPANY PROPRIETARY LIMITED

SOEW

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

SOEW manufactures general purpose insulated wire, a range of flexible conductors, steel wire armoured cables, flat twin and earth cables, aluminium conductor steel reinforced (ACSR), aerial bundle conductor (ABC), and surface wire. Products are manufactured at the plant in Alrode, Gauteng. The Company's manufacturing facilities include quality control facilities. A fleet of trucks and delivery vehicles distributes to clients, who are electrical wholesalers and distributors who in turn supply the building, construction, mining and retail industries. SOEW employed 383 permanent employees including electrical, engineering, administration, marketing, warehousing, skilled and semi-skilled personnel, as at financial year-end.

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

KEY FEATURES

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

Anchor Park Investments

ANCHOR PARK INVESTMENTS 48 PROPRIETARY LIMITED

ANCHOR PARK

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

ICEMBU SERVICES (PTY) LTD

ICEMBU SERVICES PROPRIETARY LIMITED

ICEMBU

Icembu's core function is the assembling and repair of light fittings and electrical products using manufacturer's components. Icembu is also used by the Group to impart skills to unemployed people through a partnership with New Beginnings Care Centre (NBCC). Icembu employed seven permanent employees as at financial year-end.

RADIANT LIGHTING AND ELECTRICAL

RADIANT GROUP PROPRIETARY LIMITED

RADIANT

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

Radiant is the home of lighting in Southern Africa, offering the most comprehensive range of lighting and electrical products. Radiant prides itself with an exclusive range of products occupying a three storey lighting showroom in Johannesburg, with regional showrooms in Cape Town and Durban. Radiant customers are in the construction, infrastructure development and housing, residential, industrial and commercial sectors. Radiant also services electrical wholesalers, mass retailers, specialised lighting shops and lighting consultants.

Radiant's head offices and main warehouse are situated in Wynberg, Johannesburg, with a sales office and a warehouse in Cape Town and another sales office in Durban. Radiant imports and distributes to customers all over South Africa and to 17 African countries. Radiant employed 282 permanent employees as at financial year-end across the three product divisions: light fittings; lamps/light bulbs and electrical products and audio visual accessories division trading under the brand name "What 4 Electronics".

KEY FEATURES

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

OUR PRODUCTS

Playing our part in creating a greener, cleaner and brighter future

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

ELECTRICAL CABLES AND PVC CONDUIT PIPE

Through SOEW, we manufacture a full range of low voltage electrical cables, from typical household wiring to industrial steel wire armoured cables. These are sold to electrical wholesalers and distributors who supply the building, construction, mining and retail industries.

Our product range includes:

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

LIGHTING, LAMPS AND ELECTRICAL ACCESSORIES

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

Our products include the following:

Lighting solutions

Lighting accessories

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

Indoor Lighting

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

Outdoor lighting

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

ELECTRICAL SOLUTIONS

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

Heating and cooling

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

Miscellaneous

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

Lamps

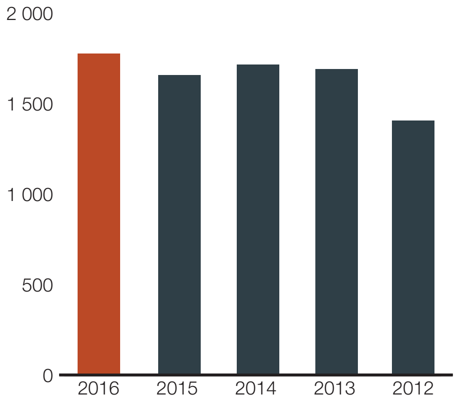
- Fluorescent tubes
- Eco Halogen lamps
- High intensity discharge (HID)
- Infrared
- CFLs
- LEDs
- Miniatures
- Energy saving

Electronics

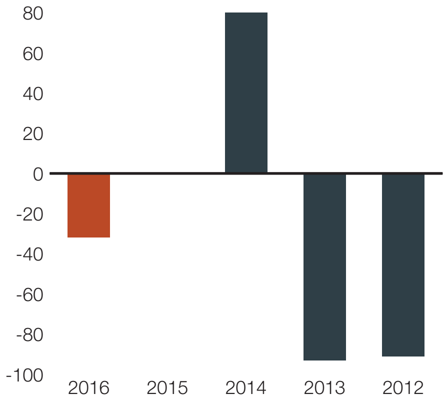
- Home appliances
- Consumer electronics
- Gadgets
- Headphones
- Computers peripherals
- Home media
- Hoverboards
- Drones

FINANCIAL CAPITAL

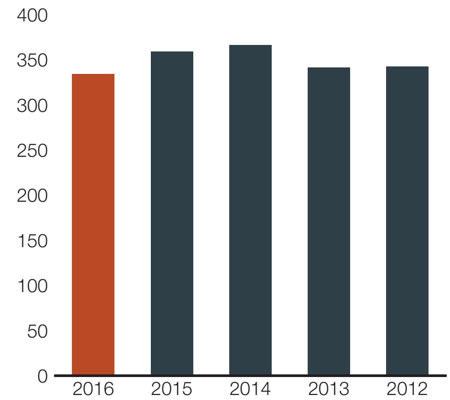
Revenue
(Rand million)



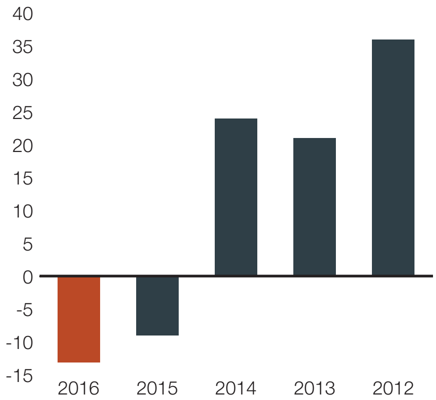
Operating Profit / (Loss)
(Rand million)



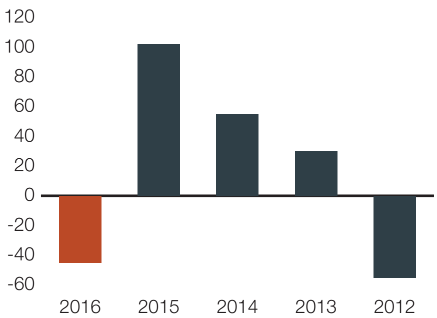
Net Tangible Asset Value
Value per share (cents)



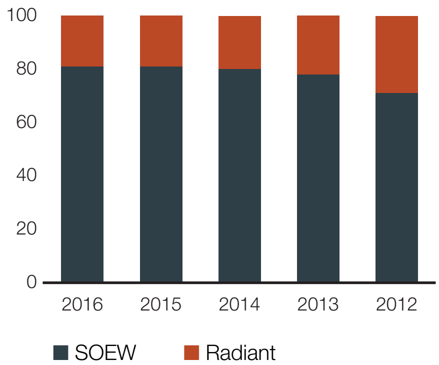
Headline Earnings/(Loss) Per Share
(Cents)



Free cash flow
(Rand million)



Segmental Analysis
Contribution to Revenue (%)



FINANCIAL CAPITAL CONTINUED

FIVE-YEAR REVIEW

GROUP PERFORMANCE AND SEGMENTAL ANALYSIS

	2016	2015	2014	2013	2012
Group statement of comprehensive income					
Net revenue (Rm)	**1 777.2**	1 657.4	1 715.2	1 690.9	1 406.3
Operating profit (loss) (Rm)	**(31.8)**	0.4	79.6	(92.7)	(91.1)
Net profit (loss) after taxation (Rm)	**(39.1)**	(13.9)	37.5	(121.4)	(118.3)
Group statement of financial position					
Shareholders' equity (Rm)	**529.9**	569.7	582.2	544.2	664.9
Non-current liabilities (Rm)	**87.5**	101.1	120.5	77.4	81.8
Current liabilities (Rm)*	**325.7**	238.9	155.9	160.0	124.2
Total liabilities (Rm)	**413.3**	339.9	276.4	237.4	206.0
Non-current assets (Rm)	**319.3**	331.4	330.1	294.5	479.1
Net cash and cash equivalents (Rm)*	**22.3**	21.8	(109.7)	(137.4)	(122.1)
Other current assets (Rm)	**601.5**	556.5	638.2	624.5	513.9
Total assets (Rm)	**943.1**	909.7	858.6	781.6	870.9
Shareholder returns					
Earnings (loss) per share (cents)	**(25.0)**	(8.9)	24.0	(77.7)	(75.6)
Headline earnings (loss) per share (cents)	**(13.1)**	(9.1)	24.0	21.0	36.3
Dividend per share (cents)	**–**	–	–	–	–
Net tangible asset value per share (cents)	**333.9**	358.7	365.9	341.3	342.2
Total operating profit (loss) margin (%)	**(1.8%)**	0.0%	4.6%	(5.5%)	(6.5%)
Cash generated (utilised of for the year* (Rm)	**1.2**	16.1	27.4	(16.0)	(136.2)
Number of shares in issue (millions)	**156.4**	156.4	156.4	156.4	156.4

** Refer to the financial statements for details of restatement, where the bank overdraft balance was reclassified from cash and cash equivalents to interest bearing borrowings.*

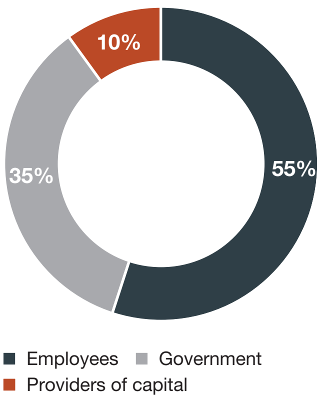
WEALTH CREATION

MAKING A POSITIVE CONTRIBUTION TO SOCIETY

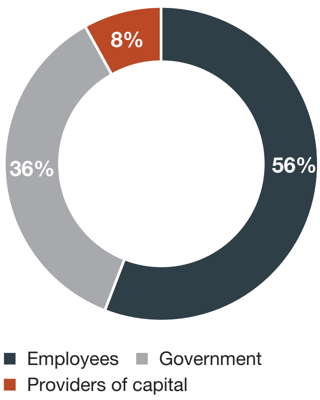
South Ocean Holdings' financial contribution to society is summarised in the following Group Value Added Statement. Despite challenging market and trading conditions over the years, the Group has managed to maintain its value creation ability with the value added per employee being reported at R313 000 (2015: R333 000). The total value created during the year, however, decreased by 9.4% to R218.2 million (2015: R240.8 million). South Ocean Holdings' value added statement for the past five years can be summarised as follows:

Value added statement	**2016 R'000**	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Revenue	**1 777 190**	1 657 358	1 951 630	1 912 711	1 573 270
Paid to suppliers and providers of services	**(1 565 421)**	(1 419 940)	(1 644 157)	(1 620 136)	(1 250 392)
Value added	**211 769**	237 418	307 473	292 575	322 878
Income from investment	**6 471**	3 396	3 449	3 950	3 950
Total value created	**218 240**	240 814	310 922	296 525	326 828
Distributed as follows:					
Employees	**130 218**	133 884	134 189	108 208	109 963
Providers of capital	**23 273**	20 397	22 036	18 885	14 788
Government taxes	**82 311**	85 765	98 853	120 934	124 983
Retained for growth	**(17 562)**	768	55 844	484 98	77 094
Depreciation, amortisation and impairment	**36 544**	19 686	18 355	168 919	195 635
Deferred taxation	**(14 967)**	(4 999)	(423)	203	(417)
Retained earnings (accumulated loss	**(39 139)**	(13 919)	37 912	(120 624)	(118 124)
Total value distributed	**218 240**	240 814	310 922	296 525	326 828
Value added statement ratio analysis					
Number of employees	**676**	713	781	742	813
Revenue per employee (R'000)	**2 629**	2 324	2 499	2 578	1 935
Value added per employee (R'000)	**313**	333	394	394	397
Average salary per employee (R'000)	**193**	188	172	146	135

Distribution of wealth created 2016



Distribution of wealth created 2015



COMMENTARY

SUSTAINABILITY REPORT

EMPLOYMENT EQUITY AND DIVERSITY

South Ocean Holdings is committed to creating a diverse workforce by attracting and developing previously disadvantaged people, women and people with disabilities.

82%
of permanent employees are black

16%
of permanent employees are black females

45%
of Senior Management is black

17%
of Senior Management is black females

4
Black disabled employees

22
Black disabled learners

676
Permanent employees

66%
Previously disadvantaged males

16%
Previously disadvantaged females

28%
Previously disadvantaged male senior managers

HUMAN CAPITAL

South Ocean Holdings recognises that its people are its most valuable asset. Our success as a Group is dependent on the quality of our employees, their individual skills, competencies and experience.

As a Group we are committed to the ongoing investment in our people. We achieve this through providing training and development opportunities, offering competitive remuneration and incentive schemes and by creating a motivating and inclusive work environment. We are committed to transforming our workplace and to empowering our employees.

While retaining skilled and talented employees is important to us to ensure that institutional knowledge is not lost, hiring talented individuals, who are the right people for the right position is critical for the Group. When recruiting, we put considerable effort into recruiting highly skilled individuals with potential for growth and with an ambitious attitude.

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

Our workforce decreased by 4.2% in 2016 to 676 employees, which demonstrates our drive to increase efficiencies and adapt to the tough current economic conditions. As a Group, we are committed to optimising our current employees and will add to the workforce when required. Our businesses have been in operation for decades in South Africa and acknowledge their roles in contributing to building the nation through job creation.

EMPLOYEE DEVELOPMENT

South Ocean Holdings recognises the value of investing in the development of its employees and this is a responsibility which the Group takes seriously. We understand that an employee that feels valued will give their best to the company and that in turn this will contribute to the success of the company. Consequently, we make every effort to invest in the education and training of our employees. In 2016, as part of motivating and assisting our employees we offered bursaries to children of our employees.

Our employees are encouraged to embark on further studies for self-development and empowerment purposes. Where possible, we offer financial assistance for this.

The Company funds learnerships, SETA approved training, and studies at other recognised learning institutions in South Africa.

LEARNERSHIPS

South Ocean Holdings is committed to contributing positively towards the development of South Africa. As such, the Group initiated 22 learnerships in the fourth quarter of 2016 for unemployed disabled learners, with the aim of upskilling them and bringing them into the workforce. In addition,10 unemployed disabled people were offered fixed-term contracts to give them practical work experience, which will increase their chances of being absorbed into the labour market. All learners were paid stipends to cover their day-to-day expenses.

As a Group we are very proud of this contribution that we are making to our community. To us, these learnerships go beyond just complying with regulations; they are about changing the lives of our learners for the better.

TRAINING

The Group further invested in other training programmes to ensure that the skills of its workforce are improved. Training costs are set out in the table below:

Type of training	Number of employees	Cost
External training courses and study programs ranging from certificates, diplomas and seminars	207	R780 000
Job-related and third party in-house supported development	26	R477 200

EMPLOYMENT INCENTIVES

Full details of the short and long-term incentives in place are fully set out in the remuneration report on page 36. There is also a performance based 13th cheque and an attendance bonus scheme which is payable to employees that have not taken any sick leave during the year.

STAFF TURNOVER

The Group has experienced high staff turnover compared to previous years because of the Sec 189 process that took place in 2016 to reduce costs and increase efficiencies. Employee turnover rate for the Group for the 2016 financial year, based on average headcount, was 15.1% (2015:14.2%).

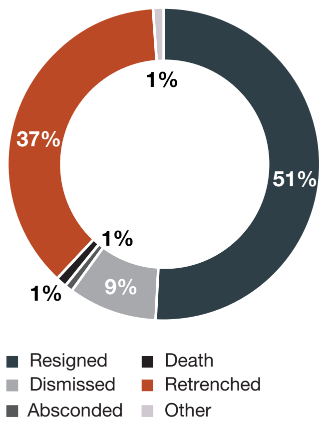
The Group continues to look for avenues to increase operational efficiencies in the face of relentless challenging marketing conditions. Our staff is important to us and we are committed to growing the company.

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

Reason for leaving (number of employees)	2016	2015
Resigned	**53**	34
Dismissed	**9**	26
Absconded	**1**	8
Death	**1**	2
Retrenched	**39**	6
Other	**1**	29
	104	105

New employment (number of employees)	2016	2015
Replacements and growth	**72**	99

Staff turnover



ABSENTEEISM

As a Group we have a vested interest in the well-being of our employees. Accordingly, we encourage our employees to maintain a healthy work-life balance through provision of various types of paid leave. Leave is termed paid leave when the employee will be paid while being away for a certain period of time.

The following table indicates the leave categories employees are entitled to:

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

Excess absences, such as unpaid, leave over and above the leave allocations, have a negative impact on the Group's results and productivity, as it leads to decreased production and low staff morale. In the 2016 financial year, there was a decrease in the average number of leave days taken. This is reflected in increased production volumes achieved in 2016.

The following is the number of leave days taken in the 2016 financial year:

Leave type (days taken)	2016	2015
Annual leave	**7 446**	12 690
Family responsibility leave	**564**	341
Maternity leave	**310**	510
Sick leave	**4 022**	2 364
Study leave	**74**	90
Unpaid leave	**832**	780
Total number of leave days taken	**13 248**	16 775
Average number of leave days per employee	**19**	23

SUSTAINABILITY REPORT CONTINUED

OUR STAKEHOLDERS

We aim to engage regularly, openly and honestly with stakeholders involved in and affected by our operations. This gives the Group an opportunity to evaluate plans and align them with the respective needs and expectations of the stakeholder groups. In addition to the legal communication requirements of a listed entity, through these relationships, the Group is able to identify and report on any issues that may arise as a result of these interactions. A stakeholder engagement map as indicated below gives a summary of some of the communication channel and strategies employed by the Group in its stakeholder management.

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

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

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

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

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

SOCIAL CAPITAL

SOCIAL AND ETHICS COMMITTEE

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

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

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

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

COMPOSITION

The committee comprised:

Director	Capacity
M Chong	Chairperson
JP Bekker	Member
MK Lehloenya**	Member

*** Appointment effective 4 August 2016.*

MEETINGS

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

During the year under review, the Social and Ethics Committee met three times and all members attended all the meetings.

REPORTING

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

RESPONSIBILITIES

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

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

GOVERNANCE

SOCIAL CAPITAL CONTINUED

During 2016, the Group performed a detailed assessment of its compliance with the UN Global Compact Principles. The Committee was satisfied with the outcome of this assessment. The table below demonstrates how the Group complies with each of the 10 principles articulated in the UN Global Compact:

Human rights	
UN Global Compact Principle 1	UN Global Compact Principle 2
Business should support and respect the protection of internationally proclaimed human rights.	Business should make sure that they are not complicit in human rights abuses.
• The Group provides safe and healthy working conditions – regular assessments/audits are conducted by our SHEQ department. • By ensuring non-discrimination in personnel practices when employing staff. • By guaranteeing freedom of association, our employees are free to join trade unions and be represented by shop stewards. • We support the protection of human rights and abides by the Constitution of South Africa, which also includes the protection of human rights. • We also comply with the labour legislation which is based on the constitution.	• No abuse of human rights takes place and this is underlined by the right of employees to associate with Trade Unions to ensure that no abuse occurs. • HR policies in the Group ensure human rights are protected, thus preventing the abuse of these rights. • We perform supplier evaluations in terms of quality and we shall include human rights when assessing our suppliers going forward.
Labour	
UN Global Compact Principle 3	UN Global Compact Principle 4
Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Business should uphold the elimination of all forms of forced and compulsory labour.
• We respect the right of all workers to form and join a Trade Union of their choice without fear of intimidation or reprisal in accordance with labour legislation – we have Trade Unions. • We have in place non-discriminatory policies and procedures with respect to trade union organisations. • We provide shop stewards with appropriate facilities to assist in the development of effective collective agreement.	• All our employment practices comply with the labour legislation in South Africa, which prohibits forced or compulsory labour • We will establish a clear policy not to use, be complicit, or benefit from forced and compulsory labour. • Training shall be provided to ensure that staff have an understanding of what forced and compulsory labour is. • We will monitor supply chain arrangements when performing quality audits of certain suppliers to ensure our suppliers do not use forced and compulsory labour.
UN global compact principle 5	UN global compact principle 6
Business should uphold the effective abolition of child labour.	Business should uphold the elimination of discrimination in respect of employment and occupation.
• We adhere to minimum age provisions of the Labour Laws and Regulations. • We have adequate and verifiable mechanisms for age verification in the recruitment process – employee integrity checks and validation is done before employing a new person. • We will exercise influence on our suppliers to try and combat child labour.	• The Group does not discriminate regarding employment opportunities except where employment equity laws of South Africa apply. • The Group's policies are aligned with the elimination of discrimination. • Our HR policies promote equality and diversities of language, gender, culture etc, that exist in the workforce. • We keep up-to-date records on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the organisation.

Environment

UN Global Compact Principle 7

Business should support a precautionary approach to environmental challenges.

- The Group has a policy of re-use before recycling and disposal.
- We have policies in place that support the Group's commitment to protecting and saving the environment and ensuring that our operations have a minimal impact on the environment.
- The Group has a comprehensive waste recycling programme.
- We have a process of destroying lamps that contain mercury in an environmentally friendly manner.

UN Global Compact Principle 8

Business should undertake initiatives to promote greater environment responsibility.

- Staff are made aware of environmental issues to encourage a broader responsibility and not only those issues related to the business.

UN Global Compact Principle 9

Business should encourage the development and diffusion of environmentally friendly technologies.

- In terms of Group's policies, new projects and products are assessed for environmental impact before going ahead with the project or sourcing the product.
- Our LED products are cost efficient and reduce carbon footprint.

Anti-corruption

UN Global Compact Principle 10

Business should work against corruption in all its forms including extortion and bribery.

- The Group has a strong stance against any form of corruption.
- The Group's disciplinary code prohibits this type of behavior and is further supported by the ethics policy and the Group's subscription to a whistle blowing programme.
- The Group is in the process of developing anti-corruption and anti-fraud policies.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Broad-Based Black Economic Empowerment ("B-BBEE") has been a part of South African Business Environment since 2007 and has had an enormous impact on the growth of South African businesses. To qualify as a supplier to State-Owned Entities ("SOEs"), Municipalities and to private sector companies that do business with the State, a company must have a good B-BBEE rating.

The Codes of Good Practice ("Codes") governing B-BBEE were revised and the amendments became effective in 2015. The revised codes, as anticipated, have had a negative impact on the Group's B-BBEE rating. The Group takes strategic transformation of its workplace very seriously and makes every effort to comply with the Codes.

As a result of the revised Codes, the Group dropped from a B-BBEE level 3 to a B-BBEE level 8. The Group has introduced numerous initiatives to ensure that the Group's B-BBEE level improves in the next year.

GROUP B-BBEE SCORE

LEVEL 3
(Expired in June 2016 under the previous Codes of Good Practice)

SOEW B-BBEE SCORE

LEVEL 8
(Current score under the revised Codes of Good Practice)

RADIANT B-BBEE SCORE

LEVEL 8
(Current score under the revised Codes of Good Practice)

SOCIAL CAPITAL CONTINUED

EMPLOYMENT EQUITY

The Group continually monitors its compliance with the Employment Equity Act through the Employment Equity Committee, which consists of senior management, a shop steward and elected employee representatives who represent the different categories of staff. The Group is committed to ensuring that the demographics of the company mirror those of the country.

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

	WHITE		ACI		NON-RESIDENT		TOTAL	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Total workforce	**101**	112	**558**	574	**24**	27	**683**	713
Less: non-executive Directors and non-permanent staff	**–**	–	**(4)**	(4)	**(3)**	(3)	**(7)**	(7)
	101	112	**554**	570	**21**	24	**676**	706
Gender profile								
Male	**72**	83	**445**	462	**14**	16	**531**	561
Female	**29**	29	**109**	108	**7**	8	**145**	145
	101	112	**554**	570	**21**	24	**676**	706
Occupational level								
Directors	**1**	1	**1**	–	**–**	–	**2**	1
Male	**1**	1	**–**	–	**–**	–	**1**	1
Female	**–**	–	**1**	–	**–**	–	**1**	–
Senior management	**9**	14	**8**	12	**1**	1	**18**	27
Male	**9**	13	**5**	7	**1**	1	**15**	21
Female	**–**	1	**3**	5	**–**	–	**3**	6
Professionally qualified and middle management	**11**	16	**11**	14	**–**	4	**22**	34
Male	**8**	11	**10**	12	**–**	3	**18**	26
Female	**3**	5	**1**	2	**–**	1	**4**	8
Skilled and technical	47	**65**	93	**172**	4	8	144	245
Male	**35**	49	**69**	111	**3**	5	**107**	165
Female	**12**	16	**24**	61	**1**	3	**37**	80
Semi-skilled and unskilled	**33**	16	**441**	372	**16**	11	**490**	399
Male	**19**	9	**361**	332	**10**	7	**390**	348
Female	**14**	7	**80**	40	**6**	4	**100**	51
	101	112	**554**	570	**21**	24	**676**	706
Disability profile								
Disabled	**1**	1	**3**	8	**–**	–	**4**	9
Male	**1**	1	**3**	8	**–**	–	**4**	9
Female	**–**	–	**–**	–	**–**	–	**–**	–
Non-disabled	**100**	111	**551**	562	**21**	24	**672**	697
Male	**71**	82	**442**	454	**14**	16	**527**	552
Female	**29**	29	**109**	108	**7**	8	**145**	145
	101	112	**554**	570	**21**	24	**676**	706
Age profile								
Under 30	**15**	20	**101**	137	**3**	2	**119**	159
Male	**8**	11	**68**	103	**2**	2	**78**	116
Female	**7**	9	**33**	34	**1**	–	**41**	43
Over 30, but less than 50 years	**53**	57	**397**	379	**17**	18	**467**	454
Male	**39**	45	**320**	317	**14**	14	**373**	376
Female	**14**	12	**77**	62	**3**	4	**94**	78
Over 50 years	**33**	35	**56**	54	**1**	4	90	**93**
Male	**25**	27	**42**	42	**1**	4	68	7**3**
Female	**8**	8	**14**	12	**–**	–	**22**	20
	101	112	**554**	570	**21**	24	**676**	706

** ACI = African, Coloured and Indian*

At South Ocean Holdings, unfair discrimination is not tolerated and where instances of such discrimination are encountered management acts decisively as soon as the matter has been brought to their attention.

SOCIO-ECONOMIC DEVELOPMENT

South Ocean Holdings continues to demonstrate its commitment to making a sustainable contribution to the communities in which it trades. This is achieved through both enterprise development, by accelerating the sustainability and financial independence of black enterprises, as well as social investment through product donations to non-profit organisations and initiatives.

NEW BEGINNING CARE CENTRE ("NBCC")

NBCC is one of the key beneficiaries of the Group's socio-economic development initiatives. This is because the Group shares the same passion and values as NBCC of empowering and developing people so that they, in their individual capacities, can be productive citizens that contribute positively to the building of our country. NBCC provides homeless people with accommodation, housing, food and structured programmes to assist with integrating them back into society. NBCC also provides a rehabilitation programme for members of society that are struggling with substance abuse. The centre also finds employment opportunities for their adult residents. South Ocean Holdings sources all its casual and part-time labour from NBCC. We are very proud of the impact we are making in the lives of the people that are being accommodated by NBCC.

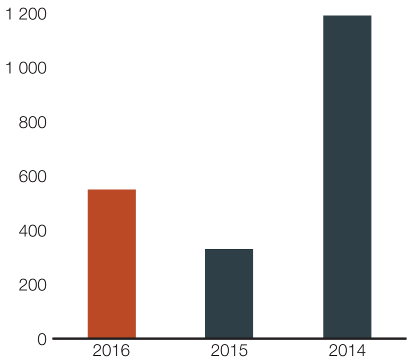
ENTERPRISE DEVELOPMENT

We understand that as a business we do not exist in a vacuum, but that we are members of society. South Ocean Holdings recognises that it is part of the community in which it operates in, and that it has a responsibility to assist small black-owned businesses which are in the Group's surroundings, so that these business can grow and create employment opportunities for the many unemployed people of our country. We assist these companies by contributing stock at no charge to them, so that they can sell to their customers.

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

However, contributions have declined in line with declining profitability.

Corporate Social Investment Spend
(Rand '000)



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

Employee safety is of primary concern, and compliance with safety rules and procedures are rigorously enforced, including the wearing of personal protection equipment. Instances of workplace injuries and accidents are fully investigated, and where necessary, steps taken to avoid future incidents. There are currently no outstanding claims which require employees to be compensated for health and safety matters.

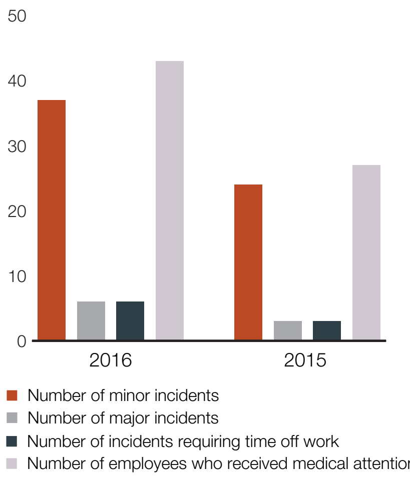
Occupational health and safety standards are covered by the prevailing Occupational Health and Safety regulations. In order to ensure compliance with these regulations, the Group has established a Health and Safety Committee, at each subsidiary, whose core function is to ensure that the Group complies with all the provisions of the regulations.

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

SAFETY

The Group ensures that representatives are trained in first aid and fire-fighting so that in the event of an incident, there are always trained personnel available to assist. During the year, there were 43 incidents compared to 27 incidents in 2015. Management takes these incidents seriously and training interventions are being put in place to ensure that incidents at the workplace are reduced. All injured employees who required medical attention were provided with medical treatment and where required, time off work was also granted. The Group has recorded the following statistics regarding health and safety:

Injury incidents in permanent staff



HEALTH

The health of our employees is of utmost importance to us. As a Group we believe that prevention is better than cure hence we undertook various awareness programmes and campaigns during 2016 to ensure early detection of any health issues and/or diseases that our employees might have. Healthy living is encouraged through emails that are regularly sent to employees, also informing them of the various health risks in general.

HIV AND AIDS

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

GOVERNANCE

SOCIAL CAPITAL CONTINUED

Lead poisoning

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

Noise surveys

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

ENVIRONMENT

South Ocean Holdings recognises the impact of climate change on our environment. As a Group, we actively seek for opportunities to contribute positively to the environment. A task-team will be put together during the 2017 year to measure the carbon impact of the vehicles and factory on the environment.

Waste management

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

Radiant uses a comprehensive waste recycling programme. Streams of waste that are monitored include aluminium, paper, glass and packaging. The waste management process that Radiant employs has helped reduce landfill waste resulting in financial savings as the recovered waste is recycled and re-used in packaging or is collected, recycled and sold.

Total scrap, including copper and PVC scrap, generated during the year was sold and a portion of the PVC scrap was recycled and re-used in the production process. SOEW focusses on reducing cable scrap and optimises the financial recovery from scrap. Used lubricating oils and soluble oils are generated as a by-product of SOEW's manufacturing process. These lubricants and oils are disposed off via a third party who either recycles or disposes of them in an environmentally friendly manner. During 2016, 230 (2015: 200) litres of soluble oils and 6 241(2015: 5 892) litres of lubricating oil was generated and disposed of. Industrial waste and soil were also disposed off from this site.

Industrial waste amounting to 70 933kgs (2015: 66 926kgs) was generated and disposed off. In addition, there is a focus on ensuring maximum efficient use of operating equipment over its lifetime, with ongoing maintenance being an important part of this strategy.

Refuse is kept to a minimum during the year, as the Group focuses strongly on recycling. During the year 3 031m^3 (2015: 2 267m^3) of refuse was generated. Paper and cardboard weighing 15 289kgs (2015: 12 530kgs) was generated and sold for R33 713.

ENERGY USAGE

During the year the Group has used 15.4 (2015: 14.2) MWh of electricity which represents an increase from the prior year. This translates to 0.00095 (2015: 0.00038) MWH per man hour worked. The increase in electricity usage was due to an increase in production volumes.

Water management

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

During the year SOEW used 6 005 (2015: 4 565) kilolitres of water translating to an average usage of 0.0037 (2015: 0.0419) kilolitres of water per man hour worked. The increase in water usage in 2016 was due to an increase in production volumes. The Group's manufacturing processes have an insignificant effect on biodiversity and the environment.

Environmental impact assessment and carbon footprint analysis

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

POLITICAL PARTY POLICY

The Group does not take part in any political activity as an entity, although it supports the democratic system in South Africa. It is the Group's policy not to make donations to or endorse any political party.

FREEDOM OF ASSOCIATION

South Ocean Holdings upholds the right of employees to exercise freedom of association and collective bargaining, in compliance with the South African Constitution. We recognise trade unions that are sufficiently representative of employees at the appropriate organisational level. We give formal assurance that employees may associate, or not, with employee representative organisations and trade unions. Our Code of Conduct encourages employees to refrain from performing acts that conflict with freedom of association. There were no violations of freedom of association and collective bargaining during the year.

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

Trade union	2016	2015	2014
NUMSA	312	311	224
Solidarity	7	8	8
Total unionised employees	319	319	232
Percentage of unionised employees (%)	47.2	45.2	30.0

SECURITY PRACTICES

The Group takes seriously the responsibility of protecting its employees while on company premises as well as its assets. All our employees are aware and understand the Group's security policies. Our security personnel and third party security personnel are provided with formal training regarding security policies that are in place. There were no incidents of security violations reported during the year.

HUMAN RIGHTS

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

CHILD LABOUR

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

PRODUCT QUALITY

The Group's operating companies are certified compliant with ISO 9001:2000 and ISO 9001: 2008 Quality Management Standards. There are quality control facilities and a testing laboratory located at both Radiant and SOEW to ensure quality products and standards. All products are certified compliant with the standards as approved by SABS.

RISK REPORT

RISK MANAGEMENT POLICY STATEMENT

The Board commits South Ocean Holdings to a process of risk management that is aligned to the principles set out in the King Code of Governance Principles ("King III") and the Companies Act, 2008 of South Africa.

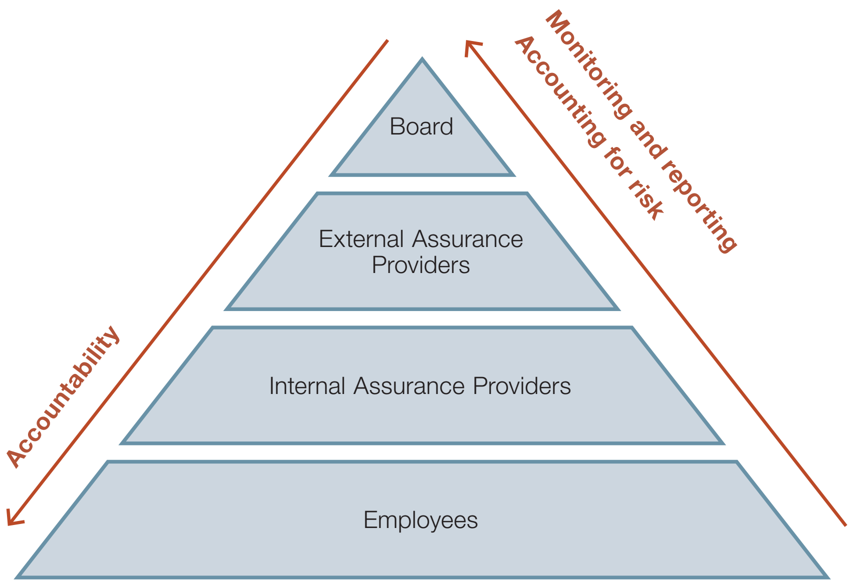
South Ocean Holdings defines Enterprise Risk Management as a structured, systematic and comprehensive process, effected by the Board and Management applied in strategy setting and designed to:

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

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

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

GOVERNANCE OF RISK



Enterprise risk management philosophy

South Ocean Holdings is committed to proactive risk management as a discipline to create value, protect stakeholders and assets, and promote long-term sustainability. The risk management practice is founded on the ethical values of responsibility, accountability, fairness and transparency.

The Group has formalised Risk Management Policy to ensure that South Ocean Holdings has a uniform approach and understanding of risks and risk management.

The Board has the overall responsibility for the governance of risk. The Audit and Risk Management Committee assists the Board with risk management oversight. The Board discloses undue, unexpected or unusual risks in the integrated report, together with its view on the effectiveness of the risk management processes.

Risk management framework

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

Risk appetite

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

TOP PRINCIPLE RISKS AND MITIGATIONS

	Risk	Causes	Residual	Actions to improve management of the risk
Critical	Cash flow risk	Ineffective monitoring of cash, over-spending on expenses and recoverability of debtors can lead to liquidity constraints.	25.0	Collections are closely monitored to identify distressed customers. Working capital expenses are properly controlled.
Critical	Complying with Broad-Based Black Economic Empowerment ("B-BBEE") legislation	Non-compliance with B-BBEE legislation or obtaining a low B-BBEE rating will lead to a loss of customers, inability to tender for public sector contracts resulting in loss of revenue.	25.0	A comprehensive B-BBEE strategy is in place. Preferential procurement assessments are done to ensure that the Group procures goods and services from suppliers with a high B-BBEE rating. Black-women owned and black-owned enterprises are being identified for development. Our employment policies are consistent with employment equity targets of the Group.
Extreme	Exchange rate volatility risk	Volatile exchange rate movements and the unstable Rand Copper Price result in an increase in cost of sales and reduced margins and hence reduced profitability.	20.0	Exchange rates and financial budgets are continuously monitored. Foreign exchange rate cover is taken on all foreign purchases at the best possible rates to minimise the impact of foreign exchange losses.
Extreme	Complying with Competition Commission law	Non-compliance with Competition Commission law could result in a penalty which will result in a loss in profits.	20.0	On-going monitoring of the business by Management is in place to ensure that there are no transgressions. Staff training was provided to raise awareness of the Competition Commission laws and further training is planned to prevent any transgressions in the future.
Extreme	Interruptions in the electricity supply to the manufacturing operations	Interruption of electricity will impact on business continuity as well as on the manufacturing operations. This will result in the loss of productivity which will lead to a decrease in revenue and ultimately a loss in profitability.	20.0	Offices are equipped with back-up generators to ensure the continuity of business. The Group is unable to install generators in the factories due to the capacity of electrical power required by the machinery. The factory sources electricity from multiple sub-stations to ensure that there would be production if one sub-station ceases to operate.
High	Industrial action – strikes	Industry strike, general strikes and Section 37 strikes can lead to business continuity disruptions, increased costs and loss of production and revenue.	9.0	The Group has a business continuity plan which stipulates action to be taken during a strike. Non-union members and office staff are also utilised during strikes.
High	Loss of key staff	Working conditions, a competitive market and a shortage of skills can result in the loss of key staff, impacting profitability.	9.0	Detailed job descriptions and succession plans are in place for key staff. Short and long-term bonus schemes are in place to encourage staff retention.
Medium	Loss of data and corruption of the Information Technology ("IT") systems	Power outages and improper backup procedures of IT systems could lead to a loss or corruption of IT data. IT policies and systems may not work as intended and IT security may be ineffective.	6.0	Critical IT services are outsourced to a capable IT company. All backups are done offsite. Controls are in place to monitor that backups are complete. IT personnel monitor the servers continuously for viruses and hackers. Adequate firewires are in place to prevent infiltration by unknown parties.
Medium	Loss of a significant customers which will result in a decline in sales	The Group operates in a highly competitive industry and failure to successfully compete could result in the loss of one or more significant customers.	6.0	The Group continuously improves on customer experience, which is achieved through offering superior service to our customers and better communication between the customer and the Group.
Low	Misappropriation of assets due to fraud and corruption	Ineffective internal control procedures can lead to the misappropriation of assets that can affect business continuity and will result in a loss of assets and profitability.	2.0	A whistle-blowing hotline is available and employees are aware of the whistle-blowing policy. Clear segregation of duties is in place within the Group. Directors' approval is necessary for the removal of assets from the business premises as well as strict security controls at the exit points.
Low	Supply-chain breakdown/ disruption for an extended period	The inability to supply customers or to supply customers on-time could lead to a loss in customers and loss in market share. This will result in an erosion of customer base, a loss of revenue and a loss in profitability.	2.0	The Group uses supplier relationship management processes more consistently as a structured process drives strategic value through improvements in innovation and growth, better managed risk and vastly improved supply chains.
Low	Default by a major debtor and the application of an exclusion clause by the insurance provider	A bad debt from a significant customer could put financial stress on the debtor's book.	2.0	Sales are spread between significant customers and the debtors book is closely monitored.

REMUNERATION COMMITTEE REPORT

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

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

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

COMPOSITION

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

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

MEETINGS

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

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

REPORTING

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

REMUNERATION COMMITTEE'S ROLES AND RESPONSIBILITIES

The Remuneration Committee does not assume the functions of management, which remain the responsibility of the Executive Directors and Senior Management.

The Remuneration Committee's main task is to assist the Board in ensuring that the remuneration of Directors and Executives is fair and market-related.

The Remuneration Report provides an overview and understanding of the Group's remuneration philosophy and practices. It deals mostly with remuneration of Executive Directors and Senior Management.

REMUNERATION POLICY

South Ocean Holdings has an integrated approach to remuneration strategy based on ensuring that an appropriate balance is achieved between the interests of shareholders and the strategic and operational requirements of the Group by providing attractive and market-related remuneration to Executives.

South Ocean Holdings remuneration philosophy:

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

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

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

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

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

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

Non-Executive Director remuneration

The Group's philosophy in respect of Non-Executive remuneration is to pay market-related fees, as determined by market surveys, while taking into account the contribution of the individual Directors to the Group and the demands placed on them in respect of Board and Committee work.

Non-Executive Directors' remuneration is subject to shareholder approval at the Annual General Meeting.

Executive Directors and Senior Management remuneration

The remuneration philosophy of the Group is to pay Executive Directors and Senior Managers and staff a market-related remuneration aimed at encouraging sustainable performance by employees and providing incentives to achieve motivation and retention. In principle, and in terms of the remuneration policy in place in all Group companies, above-average remuneration is only earned by employees who demonstrate a preparedness to accept the challenges of the enterprise and who excel in the achievement of the objectives of the enterprise.

Remuneration package

Senior Executives' remuneration mix comprises four components:

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

The guaranteed package

An all-inclusive total cost-to-company package is determined for each employee based on annual market-worth of the required position, assuming that performance targets are met and that the targets are at a higher level than in the previous year. The guaranteed pay is calculated at between 75% and 80% for Directors and 92.4% for Senior Management of total cost-to-company package.

The performance bonus

Senior Executives are required to enter into a performance contract with the Managers to which they report. These performance contracts define individual key performance areas that are linked to the strategic objectives of the business unit. The contracts and the performance ratings are reviewed by Executive Directors and reported to the Remuneration Committee, giving it better insight into how risks are being managed and controlled internally within each business unit, and into succession planning at both the holding company and subsidiary levels. The performance ratings in terms of this performance management system will be the basis for an annual performance bonus. The performance bonus amount is calculated for Directors at between 20% and 25% and for Senior Management at 7.6% of total cost-to-company package.

The profit-sharing bonus

Senior Executives and Senior Managers employed by the Group will share in profit share pools in the event that earnings (profit before taxation), exceed the target earnings as proposed by the Remuneration Committee and approved by the Board for the financial year.

The target earnings as defined will be the inflation adjusted three-year-moving average of earnings for the past three years multiplied by the growth factor equal to expected inflation as defined. For the purposes of the profit-sharing bonus scheme, a nominated percentage of excess earnings for the holding company and for each subsidiary company, ranging between 10% and 20% in 2016, is allocated to profit-share pools and shared by eligible Senior Executives in the subsidiary company and holding company in proportion to their respective guaranteed remuneration for the year. No bonuses were paid during 2016.

The long-term incentive scheme

A long-term incentive plan is in place with effect from 1 January 2009. The objective of this plan is to both align the interest of top management with those of shareholders and to retain key people in top management who are responsible for leading the enterprise towards the achievement of organisational goals.

The plan is a share appreciation rights scheme in terms of which participants will receive a cash bonus on equity growth. The scheme does not confer any rights on employees to acquire, hold or subscribe for shares at any time, and does not in any way dilute the shareholdings of existing or future shareholders.

The following are the main features of this long-term incentive scheme:

- separate schemes have been established for the holding company and for each subsidiary company;
- share appreciation rights have been defined for the holding company and for each subsidiary company in relation to the issued shares of that company at the commencement of the financial year, each right relating to one issued share of that company;
- in the case of the holding company scheme, eligible participants were allocated rights in relation to a certain value of ordinary shares, based on the volume-weighted quoted share price of the holding company during the month preceding the allocation. They will receive a cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period;
- in the case of each subsidiary company, eligible participants will be allocated rights as follows:
  - in relation to a certain value of shares, to the extent of 75%, based on the shares of that subsidiary company;
  - in terms of a valuation of the shares of that subsidiary company which is in turn based on its financial results in its last three financial years;
  - as to 25%, based on the shares of the holding company, in terms of the volume-weighted quoted share price during the month preceding the allocation,
  - a cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period; and
  - the holding period of allocations will be three years, which may be extended to four years, at the third year of each allocation at the option of the participant.
- the quantum of the allocations will be in the range between 33,3% and 83,3% of the annual guaranteed pay of each participant in the years following.

Annual review by the Remuneration Committee

In relation to all Group Executive Directors, including the Executive Directors of each subsidiary company, the total cost-to-company package is reviewed annually by the Remuneration Committee based on market information and individual competency assessments.

In addition, the Remuneration Committee is mandated to annually review the remuneration policy which affects all Group Senior Executives and Senior Managers, being the members of the Executive Committee or Management Committees.

Executive Directors' remuneration from related companies

Executive Directors' remuneration paid for 2016 was as follows:

Company	2016 R'000	2015 R'000
South Ocean Holdings	**4 568**	6 513

Details of the remuneration of individual Directors are listed in note 18 in the financial statements section of this report.

Non-Executive Directors' remuneration

The fees for Non-Executive Directors during 2016 were as follows:

	Fixed fee 2016 R
Chairman of the Board	**429 456**
Deputy Vice-chairperson	**247 754**
Member of the Board	**143 152**
Chairperson of the Audit and Risk Management Committee	**214 728**
Member of the Audit and Risk Management Committee	**46 392**
Chairperson of the Remuneration Committee	**66 026**
Member of the Remuneration Committee	**46 392**
Chairperson of the Social and Ethics Committee	**66 026**
Chairperson of a Special Committee	**2 783/hour**
Member of a Special Committee	**1 670/hour**

** Refer to note 18 of the financial statements section of this report regarding payment of Non-Executive Directors fees.*

Interest of Directors in share capital of the Company

The details of the individual Directors' interest in share capital of the Company are disclosed in the Director's Report on page 65.

Interest of Directors in contracts

The Directors have certified that they had no material interest in any transaction of any significance with the Company or any of its subsidiaries.

GOVERNANCE

REMUNERATION COMMITTEE REPORT
CONTINUED

Share appreciation scheme

Details of the share appreciation scheme are set out in note 12 of the financial statements.

Prescribed officers of the Group who are not Executive Directors

King III recommends that the salaries of the prescribed officers, excluding Executive Directors, should be disclosed. These officers were identified and their earnings were disclosed including any bonuses and share appreciation rights paid out. Remuneration, benefits and incentives paid in respect of 2016 and 2015 are set out in note 18 to the financial statements.

Service contracts and severance pay arrangements

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

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

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

Provident fund and group life cover

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

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

Remuneration Committee members

The Remuneration Committee members during the year were:

M Chong	Chairperson
KH Pon	Member
HL Li	Member

CORPORATE GOVERNANCE REPORT

INTRODUCTION

South Ocean Holdings aims to achieve high standards of corporate governance which ensures compliance with legislation, regulation and voluntary codes to ensure the sustainability of our business.

Governance processes are regularly reviewed to align with legislative and regulatory changes and to reflect best practice.

The Group has applied the principles of the King Code of Governance Principles 2009 ("King III") throughout the financial year and elected to explain the principles that are not applied. The Directors confirm that the Group has in all material respects applied the recommendations of King III and elected to explain Principle 6.4, 8.6 and 9.3 which were either partially applied or not applied during 2016. Details of the Group's application of each King lll principle is available in the King III Gap analysis section of this report.

Board reporting structure

CORPORATE GOVERNANCE REPORT
CONTINUED

BOARD OF DIRECTORS

KH Pon
(Chairman)
Independent Non-Executive

HL Li[2]
(Deputy Vice-Chairman)
Non-Executive

EHT Pan[1]
(Deputy Vice-Chairman)
Non-Executive

CY Wu
Non-Executive

M Chong
Independent Non-Executive

L Stephens[5]
Independent Non-Executive

N Lalla
Independent Non-Executive

JH Yeh[3]
Independent Non-Executive

DJC Pan
(Alternate)
Non-Executive

WP Li[6]
(Alternate)
Non-Executive

JP Bekker
Executive

MK Lehloenya[4]
Executive

AUDIT AND RISK MANAGEMENT COMMITTEE

M Chong
(Chairperson)
Independent Non-Executive

KH Pon
Independent Non-Executive

N Lalla
Independent Non-Executive

REMUNERATION COMMITTEE

M Chong
(Chairperson)
Independent Non-Executive

KH Pon
Independent Non-Executive

HL Li
Non-Executive

NOMINATION COMMITTEE

KH Pon
(Chairperson)
Independent Non-Executive

M Chong
Independent Non-Executive

CY Wu
Non-Executive

SOCIAL AND ETHICS COMMITTEE

M Chong
(Chairperson)
Independent Non-Executive

JP Bekker
Executive

MK Lehloenya
Executive

(1) *Resigned 18 February 2016.*
(2) *Appointed Deputy Vice-Chairman 18 February 2016.*
(3) *Appointed 18 February 2016, resigned 17 May 2017.*
(4) *Appointed 4 August 2016.*
(5) *Resigned 10 August 2016.*
(6) *Resigned 17 May 2017.*

Board Charter

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

The Board Charter details the responsibilities of the Board which include

CORPORATE RESPONSIBILITY

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

ENDORSEMENT AND COMPLIANCE WITH KING III

King III requires the Board to consider the interest of the Group and shareholders, taking into account the concerns and issues of its wider stakeholders which include suppliers, customers, employees and the environment. The Group understands the importance of balancing long-term social, environmental and economic interest with the principal need to secure sustainable returns and maximise profits. As a result, the Group is governed appropriately and conducts its affairs with prudence, transparency, accountability, fairness and in a socially responsible manner.

BOARD OF DIRECTORS

Board composition

The Board consists of two Non-Executive Directors, three Independent Non-Executive Directors and two Executive Directors namely, the Chief Executive Officer and the Chief Financial Officer.

Mr JH Yeh was appointed an Independent Non-Executive Director on 18 February 2016, Mr JH Yen resigned effective 17 May 2017. Mr JP Bekker was appointed Chief Executive Officer on 4 August 2016. Ms MK Lehloenya was appointed Chief Financial Officer on 4 August 2016. Ms L Stephens resigned as an Independent Non-Executive Director on 10 August 2016. Mr EHT Pan resigned as a Director and Deputy Vice-Chairman on 18 February 2016 and was replaced by Mr HL Li as Deputy-Vice Chairman effective 18 February 2016. Ms DJC Pan replaced Mr CH Pan, who resigned as a Director effective 18 February 2016, as an alternate Director to Mr HL Li. Mr WP Li resigned as an alternate Director effective 17 May 2017.

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

Members are appointed on the basis of skills, experience and their level of contribution to activities of the Group. The Nominations Committee is mandated to identify and recommend candidates for the Board's consideration through a formal and transparent process. New appointments are appropriately familiarised with the Group's business through an induction programme. The composition of the Board is reviewed on a regular basis to ensure ongoing compliance with requirements entailed in the Companies Act and King III, as well as being fit-for-purpose.

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

The Board is responsible for monitoring and reporting on the effectiveness of the Group's system of internal control. It is assisted by the Audit and Risk Management Committee in the discharge of this responsibility.

Appointment process

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

A review of the Charter is done periodically and it is evaluated in line with the changes

CORPORATE GOVERNANCE REPORT
CONTINUED

in legislation and governance guidelines. The Charter does not provide for any specific maximum number of Board members, but allows the Board to continuously evaluate itself as to the sufficiency given its duties and responsibilities at any stage.

Board processes

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

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

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

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

Evaluation of Board performance

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

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

The responses from the evaluation process indicate that the Board is well balanced, the size of the Board is adequate for the Group and the Board has the relevant knowledge relating to the Group's business.

The Directors believe Board meetings are well-organised, efficiently run and all relevant aspects of the Company's businesses are dealt with thoroughly by the Board and its various committees which have all discharged their responsibilities adequately.

Succession planning

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

Meetings

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

Attendance of meetings

A minimum of four Board meetings are scheduled per financial year. Additional Board meetings may be convened when necessary. During 2016, four Board meetings were held. The accompanying table details the attendance by each Director at Board meetings held during the year under review:

Director	8 Mar	1 Jun	12 Aug	16 Nov
KH Pon (Chairman)	✓	✓	✓	✓
HL Li	✓	✓	✓	✓
CY Wu	✓	✓	✓	✓
M Chong	✓	✓	✓	✓
L Stephens	✓	✓	❖	❖
N Lalla	✓	✓	✓	✓
JH Yeh	✓	✓	✓	✓
JP Bekker	✓	✓	✓	✓
MK Lehloenya	♦	♦	✓	✓

✓ Present

♦ Appointment effective 4 August 2016

❖ Resigned effective 10 August 2016

Non-Executive Directors

Non-Executive Directors do not have fixed terms of appointment, but are required to retire by rotation and are eligible for re-election by shareholders at the Annual General Meeting of the Company.

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

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

Executive Directors

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

The Chairman of the Board

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

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

The Chairman presides over meetings of the Board, guiding the integrity and effectiveness of the Board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all Directors relevant to the subject under discussion are solicited and freely expressed and that the Board discussions lead to appropriate decisions.

Chief Executive Officer

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

- developing and recommending to the Board a long-term strategy and vision that will generate satisfactory stakeholder value;
- developing and recommending to the Board annual business plans and budgets that support the long-term strategy; and
- managing the affairs of the Group in accordance with its values and objectives, as well as the general policies and specific decisions of the Board.

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

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

The Company Secretary

Mr WT Green is the Company Secretary and he provides the entire Board with detailed guidance on matters related to the discharging of their responsibilities. He is suitably qualified and experienced to act in this position.

The Company Secretary is accountable to the Board to:

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

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

The certificate required to be signed in terms of section 88(2)(e) of the Companies Act of South Africa, 2008 appears on page 62 on this report.

The Company Secretary is not a Director of South Ocean Holdings or any of its subsidiaries and, accordingly, maintains an arm's length relationship with the Board and its Directors. The Company Secretary is not a member of the Board and has an arm's length relationship with the Board. The Board has considered and is satisfied with the Company Secretary's independence and that an arm's-length relationship is maintained between the Company and Mr WT Green.

CORPORATE GOVERNANCE REPORT
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Directors' remuneration

The governance of Directors' remuneration is undertaken by the Remuneration Committee. The responsibility for ensuring that the Executive and Non-Executive Directors are fairly and responsibly remunerated has been formally delegated to this committee. Directors' fees for Non-Executive Directors were submitted in advance for approval by shareholders at the Annual General Meeting of the Company held on Thursday 11 August 2016. The required number of votes to approve Non-Executive Directors remuneration were not obtained, consequently, Non-Executive Directors were only paid until 31 March 2016, which is the period covered by the previous special resolution that was passed in 2015. The fees for the period 1 April 2016 to 31 December 2016 remained outstanding at the financial year end.

Non-Executive Directors' remuneration

Non-Executive Directors receive an annual fee for their Board participation. The fee consists of a base fee and where applicable, committee membership fees. The Remuneration Committee, which consists of two Independent Non-Executive Directors and one Non-Executive Director, discussed and proposed the Non-Executive Directors' fees to the Board for recommendation to the Annual General Meeting for approval.

Executive Directors' remuneration

Remuneration for Executive Directors consists of a base salary, a performance-related incentive bonus, retirement contributions, medical scheme membership and participation in the short-term and long-term incentive schemes. This is discussed in more detail on pages 36 to 38.

BOARD COMMITTEES

Specific responsibilities have been formally delegated to Board committees with defined terms of reference, life span and function, clearly agreed upon reporting procedures and written scope of authority. The committees are appropriately constituted with due regard to the skills required by each committee and the committees' terms of reference are reviewed once a year. There is transparency and full disclosure from the Board committees to the Board. Board committees are free to take independent outside professional advice as and when necessary and are subject to regular evaluation by the Board to ascertain their performance and effectiveness. With the exception of the Executive Committee chaired by the Chief Executive Officer, all other committees are chaired by Independent Non-Executive Directors.

Particulars of the composition of the Board of Directors and committees appear on pages 39 and 7 to 10 of this report. The Charters of the Board committees are reviewed on an ongoing basis to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and keep trend with all new developments.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Composition of Committee

The Audit and Risk Management Committee consists only of Independent Non-Executive Directors in compliance with the requirements of King III. The Audit and Risk Management Committee is fully mandated by the Board by means of written terms of reference as to its membership, authority and duties.

Meetings

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

Responsibility

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

The Audit and Risk Management Committee is also responsible for the review of management processes, strategies and systems in place for the identification, management and control of all Group risks.

The appointment, management and monitoring of the work of both the External and Internal Auditors are amongst the responsibilities of the Audit and Risk Management Committee.

The Board is confident that the members of this Committee are properly qualified and experienced in finance, accounting and risk management and are knowledgeable about the affairs of the Group.

Audit and Risk Management Committee Charter

The Audit and Risk Management Committee Charter sets out the responsibilities of the committee, which include:

- the preparation of financial reporting and statements in compliance with all required legislation, accounting standards and corporate governance;
- the Group's compliance with legal and regulatory requirements;
- overseeing the Internal and External Auditors' function;
- evaluating the risk profile and risk management of the Group; and
- assisting the Board relating to the safeguarding of assets and operation of effective internal control systems and compliance with the ethical standards adopted.

The Audit and Risk Management Committee also attends to the following responsibilities required by King III and the JSE Listings Requirements:

- evaluating and confirming the independence of the External Auditors; and
- reviewing the expertise, resources and the experience of the Group's Chief Financial Officer.

Re-appointment of the independent auditors

The Audit and Risk Management Committee appraised the independence, expertise and objectivity of PricewaterhouseCoopers Inc. as External Auditor, as well as approving the terms of engagement and the fees paid to PricewaterhouseCoopers Inc. considered the independence of the external auditors, PricewaterhouseCoopers Inc. in accordance with section 90(1) of the Companies Act. The Committee considered the following aspects to satisfy itself that PricewaterhouseCoopers Inc. is independent:

- identifying the potential threats to the audit independence of any non-audit work which the firm undertakes and, if any, what safeguards the firm has put in place;
- determining whether the firm, engagement partner or staff directly or indirectly hold any shares in South Ocean Holdings; and
- assessing any other factors which could impact or be considered to impact their independence.

Having considered all facts the Audit and Risk Management Committee is satisfied that PricewaterhouseCoopers Inc. is independent and nominated PricewaterhouseCoopers Inc. to be re-appointed as the registered auditor for the 2017 financial year. The Board re-appointed PricewaterhouseCoopers Inc. and Mr Wikus Roos, the audit partner, as the independent auditors of South Ocean Holdings. The appointment is subject to shareholders' approval at the Annual General Meeting.

PricewaterhouseCoopers Inc. is accredited in terms of the JSE list of accredited auditors as contemplated in paragraph 3.86 of the JSE Listings Requirements.

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

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

Internal audit

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

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

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

- identifying the potential threats to the internal audit independence of each area of non-internal audit work which the firm undertakes and, if any, what safeguards the firm has put in place;
- determining whether the firm, engagement partner or staff directly or indirectly hold any shares in South Ocean Holdings; and
- assessing any other factors which could impact or be considered to impact their independence.

The role of the internal audit is to review the internal controls, systems and procedures. The Audit and Risk Management Committee is satisfied that the internal controls are adequate in safeguarding the assets, preventing and detecting errors and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements.

The Internal Auditor reports to the Audit and Risk Management Committee and has unrestricted access to the Chief Executive Officer and the Chairperson of the Audit and Risk Management Committee.

The three year internal audit programme is approved by the Audit and Risk Management Committee and the Internal Auditors report to the Audit and Risk Management Committee on their findings after completion of their audit. Their reporting meeting is also attended by the External Auditors.

Internal financial controls

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

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

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

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

CORPORATE GOVERNANCE REPORT
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Risk Management

Risk Management is the responsibility of the Audit and Risk Management Committee. The development, implementation and maintenance of strategies to minimise Group risk, is geared towards achieving the Group's strategic, operations, reporting and compliance objectives and ensuring value-creation for the Company's shareholders.

The Audit and Risk Management Committee is responsible for:

- reviewing, on behalf of the Board, the effectiveness and integrity of systems and controls relating to risk management, and the associated monitoring processes and procedures;
- reviewing the approach through which risk management is conducted and the effectiveness of these processes and systems;
- receiving reports from the Compliance Officer on the adequacy and effectiveness of risk management arrangements;
- ensure that the disclosure regarding risk is comprehensive, timely and relevant; and
- reviewing reports from management and the Internal Auditors on the effectiveness and integrity of risk management systems.

Risk management is a dynamic process and the Group has accepted the challenge and responsibility to address it comprehensively and has set the following objectives:

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

Integrated reporting

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

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

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

The Board has subsequently approved the Integrated Annual Report.

Attendance of meetings

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

Director	7 Mar	1 Jun	10 Aug	14 Oct	16 Nov
M Chong (Chairperson)	✓	✓	✓	✓	✓
KH Pon	✓	✓	✓	✓	✓
N Lalla	✓	✓	✓	✓	✓

✓ Present

EXECUTIVE COMMITTEE

Composition of Committee

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

Meetings

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

Responsibility

The Executive Committee is responsible for:

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

REMUNERATION COMMITTEE

Composition of Committee

The majority of the Remuneration Committee Members are Independent Non-Executive Directors.

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

Meetings

The Remuneration Committee meets periodically, at least twice per annum.

Responsibility

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

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

Remuneration Committee Charter

The Remuneration Committee's responsibilities include the following:

- overseeing the setting and administering of remuneration at all levels in the Company;
- overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- reviewing the outcomes of the implementation of the remuneration policy as to whether the set objectives are being achieved;
- ensuring that the mix of fixed and variable pay, in cash, short and long-term incentives and other elements, meets the Company's needs and strategic objectives;
- considering the results of the evaluation of the performance of the Chief Executive Officer and other Executive Directors, both as Directors and as Executives in determining remuneration;
- regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of rules; and
- advising on the remuneration of Non-Executive Directors.

Remuneration to Directors and Senior Management consists of:

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

Attendance of meetings

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

Director	7 Mar	16 Nov
M Chong (Chairperson)	✓	✓
KH Pon	✓	✓
HL Li	✓	✓

✓ Present

NOMINATIONS COMMITTEE

Meetings

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

The Nominations Committee met four times during 2016, to fill the vacancy of an Independent Non-Executive Director and Chief Financial Officer and to discuss the Director development requirements of the Group.

Attendance of meetings

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

Director	29 Jan	28 Jun	22 July	16 Nov
KH Pon (Chairperson)	✓	✓	✓	✓
M Chong	✓	✓	✓	✓
EHT Pan	✓	●	●	●
CY Wu	♦	A	A	✓

✓ Present
● Resigned effective 18 February 2016
♦ Appointment effective 18 February 2016
A Apology

Nominations Committee Charter

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

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

- ensure the establishment of a formal process for the appointment of Directors, including:
  - identification of suitable persons to be appointed;
  - performance of reference and background checks of candidates prior to nomination; and
  - formalising the appointment of Directors through an agreement between the Company and the Director;
- oversee the development of a formal induction programme for new Directors;
- ensure that inexperienced Directors are developed through a mentorship programme;
- oversee the development and implementation of continuing professional development programmes for Directors;
- ensure that Directors receive regular briefings on changes in risks, laws and the environment in which the companies operate;

CORPORATE GOVERNANCE REPORT
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- consider the performance of Directors and take steps to remove Directors who do not make an appropriate contribution; and
- ensure that formal succession plans for the Board, Chief Executive Officer, Chief Financial Officer and Senior Management appointments are developed and implemented.

Board Gender Diversity Policy

The Nominations Committee has considered and applied the policy on Board gender diversity in the nomination of new Directors to the Board. As part of the process of reviewing the composition of the Board, the Nominations Committee considered the benefits of all aspects of diversity, including gender diversity. The Board's aim was to ensure that at least 33% of the Board is made up of women by end of the 2016 financial year, and for that position to have exceeded 40% by end of the 2019 financial year.

The Nominations Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the 2016 financial year.

SOCIAL AND ETHICS COMMITTEE

Meetings

The Social and Ethics Committee meets at least three times per year.

Attendance of meetings

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

Director	11 Feb	9 Jul	4 Nov
M Chong (Chairperson)	✓	✓	✓
JP Bekker	✓	✓	✓
KM Lehloenya	♦	♦	✓

✓ Present

♦ Appointment effective 4 August 2016

Social and Ethics Committee Charter

The Social and Ethics Committee has the following functions:

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

Information Technology

The Group has a policy in place regarding the safeguarding and management of the Information Technology systems and network environment.

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

Disaster recovery plans are being implemented for any unforeseen circumstances to ensure minimum disruption as any interruption in the information technology system can have a material impact on the business.

Dealing in Company Securities

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

Interest in contracts

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

Relationship with stakeholders and investors

The Group continues to promote communication with its shareholders, business analysts, business advisers and all other stakeholders. These include timeous, honest, relevant and accessible announcements and circulars to the shareholders in accordance with the JSE Listings Requirements. All shareholders are encouraged to attend the Annual General Meeting and to ask questions about the Group, its results and prospects.

The Group encourages stakeholders to approach Executive Directors whenever they wish.

The Group also subscribes to the principle of fair communication and disclosure. There are ongoing interactions between the Executive Management team and a wide range of institutional investors and analysts and potential investors during the non-closed periods. These interactions include one-on-one meetings with the investor community in Johannesburg and Cape Town twice a year. The interim and final results are also published in one English newspaper, on the Company's web site and on SENS. There are regular engagements with the media in various methods to ensure fair communication through media liaison.

Employment equity

The Group is an equal opportunity employer and will not tolerate discrimination on the basis of ethnicity or gender. A number of programmes are in place to ensure that the Group's employee profile will become more representative of the demographics of the region in which it operates whilst maintaining the Group's high standards.

Code of Conduct and Ethics

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

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

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

Fraud, bribery, corruption and illegal acts

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

Corporate Social Investment

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

Whistle-blowing measures

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

Preferential procurement

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

Worker participation

The Group employs a variety of participative structures to deal with issues that affect employees directly and materially. These include collective bargaining mechanisms, regular shop steward and trade union meetings, as well as equity skills and development meetings, structures to drive productivity improvements, safety committees and other participative forums. These structures are designed to achieve good employer/employee relations through effective sharing of relevant information, consultation and the identification and resolution of conflict.

Going concern

The Directors report that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continued to adopt the going concern basis in preparing the Financial Statements for the financial year ended 31 December 2016.

KING III – GAP ANALYSIS

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
1. Ethical leadership and corpor				
1	1.1	The Board provides effective leadership based on ethical foundations.	Applied	The ethical foundation on which the Board provides effective leadership is incorporated in the Code of Ethics and Conduct, the Social and Ethics Committee and Board Charters.
1	1.2	The Board ensures that the company is, and is seen to be, a responsible corporate citizen.	Applied	The Board ensures that the company is, and is seen to be, a responsible corporate citizen and this is also included in the Board Charter as part of the role of the Board.
1	1.3	The Board ensures that the Company's ethics are managed effectively.	Applied	The Board adopted the Code of Ethics and Conduct, hereby committing that the company's ethics are being managed effectively. An external whistle-blowing process is in place demonstrating this.
2. Board of directors				
2	2.1	The Board acts as the focal point for, and custodian of, corporate governance.	Applied	The Board's Charter sets out its responsibilities and the Board meets at least four times per year. Proper minutes are maintained of Board deliberations to ensure that proper corporate governance is being implemented on an ongoing basis.
2	2.2	The Board appreciates that the strategy, risk, performance and sustainability are inseparable.	Applied	The Board informs and approves the strategy and it is aligned with the purpose of the company, its value drivers and the legitimate interests and expectations of its stakeholders to ensure sustainable outcomes. This principle is also included in the Board Charter.
2	2.3	The Board provides for effective leadership based on an ethical foundation.	Applied	The Code of Ethics and Conduct is a fundamental policy of the Group to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards.
2	2.4	The Board ensures that the company is, and is seen as, a responsible corporate citizen.	Applied	Through the Social and Ethics Committee, the Board identifies and monitors the non-financial aspects relevant to the business and reviews appropriate non-financial information that goes beyond assessing the financial and quantitative performance of the Group, and looks at other qualitative performance factors, which takes into account broad stakeholder issues.
2	2.5	The Board ensures that the company's ethics are managed effectively.	Applied	All Directors and employees are required to comply with the spirit as well as the letter of the Code of Ethics and Conduct and maintain the highest standards of conduct in all dealings.
2	2.6	The Board ensures that the company has an effective and independent Audit and Risk Management Committee.	Applied	The Audit and Risk Management Committee consists of three Independent Non-Executive Directors.
2	2.7	The Board is responsible for the governance of risk.	Applied	Through the Audit and Risk Management Committee, the Board identifies the key risk areas and key performance indicators of the Group. The Board has a process by which these risks are updated regularly.

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
2. Board of directors				
2	2.8	The Board is responsible for information technology (IT) governance.	Applied	The Board delegated this function to the Audit and Risk Management Committee to ensure that IT governance is properly implemented. The Chief Financial Officer reports to the Audit and Risk Management Committee on the relevant IT matters. An IT Steering Committee has been established and is fully functioning.
2	2.9	The Board ensures that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Audit and Risk Management Committee oversees this function. A compliance audit was performed during 2016 and the Group was found to be mainly compliant with applicable laws and regulations.
2	2.10	The Board ensures that there is an effective risk-based internal audit function.	Applied	Internal audit assists the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
2	2.11	The Board appreciates that stakeholders' perceptions affect the company's reputation.	Applied	Management is working hard at improving its engagement with all its stakeholders. Management engages and speaks openly on important issues.
2	2.12	The Board ensures the integrity of the company's integrated annual report.	Applied	This responsibility was delegated to the Audit and Risk Management Committee to review the integrity of the Company's integrated annual report prior to tabling this to the Board for final approval, and publication thereafter.
2	2.13	The Board reports on the effectiveness of the Company's internal controls.	Applied	The internal auditor's primary mandate is to examine and evaluate the effectiveness of the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Board through the Audit and Risk Management Committee.
2	2.14	The Board and its Directors act in the best interest of the company.	Applied	A standard conflict of interest appears as a Board meeting agenda item which allows Directors to report on real or perceived conflicts. The Board and committees are free to take professional advice in the exercise of their duties. A formal policy on insider trading and dealing with shares was adopted by the Board.
2	2.15	The Board will consider business rescue proceedings or other turnaround mechanisms as soon as the Group may be financially distressed, as defined in the Company's Act, 71 of 2008.	Applied	This was included in the Board Charter and will be applied if necessary.
2	2.16	The Board has elected a Chairman of the Board who is an independent Non-Executive Director.	Applied	Mr K H Pon is an Independent Non-Executive Director and Chairman of the Board.
2	2.17	The Board has appointed the CEO and has established a framework for the delegation of the authority.	Applied	A Delegation of Authority Framework was adopted and the CEO's role is formalised and his performance is evaluated against specific criteria.

KING III – GAP ANALYSIS CONTINUED

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
2. Board of directors				
2	2.18	The Board comprises a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors are independent.	Applied	Four of the Board's seven Directors are Independent Non-Executive Directors. The Board's size, diversity and demographics were considered and it is seen to be effective.
2	2.19	Directors are appointed through a formal process.	Applied	Directors are appointed through a formal process and this is overseen by the Remuneration and Nomination Committee and confirmed by the Board.
2	2.20	The induction of, and ongoing training, as well as the development of Directors is conducted through a formal process.	Applied	Following the appointment of new Directors, they visit the Group's businesses and meet with Senior Management, as appropriate and are offered the opportunity to facilitate their understanding of the Group and their fiduciary responsibilities. Directors receive training as and when required on Company-specific matters.
2	2.21	The Board is assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	Mr Whitney Green was appointed Company Secretary. He is suitably qualified and has the necessary knowledge and skills. He is a consultant and remains at an arm's length basis with the Board.
2	2.22	The evaluation of the Board, its committees and individual directors is performed every year.	Applied	A self-evaluation was conducted by the Board and its sub-committees during 2016. The results were discussed as well as plans to address the identified improvement areas.
2	2.23	The Board delegates certain functions to well-structured Committees without abdicating from its own responsibilities.	Applied	Specific responsibilities have been formally delegated to the Board Committees with defined terms of reference, duration and function, clearly agreed upon reporting procedures and written scope of authority documented in its formal Charters. Committees in place are Audit and Risk Management, Remuneration, Nominations and Social and Ethics.
2	2.24	A governance framework has been agreed upon between the Group and its subsidiary Boards.	Applied	The Managing Directors of the major subsidiaries provide a written report on progress in their respective businesses. Management meetings are held in the respective subsidiary companies.
2	2.25	The Company remunerates its Directors and Executives fairly.	Applied	An approved remuneration philosophy, consisting of fixed pay, a bonus component and participation in an incentive scheme is in place.
2	2.26	The Company has disclosed the remuneration of each individual Director and prescribed officer.	Applied	The Directors' remuneration is disclosed in the 2016 Integrated Annual Report.
2	2.27	The shareholders have approved the Company's remuneration policy.	Applied	The remuneration philosophy was approved by shareholders in the AGM that was held in 2016 and would again be tabled for shareholder approval at the AGM to be held during 2017.

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
3. Audit committee				
3	3.1	The Board has ensured that the Company has an effective and independent Audit and Risk Management Committee.	Applied	The Audit and Risk Management Committee comprises of three Independent Non-Executive Directors.
3	3.2	Audit and Risk Management Committee members are suitably skilled and experienced Independent Non-Executive Directors.	Applied	The members and Committee attendees have the required financial knowledge and experience to oversee and guide the Board and the Group in respect of the audit and corporate governance disciplines.
3	3.3	Audit and Risk Management Committee is chaired by an Independent Non-Executive Director.	Applied	The Committee is chaired by Ms Melanie Chong, a qualified Chartered Accountant. Ms Chong is an Independent Non-Executive Director.
3	3.4	Audit and Risk Management Committee oversees integrated annual reporting.	Applied	This function is included in the Committee's terms of reference.
3	3.5	The Audit Committee should ensure that combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	Applied	The assurance activities of management, internal and external audit are co-ordinated with each other, with the relationship between the external assurers and management being monitored by the Audit and Risk Management Committee.
3	3.6	Audit and Risk Management Committee is satisfied with the expertise, resources and experience of the Group's finance function.	Applied	The Committee has satisfied itself with Kabelo Lehloenya's work experience, performance and technical skills in fulfilling her role as Chief Financial Officer and providing leadership to the rest of the financial team.
3	3.7	Audit and Risk Management Committee should be responsible for overseeing internal audit.	Applied	The Group has outsourced its internal audit function to BDO Risk Advisory Services Proprietary Limited, which reports the results of its internal audit findings to Audit and Risk Management Committee.
3	3.8	Audit and Risk Management Committee is an integral component of the risk management process.	Applied	The Audit and Risk Management Committee has approved and implemented a Risk Management Policy and Framework. The Committee also reviews the Risk Register at each meeting.
3	3.9	Audit and Risk Management Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The Audit and Risk Management Committee approves the appointment of the external auditor as well as its engagement letter and terms, nature and scope of the audit function and the audit fee.

KING III – GAP ANALYSIS CONTINUED

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
3. Audit committee				
3	3.10	Audit and Risk Management Committee has reported to the Board and the shareholders as to how it has discharged its duties.	Applied	The Audit and Risk Management Committee advises the Board on issues ranging from the application of accounting standards to published financial information and feedback is provided at each Board meeting. A report from the Audit and Risk Management Committee is included in the 2016 Integrated Annual Report.
4. Governance of risk				
4	4.1	The Board is responsible for the governance of risk.	Applied	The Board has established a comprehensive control environment ensuring that risks are mitigated and the Group's objectives are attained. Oversight function in terms of risk is delegated to the Audit and Risk Management Committee and discussed at each meeting with feedback to the Board.
4	4.2	The Board has determined the levels of risk tolerance.	Applied	The risk tolerance levels have been determined and are discussed at each Audit and Risk Management Committee meeting.
4	4.3	The Audit and Risk Management Committee has assisted the Board in carrying out its risk responsibilities.	Applied	The Board's risk responsibilities are delegated to the Audit and Risk Management Committee. The internal audit plan is based on risk assessments, which are of a continual nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the Audit and Risk Management Committee and Senior Management.
4	4.4	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	All inherent and residual risks are discussed at each Audit and Risk Management Committee meeting, with feedback provided to the Board. The risk register includes the risks, ratings, internal controls and mitigating actions.
4	4.5	The Board has ensured that risk assessments are performed on a continual basis.	Applied	The inherent and residual risks are discussed at the quarterly Audit and Risk Management Committee meetings.
4	4.6	The Board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	The risk registers are continually reviewed and discussed at the quarterly Audit and Risk Management Committee meetings. The Framework was reviewed and Policy was redrafted and approved in 2016.
4	4.7	The Board has ensured that management has considered and implemented appropriate risk responses.	Applied	Responses in terms of the risk register are being enhanced so as to include detailed responses from subsidiary company level.
4	4.8	The Board has ensured the continual risk monitoring by management.	Applied	The Board has established a comprehensive control environment, ensuring that risks are mitigated and the Group's objectives are attained.
4	4.9	The Board has received assurance regarding the effectiveness of the risk management process.	Applied	Internal auditors conduct continual reviews in terms of internal controls and systems and attend the Audit and Risk Management Committee meetings to table their working report. Internal Audit will formally assess the Risk Management processes early in 2017.

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
4. Governance of risk				
4	4.10	The Board has ensured that there are processes in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	The major risks are disclosed in the 2016 Integrated Annual Report.
5. Governance of information technology				
5	5.1	The Board is responsible for information technology (IT) governance.	Applied	The Board delegated this function to the Audit and Risk Management Committee by including IT governance in its Charter. An IT Steering Committee was established in 2016. A COBIT framework was implemented during the reporting period.
5	5.2	IT has been aligned with the performance and sustainability objectives of the Group.	Applied	An IT Steering Committee was established during 2016. The Chief Financial Officer attends the Audit and Risk Management Committee meetings on IT matters.
5	5.3	The Board has delegated to management the responsibility for the implementation of an IT governance framework.	Applied	Management is responsible for the implementation of an IT governance framework.
5	5.4	The Board monitors and evaluates significant IT investments and expenditure.	Applied	IT investments and expenditure are being monitored and approved in terms of the delegation of authority framework.
5	5.5	IT is an integral part of the Group's risk management plan.	Applied	Inherent and residual IT risks are included in the company's risk register and also dealt with separately on a semi-annual basis.
5	5.6	The Board ensures that Information Assets are managed effectively.	Applied	Management is responsible to manage the IT assets on behalf of the Board.
5	5.7	An Audit and Risk Management Committee assists the Board in carrying out its IT responsibilities.	Applied	The Audit and Risk Management Committee assists the Board in carrying out its IT responsibilities.

KING III – GAP ANALYSIS CONTINUED

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
6. Compliance with laws, rules, codes and standards				
6	6.1	The Board ensures that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Audit and Risk Management Committee assists the Board in complying with the applicable laws, rules, codes and standards in the ambit of its terms of reference.
6	6.2	The Board and each individual Director and Senior Manager has a working understanding of the effect of applicable laws, rules, codes and standards on the Group and its business.	Applied	Directors have a working understanding of all applicable laws, rules, codes and standards applicable to the Company.
6	6.3	Compliance risk should form an integral part of the Company's risk management process.	Applied	Compliance risk management is integrated into the Group enterprise risk management framework. Non-compliance to applicable and material laws, rules, codes and standards is reported to the Audit and Risk Management Committee.
6	6.4	The Board should delegate to Management the implementation of an effective compliance framework and processes.	Partially applied	The compliance framework and processes are not all in place. **Action plan: The company is in the process of further developing a compliance framework to assist management in fulfilling its responsibility in this regard.**
7. Internal audit				
7	7.1	The Board should ensure that there is an effective risk-based internal audit function.	Applied	The internal audit plan, approved by the Audit and Risk Management Committee, is based on risk assessments, which are of a continuous nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the Audit and Risk Management Committee and Senior Management.
7	7.2	Internal audit should follow a risk-based approach to its plan.	Applied	Refer to 7.1
7	7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Applied	Annual report from the internal auditors is submitted to the Audit and Risk Management Committee meetings.
7	7.4	The Audit and Risk Management Committee should be responsible for overseeing Internal Audit.	Applied	The internal audit function forms part of the Audit and Risk Management Committee's responsibility as set out in its terms of reference.
7	7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The internal audit plan was adopted. This is reviewed at the quarterly Audit and Risk Management Committee meetings which the internal auditors attend by invitation.
8. Stakeholders				
8	8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	Although a formal stakeholder engagement process is not yet in place, the Group through the CEO and the Chairman, interact with its major stakeholders on an ad hoc basis in the normal course of business.
8	8.2	The Board should delegate to management to deal proactively with stakeholder relationships.	Applied	Although a formal stakeholder engagement process is not yet in place, the Group through the CEO, interacts with its major stakeholders on an ad hoc basis in the normal course of business.

Chapter	Principle	Principle description	Applied/ partially applied/ not applied	Explanation/compensating practices
8. Stakeholders				
8	8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	Although a formal stakeholder engagement process is not yet in place, the Group through the CEO, interacts with its major stakeholders on an ad hoc basis in the normal course of business.
8	8.4	Companies should ensure equitable treatment of shareholders.	Applied	The Board and management are mindful of the treatment of all shareholders and in keeping with the JSE Listings Requirements endeavour not to place any shareholder's interest above another. The Group fully complies with the JSE Listings Requirements on disclosure of information to shareholders. Any material price-sensitive information and other relevant information is published on SENS in accordance with the Listings Requirements. All queries from shareholders are handled by the CEO, CFO and Group Company Secretary and only information available in the public domain is disclosed.
8	8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	The Board strives to ensure that reporting to stakeholders is relevant, transparent and accurate.
8	8.6	The Board should ensure that disputes are resolved effectively and as expeditiously as possible.	Partially	All internal disputes resolution mechanisms are in place. **Action plan: We will develop an external dispute resolution procedure during 2017.**
9. Integrated annual reporting				
9	9.1	The Board should ensure the integrity of the Group's integrated annual report.	Applied	This forms part of the responsibilities of the Audit and Risk Management Committee and is included as such in its terms of reference prior to presenting the report to the Board.
9	9.2	Sustainability reporting and disclosure should be integrated with the Group's financial reporting.	Applied	The Group endeavours to integrate all information to stakeholders in the form of the integrated report, focusing on sustainability on all levels, including finances.
9	9.3	Sustainability reporting and disclosure should be independently assured.	Not Applied	Sustainability reporting is currently being self-assured; however, this is being reviewed. There is adequate internal capacity to do so presently. **Action plan: The entire integrated report is reviewed by the Audit and Risk Management Committee and recommended to the Board. The Board has not found it necessary to obtain an independent assurance for sustainability reporting as it is comfortable with the accuracy of the sustainability reporting.**

FINANCIAL STATEMENTS

for the year ended 31 December 2016

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

LEVEL OF ASSURANCE

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

MK Lehloenya CA (SA)
Chief Financial Officer

PUBLISHED

10 March 2017

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

for the year ended 31 December 2016

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2016.

The Audit and Risk Management Committee is a statutory committee of the Board and forms an integral component of the Group's governance framework. The Audit and Risk Management Committee has written terms of reference that deal with its membership, authority and duties. In addition to having specific statutory responsibilities to the shareholders in terms of Section 94 of the Companies Act, the Audit and Risk Management Committee assists the Board by examining, reviewing and advising on the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information; the risk management process; internal financial controls; external and internal audit functions; and statutory and regulatory compliance.

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

1. COMPOSITION

The members of the Audit and Risk Management Committee, during the year, who are all independent non-Executive Directors of the Group are: Ms M Chong (CA) SA (Chairperson), Mr KH Pon (CA) SA and Ms N Lalla (CA) SA.

The Committee is satisfied that the members have the required knowledge and experience as set out in Section 94(5) of the Companies Act 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 of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The Committee held five scheduled meetings during 2016 and all the members of the Committee attended all the meetings.

The Chief Executive Officer, Chief Financial Officer, Board members who are not Audit and Risk Management Committee members and representatives from the external and internal auditors attend the Audit and Risk Management Committee meetings by invitation.

Duties

For the year ended 31 December 2016 the Audit and Risk Management Committee met their objectives and carried out their duties as per the statutory requirements.

4. EXTERNAL AUDITOR

The Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as the independent auditors and JL Roos as the designated auditor, who is a registered independent auditor, for the year ended 31 December 2016 audit. The appointment of the auditors for the 2017 financial year will be discussed at the next Audit and Risk Management Committee meeting.

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

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

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

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

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

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

The Audit and Risk Management Committee has satisfied itself through representations that the external auditors are independent and approved the following fees for work done by them. The fees charged during the year for audit services amounted to R2 174 000 (2015: R2 198 000). Fees charged for non-audit services amounted to R6 000 (2015: R nil).

5. FINANCIAL STATEMENTS AND ACCOUNTING CONTROLS

The Audit and Risk Management Committee has:

Reviewed the Financial Statements for the year ended 31 December 2016 and commented on the accounting practices and the effectiveness of the internal controls with regards to:

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

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE CONTINUED

for the year ended 31 December 2016

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

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

Following the review of the Financial Statements the Audit and Risk Management Committee recommend to the Board the approval thereof.

The Audit and Risk Management Committee will review the integrated report and make recommendations to the Board for approval. The Committee will also comment on the state of the internal control's environment in the integrated report once it has been prepared. The Committee recommended to the Board not to declare a dividend.

6. INTERNAL AUDITORS

The Audit and Risk Management Committee has:

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

The Audit and Risk Management Committee was satisfied regarding:

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

7. INTERNAL CONTROLS AND RISK MANAGEMENT

Oversight of risk management

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

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

Satisfied itself that the following areas have been appropriately addressed:

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

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

Internal financial controls

The Audit and Risk Management Committee has:

- reviewed the effectiveness of the Group's system of internal financial controls including receiving assurance from management and internal audit;
- reviewed significant issues raised by the external and internal auditors in their reports; and
- reviewed policies and procedures for preventing and detecting fraud.

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

8. LEGAL AND REGULATORY COMPLIANCE

The Audit and Risk Management Committee reports that, to its knowledge, South Ocean Holdings Limited and its subsidiaries are in compliance with the legislative provisions and JSE 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 Chief Financial Officer, Ms MK Lehloenya, and confirms her suitability in terms of the JSE Listing Requirements.

10. Going concern

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

On behalf of the Audit and Risk Management Committee.

M Chong CA (SA)
Chairperson: Audit and Risk Management Committee

Johannesburg

10 March 2017

DIRECTORS' RESPONSIBILITIES AND APPROVAL

for the year ended 31 December 2016

The Directors are responsible for the preparation and maintenance of adequate accounting records, integrity and fair presentation of the Group Financial Statements and related financial information included in this report.

The Directors are required, in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Financial Statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Financial Statements.

The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa. The Directors consider that, in preparing the Financial Statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors are satisfied that the information contained in the Financial Statements fairly presents the results of operations and cash flows for the year, and the financial position of the Group as at the end of the financial year.

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

The Directors, supported by the Audit and Risk Management Committee, are of the opinion, based on the information and explanations given by management, that the Group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the Financial Statements and maintaining accountability for assets and liabilities. The Directors believe that the Group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the financial year.

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

The Financial Statements have been prepared on the going-concern basis, since the Directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The Directors have reviewed the Group's cash flow forecast for the year to 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board and sub-committees of the Board. The Directors believe that all representations made to the independent auditors during the audit are valid and appropriate.

The external auditors are responsible for independently auditing and reporting on the Group's Financial Statements. The Financial Statements have been examined by the Group's external auditors and their report is presented on pages 66 to 69.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements set out on pages 63 to 106, which have been prepared on the going-concern basis, were approved by the Board on 10 March 2017 and were signed on its behalf by:

KH Pon CA (SA)
Independent Non-Executive Chairman

JP Bekker CA (SA)
Chief Executive Officer

STATEMENT OF COMPANY SECRETARY

for the year ended 31 December 2016

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

WT Green
Company Secretary

Johannesburg
10 March 2017

DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors present their report of the Group for the year ended 31 December 2016.

1. NATURE OF BUSINESS AND OPERATIONS

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

2. FINANCIAL RESULTS

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

The increase in the loss was partly a result of the net impairment charge of R13.5 million to the plant and machinery of SOEW due to the subsidiary's value-in-use being lower than the enterprise value and an additional net provision against Radiant Group's inventory to the value of R6.4 million. The impairment and the additional provision were performed to comply with IFRS. Furthermore, SOEW undertook a Section 189 retrenchment process in the 4th quarter of 2016. The after-tax cost amounted to R2.4 million. The above expenses contributed R22.3 million to the Group's loss after tax, which negatively impacted the Group's profitability. Management is confident that these were once-off extra ordinary items which will not re-occur in the near future, as management remains committed to maximizing the returns and benefits to its shareholders.

3. SHARE CAPITAL

Authorised share capital

The authorised share capital amounts to R5 000 000, being 500 000 000 ordinary shares of R0,01 each. There were no changes in the authorised share capital during the year under review.

Issued share capital

The issued share capital amounts to R1 563 788, being 156 378 794 ordinary shares of R0,01 each. There were no changes in the issued share capital during the year under review.

4. SPECIAL RESOLUTIONS

At the Annual General Meeting of the Company held on 10 August 2016, shareholders approved the following special resolution:

Loans or other financial assistance

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

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

Non-Executive Directors' fees

The shareholders did not approve the proposed special resolution approving the payment of Non-Executive Directors' fees due for the year. Refer to note 18 for more details.

5. BORROWING LIMITATIONS

In terms of the Memorandum of Incorporation of the Company, the Directors may exercise their right to acquire funding as they consider appropriate.

On behalf of the Company, the Directors have established credit facilities with various financial institutions, for use by the Company and its subsidiary companies.

DIRECTORS' REPORT CONTINUED

for the year ended 31 December 2016

6. DIRECTORS

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

Name	Nationality	Changes
Independent non-executive		
KH Pon	South African	
M Chong	South African	
L Stephens	South African	Resigned 10 August 2016
N Lalla	South African	
JH Yeh	South African	Appointed 18 February 2016
Non-executive		
EHT Pan	Brazilian	Resigned 18 February 2016
HL Li	Taiwanese	
CY Wu	Taiwanese	
DJC Pan (Alternate)	Brazilian	
CH Pan (Alternate)	Taiwanese	Resigned 18 February 2016
WP Li (Alternate)	Taiwanese	
Executive		
JP Bekker	South African	
MK Lehloenya	South African	Appointed 4 August 2016

7. DIRECTORS' EMOLUMENTS

The Directors' emoluments are set out in note 18 of the Financial Statements.

8. DIVIDENDS

The Board did not declare a dividend for the year ended 31 December 2016 (2015: R nil).

9. DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

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

10. SECRETARY

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

Business address

21 West Street
Houghton
2198

Postal address

P.O. Box 123738
Alrode
1451

11. DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of Directors in the issued share capital of the Company as at 31 December 2016 were as follows:

Director – Number of ordinary shares	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital %
2016				
JP Bekker	491 807	–	491 807	0,31
2015				
JP Bekker	491 807	–	491 807	0,31
EHT Pan	4 728 238	28 499 063	33 227 301	21,25
	5 220 045	28 499 063	33 719 108	21,56

No shares were traded by any director from 31 December 2016 until the date of this report.

12. SHARE-BASED PAYMENTS

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

13. MANAGEMENT BY THIRD AND RELATED PARTIES

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

14. AUDITORS

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

15. EVENTS AFTER THE REPORTING PERIOD

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

16. INDUSTRIAL MATTERS – COMPETITION COMMISSION INVESTIGATION AND REFERRAL

As noted in the previous Financial Statements, the case arises from a complaint that the Competition Commission ("Commission") first initiated on 16 March 2010 and which was referred to in the South Ocean Holdings' SENS announcement dated 6 May 2010. SOEW has engaged the services of specialist competition lawyers and economists to advise SOEW in respect of the Commission's referral. SOEW has co-operated with the Commission during its investigation of the complaint and continues to do so now that the complaint has been referred to the Tribunal. In terms of IAS 37 no further disclosures are made as this would unfairly prejudice SOEW in its current dealings with the Commission.

17. GOING CONCERN

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

18. LIQUIDITY AND SOLVENCY

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of South Ocean Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of South Ocean Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2016, 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 Group financial statements set out on pages 70 to 106 comprise:

- the Group statement of financial position as at 31 December 2016;
- the Group statement of comprehensive income for the year then ended;
- the Group statement of changes in equity for the year then ended;
- the Group statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

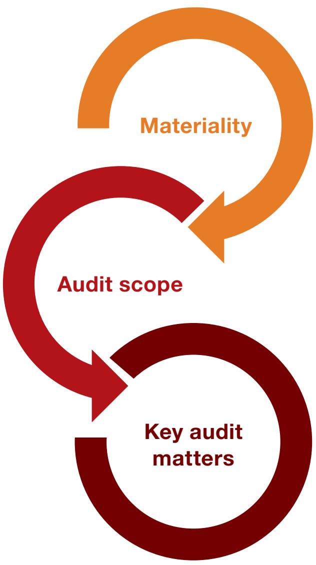
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall Group materiality

- Overall Group materiality: R3 240 831, which represents 5% of a five year average profit or loss before tax from continuing operations.

Group audit scope

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

Key audit matters

- Valuation of South Ocean Electric Wire Company Proprietary Limited ("SOEW")
- Assessment of slow moving inventory provision in relation to Radiant Group Proprietary Limited ("Radiant")

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	R3 240 831 (2015: R2 191 600)
How we determined it	5% of a five year average profit or loss before tax from continuing operations.
Rationale for the materiality benchmark applied	A benchmark of profit before tax is considered the most appropriate benchmark as it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. In 2015 and 2016, the Group incurred losses, whereas in years prior to that the Group achieved profits. Due to the fluctuation caused by the loss, it was considered more appropriate to use a five year average profit or loss before tax as a benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

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

The Group consists of the holding company, three operating subsidiaries, one property company, two foreign procurement companies and eight dormant companies. We performed full scope audits for the holding company, the 3 operating subsidiaries and the property company based on their financial significance and the audit risk associated with these reporting units. Specified audit procedures were performed for the two foreign procurement companies and 8 dormant companies to ensure we obtain sufficient and appropriate audit evidence to express an opinion on the Group financial statements as a whole. The Group audit team performed all audit work centrally over the underlying components.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the Shareholders of South Ocean Holdings Limited

Key audit matter	How our audit addressed the key audit matter
Valuation of South Ocean Electric Wire Company Proprietary Limited ("SOEW") Management conducted an impairment test to assess the recoverability of the corresponding underlying assets of the cash generating unit ("CGU's") to which these assets relate to. Value-in-use calculations were prepared using cash flow projections based on financial budgets approved by management that cover a five-year period. Based on management's valuation assessment, they identified an impairment at Group level for the cash-generating unit that includes the assets of SOEW before taxation of R18 743 000. The impairment was charged against SOEW's plant and machinery. Refer to note 3 in the consolidated financial statements. The valuation assessment is considered a matter of most significance to the current year audit due to: • The significant judgements that are made by management in the valuation in respect of terminal growth rates, discount rates and gross margins. • The magnitude of the impairment adjustment made in the consolidated statement of financial position and consolidated statement of comprehensive income.	In testing management's impairment assessment, our internal valuation experts performed, amongst others, the following procedures: • Evaluated the valuation methodology used by management to determine the estimated value in use and whether it is an acceptable valuation methodology. • Tested management's key valuation assumptions, specifically the Weighted Average Cost of Capital ("WACC") and the terminal growth rate, by comparing SOEW rates to those of entities operating in the same industry. We found the rates to be within an acceptable range based on the results of the procedures performed. • We tested management's cash flow forecast by comparing the inputs in the forecast to management's budget. • We assessed the sensitivity analysis performed by management on the key assumptions used in the valuation, including WACC, revenue and EBITDA, by reperforming management's calculations.
Assessment of slow moving inventory provision in relation to Radiant Group Proprietary Limited ("Radiant") Management performed a detailed assessment on inventory to identify any slow moving inventory and whether they should impair these items. As described in note 1.16 of the financial statements the assessment was performed by management on a line-by-line basis, where each inventory item was evaluated separately, and allocated into a category. Each category was then further assessed by management and all items making up the category were considered to determine the percentage of inventory to be provided for. The assessment performed by management on slow moving inventory and the other impairment categories resulted in an inventory provision of R19 952 295. We considered the provision as a matter of most significance to the current year audit as management made significant judgements in estimating the future sales of inventory on hand.	A discussion was held with management where they explained their approach and methodology applied in the assessment of slow moving inventory and the judgements applied. To test management's assessment and the judgements applied, our audit procedures included amongst others: • We performed an independent assessment to determine how long each item would take to sell, by comparing the quantity of each item sold in 2016 to the quantity of items on hand at year-end. We considered, based on industry knowledge and the nature of Radiant's inventory, any inventory not sold within 2 years to be slow moving. Those identified within our assessment were included in our independent provision calculation. • We compared our independent assessment to that of management and we found management's assessment to be consistent with ours. • In addition, we performed a year-on-year comparison of the inventory provision and total inventory written off to ensure that management's approach is reasonable.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Management Committee's Report and the Statement of Company Secretary as required by the Companies Act of South Africa and Directors' Responsibilities and Approval, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of South Ocean Holdings Limited for 8 years. Prior to its incorporation, the business of South Ocean Holdings Limited was transacted through South Ocean Electric Wire Company Proprietary Limited, of which PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 27 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: JL Roos

Registered Auditor

Pretoria

13 March 2017

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

		GROUP	
	Notes	**2016 R'000**	2015* R'000
Assets			
Non-current assets			
Property, plant and equipment	3	**289 699**	313 633
Intangible assets	4	**7 783**	8 780
Deferred tax assets	11	**21 787**	8 977
		319 269	331 390
Current assets			
Inventories	5	**326 407**	321 305
Trade and other receivables	6	**275 130**	229 596
Current tax receivable		**–**	5 556
Cash and cash equivalents	7	**22 336**	21 817
		623 873	578 274
Total assets		**943 142**	909 664
Equity and liabilities			
Equity			
Share capital	8	**441 645**	441 645
Reserves		**1 799**	2 513
Retained earnings		**86 428**	125 567
		529 872	569 725
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	10	**52 025**	63 899
Deferred tax liabilities	11	**35 026**	37 183
Share-Based Payments	12	**492**	–
		87 543	101 082
Current liabilities			
Trade and other payables	13	**128 677**	122 163
Interest-bearing borrowings	10	**197 012**	116 694
Derivative financial instruments	14	**38**	–
		325 727	238 857
Total liabilities		**413 270**	339 939
Total equity and liabilities		**943 142**	909 664

* Refer to note 32 for details of the restatement, where the bank overdraft balance was reclassified from cash and cash equivalents to interest-bearing borrowings.

The accounting policies on page 74 to 81 and the notes on pages 82 to 106 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

		GROUP	
	Notes	**2016 R'000**	2015 R'000
Revenue	15	**1 777 190**	1 657 358
Cost of sales	17	**(1 623 447)**	(1 499 277)
Gross profit		**153 743**	158 081
Other operating income	16	**6 181**	11 647
Administration expenses	17	**(68 765)**	(75 038)
Distribution expenses	17	**(25 653)**	(25 822)
Operating expenses	17	(97 344)	(68 430)
Operating (loss)/profit		**(31 838)**	438
Finance income	20	**1 005**	1 037
Finance costs	21	**(23 273)**	(20 397)
Loss before taxation		**(54 106)**	(18 922)
Taxation	22	**14 967**	5 003
Loss for the year		**(39 139)**	(13 919)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(714)**	1 486
Other comprehensive (loss)/income for the year net of taxation	9	**(714)**	1 486
Total comprehensive loss for the year		**(39 853)**	(12 433)
Loss per share:			
Per share information			
Basic and diluted loss per share (cents)	23	**(25,0)**	(8,9)

The accounting policies on page 74 to 81 and the notes on pages 82 to 106 form an integral part of the Financial Statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve (accum-ulated loss) R'000	Retained earnings R'000	Total equity R'000
Group						
Balance at 1 January 2015	1 274	440 371	441 645	1 027	139 486	582 158
Loss for the year	–	–	–	–	(13 919)	(13 919)
Total comprehensive income for the year	–	–	–	1 486	–	1 486
Total comprehensive income/(loss) for the year	–	–	–	1 486	(13 919)	(12 433)
Balance at 1 January 2016	**1 274**	**440 371**	**441 645**	**2 513**	**125 567**	**569 725**
Loss for the year	**–**	**–**	**–**	**–**	**(39 139)**	**(39 139)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(714)**	**–**	**(714)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(714)**	**(39 139)**	**(39 853)**
Balance at 31 December 2016	**1 274**	**440 371**	**441 645**	**1 799**	**86 428**	**529 872**

The accounting policies on page 74 to 81 and the notes on pages 82 to 106 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	GROUP 2016 R'000	 2015 R'000
Cash flows from operating activities			
Cash (utilised in)/generated from operations	24	**(39 034)**	94 129
Finance income	20	**1 005**	1 037
Finance costs	21	**(23 273)**	(20 397)
Taxation received/(paid)	25	**5 556**	(7 230)
Net cash from operating activities		**(55 746)**	67 539
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(12 318)**	(15 002)
Proceeds from sale of property, plant and equipment	3 & 26	**1 810**	893
Purchase of intangible assets	4	**(997)**	(1 697)
Net cash from investing activities		**(11 505)**	(15 806)
Cash flows from financing activities			
Proceeds from interest-bearing borrowings		**83 620**	5 888
Repayment of interest-bearing borrowings		**(15 136)**	(73 680)
Net cash from financing activities		**68 484**	(67 792)
Total cash and cash equivalents movements for the year		**1 233**	(16 059)
Cash and cash equivalents at the beginning of the year		**21 817**	36 390
Effect of exchange rate movement on foreign entity balances		**(714)**	1 486
Total cash and cash equivalents at end of the year	7	**22 336**	21 817

* Refer to note 32 for details of the restatement, where the bank overdraft was reclassified from cash and cash equivalents to interest-bearing borrowings.

The accounting policies on page 74 to 81 and the notes on pages 82 to 106 form an integral part of the Financial Statements.

ACCOUNTING POLICIES

for the year ended 31 December 2016

1. PRESENTATION OF FINANCIAL STATEMENTS

General information

South Ocean Holdings Limited ("the Company") is a holding company of a number of subsidiaries whose businesses are involved in the manufacture and distribution of electrical wires, importing and distribution of light fittings, lamps, audio visual equipment, electrical accessories and rental of property.

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

Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Group Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated Financial Statements of South Ocean Holdings Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC Interpretations and the Companies Act of South Africa. The consolidated Financial Statements have been prepared under the historical cost convention. The consolidated Financial Statements are presented in South African Rands (R), which is the Group's functional and presentation currency.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in note 1.16.

1.1. Consolidation

Basis of consolidation

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

Subsidiaries

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

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The results of the subsidiaries are included in the consolidated Financial Statements from the effective date of acquisition to the effective date of disposal.

1.2. Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group; and the cost of the item can be measured reliably.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line basis over its estimated useful lives, to the estimated residual value, as follows:

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

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

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

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

Borrowing costs are capitalised in terms of the applicable accounting policy. See accounting policy 1.20 Borrowing costs.

1.3. Leases

Finance leases – lessee

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

Operating leases – lessee

Operating leases are those leases where substantially all the risks and rewards associated with ownership of an asset are not transferred from the lessor to the Group as lessee. Costs of leasing property, plant and equipment held under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. The cost of the assets and the outstanding commitments are not recorded in the Statement of Financial Position.

1.4. Share capital

Ordinary shares are classified as equity.

1.5. Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

1.6. Inventories

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

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

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

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2016

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.7. Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Trade names, computer software and customer relationships

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

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

Item	Useful life
Trade names	20 years
Computer software	3 years

1.8. Impairment of non-financial assets

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

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

1.9. Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

Impairment of financial assets

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

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

Impairment losses are recognised in the Statement of Comprehensive Income.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Statement of Financial Position.

The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "loans to Group companies" in the Statement of Financial Position.

Trade and other receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that clients accounts are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income within "other operating expenses". Where a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating income" in the Statement of Comprehensive Income.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash-in-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months. These are initially and subsequently recorded at fair value.

Bank overdraft

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

1.10. Employee benefits

Defined contribution plans

Group companies operate a number of defined contribution plans. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2016

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Short-term employee benefits

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

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

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

1.11. Revenue recognition

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

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sale of goods

Sale of goods are recognised when a Group entity has delivered products to the customer who has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery is deemed to occur when:

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

Sales are recorded based on list prices at the time of sale. No element of financing is deemed present as the sales are made with credit terms of between 30 to 60 days, which is consistent with the market practice.

Rental income

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

Management fees

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

1.12. Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

1.13. Segment reporting

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

1.14. Income tax

Current income tax asset and liabilities

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

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

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

Deferred tax assets and liabilities

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

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

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

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

Income tax expenses

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

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

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

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

1.15. Share-based payments

Cash-settled share-linked instruments have been granted to certain employees in the Group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to payment.

The fair value of the instrument granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employees' remuneration in the Statement of Comprehensive Income.

1.16. Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

Allowance for slow moving stock

The allowance for slow moving stock is management's estimate, based on its assessment of quality and volume, and the extent to which the merchandise for resale on hand at reporting date will not be sold. Stock is divided into the different categories (including discontinued items, old stock and damaged stock), management estimates a slow moving stock percentage, based on an assessment of quality, volume, the extent to which the merchandise for resale on hand at reporting date will not be sold, last selling price and last date of sale. The slow moving stock provision percentage will vary between different items based on extent to which management estimates the stock can be sold. Refer to note 5 for inventory disclosure.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2016

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

Share-based payments

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

Impairment of investment in subsidiaries and cash-generating units

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

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

Taxation

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

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

Going concern

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

1.17. Related party transactions

All subsidiaries, associated companies, major shareholders and key management personnel of the Group are related parties. A list of all transactions with major subsidiaries, associated companies, major shareholders and key management personnel is included in note 19. All transactions entered into with subsidiaries were on terms no more favourable than those with third parties and have been eliminated in the consolidated Group accounts. Directors' and key management personnel's emoluments as well as transactions with other related parties are set out in note 18. There were no other material contracts with related parties.

1.18. Loss per share

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

1.19. Headline loss per share

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

1.20. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of the borrowing costs eligible for capitalisation in determined as follows:

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

The capitalisation of borrowing costs commences when:

- expenditure for the asset has been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21. Cost of sales

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

1.22. Contingencies and commitments

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

2. NEW STANDARDS AND INTERPRETATIONS

2.1. Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017 or later periods:

Amendment to IAS 7 – Cash flow statements

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

Going forward, the Group will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities.

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

The Group expects to adopt the standard for the first time in the 2017 Financial Statements.

It is expected that the amendment will result in additional disclosures for liabilities arising from financing activities.

IFRS 15 – Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risk and rewards.

A new five-step process must be applied before revenue can be recognised:

1) Identify contracts with customers;
2) Identify the separate performance obligation;
3) Determine the transaction price of the contract;
4) Allocate the transaction price to each of the separate performance organisations; and
5) Recognise the revenue as each performance obligation is satisfied.

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of Financial Statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

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

IFRS 9 – Financial Instruments (2009 & 2010)

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

IFRS 9 includes an expected credit loss model for calculating impairment on financial assets. This replaces the incurred loss model used under IAS 39.

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

IFRS 16 – Leases

After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

2.1. Standards and interpretations not yet effective (continued)

IFRS 16 – Leases (continued)

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	2016 Cost R'000	2016 Accumulated depreciation and impairment R'000	2016 Carrying value R'000	2015 Cost R'000	2015 Accumulated depreciation and impairment R'000	2015 Carrying value R'000
Land and buildings	**198 725**	**(12 201)**	**186 524**	195 068	(10 509)	184 559
Plant and machinery	**209 865**	**(118 032)**	**91 833**	204 934	(90 267)	114 667
Furniture and equipment	**32 157**	**(26 848)**	**5 309**	36 262	(27 983)	8 279
Motor vehicles	**14 487**	**(8 505)**	**5 982**	15 080	(9 007)	6 073
Leasehold improvements	**70**	**(19)**	**51**	70	(15)	55
Total	**455 304**	**(165 605)**	**289 699**	**451 414**	**(137 781)**	**313 633**

Reconciliation of property, plant and equipment – Group – 2016

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment R'000	Closing balance R'000
Land and buildings	**184 559**	**3 657**	**–**	**(1 692)**	**–**	**186 524**
Plant and machinery	**114 667**	**5 596**	**(46)**	**(9 641)**	**(18 743)**	**91 833**
Furniture and equipment	**8 279**	**1 306**	**(1 006)**	**(3 270)**	**–**	**5 309**
Motor vehicles	**6 073**	**1 759**	**(586)**	**(1 264)**	**–**	**5 982**
Leasehold improvements	**55**	**–**	**–**	**(4)**	**–**	**51**
	313 633	**12 318**	**(1 638)**	**(15 871)**	**(18 743)**	**289 699**

Reconciliation of property, plant and equipment – Group – 2015

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment R'000	Closing balance R'000
Land and buildings	183 317	2 890	–	(1 648)	–	184 559
Plant and machinery	116 658	7 921	(230)	(9 682)	–	114 667
Furniture and equipment	10 765	1 365	(24)	(3 827)	–	8 279
Motor vehicles	5 193	2 826	(333)	(1 613)	–	6 073
Leasehold improvements	60	–	–	(5)	–	55
	315 993	**15 002**	**(587)**	**(16 775)**	**–**	**313 633**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of property, plant and equipment

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

As a result of the impairment test performed, the South Ocean Electric Wire CGU was written down to its recoverable amount of R377.4 million, which was determined by reference to the CGU's value-in-use. The impairment loss of R18.7 million (2015: R nil) was allocated to the plant and machinery of South Ocean Electric Wire as there was no goodwill allocated to this CGU. This impairment is included in operating expenses in the Statement of Comprehensive Income. The impairment loss is a result of the general economic decline and increased competition.

Security

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

	GROUP	
	2016 R'000	2015 R'000
Mortgages		
Land and buildings	**186 524**	184 559
Instalment sale agreements		
Plant and machinery	**40 605**	54 853
Motor vehicles and computer equipment	**3 663**	4 251
	230 792	**243 663**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

4. INTANGIBLE ASSETS

	2016			2015		
	Cost R'000	**Accumulated amortisation and impairment R'000**	**Carrying value R'000**	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000
Group						
Trade names	**15 247**	**(8 301)**	**6 946**	15 247	(7 674)	7 573
Computer software	**13 443**	**(12 606)**	**837**	15 435	(14 228)	1 207
Total	**28 690**	**(20 907)**	**7 783**	**30 682**	**(21 902)**	**8 780**

Reconciliation of intangible assets – Group – 2016

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

Reconciliation of intangible assets – Group – 2015

	Opening balance R'000	Additions R'000	Amortisation R'000	Closing b balance R'000
Trade names	7 793	400	(620)	7 573
Computer software	2 201	1 297	(2 291)	1 207
	9 994	**1 697**	**(2 911)**	**8 780**

Other information

Trade names are allocated to their respective underlying cash-generating units. For this purpose, the respective company acquired is defined as the underlying cash-generating unit. These assets relate to the acquisition of Radiant Group Proprietary Limited, the lighting and electrical accessories segment, as well as acquiring What4, as a division of Radiant Group.

	GROUP 2016 R'000	GROUP 2015 R'000
5. INVENTORIES		
Raw materials	**39 648**	27 608
Consumable stores	**16 402**	17 403
Work-in-progress	**49 293**	48 353
Finished goods	**40 460**	33 556
Merchandise	**174 898**	175 319
Goods in transit	**5 706**	19 066
	326 407	321 305
Inventories carried at net realisable value	**31 007**	48 295

The cost of inventories recognised as an expense and included in cost of sales is R1 487 370 905 (2015: R1 389 703 254). Inventory is stated after a deduction of a provision of R19 952 295 (2015: R11 029 604) relating to slow moving stock.

	GROUP 2016 R'000	GROUP 2015 R'000
6. TRADE AND OTHER RECEIVABLES		
Net trade receivables	**272 534**	225 072
Other receivables	**124**	41
Deposits	**572**	584
South African Revenue Services – VAT receivable	**296**	1 459
Prepayments	**1 604**	2 440
	275 130	229 596

Trade and other receivables past due but not impaired

Trade receivables of R76 190 225 (2015: R67 898 424) were past due but not impaired. These related to customers for whom there is no recent history of default. The age analysis of these trade receivable is as follows:

	GROUP 2016 R'000	GROUP 2015 R'000
1 month past due	**38 220**	27 434
2 months past due	**37 353**	39 744
3 months past due	**617**	720
	76 190	67 898

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

	GROUP	
	2016 R'000	2015 R'000
6. TRADE AND OTHER RECEIVABLES (continued)		
Trade and other receivables impaired		
As at 31 December 2016, trade receivables of R74 567 941 have been assessed individually for impairment. The amount of the provision in respect of these debtors was R1 775 471 (2015: R1 933 761). It was assessed that a portion of these trade receivables were considered to be recoverable. The aging of these receivables is as follows:		
Amounts in 30 to 60 days	**178**	258
Amounts in 60 to 90 days	**1 365**	1 150
Amounts in 90+ days	**232**	526
	1 775	**1 934**
Reconciliation of provision for impairment of trade and other receivables		
Balance at beginning of year	**1 934**	1 269
Provision for receivables impairment	**45**	1 392
Unutilised amounts reversed	**(204)**	(727)
Balance at the end of year	**1 775**	**1 934**

The creation and release of the provision for impaired receivables has been included in operating expenses in the Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Individually impaired receivables mainly relate to customers who are in difficult economic situations and have overdue accounts.

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

As at 31 December 2016, trade receivables of R194 561 000 (2015: R146 983 000) were fully performing.

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

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited and the Group utilises them to perform the necessary credit checks. SOEW is exposed to 15% of trade receivables within their credit limit, after an excess of R400 000 has been applied and 100% of trade receivables in excess of their approved limits. Radiant Group is exposed to 25% of the fair value of trade accounts receivables within the credit limits and 100% of all the trade receivables that are in excess of their credit limits. The maximum credit exposure for the Group is R51 969 000 (2015: R43 533 000). The Group does not hold any collateral as security.

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

Credit quality of trade and other receivables

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

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

In certain instances, the Group grants credit to certain debtors in excess of their limits. In this instance, the Managing Director of the applicable business unit will approve the extension of credit in excess of the limit. This is after analysing the credit history, the quantum of the order in relation to the credit limit, together with the amount the debtor is exposed to in relation to Credit Guarantee Insurance Corporation of South Africa Limited cover. Trade and other receivables are distinguished between the various financial instrument categories in note 27 and 28.

Risk exposure and fair value measurements

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

	GROUP	
	2016 R'000	2015 R'000

7. CASH AND CASH EQUIVALENTS

	2016 R'000	2015 R'000
Cash and cash equivalents consist of:		
Bank balances	**22 269**	21 742
Cash on hand	**67**	75
	22 336	**21 817**
Denominated in South African Rands	**21 156**	20 464
Denominated in United States Dollars	**871**	1 062
Denominated in Hong Kong Dollars	**309**	291
	22 336	**21 817**

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

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

Baa2 – FirstRand Bank Limited
Baa2 – Bank of Taiwan
Baa2 – Investec Bank Limited
Baa3 – Standard Bank of South Africa

8. SHARE CAPITAL

	2016 R'000	2015 R'000
Authorised		
500 000 000 ordinary shares of R0,01 each	**5 000**	5 000
Issued		
156 378 794 ordinary shares	**1 274**	1 274
Share premium	**440 371**	440 371
	441 645	441 645

As a consequence of the reverse acquisition in 2007, the number of shares disclosed as issued are those of South Ocean Holdings Limited at the date of the reverse acquisition, including the shares issued to effect the reverse acquisition. The value of shares on consolidation are those of the operating company, SOEW, including the value of any shares issued thereafter.

9. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income – Group – 2016

	Gross R'000	Tax R'000	Net R'000
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	**(714)**	**–**	**(714)**
	(714)	**–**	**(714)**

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for the year ended 31 December 2016

9. OTHER COMPREHENSIVE INCOME (continued)

Components of other comprehensive income – Group – 2015

	Gross R'000	Tax R'000	Net R'000
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	1 486	–	1 486
	1 486	–	1 486

10. INTEREST-BEARING BORROWINGS

	GROUP 2016 R'000	GROUP 2015 R'000
Mortgages		
First National Bank, a division FirstRand Bank Limited: 3-000-013-732-425	**29 151**	31 561
First National Bank, a division FirstRand Bank Limited: 3-000-012-798-538	**13 303**	15 618
First National Bank, a division FirstRand Bank Limited: 3-000-013-460-751	**12 085**	13 185
	54 539	60 364
Other loans		
Instalment sale agreements	**14 343**	23 694
Bank overdraft	**180 155**	96 535
	194 498	120 229
	249 037	180 593
Non-current liabilities		
Mortgages	**47 866**	54 453
Other loans	**4 159**	9 446
	52 025	63 899
Current liabilities		
Mortgages	**6 673**	5 911
Other loans	**10 184**	14 248
Bank overdraft	**180 155**	96 535
	197 012	116 694
	249 037	180 593

	GROUP 2016 R'000	GROUP 2015 R'000
The maturity of non-current borrowings is as follows:		
Between one and two years	**11 465**	15 845
Between two and five years	**24 076**	23 078
Over five years	**16 484**	24 976
	52 025	63 899

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:

Mortgages

First National Bank, a division of FirstRand Bank Limited

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

Loan agreement 3-000-013-732-425 for R68 665 000

- Erven 445 and 446 Wynberg Extension 3, Erven 539, 1111 and 1112 Marlboro Extension 1 for R55 900 000 and Erf 688 Alrode Extension 2 for R30 000 000 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. Limited suretyship for R400 000 000 by South Ocean Electric Wire Company Proprietary Limited, Radiant Group 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% (2015: 9,75%). The loan is repayable in monthly instalments of R451 080 (2015: R438 912) inclusive of interest. The securities are in respect of a loan amount of R68 665 000 being a mortgage loan of R34 330 000 to Anchor Park Investments 48 Proprietary Limited and an overdraft amount of R34 335 000 to South Ocean Electric Wire Company Proprietary Limited, secured by a debtors financing facility.

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

- 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 1,00% per annum. The prime lending rate at year-end is 10,50% (2015: 9,75%). The loan is repayable in monthly instalments of R305 825 (2015: R300 379) inclusive of interest. The loan is also secured by the subordination agreement of South Ocean Electric Wire Company Proprietary Limited.

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

- Erf 637 Alrode Extension 2 Township of R14 918 150 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 0,50% per annum. The prime lending rate at year-end is 10,50% (2015: 9,75%). The loan is repayable in monthly instalments of R195 759 (2015: R190 742) inclusive of interest. The loan is also secured by unlimited securityship by South Ocean Electric Wire Company Proprietary Limited and Radiant Group Proprietary Limited.

Instalment sale agreements

Secured by vehicles, plant and equipment (note 3), bears interest at prime minus 0,75% (2015: 1,15%), and are repayable in monthly instalments of R1 201 278 (2015: R1 578 425), inclusive of interest.

Banking facilities

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

First National Bank Limited, a division of FirstRand Bank Limited
SOEW has an overdraft facility with First National Bank of R214.3 million (2015: R234.3 million). The facility is secured by a cession of SOEW's trade receivables, a cession of trade receivables cover policy with Credit Guarantee Insurance Corporation of Africa Limited as well as noting the bank's interest and a deed of negative pledge of assets. It is also secured by a general notarial covering bond limited to R40 million over the personal and moveable property of the company and an unlimited surety in favour of FirstRand Bank Limited signed by Radiant Group Proprietary Limited, SOEW and Anchor Park Investments 48 Proprietary Limited. The overdraft is also secured by a bond of R55.9 million (2015: R55.9 million) registered over Erven 445 and 446 Wynberg, Extension 3, Erven 539, 1111 and 1112 Marlboro, Extension 1 and a bond of R30.0 million (2015: R30.0 million) registered over Erf 688 Alrode, Extension 2. The facility, when utilised, bears interest at prime less 0.75%. The unused facility at year-end amounted to R90.3 million (2015: R175.0 million) (refer to note 30). The facility is renewable annually in May. SOEW has an instalment sale facility of R30.5 million (2015: R45.0 million) with the same bank of which an amount of R16.6 million (2015: R22.5 million) has not been utilised at year-end.

Radiant Group has an overdraft facility with First National Bank of R60.0 million (2015: R40.0 million). The facility is secured by an unlimited surety given by SOEW. Trade receivables of R36 363 636 have also been ceded. The facility, when utilised, bears interest at prime less 0.75% percent. The unused facility at year-end amounted to R3.9 million (2015: R2.8 million) (refer note 30). The facility is renewable annually in May.

Bank of Taiwan, South Africa Branch
SOEW has a usance letter of credit facility amounting to US$ 8.0 million with a Rand value of R109.1 million (2015: R124.6 million). This facility is secured by a deposit of up to 30% (2015: 30%) for the first US$4 million facility and a deposit of 40% (2015: 40%) for the balance of the facility amount. When utilised it attracts interest at prime less 1.6% (2015: 1.6%). The unused facility at 31 December 2016 was R109.1 million (2015: R124.6 million).

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for the year ended 31 December 2016

11. DEFERRED TAX ASSET AND LIABILITIES

The deferred tax assets and the deferred tax liabilities are calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2015: 28%). Deferred taxation assets and liabilities are offset when the income taxes relate to the same fiscal authority, and there is a legal right to offset at settlement. The amount disclosed in the Statement of Financial Position are analysed as follows:

	GROUP	
	2016 R'000	2015 R'000
Deferred tax asset/(liability)		
Prior year under provision of deferred tax	**144**	–
Property, plant and equipment	**(44 522)**	(47 324)
Provisions	**4 239**	1 889
Tax losses	**26 900**	17 229
Total deferred tax liability	**(13 239)**	(28 206)
Deferred tax asset	**21 787**	8 977
Deferred tax liability	**(35 026)**	(37 183)
Total deferred tax liability	**(13 239)**	(28 206)
Reconciliation of deferred tax asset/(liability)		
At beginning of year	**(28 206)**	(33 205)
Current year temporary differences	**5 152**	(4 184)
Tax losses	**9 671**	9 183
Prior year under provision of deferred tax	**144**	–
	(13 239)	(28 206)

Group	**Tax losses R'000**	**Capital allowances R'000**	**Provisions R'000**	**Prior year under provision of deferred tax**	**Total R'000**
2016					
Opening balance	**17 229**	**(47 324)**	**1 889**	**–**	**(28 206)**
Charged to the Statement of Comprehensive Income	**9 671**	**2 802**	**2 350**	**144**	**14 967**
	26 900	**(44 522)**	**4 239**	**144**	**(13 239)**
2015					
Opening balance	8 046	(43 966)	3 199	(484)	(33 205)
Charged to the Statement of Comprehensive Income	9 183	(3 358)	(1 310)	484	4 999
	17 229	**(47 324)**	**1 889**	**–**	**(28 206)**

	GROUP	
	2016 R'000	2015 R'000
Taxation losses at the end of the year deductible from future taxable income	**99 425**	63 900
Unprovided deferred tax asset	**794**	663

Unremitted earnings from a foreign entity

The unremitted earnings from foreign entities total R5 247 537 (2015: R6 027 035). Deferred tax on the future remittances has not been provided for as the future dividends will not be subject to tax in South Africa.

Significant estimates

The deferred tax assets include an amount of R14.6 million (2015: R7.1 million), which relates to carried forward tax losses of a subsidiary. The subsidiary has incurred losses over the last two financial years following a decline in the general economic environment and the problems experienced with the new warehouse management system and ERP system upgrade. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved budgets for the subsidiary. Management expects that the subsidiary, where deferred tax asset has been recognised, will return to profitability in the near future.

12. SHARE-BASED PAYMENTS

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

The Group has a 100% cash-settled Share Appreciation Rights (SAR) plan in place, which has been in place since 2009. The next SARs are eligible to be exercised in 2017. The grant value to employees of South Ocean Electric Wire Company Proprietary Limited (SOEW) and Radiant Group Proprietary Limited (Radiant Group) will be allocated 75% of the value to SAR linked to the shares of the entity and 25% of the value linked to the shares of South Ocean Holdings Limited (SOH). The fair value of the rights was calculated using the Black Scholes Pricing Market Model. The assumptions used in determining the fair value of each SAR granted are summarised as follows:

	2016	2015
Share price (Volume Weighted Average Price)	**R0,48**	R0,45
Strike price: SOH	**R0,55**	R1,10
Strike price: SOEW	**R20,82**	R37,10
Strike price: Radiant Group	**R13,82**	R1,59
Spot price: SOH	**R0,46**	R0,45
Spot price: SOEW	**R6,59**	R20,82
Spot price: Radiant Group	**R0,00**	R0,00
Dividend yield	**0,0%**	0,0%
Volatility	**60,00%**	60,00%

Expected SAR life: Three years, may be extended at the option of the holder for one more year.

Risk-free rate: Zero coupon perfect fit swap curve from the Bond Exchange of South Africa.

The volatility was determined by applying the equally weighted methodology to the historical share prices of South Ocean Holdings Limited. The spot price of the rights in the subsidiaries is determined using three-year average profit after tax.

	GROUP	
	2016 R'000	2015 R'000
Reconciliation of liability		
Opening balance	**–**	4 663
Charge in Statements of Comprehensive Income	**492**	(2 898)
Encashment of units	**–**	(1 765)
Closing balance	**492**	**–**
Non-current liabilities	**492**	–
Reconciliation of units		
Opening balance	**11 104**	14 310
Units granted	**11 343**	8 456
Equity units forfeited	**(4 232)**	(10 585)
Encashment of units	**–**	(1 077)
Closing balance	**18 215**	**11 104**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

12. SHARE-BASED PAYMENTS (continued)

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

At year-end 3 172 077 (2015: 2 360 160) shares have vested with an intrinsic value of R nil (2015: R nil).

	Number of SAR units '000	Value R'000
Directors' interest in long-term incentive plans		
2016		
JP Bekker	7 550	492
2015		
JP Bekker	4 309	–

	GROUP 2016 R'000	GROUP 2015 R'000
13. TRADE AND OTHER PAYABLES		
Trade payables	**86 707**	85 734
Accruals	**29 593**	24 086
Other non-financial payables	**–**	2 402
Other payables	**1 068**	1 000
Payroll accruals	**8 814**	8 076
South African Revenue Services – VAT payable	**1 538**	865
Operating lease payables	**957**	–
	128 677	**122 163**
The trade and other payables will be settled in the following currencies:		
South African Rands	**118 932**	93 772
United States Dollars	**9 682**	28 297
Euro	**63**	94
	128 677	**122 163**

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

	GROUP 2016 R'000	GROUP 2015 R'000
14. DERIVATIVE FINANCIAL INSTRUMENTS		
Liability		
FEC liability	**38**	–
15. REVENUE		
Sale of goods	**1 776 460**	1 657 358
Rental income	**730**	–
	1 777 190	**1 657 358**

	GROUP	
	2016 R'000	2015 R'000
16. OTHER OPERATING INCOME		
Bad debts recovered	**607**	591
Profit on exchange differences	**4 484**	3 487
Profit on disposal of property, plant and equipment	**108**	328
Other income	**982**	1 429
Insurance claims received	**–**	5 812
	6 181	**11 647**
17. EXPENSES BY NATURE		
Advertising and promotions	**7 246**	4 259
Amortisation of intangible assets	**1 931**	2 911
Auditors remuneration		
– Audit fees	**2 375**	2 577
– Other services	**6**	–
Bad debt provision movement	**504**	1 350
Bad debts written off	**179**	727
Changes in finished goods inventories and work-in-progress	**3 912**	(7 812)
Loss on disposal of property, plant and equipment	**–**	22
Depreciation	**15 871**	16 775
Electricity and water	**24 678**	21 203
Employee benefit expense (note 19)	**163 632**	144 375
Enterprise development	**222**	389
Fines and penalties	**6**	76
Freight	**16 010**	14 776
Foreign exchange loss	**8**	7 136
Insurance – trade receivables	**3 703**	2 908
Insurance – other	**4 210**	3 975
Impairment of property, plant and equipment	**18 743**	–
Legal fees	**946**	1 118
Levies	**258**	391
Motor vehicle expenses	**5 632**	6 212
Other expenses	**14 956**	24 896
Operating leases		
– Warehouse premises	**2 745**	3 415
Professional fees	**2 920**	1 027
Purchase of merchandise	**242 401**	223 960
Rates and taxes	**2 507**	1 263
Raw materials and consumables used	**1 250 482**	1 166 993
Repairs and maintenance	**25 703**	21 013
Software expenses	**1 546**	988
Secretarial fees	**169**	158
Security expenses	**1 708**	1 486
Total cost of sales, administration, distribution and other operating expenses	**1 815 209**	**1 668 567**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

18. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Executive

	Salary R'000	Performance bonus R'000	Medical Group benefit contributions R'000	Provident fund R'000	Total R'000
2016					
JP Bekker	**3 502**	**–**	**97**	**388**	**3 987**
MK Lehloenya	**512**	**–**	**–**	**69**	**581**
	4 014	**–**	**97**	**457**	**4 568**
2015					
PJM Ferreira	2 874	16	35	157	3 082
JP Bekker	2 987	15	90	339	3 431
	5 861	31	125	496	6 513

Non-executive

	2016 Directors' fees R'000	2015 Directors' fees R'000
EHT Pan	**31**	248
KH Pon	**522**	522
M Chong	**490**	490
HL Li	**281**	190
CY Wu	**143**	143
N Lalla	**190**	190
L Stephens	**87**	143
JH Yeh	**125**	–
	1 869	**1 926**

A special resolution to approve Non-Executive Directors' fees was not passed at the Annual General Meeting of the Company held on 10 August 2016. Non-Executive Directors were only paid for the first quarter of 2016. At year-end, payments due for the three quarters in 2016 remained outstanding.

Total directors' and prescribed officers' remuneration

	GROUP 2016 R'000	GROUP 2015 R'000
Executive Directors	**4 568**	6 513
Non-Executive Directors	**1 869**	1 926
Prescribed officers	**4 681**	4 388
	11 118	**12 827**

Group

Prescribed officers

	Emolu-ments R'000	Medical aid R'000	Provident fund R'000	Total R'000
2016				
D Johnson	**1 615**	**65**	**106**	**1 786**
F Ally	**1 579**	**73**	**135**	**1 787**
Y Mahomed	**968**	**71**	**68**	**1 107**
	4 162	**209**	**309**	**4 680**
2015				
D Johnson	**1 504**	**67**	**96**	**1 667**
F Ally	**1 429**	**67**	**145**	**1 641**
Y Mahomed	**940**	**75**	**65**	**1 080**
	3 873	**209**	**306**	**4 388**

Directors' interests in share capital

The interest of directors in the issued share capital of the Company as at 31 December 2016 were as follows:

	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2016				
JP Bekker	**491 807**	**–**	**491 807**	**0,31 %**
2015				
JP Bekker	491 807	–	491 807	0,31 %
EHT Pan	4 728 238	28 499 063	33 227 301	21,25 %
	5 220 045	28 499 063	33 719 108	21,56 %

No shares were traded by any director from 31 December 2016 until the date of this report. Refer to note 12 for details of share appreciation rights allocated to directors during the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

	GROUP	
	2016 R'000	2015 R'000
19. EMPLOYEE BENEFIT EXPENSE		
Salaries, wages and bonuses	**155 448**	139 789
Share-based payment	**492**	(2 897)
Pension and provident fund contributions	**7 692**	7 483
	163 632	**144 375**

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

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

Number of employees at 31 December

	2016	2015
Full time	**681**	706
Part time	**6**	7
	687	**713**

	GROUP	
	2016 R'000	2015 R'000
20. FINANCE INCOME		
Interest received		
Bank	**983**	984
South African Revenue Services	**22**	53
	1 005	**1 037**
21. FINANCE COSTS		
Mortgages	**5 568**	5 468
Bank	**15 813**	12 153
Instalment sale agreements	**1 760**	2 677
South African Revenue Services	**6**	–
Other interest paid	**126**	99
	23 273	**20 397**

	GROUP	
	2016 R'000	2015 R'000

22. INCOME TAX EXPENSE

	2016 R'000	2015 R'000
Current tax		
Adjustments for current tax of prior periods	**–**	(4)
Deferred tax		
Originating and reversing temporary differences	**(14 823)**	(5 040)
Adjustments for deferred tax of prior periods	**(144)**	41
	(14 967)	(4 999)
	(14 967)	**(5 003)**
Reconciliation of the income tax expense to tax payable		
Loss before income tax expense	**(54 106)**	(18 922)
Tax at the applicable tax rate of 28% (2015: 28%)	**(15 150)**	(5 298)
Adjusted for:		
Adjustments for current tax of prior periods	**–**	(4)
Adjustments for deferred income tax of prior periods	**(144)**	41
Expenses not deductible	**176**	168
Unprovided deferred tax	**331**	90
Tax allowance	**(180)**	–
	(14 967)	**(5 003)**

Expenses of R53.2 million not deductible for the Company in the prior year relate to the impairment of investment in SOEW.

23. LOSS PER SHARE

	2016 R'000	2015 R'000
Basic and diluted loss per share (cents)	**(25,0)**	(8,9)
Loss for the year	**(39 139)**	(13 919)
Headline loss per share		
Headline loss and diluted headline loss per share (cents)	**(13,1)**	(9,1)
Reconciliation between loss and headline loss		
Loss for the year	**(39 139)**	(13 919)
Adjusted for:		
Profit on disposal of property, plant and equipment	**(108)**	(306)
Impairment loss on property, plant and equipment	**18 743**	–
Headline loss	**(20 504)**	(14 225)
Number of share in issue ('000)	**156 379**	**156 379**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

	GROUP	
	2016 R'000	2015 R'000
24. CASH FROM OPERATIONS		
Loss before taxation	**(54 106)**	(18 922)
Adjustments for:		
Depreciation, amortisation and impairments	**36 545**	19 686
Profit on disposal of property, plant and equipment	**(108)**	(306)
Finance income	**(1 005)**	(1 037)
Finance costs	**23 273**	20 397
Foreign exchange movement on property, plant and equipment	**–**	1
Share-based payments (reversed) expensed	**492**	(4 663)
Changes in working capital: Inventories	**(5 102)**	58 223
Trade and other receivables	**(45 533)**	26 029
Trade and other payables	**6 510**	(5 279)
	(39 034)	**94 129**
25. TAXATION RECEIVED/(PAID)		
Net amounts owing at the beginning of the year	**5 556**	(1 674)
Balance at end of the year	**–**	(5 556)
	5 556	**(7 230)**
26. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Net book amount of assets disposed of	**1 702**	587
Profit on disposal of property, plant and equipment	**108**	306
	1 810	**893**

27. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Group	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
2016			
Financial assets			
Cash and cash equivalents	22 336	–	22 336
Trade and other receivables	273 230	–	273 230
	295 566	–	295 566
Financial liabilities			
Bank overdraft	–	180 155	180 155
Interest-bearing borrowings	–	68 882	68 882
Trade and other payables	–	117 367	117 367
	–	366 404	366 404

Group	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
2015			
Financial assets			
Cash and cash equivalents	21 817	–	21 817
Trade and other receivables	225 697	–	225 697
	247 514	**–**	**247 514**
Financial liabilities			
Bank overdraft	–	96 535	96 535
Interest-bearing borrowings	–	84 058	84 058
Trade and other payables	–	110 820	110 820
	–	**291 413**	**291 413**

28. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by management.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Executive Directors are involved in the daily operations of the Group, and the necessary decisions regarding capital risk management are made as and when necessary.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 6 and 10, cash and cash equivalents disclosed in note 7, and equity as disclosed in the Statement of Financial Position.

The Group maintains overdraft facilities with reputable financial institutions for short-term financing needs. Where operational needs require prolonged use of overdraft facilities, the Group seeks opportunities to use long-term financing.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total debt plus net overdraft divided by total equity. The Group's strategy is to maintain the ratio below 50%. At 31 December 2016, the gearing ratio was 47,5% (2015: 27,9%). The gearing ratio increased primarily as a result of an increased overdraft at year-end.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

28. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

Group	2016 Credit limit R'000	2016 Balance available R'000	2015 Credit limit R'000	2015 Balance available R'000
Counter party				
First National Bank – Overdraft	**(274 300)**	**(94 145)**	(274 335)	(177 800)
Bank of Taiwan South African Branch – Letter of credit facility	**(109 100)**	**(109 100)**	(124 572)	(124 572)
	(383 400)	**(203 245)**	(398 907)	(302 372)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Group has an instalment sale facility of R30.5 million (2015: R45 million) with First National Bank, a division of FirstRand Bank Limited, of which an amount of R16.6 million (2015: R22.5 million) has not been utilised at year-end.

Group

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 31 December 2016				
Interest-bearing borrowings	**22 397**	**13 558**	**34 794**	**18 573**
Trade and other payables	**117 367**	**–**	**–**	**–**
Bank overdraft	**180 155**	**–**	**–**	**–**
	319 919	**13 558**	**34 794**	**18 573**
At 31 December 2015				
Interest-bearing borrowings	26 766	20 336	34 076	29 147
Trade and other payables	110 820	–	–	–
Bank overdraft	96 535	–	–	–
	234 121	**20 336**	**34 076**	**29 147**

Credit risk

Potential concentrations of credit risk consist primarily of cash investments and trade receivables. Trade receivables consist of a large number of customers spread across diverse industries and geographical areas, but we draw attention to the fact that 31,3% (2015: 25,6%) of revenue was derived from a single customer. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and, in most instances, utilises credit insurance. The ongoing creditworthiness of the trade receivables is assessed taking into account the specific debtors balances against their credit limit. Details of credit risk for trade receivables is disclosed in note 6.

The Group manages outstanding trade receivables using a combination of Credit Guarantee and outside collections agents. The Credit Guarantee terms require that before the outstanding accounts are handed over to them for management, an effort must have been made by management to collect the outstanding amounts. The amount not recoverable from Credit Guarantee is limited to 15% of trade receivables within their credit limit, after an excess of R400 000 in respect of South Ocean Electric Wire Company Proprietary Limited and 25% of the fair value of trade receivables within the credit terms and 100% of the trade receivables that are in excess of their credit limits in respect of Radiant Group Proprietary Limited. The amounts recoverable from Credit Guarantee are only recoverable 60 to 90 days after they have been handed over to Credit Guarantee for management.

Trade debtors are not individually classed for insurance purposes, as all trade debtors within their credit limits are covered by Credit Guarantee.

To mitigate credit risk, the Group does not carry all of its cash resources in a single financial institution. At year-end bank balances were invested in the following banking institutes, Bank of Taiwan – 20,8% (2015: 21,0%), First National Bank – 77,1% (2015: 77,1%), Standard Bank of South Africa – 0,6% (2015: 0,5%) and HSBC 1,4% (2015: 1,4%).

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

Foreign exchange risk

The Group operates and trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars. The Group buys its major machinery and the majority of the light fittings and accessories in United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities when they are denominated in a currency that is not the entity's functional currency. Entities within the Group use forward exchange contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities.

The Group recognises that both taking and not taking forward cover at certain times could impact it's financial performance. The forex exposure is covered in full, when the Free on Board (FOB) rate is lower than the forward rate. If the FOB rate is higher that the forward cover rate, 50% exposure should be covered on FOB date. The balance of the 50% is covered when payment is due or if the forward cover rate exceeds the FOB rate, cover should be taken to limit the loss to 3% of the transaction value.

At 31 December 2016, if the currency had weakened/strengthened against the United States Dollars by 2% (2015: 2%) with all other variables held constant, profit after tax would have decreased/increased by R126 877 (2015: R392 184), mainly as a result of foreign exchange gains/losses on translation of trade payables. A sensitivity analysis has not been performed on other foreign currency exposures as it is not considered to have a material impact on the profit after tax.

Foreign currency exposure at the end of the reporting period

	2016 Foreign currency '000	**2016 Rand equivalent '000**	2015 Foreign currency '000	2015 Rand equivalent '000
Assets – bank accounts				
United States Dollar	**68**	**871**	68	1 062
Hong Kong Dollar	**176**	**309**	309	291
		1 180		1353
Liabilities – trade payables				
United States Dollar	**709**	**9 682**	1 821	28 297
European Euro	**4**	**64**	6	94
		9 746		28 391

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

28. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency exposure at the end of the reporting period (continued)

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

	Settlement dates	Foreign currency US$	Rand Value
2016	9 January 2017	200 000	2 823 800
2016	27 February 2017	300 000	4 137 270
2015	–	–	–

Price risk

The Group is exposed to commodity price risk with regards to the price of copper. Copper price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of copper. The copper market is predominantly priced in United States Dollars which exposes the Group to the risk that fluctuations in the South African Rand/United States Dollar exchange rates may also have on current or future earnings. The Group does not hedge any copper purchases, however, management keep inventory levels as low as possible and purchase copper only for a month's production. Any change in the price of the copper price has an impact on both sales values and purchase values.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term and current borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rates are monitored when there are indications that rates may change. Details of interest rates on borrowings are disclosed in notes 7 and 10.

All Group borrowings are denominated in South African Rands. The Group may be exposed to interest rate risk as it borrows funds at floating interest rates. Interest rate exposure is not analysed on a specific basis but should the interest rates increase/decrease by 2% the Group loss after tax will decrease/increase by R3 586 130 (2015: R2 600 539) and the Company loss after tax will decrease/increase by R65 424 (2015: R43 315).

Fair value estimation

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

	Group Carrying value R'000	Group Fair value R'000
2016		
Trade and other receivables	**273 230**	**273 230**
Cash and cash equivalents	**22 336**	**22 336**
Trade and other payables	**(117 367)**	**(117 367)**
Interest-bearing borrowings	**(249 037)**	**(249 037)**
2015		
Trade and other receivables	225 697	225 697
Cash and cash equivalents	21 817	21 817
Trade and other payables	(110 820)	(110 820)
Interest-bearing borrowings	(84 058)	(84 058)
Bank overdraft	(96 535)	(96 535)

	GROUP	
	2016 R'000	2015 R'000

29. COMMITMENTS

Capital commitments		
• Approved and committed	**–**	5 929
• Approved but not yet contracted for	**600**	1 368
This committed expenditure will be financed from existing credit facilities from Wesbank, a division of FirstRand Bank Limited, as well as privately through Group loans.		
Operating leases – as lessee (expense)		
Minimum lease payments due		
• within one year	**1 707**	1 937
• in second to fifth year inclusive	**6 389**	7 697
	8 096	9 634

The Group has the following operating lease agreements:

A Durban property, described as the sales office, 1300 Umgeni Road, Durban, is leased monthly from 1 January 2016 to 31 December 2019. The period of the lease is 36 months and is payable monthly in advance.

A Cape Town property, described as a warehouse with offices, situated at Unit 5, West Building, Topaz Boulevard, Montague Park, Milnerton, is leased from 1 December 2013 to 31 January 2021. The period of the lease is seven years two months and is payable monthly in advance. A bank guarantee at R227 760 is in place in favour of the lessor.

Transactions with directors

Details relating to the directors' remuneration and interests are disclosed in notes 18 and 19 of the Financial Statements and in the directors' report.

The directors have certified that they are not materially invested in any transactions of any significance with the Company or its subsidiaries.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, and include directors of subsidiaries and divisional directors.

	GROUP	
	2016 R'000	2015 R'000
Compensation to key management		
Salaries and short-term benefits	**11 453**	12 026

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

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

Information regarding the earnings of the directors, executive and non-executive, have been disclosed separately in note 18.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

30. SEGMENTAL REPORTING

The Group is organised into three main business segments:

- Electrical cable manufacturing – manufacturing and distribution of electric wire;
- Lighting and electrical accessories – import and distribution of light fittings, lamps and electrical accessories; and
- Property investments.

The activities of other Group companies that are not significant enough and do not warrant to be regarded as a segment on their own are reported together with the corporate activities as other assets or liabilities or other overheads and are included in corporate and other assets in the reconciliation of total assets.

The chief operating decision-maker who has been identified as the Group's executive committee, reviews the Group's internal reporting in order to assess performance and has determined the operating segments based on these reports.

The assessment of the performance of the operating segments is based on the adjusted operating profit before interest, income tax, depreciation and amortisation (adjusted EBITDA). This measurement basis excludes the effect of non-recurring expenditure from the operating segments, such as restructuring costs, profit on disposal of property, plant and equipment, impairments and intercompany management fees.

Earnings are defined as the operating profit.

The reported total assets and liabilities exclude current and deferred taxation and intercompany balances.

The details of the business segments are reported as follows:

	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
2016				
Electrical cable manufacturing	**1 437 154**	**15 881**	**473 164**	**239 216**
Lighting and electrical accessories	**344 987**	**(14 028)**	**259 106**	**77 091**
Property investments	**21 798**	**17 486**	**187 648**	**56 588**
	1 803 939	**19 339**	**919 918**	**372 895**
2015				
Electrical cable manufacturing	1 342 336	26 654	431 881	148 535
Lighting and electrical accessories	326 094	(7 906)	275 982	89 784
Property investments	19 280	15 664	185 749	61 490
	1 687 710	**34 412**	**893 612**	**299 809**

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

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

Reconciliation of segment results to Statements of Comprehensive Income and Financial Position

	2016 R'000	2015 R'000
Revenue		
Reported segment revenue	**1 803 939**	1 687 710
Inter-segment revenue (property rentals)	**(21 068)**	(19 280)
Inter-segment revenue – other	**(5 681)**	(11 072)
Revenue per Statement of Comprehensive Income	**1 777 190**	**1 657 358**

	2016 R'000	2015 R'000
EBITDA		
Adjusted EBITDA	**19 339**	34 412
Corporate and other overheads	**(14 632)**	(14 288)
Depreciation	**(15 871)**	(16 775)
Impairment of property, plant and equipment (note 3) – electrical cable manufacturing segment	**(18 743)**	–
Amortisation of intangible assets – lighting and electrical accessories segment	**(1 931)**	(2 911)
Operating (loss)/profit per consolidated Statement of Comprehensive Income	**(31 838)**	438
Operating (loss)/profit	**(31 838)**	438
Finance income	**1 005**	1 037
Finance costs	**(23 273)**	(20 397)
Loss before taxation per consolidated Statement of Comprehensive Income	**(54 106)**	(18 922)
Assets		
Reportable segment assets	**919 918**	893 612
Corporate and other assets	**1 437**	1 519
Taxation receivable	**–**	5 556
Deferred taxation	**21 787**	8 977
Total assets per Statement of Financial Position	**943 142**	909 664
Liabilities		
Reportable segment liabilities	**372 895**	299 809
Corporate and other liabilities	**5 348**	2 947
Deferred tax	**35 026**	37 183
Total liabilities per Statement of Financial Position	**413 269**	339 939

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 726 900 133 (2015: R1 629 235 519) and earned from other countries is R50 289 649 (2015: R28 122 935). Revenue in excess of 31,3% (2015: 25,6%) of total revenue was derived from a single external customer.

The total of non-current assets other than financial instruments excluding deferred tax assets located in South Africa is R297 482 000 (2015: R322 413 000) and the total of these non-current assets located in other countries is R nil (2015: R nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

31. PROVISIONS AND CONTINGENCIES

As noted in the 2015 Financial Statements, the case arises from a complaint that the Commission first initiated on 16 March 2010 and which was referred to in the SENS announcement dated 6 May 2010. SOEW has engaged the services of specialist competition lawyers and economists to advise the Company in respect of the Commission's referral. SOEW has cooperated with the Commission during its investigation of the complaint and continues to do so now that the complaint has been referred to the Tribunal. In terms of IAS 37 no further disclosures are made as this would unfairly prejudice SOEW in its current dealings with the Commission.

32. PRIOR PERIOD RECLASSIFICATION

To comply with International Financial Reporting Standards, the bank overdraft was reclassified from cash and cash equivalents to interest-bearing borrowings as it is used to finance business activities.

	GROUP	
	2016 R'000	2015 R'000
Statement of Cash Flows		
Repayment of interest-bearing borrowings	–	(49 513)
Total cash and cash equivalents at the beginning of the year	–	146 048
Total cash and cash equivalents at the end of the year	–	96 535
Statement of Financial Position		
Increase in interest-bearing borrowings	–	96 535
Decrease in bank overdraft	–	(96 535)

33. GOING CONCERN

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

34. EVENTS AFTER THE REPORTING PERIOD

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

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 December 2016

Shareholder Spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	**138**	24,38%	69 172	0,04%
1 001 – 10 000	**223**	39,40%	1 059 564	0,68%
10 001 – 100 000	**141**	24,91%	5 084 954	3,25%
100 001 – 1 000 000	**44**	7,77%	13 206 897	8,45%
Over 1 000 000	**20**	3,54%	136 958 207	87,58%
Total	**566**	100,00%	156 378 794	100,00%
Distribution of Shareholders				
Close Corporations	**12**	2,12%	674 460	0,43%
Collective Investment Schemes	**4**	0,71%	15 766 781	10,08%
Custodians	**2**	0,35%	3 267 007	2,09%
Foundations & Charitable Funds	**3**	0,53%	153 784	0,10%
Hedge Funds	**1**	0,18%	1 400 490	0,90%
Investment Partnerships	**7**	1,24%	143 566	0,09%
Managed Funds	**4**	0,71%	75 800	0,05%
Private Companies	**14**	2,47%	1 972 810	1,26%
Public Companies	**3**	0,53%	64 081 726	40,98%
Retail Shareholders	**463**	81,80%	39 965 600	25,56%
Retirement Benefit Funds	**12**	2,12%	4 630 750	2,96%
Stockbrokers & Nominees	**5**	0,88%	308 152	0,20%
Trusts	**36**	6,36%	23 937 868	15,31%
Total	**566**	100,00%	156 378 794	100,00%
Shareholder Type				
Non-Public Shareholders	**3**	39,99%	62 553 533	40,00%
Directors and associates of the company (direct holding)	**1**	0,31%	491 807	0,31%
Directors and associates of the company (indirect holding)	**0**	0,00%	0	0,00%
Holders holding more than 10% (excluding directors holding)				
Hong Tai Electric Industrial Co., Ltd.	**1**	12,83%	41 991 807	26,85%
Metallic City International Ltd	**1**	26,85%	20 069 919	12,83%
Public Shareholders	**563**	60,01%	93 825 261	60,00%
Total	**566**	100,00%	156 378 794	100,00%
Fund Managers with a holding greater than 3% of the issued shares				
Investec Asset Management			12 678 523	8,11%
Flagship Asset Management			7 700 000	4,92%
Total			20 378 523	13,03%
Beneficial shareholders with a holding greater than 3% of the issued shares				
Hong Tai Electric Industrial Co., Ltd.			41 991 807	26,85%
Metallic City International Ltd			20 069 919	12,83%
HS Family Trust			14 245 992	9,11%
Mrs M C Pan			8 429 144	5,39%
Investec			7 846 433	5,02%
Flagship Asset Management			7 700 000	4,92%
Mr R O N Brown			5 000 000	3,20%
Mr EHT Pan			4 728 238	3,02%
Total			110 011 533	70,35%
Total number of shareholdings	**566**			
Total number of shares in issue	**156 378 794**			
Share Price Performance				
Opening Price 04 January 2016	**R0,45**			
Closing Price 31 December 2016	**R0,46**			
Closing High for period	**R0,55**			
Closing low for period	**R0,32**			
Number of shares in issue	**156 378 794**			
Volume traded during period	**13 868 476**			
Ratio of volume traded to shares issued (%)	**8,87%**			
Rand value traded during the period	**R5 420 336**			
Price/earnings ratio as at 31 December 2016	**(2,53)**			
Earnings yield as at 31 December 2016 (%)	**(39,57)**			
Dividend yield as at 31 December 2016 (%)	**–**			
Market capitalisation at 31 December 2016(%)	**R71 934 245**			

ANALYSIS OF DIRECTORS' SHAREHOLDING

as at 31 December 2016

Director	Direct beneficial 2016	Indirect beneficial 2016	Direct beneficial 2015	Indirect beneficial 2015	Direct beneficial 2014	Indirect beneficial 2014	Total	Percentage of issued share capital (%)
Mr Jacobus Petrus Bekker	**491 807**	**–**	491 807	–	491 807	–	491 807	0,31%
Mr Edward Hwei-Ti Pan *(Resigned)*	**–**	**–**	4 728 238	28 499 063	4 728 238	28 499 063	–	0,00%
Mr Paulo Jose Monteiro Ferreira *(Resigned)*	**–**	**–**	–	–	1 688 453	–	–	0,00%
	491 807	**–**	5 220 045	28 499 063	6 908 498	28 499 063	491 807	0,31%

NOTICE OF THE ANNUAL GENERAL MEETING

for the year ended 31 December 2016

Notice is hereby given that the 10th Annual General Meeting of shareholders of South Ocean Holdings Limited ("SOH" or "the Company") will be held in the Conference Room, 16 Botha Street, Alrode, on Tuesday, 8 August 2017 at 11:00. To ensure that registration procedures are completed by 11:00, please register for the Annual General Meeting from 10:30. Only those shareholders listed in the shareholders' register as at Friday, 28 July 2017 will be eligible to vote at the Annual General Meeting.

The purpose of the Annual General Meeting is to propose the passing of the following ordinary and special resolutions:

1. ORDINARY RESOLUTION NUMBER 1

Approval of Financial Statements

Resolved that, the Financial Statements of the Group for the year ended 31 December 2016, together with the reports of the Directors, Auditors and Audit and Risk Management Committee be and are hereby considered and adopted.

2. ORDINARY RESOLUTION NUMBER 2

Appointment of auditors and designated auditor

Resolved that, PricewaterhouseCoopers Inc. be and are hereby re-appointed auditors of the Group and that Mr JL Roos is hereby appointed as the designated auditor to hold office for the ensuing year.

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

3. ORDINARY RESOLUTION NUMBER 3

Re-election of Ms M Chong as a director

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

The *curriculum vitae* for Ms M Chong appears on page 8 of this annual report.

4. ORDINARY RESOLUTION NUMBER 4

Re-election of Mr HL Li as a director

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

The *curriculum vitae* for Mr HL Li appears on page 9 of this annual report.

5. ORDINARY RESOLUTION NUMBER 5

Appointment of Audit and Risk Management Committee member

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

7. ORDINARY RESOLUTION NUMBER 7

Appointment of Audit and Risk Management Committee member

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

8. ORDINARY RESOLUTION NUMBER 8

Remuneration Policy

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 36 of the annual report, for the financial year ended 31 December 2016, will be tabled at the Annual General Meeting.

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

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

NOTICE OF THE ANNUAL GENERAL MEETING CONTINUED

for the year ended 31 December 2016

9. SPECIAL RESOLUTION NUMBER 1

Non-Executive Directors' fees for the financial year ending 31 December 2016 and quarter ending 31 March 2017

Resolved that, the fees, to be paid to the Non-Executive Directors for their services as directors of the Company, for the year ending 31 December 2016 and the quarter ending 31 March 2017 (being a quarter of the fees payable for the year ending 31 December 2016) be approved as follows:

	31 December 2016
• Chairperson	R429 456.00
• Deputy Vice-Chairperson	R247 754.00
• Non-executive director	R143 152.00
• Chairperson of the Audit and Risk Management Committee	R214 728.00
• Member of the Audit and Risk Management Committee	R46 392.00
• Chairperson of the Remuneration Committee	R66 026.00
• Member of the Remuneration Committee	R46 392.00
• Chairperson of the Social and Ethics Committee	R66 026.00
• Chairperson of Special Committees	R2 783.00 per hour
• Member of Special Committees	R1 670.00 per hour

Shareholders are advised that the Non-Executive Directors have elected not to receive an increase in their fees for the 2016 financial year.

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the Non-Executive Directors of the Company for the financial year ending 31 December 2016 and for the quarter ending 31 March 2017 in accordance with section 66(9) of the Companies Act, 2008. The passing of this special resolution will have the effect of approving the remuneration of each of the Non-Executive Directors of the Company for the financial year ending 31 December 2016 and quarter ending 31 March 2017. The fees payable for the quarter ending 31 March 2017 will be based on a quarter of the fees as approved above. Shareholders will be requested to approve any adjustment to the fees payable for the quarter ending 31 March 2017 at the 2017 Annual General Meeting.

Shareholders are reminded that they voted against the above Special resolution number 1 which was proposed at the Annual General Meeting of the Company held on 27 July 2016. These fees have not been paid to the Non-Executive Directors. The Company is again proposing to shareholders that the above outstanding fees be paid to the said Non-Executive Directors.

10. SPECIAL RESOLUTION NUMBER 2

Non-Executive Directors' fees for the financial year ending 31 December 2017 and quarter ending 31 March 2018

Resolved that, the fees, to be paid to the Non-Executive Directors for their services as directors of the Company, for the year ending 31 December 2017 and the quarter ending 31 March 2018 (being a quarter of the fees payable for the year ending 31 December 2017) be approved as follows:

	31 December 2017
• Chairperson	R455 223.00
• Deputy Vice-Chairperson	R262 619.00
• Non-executive director	R151 741,00
• Chairperson of the Audit and Risk Management Committee	R227 612.00
• Member of the Audit and Risk Management Committee	R49 175.00
• Chairperson of the Remuneration Committee	R69 987.00
• Member of the Remuneration Committee	R49 175.00
• Chairperson of the Social and Ethics Committee	R69 987.00
• Chairperson of Special Committees	R2 950.00 per hour
• Member of Special Committees	R1 770.00 per hour

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the Non-Executive Directors of the Company for the financial year ending 31 December 2017 and for the quarter ending 31 March 2018 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the fees payable to the Directors for the quarter ending 31 March 2017. The passing of this special resolution will have the effect of approving the remuneration of each of the Non-Executive Directors of the Company for the financial year ending 31 December 2017 and quarter ending 31 March 2018 as well as confirming and ratifying the increase in fees paid to the Directors for the quarter ending 31 March 2017. The fees payable for the quarter ending 31 March 2018 will be based on a quarter of the fees as approved above. Shareholders will be requested to approve any adjustment to the fees payable for the quarter ending 31 March 2018 at the 2018 Annual General Meeting.

11. SPECIAL RESOLUTION NUMBER 3

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.

12. ORDINARY RESOLUTION NUMBER 9

General authority over unissued shares

Resolved that, all the authorised unissued ordinary shares in the Company be and are hereby placed under the control of the Directors until the date of the next Annual General Meeting, subject to the provisions of the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company.

No issue of these shares is contemplated at the present time and no issue will be made that could effectively change the control of the Company without the prior approval of shareholders in a general meeting.

13. ORDINARY RESOLUTION NUMBER 10

General authority to issue shares for cash

Resolved that, the Directors of the Company be and are hereby authorised, by way of a general authority, to issue shares for cash (as contemplated in terms of the JSE Listings Requirements) for up to 10% i.e. 15 637 879 of the issued shares in the capital of the Company as and when they in their discretion deem fit, subject to the Companies Act, No. 71 of 2008, as amended, the Memorandum of Incorporation of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time.

The reason for the above ordinary resolution number 10 is to give the directors authority to issue up to 10% of the unissued shares for cash in order to pursue suitable BEE partners.

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares (as defined in the JSE Listings Requirements) for cash under the above general authority if the following JSE Listings Requirements are met:

(a) The shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue.

(b) The general authority shall only be valid until the Company's next Annual General Meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter.

(c) A SENS announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the price of the issue was agreed in writing between the Company and party/ies subscribing for such shares at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of shares in issue prior to that issue.

(d) That issues in the aggregate in any 1 (one) financial year may not exceed 10% (ten percent) of the number of the shares of the Company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements.

(e) In determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the Company and the party/ies subscribing for the shares.

(f) Any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

NOTICE OF THE ANNUAL GENERAL MEETING CONTINUED

for the year ended 31 December 2016

14. ORDINARY RESOLUTION NUMBER 11

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

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

15. 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 6 to 8;
- the major shareholders of the Company on page 107;
- the director's shareholding in the Company on page 95; and
- the share capital of the Company in note 8 on page 87.

The only matter that might have a material effect on one of the Group's subsidiary companies, South Ocean Electric Wire Company (Proprietary) Limited ("SOEW"), is the announcements released on SENS on 6 May 2010 and 25 March 2014, as well as prior financial Statements and Summarised Financial Statements, advising that on 16 March 2010 the Competition Commission (Commission) initiated a complaint investigation into certain alleged cartel conduct in the power cable market against SOEW, a wholly-owned subsidiary of SOH, and three other competitors, and further advising of the Commission's media release published on 19 March 2014 announcing that the Commission had decided to refer the complaint (as amended) to the Competition Tribunal (Tribunal) against SOEW and 11 other companies and the Association of Electric Cable Manufacturers of South Africa. SOEW has engaged the services of specialist competition lawyers and economists to advise the Company in respect of the Commission's referral. SOEW has cooperated with the Commission during its investigation of the complaint and continues to do so now that the complaint has been referred to the Tribunal. In terms of IAS 37, no further disclosures are made as this would unfairly prejudice SOEW in its current dealings with the Commission.

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 2016 and 10 March 2017.

The directors, whose names are given on pages 6 to 8 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and beliefs there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the Annual General Meeting.

Entitlement to attend and vote at the Annual General Meeting in person or by proxy

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name in the Company sub-register), as at Friday, 28 July 2017, then:

- you may attend and vote at the Annual General Meeting; alternatively
- you may appoint an individual as a proxy, (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in your place at the Annual General Meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover of the annual report. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the Annual General Meeting.

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

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE") held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- If you wish to attend the Annual General Meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- If you are unable to attend the Annual General Meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the Annual General Meeting and/or request it to appoint a proxy.

You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the Annual General Meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover of the annual report.

By order of the Board

WT Green
Company Secretary

Johannesburg
29 June 2017

FORM OF PROXY

Form of proxy for use at the Annual General Meeting of South Ocean Holdings Limited ("the Company") to be held at the Head Office of the Company, situated at 16 Botha Street, Alrode, at 11:00 on Tuesday, 8 August 2017. Shareholders listed in the shareholder register as at Friday, 28 July 2017 will be eligible to vote at the Annual General Meeting.

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the Annual General Meeting, and at any adjournment thereafter.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the Annual General Meeting.
- The appointment of the proxy is revocable.
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the Companies Act, 2008 requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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

I/We

(BLOCK LETTERS)

Address:

Contact telephone number:

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

1. or failing him/her,

2. or failing him/her,

3. The Chairman of the Annual General Meeting,

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

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

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

Number of votes (one vote per ordinary share)		For	Against	Abstain
Ordinary resolution number 1:	Adoption of Financial Statements			
Ordinary resolution number 2:	Appointment of the auditors and designated auditor			
Ordinary resolution number 3:	Re-election of Ms M Chong as a director			
Ordinary resolution number 4:	Re-election of Mr HL Li as a director			
Ordinary resolution number 5:	Appointment of Audit and Risk Management Committee member Ms M Chong			
Ordinary resolution number 6:	Appointment of Audit and Risk Management Committee member Ms N Lalla			
Ordinary resolution number 7:	Appointment of Audit and Risk Management Committee member Mr KH Pon			
Ordinary resolution number 8:	Approval of Remuneration policy			
Special resolution number 1:	Approval of Non-Executive Directors' fees for 2016			
Special resolution number 2:	Approval of Non-Executive Directors' fees for 2017			
Special resolution number 3:	Approval of loans or other financial assistance to related or inter-related companies			
Ordinary resolution number 9:	Placing unissued shares under the control of the directors			
Ordinary resolution number 10:	General authority to issue shares for cash			
Ordinary resolution number 11:	Directors' and Company Secretary's authority to implement ordinary and special resolutions			

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

Signed at on 2017

Signature:

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

Telephone number:

NOTES TO THE FORM OF PROXY

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

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

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

1. Only shareholders listed in the shareholder register as at Friday, 28 July 2017 will be eligible to vote at the Annual General Meeting to which this proxy forms part.
2. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as a proxy to the exclusion of those whose names which follow thereafter.
3. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the form of proxy will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Forms of proxy must be lodged at the Head Office of the Company, 16 Botha Street, Alrode, 1451 or posted to the Company Secretary at PO Box 260362, Excom, 2023, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 62053, Marshalltown, 2107, South Africa).
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 62053, Marshalltown, 2107, South Atifrica), together with this form of proxy.
8. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.
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

DIRECTORS

KH Pon (Chairman)
HL Li (Deputy Vice Chairman)
JP Bekker (Chief Executive Officer)
MK Lehloenya (Chief Financial Officer)
M Chong
N Lalla
CY Wu
DJC Pan (Alternate)

REGISTERED OFFICE

12 Botha Street
Alrode
1451

Business address

16 Botha Street
Alrode
1451

Postal address

PO Box 123738
Alrode
1451

BANKERS

First National Bank, a division of FirstRand Bank Limited

AUDITORS

PricewaterhouseCoopers Inc.

COMPANY SECRETARY

WT Green

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
(PO Box 61501, Marshalltown, 2107)

SHAREHOLDERS' DIARY

2016 FINANCIAL YEAR-END

Annual General meeting	8 August 2017

FINANCIAL YEAR-END

Financial year-end	31 December

REPORTS

Interim report – 2017	August 2017
Final report – 2017	March 2018
Publication of Annual Report 2017	April 2018

DIVIDEND

Final	April 2018

2016 ANNUAL GENERAL MEETING

Annual General Meeting	August 2018

South Ocean
HOLDINGS

www.southoceanholdings.com