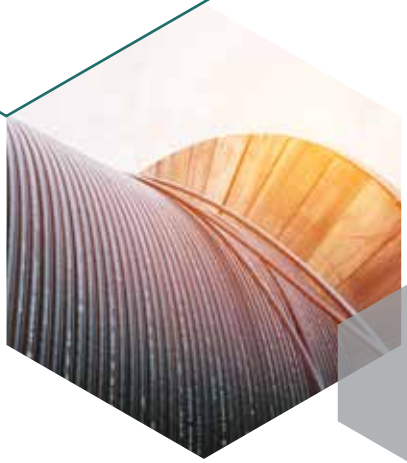
South Ocean
HOLDINGS





Integrated Annual Report 2020

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About this report

South Ocean Holdings Limited ("South Ocean Holdings" or "SOH" or "the Group" or "the Company") is pleased to present its Integrated Annual Report for the year ended 31 December 2020.

Key data

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

Scope and boundary

This report provides a comprehensive overview of the activities and performance of South Ocean Holdings for the 12 months from 1 January 2020 to 31 December 2020. It includes an overview of the environment in which the Group operates, details of our business model and strategy, and comprehensive reports on both financial and non-financial matters. These are intended to inform stakeholders of all material matters, enabling them to make an informed assessment of the Group's performance during the reporting period and of our future prospects.

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

- South Ocean Electric Wire Company Proprietary Limited ("South Ocean Electric Wire Company" or "SOEW"), a manufacturer of low-voltage electrical cables and wires; and
- Anchor Park Investments 48 Proprietary Limited ("Anchor Park Investments" or "Anchor Park"), a property holding company.

The transfer of the properties that formed part of the sale of a subsidiary, Radiant Group Proprietary Limited, which was sold to Eurolux Proprietary Limited in the 2019 financial year, was finalised during the reporting period and generated cash of R86 million. Details of the funds received due to this transaction are reflected in the Annual Financial Statements for the 2020 financial year, which appear in this report.

All references to the Group denote the holding company and its subsidiaries during the reporting period. These businesses operate mainly in South Africa but also have a limited footprint in the rest of Africa.

Corporate information

The Chief Executive Officer (CEO) of South Ocean Holdings is Mr Andre Smith. Our Independent Non-Executive Chairperson is Mr Henry Pon.

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

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

The six capitals

South Ocean Holdings uses the Six Capitals of Sustainable Development model in order to accurately evaluate and report on both our financial and non-financial performance. Details of capital inputs and outputs in these six key areas are provided in the body of this report.

Reporting framework

This report has been prepared in accordance with:

- International Financial Reporting Standards (IFRS);
- the Companies Act (No 71 of 2008);
- JSE Listings Requirements;
- the King Report on Corporate Governance for South Africa (2016) (King IV); and
- the International Integrated Reporting Council's Integrated Reporting <IR> Framework.

Assurance

The non-financial content of this report was prepared by management and approved by the South Ocean Holdings Board of Directors with the assistance of its relevant committees. External assurance of non-financial matters was limited to the Broad-Based Black Economic Empowerment (B-BBEE) scorecard, which was verified by an accredited ratings agency, Dextra BEE and Consulting Proprietary Limited.

The consolidated Annual Financial Statements, presented separately, were audited by PricewaterhouseCoopers Inc., which expressed an unmodified opinion for the year ended 31 December 2020.

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

Forward-looking statements

This report contains forward-looking statements that encompass both known and unknown risks and uncertainties. Should one or more of these risks materialise, or should any underlying assumptions prove incorrect, actual results may differ from those anticipated. Forward-looking statements apply only as of the date on which they are made, and South Ocean Holdings does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Statement of responsibility

The Audit and Risk Management Committee and the Board of Directors acknowledge their responsibility to ensure the integrity of the information presented in this report. The Annual Financial Statements included in the report have, as specified, been audited by external auditors.



Henry Pon CA(SA)
Chairperson



Andre Smith
Chief Executive Officer



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

Group at a glance

OVERVIEW

South Ocean Holdings is a well-established South African manufacturer and distributor of low-voltage electric cable, wire and related products. It is a preferred supplier in the local market, servicing the building and construction industries.

As mentioned in the opening section of this report, the Group has two operating subsidiaries:

- South Ocean Electric Wire Company Proprietary Limited, a manufacturer of low-voltage electrical cables and wires; and
- Anchor Park Investments 48 Proprietary Limited, a property holding company.

INVESTMENT CASE

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

- We are a key player in the market sectors in which we operate.
- We have a stable, credible and highly experienced Board.
- We have knowledgeable and highly experienced management teams.
- We have a large and established customer base in the building and construction industries.
- We have strong relationships with key suppliers.
- We are fundamentally committed to being a good corporate citizen based on compliant, independently verified corporate governance functions and structures.
- We have strong and enduring relationships with the financial institutions we use.

VISION

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

MISSION

Our mission is to:

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

respond to changing market dynamics, secure cost efficiencies, and focus on growing the business in both established and new markets;

manufacture, and supply consistently high-quality products;

provide excellent customer service; and

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

VALUES

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

Our values are expressed through:

Customer excellence

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

Employee satisfaction

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

Integrity and ethics

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

Corporate responsibility

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

Empowerment

- We aim to empower our employees with appropriate skills and knowledge.
- We provide equal opportunities for them to grow in a supportive environment.
- We provide support and mentorship for our employees through the Human Resources department.
- We ensure that employees are aware of their rights in terms of the Basic Conditions of Employment Act (No. 75 of 1997).
- All employees are free to join a union of their choice or to choose not to join a union.

Strategy

STRATEGY FOR VALUE CREATION

At South Ocean Holdings, we aim to be a successful and sustainable group that delivers reliable returns for all of our stakeholders, makes a positive contribution to the communities in which we operate, and fulfils our responsibility as a custodian of the natural environment.

Our strategy is based on three strategic pillars that reflect our commitment to sustainability, good corporate governance, responsible risk management, manufacturing excellence, and the care and advancement of employees. Progress in relation to strategy is monitored on an ongoing basis against well-defined financial and non-financial indicators.

South Ocean Holdings is a strategically focused and robust entity that, despite operating in highly challenging socio-economic conditions, remains a resilient investor, manufacturer, and distributor.

STRATEGIC PILLARS

The three strategic pillars are designed to:

1

Secure sustainable returns for stakeholders

We focus on innovation, quality, and efficiency in order to secure sustainable returns in the short, medium, and long term, and to deliver benefits to all of our stakeholders.

2

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

We consistently aim to maintain a leadership position in the market sectors and segments we serve. We do this through organic growth and, where possible, through acquisition.

3

Develop a globally competitive business

Over the past five years, we have streamlined the entire business in order to ensure that we remain competitive within the markets and segments we serve.

CRITICAL RISKS

- Cash flow
- Profitability
- B-BBEE rating
- Business interruption

Board of Directors

EXECUTIVE DIRECTORS

Andre Smith (55)

Higher National Diploma: Mechanical Engineering

Chief Executive Officer

Andre is a qualified mechanical engineer with 29 years of experience in the cable and wire industry. He held several senior management and executive positions in the manufacturing, sales, export, and technical areas of the industry. He has visited and trained in cable and wire factories around the world, including in the US, Europe, Australia, China and Korea.

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

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

Werner Basson (38)

BAcc, BAcc (Hons), CA(SA)

Chief Financial Officer

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kwok Huen (Henry) Pon (84)

BCom, CA(SA)

Independent Non-Executive Director and Chairperson

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

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

Hung-Lung (Eric) Li (69)

MSc (Industrial and System Engineering) (USA)

Independent Non-Executive Director and Deputy Vice Chairperson

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

Eric was appointed as an alternate director to Choice Pan in 2000, as a non-executive director in 2009, and as Deputy Vice Chairperson in 2016. He serves on the Audit and Risk Management Committee, the Nominations Committee, and the Remuneration Committee, of which he is the Chairperson.

Melanie Chong (44)

BCom, BCom (Hons), CA(SA)

Independent Non-Executive Director

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

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

Natasha Lalla (46)

BCom, BCom (Hons), CA(SA)

Independent Non-Executive Director

A chartered accountant, member of the South African Institute of Chartered Accountants, and member of the Institute of Internal Auditors of South Africa, Natasha also holds a post-graduate diploma in Advanced Banking and a certificate in International Treasury.

Natasha began her career as an auditor at one of the country's largest accounting firms in January 1998. She later left the accounting profession to join one of the four big commercial banks in South Africa as a financial accountant, transitioned to the Internal Audit Department, and then progressed to various managerial roles, with her last one being Head of Internal Audit for the Corporate and Investment Banking (CIB) division. She is currently the Regional Head of Internal Audit at Remgro Limited.

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

Jen-Hao (Kevin) Yeh (47)

BSc (Actuarial Science)

Independent Non-Executive Director

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

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

NON-EXECUTIVE DIRECTORS

Chieh-Fu (Jeff) Chen (65)

Non-Executive Director

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

Johannes Van Rensburg (58)

BCom (Acc), BCom (Hons), M Com Bus Management

Non-Executive Director

Johannes has been a director and partner at Eureka DIY Solutions for the past 20 years. He and his sales team have been pivotal in developing the company into the powerhouse it is today, increasing both its sales and footprint significantly.

He is a passionate, pioneering leader with first-class communication skills and has a 30-year track record of successful management. He has a natural flair for strategy and his experience will always ensure that clear objectives (KPIs) are defined and implemented.

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

ALTERNATE NON-EXECUTIVE DIRECTORS

Daphne JC Pan (37) (Brazilian)

BSc (Hotel and Tourism Management), Certificate in Finance

Alternate Non-Executive Director

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

She was appointed as an alternate director to Edward Pan in August 2014. Mr Pan resigned in February 2016, at which time Daphne was appointed as an alternate director to Hung-Lung (Eric) Li. On 20 November 2019, she resigned as Eric Li's alternate director and became the alternate director to Melanie Chong.

Barend Petersen (61)

BCom, BCom (Hons), CA(SA)

Alternate Non-Executive Director

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

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

He joined the Board of South Ocean Holdings as a non-executive director in June 2018. He disposed of his indirect shareholding in the Group in June 2020 and served as an independent non-executive director until March 2021. In March 2021 he relinquished his role as independent non-executive director and became an alternate director to Johannes van Rensburg.

Jacky Liu (52)

EMBA, Major in Electrical Engineering

Alternate Non-Executive Director

Jacky joined Hong-Tai Electric Industrial Company Limited in 2018 as a consultant to promote new business development and to facilitate and coordinate the establishment of the company's Research and Development Centre. He is also a training instructor.

Jacky has held several senior positions during his career, including the position of Vice President of General Electric Corporation (2012 to 2018) and the position of Regional Director North-Asia Pacific (2006 to 2012). He also served on the Board of Celxpert Co. Ltd from 2006 to 2009.

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

Chairperson's report

> We are optimistic about the outlook for 2021 and have adopted a focused approach to the implementation of our strategy in order to take advantage of new opportunities.

Overview

Like businesses around the world, South Ocean Holdings experienced an unsettled and uncertain year in 2020. The COVID-19 pandemic and the first 'hard' lockdown in South Africa, which began on 27 March, had an immediate impact on performance. In a move unprecedented in our history, production had to be put on hold completely for a period of three weeks and it was only after that that we were able to obtain a permit to begin operating on a limited basis again. It then took a further two weeks to get the factory back up to full operational capacity.

A further setback occurred in May, when a COVID-19 case presented among our staff. According to regulations, both the factory and the offices were again closed and an independent contractor was appointed to undertake a 'deep clean' of our entire facility. This meant that we were only able to reach normal production capacity again by June.

These events took place within the context of persistently low economic growth, high levels of unemployment, exchange rate fluctuations, and a series of ratings downgrades that saw South Africa's sovereign credit rating falling firmly to sub-investment grade.

Subsequent developments within the local electric wiring segment and improvements in production efficiencies during the second half of the year did, however, create a platform for recovery and we were able to post positive results by year-end. The steadfastness and loyalty of our staff, who have willingly embraced all COVID-19 management protocols and who are committed to keeping the Group both competitive and profitable, has also been a defining factor. They are the backbone of our business and their positive approach to this crisis has been fundamental to our ability to successfully navigate the challenges we have had to face.

With all of these factors in mind, we are optimistic about the outlook for 2021 and have adopted a focused approach to the implementation of our strategy in order to take advantage of new opportunities. We nevertheless remain concerned about such issues as loadshedding, policy uncertainty, political instability, and the continuing scourge of corruption and mismanagement in government. In both our governance and operational procedures, we continue to actively manage the risk these factors pose to our business.

Macroeconomic factors

One of the greatest macroeconomic challenges we face remains the risk of South Africa falling into a debt trap, and of the country being unable to service its sovereign debt, especially as it works to contain the spread of the coronavirus and implement an effective vaccination programme. It is promising that GDP growth in the last two quarters of the year exceeded economists' expectations, but the fact remains that the economy as a whole shrank by 7% in 2020 and it is going to be difficult to recover from this.

It is nevertheless encouraging to note that eight industries including manufacturing, recorded positive growth in the last two quarters of the year despite the stricter lockdown measures implemented during the second wave of the pandemic. The manufacturing sector as a whole recorded growth of 21.1% in the fourth quarter, contributing 2.4% to overall growth in GDP. This is reassuring in contrast to the shrinkage recorded in the sector in 2019, which had a knock-on effect throughout the economy, especially on construction and infrastructure development.

Fluctuations in the value of the Rand will continue to be a risk for the Group but, again, this risk is actively managed using mechanisms such as limited advance ordering procedures and appropriate exchange rate insurance. Cheap imports also remain a challenge to the sector as a whole, especially as it is highly commoditised. In this case, regulatory improvements and more stringent monitoring of sub-standard imports are urgently needed at government level.

Internationally, growth in both the US and Chinese economies is likely to lead to an increased demand for commodities like copper, which will undoubtedly put upward pressure on pricing.

Business challenges

While the Group had to face unprecedented challenges in 2020, we continued to focus on our core business after the sale of the loss-making Radiant subsidiary in 2019.

SOEW was in a position to continue purchasing materials as usual throughout the year and so was able to resume production as soon as it was possible to do so after the initial "hard" lockdown. The Company was also able to

purchase machinery from another company that had gone into liquidation as a result of the lockdown and this has been beneficial to our operations.

On a broader basis, the unexpected closure of a number of smaller competitors around the mid-year mark led to a drop in production in the low-voltage cable and wire industry, resulting in a general shortage. We were nevertheless able to meet the increased demand for our products that occurred as a result. New equipment and processes also resulted in a net increase in production volume to the highest level ever, which further placed us in a position to benefit from prevailing market conditions.

Governance

From a governance point of view, SOH is fully compliant with all relevant legislation as well as with the principles and guidelines outlined in King IV. Compliance is constantly monitored, and both the Board and management actively support continuous improvement in standards and practices.

On a regulatory level, we were able to improve our Broad-Based Black Economic Empowerment (B-BBEE) status from Level 6 to Level 4 in December 2019 and we have maintained this status. The Group continues to comply with all of the Department of Trade and Industry's B-BBEE Codes of Good Practice.

From a transformation perspective, a third of the Board is made up of people of colour, while at management level, 68% of employees are people of colour. At workforce level, the percentage is 96%, which more closely reflects the demographics of the country.

In terms of gender, 25% of senior managers are female and 11% of the general staff complement is female which, to some extent, reflects the nature of the business and the sector in which it operates. The Group is strategically committed to an ongoing process of transformation at all levels of the business.

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

Group results

As already mentioned, the COVID-19 pandemic had a marked effect on performance in the first half of the year, but the Group's recovery in the second half of the year enabled us to close on a positive note.

Revenue from ongoing operations increased by 12%, moving to R1.743 billion (2019: R1.557 billion). Gross profit increased by 34% to R84.3 million (2019: R63.1 million), while operating profit increased by 534% to a profit of R38.1 million (2019: loss of R8.8 million).

The sale of the loss-making Radiant subsidiary has enabled the Group to regain a sustainably profitable position, which we intend to build on during the current period and beyond.

Taking into account the effect of the sale of Radiant-owned properties, the value of the Group's assets held firm at R694.3 million (2019: R705.8 million), while the tangible net asset value per share increased by 6% to 245.1 cents per share (2019: 231.8 cents per share). Cash flow remains well managed and the Group is appropriately positioned to fund ongoing operations.

Based on these fundamentals, SOH continues to be a going concern and its financial statements for 2020 received an unmodified opinion from its auditors, PricewaterhouseCoopers Inc.

Significant events

The COVID-19 pandemic was, of course, the most significant event to occur during the reporting period.

The first 'hard' lockdown period naturally had an impact on production, but the Group was able to recover from that successfully in the second half of the year. We were also able to retain our full staff complement throughout 2020, which we were able to do with the assistance of the UIF/COVID-19 Temporary Employer/Employee Relief Scheme (TERS).

Since the first case of COVID-19 was reported in South Africa, we have followed World Health Organisation guidelines to manage the risk posed by the spread of the coronavirus. Our response has included a comprehensive information campaign, extensive precautionary measures, and clearly identified support and self-isolation procedures for employees who display symptoms of having contracted the virus. And while workplace sanitation is an ongoing process, we have made use of independent contractors on two occasions to do a deep clean of both our offices and factory.

Outlook

SOH, like all South African companies, still faces a high level of uncertainty in the face of the ongoing pandemic and there are too many variables in play for us to make accurate predictions about performance in the 2021 period. Strategic and operational developments over the course of the reporting period nevertheless restored the Group to profitability and we feel confident that we will be able to build on this position going forward.

A more focused approach to the implementation of our strategy has been adopted in order to take advantage of the unexpected consolidation in the electric wire segment and the associated increase in demand that has come about as a result of the lockdown. Our executive and management teams continue to apply best-practice discipline in all areas of the business in order to secure our sustainability, improve profitability, secure our existing client base, expand into viable new markets, promote innovation, and maintain the business as a going concern. Our operational plans support these objectives and are being implemented within the framework of a strong executive team led by a new Chief Executive Officer with a background in manufacturing engineering and many years of business experience in the electric wire segment.

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

Recent growth in the manufacturing sector and an upsurge in mining activity is encouraging and we are suitably positioned to take advantage of these developments.

Changes to the Board

There were a number of changes to the Board during the course of 2020 and up to the date of this report:

- Jacobus (Koos) Bekker, then the Chief Executive Officer, was appointed to the additional role of Acting Chief Financial Officer with effect from 1 March 2020 following the resignation of Morris Zack on 28 February 2020.
- Chi-Ying (Joe) Wu resigned from his role as alternate to Chieh-Fu (Jeff) Chen on 28 June 2020 and Jacky Liu was appointed as Jeff Chen's alternate with effect from 10 June 2020.
- Barend Petersen, who had previously been a non-executive director, became an independent non-executive director on the sale of his interest in the Company, which came into effect on 28 June 2020.
- Werner Basson was appointed Chief Financial Officer with effect from 14 September 2020.
- Koos Bekker resigned from his role as Chief Executive Officer with effect from 30 November 2020.
- Werner Basson temporarily fulfilled the responsibilities of Chief Executive Officer with effect from 1 December 2020.
- Andre Smith was appointed as Chief Executive Officer with effect from 1 March 2021.
- Johannes van Rensburg was appointed as a non-executive director with effect from 10 March 2021.
- Barend Petersen became the alternate to Johannes van Rensburg on the same date.

Dividend and executive remuneration

A dividend of 3.00 cents per share was declared on 31 March 2021. This was the first dividend declared in 10 years.

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

Appreciation

In conclusion, I would like to extend my sincere thanks to the Group's directors for their dedicated work in dealing with the exceptional challenges the business was confronted with during 2020, as well as for their ongoing commitment towards securing our sustainability, profitability, and growth. A special word of thanks is due to Werner Basson for fulfilling the responsibilities of Chief Executive Officer between the resignation of Koos Bekker and the appointment of Andre Smith. I would similarly like to express the Board's appreciation to both management and staff for their dedication and commitment under such difficult operating and trading circumstances.

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



Henry Pon CA(SA)
Chairperson

Chief Financial Officer's report

> While sales fluctuated widely during the year, we reported record sales in September and October, finishing the year with a 12% increase in revenue. An unexpected consolidation of the cable and wire market in 2020 has also put us in a strong position for growth in 2021.

Overview

It is my pleasure to present a report on the business performance of South Ocean Holdings for the year ended 31 December 2020.

As the Chairperson has already mentioned, it was a challenging year for the Group. Performance in the first two quarters was severely impacted by ongoing loadshedding in January and February and then by the COVID-19 lockdown, which came into effect at the end of March. Days after that, Moody's Investors Service became the last of the 'big three' ratings agencies to downgrade the country's sovereign credit rating to sub-investment grade. Fitch Ratings followed suit with a further downgrade of its own rating, taking it even further into 'junk' territory. The market was quick to respond and the exchange rate plummeted to USD1: ZAR19.

The net effect was that the manufacturing sector contracted even further than it had in the period ended 31 December 2019, with GDP falling at the fastest rate in a year in the first quarter. An easing of the lockdown restrictions in the second half of the year did, however, see a rebound, enabling us to refocus on the implementation of our strategy and to report a profit by year-end.

What is significant about the reporting period is that, on an annualised basis, the inflation rate was 3.3%, the lowest it has been since 2004. The economy also grew by 66.1% in the third quarter, recovering from a record 57% slump in the April to June period and easily beating market expectations of 52.6%. Driven by a rebound in manufacturing, trade, and mining, this was the strongest growth recorded in the country since 1993.

While these were undoubtedly positive indicators, the economy as a whole had nevertheless shrunk by 7% by the end of the year in comparison to the previous period.

With the pandemic still very much with us and with the full extent of its economic impact still to be fully determined, it is difficult to make any firm predictions about what 2021 will bring. We are nevertheless in a position to take advantage of opportunities in various market segments, and have a strong strategy in place to do so.

Business performance

The business opened the year with a solid order book and, while orders fluctuated throughout the first half of the year, the book closed at its highest ever by year-end. This was despite several steep increases in the Rand Copper Price (RCP) during the second half of the year.

The increase in demand during the last two quarters was partly due to the fact that several competitors were unable to survive the impact of the lockdown and either had to downscale significantly or close down, effectively creating an unexpected consolidation of the market. The resulting shortage in supply was compounded by the fact that tenders previously deferred by Eskom were finally awarded in April, so several producers had to focus their immediate attention on fulfilling the requirements of those tenders, which affected general supply.

These changing conditions saw sales fluctuate widely during the course of the year, marked especially by a precipitous drop during the Level 5 lockdown in Q2. There was, however, a welcome uptick once lockdown restrictions were eased and the business reported record sales in September and October, finishing with an increase in revenue when compared to the prior year. Export sales nevertheless remain only a small percentage of total sales, partly due to local demand exceeding our current capacity to supply.

Operational review

The unexpected consolidation of the electric wire market from around mid-year enabled us to consolidate our market share. This, in turn, enabled us to grow both our business and our revenue, achieve profitability, declare a dividend, and position ourselves to meet an increase in demand for our products, both locally and internationally. Stock management, cost management, and productivity will, of course, continue to be a top priority. In addition, a full operational process review conducted in March 2021 is already delivering significant improvements in productivity.

Machine breakdowns were nevertheless more frequent than expected, partly due to the ageing of equipment. This is why our immediate operational focus is on upgrading and/or replacing essential machinery.

Another ongoing challenge is the instability of the RCP, which is exacerbated by the instability of the Rand. The average RCP for 2020 was 33.3% higher than the average price for 2019, driven mainly over concerns about the consistency of supply from key producers in South America. Demand in the US and China is also ramping up, driven by unprecedented stimulus packages, placing constraints on the global copper supply.

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

The impact of COVID-19

The pandemic did, of course, have a major impact on operations, especially as most contractors were only able to begin working again once lockdown Level 3 had been implemented, over two months after the implementation of Level 5. The plant was completely closed for the first three weeks of the Level 5 lockdown and had to be closed again in May in order to comply with sanitisation protocols after a staff member had tested positive for the virus. During the latter period, contractors were unable to draw stock and this obviously impacted on sales.

From a management point of view, we adhere to all World Health Organisation protocols. Both our factory and offices were fully sanitised by an independent contractor in May 2020 and again in January 2021, just before the plant was scheduled to open after the December holidays. All staff have undergone safety and awareness training and are supplied with personal protective equipment. Sanitisation stations are situated at the entrances and exits to all of our facilities, information posters are widely distributed, isolation and tracing protocols are in place in the event that a staff member tests positive, and our Human Resources Department is fully set up to provide whatever support any member of staff may need.

While we have had a few cases of COVID-19 among staff, there have been no fatalities and our rapid-response isolation and sanitisation protocols have prevented the spread of the virus within the workplace.

Financial performance

As in all other aspects of the business, turnover fluctuated throughout the course of the year but, despite operating within the constraints of a pandemic, the business was able to report a 12% increase in revenue to R1.743 billion (2019: R1.557 billion).

Earnings per share increased by 270% to 13.25 cents (2019: negative 7.8 cents), while headline earnings per share increased by 422% to 13.32 cents (2019: negative 4.14 cents). Tangible net asset value per share increased by 6% to 245.1 cents per share. We were also able to declare a dividend of 3.00 cents, the first dividend we have been able to declare in ten years.

Cash flow remained positive throughout the period, enabling the business not only to continue operating once lockdown restrictions had been eased, but also to maintain its full staff complement and take advantage of the unexpected consolidation of the electric wire segment.

A full analysis of the Group's financial performance is given in the Annual Financial Statements included in this report.

As indicated in our Corporate Governance Report, our Annual Financial Statements were prepared on the basis of accounting policies applicable to a going concern. This assumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations, and commitments will occur in the ordinary course of business.

The directors are confident that the business will be able to continue as a going concern throughout the current period and well into the foreseeable future.

Appreciation

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

I would also like to extend my very sincere thanks to our valued shareholders, partners, suppliers, and customers for their continuing support. Their partnership has enabled us to maintain a firm position in a turbulent market, and to place the Group in a position to secure long-term sustainability and growth.

Last, but not least, thanks are due to my colleagues on the Board for their consistent support, thoughtful input and carefully considered advice. This too is acknowledged and genuinely appreciated.



Werner Basson
Chief Financial Officer

Chief Executive Officer's message

> After the unprecedented events of 2020, we now have the prospect of changing gear from "survive" to "thrive" and I believe we are more than ready to do that.

A moment of reflection

I am sincerely proud to have been appointed to the Board of South Ocean Holdings and to have taken up the role of Chief Executive Officer with effect from 1 March 2021. I am getting to know the business and its people and, together with my executive and management colleagues, I look forward to leading us forward into a new era.

Over the course of the past year, the way in which we live and work has changed dramatically and all of our business and social systems are having to be adapted to the new circumstances we find ourselves in. Times like these can be profoundly unsettling and are often exceptionally difficult to navigate on both a personal and occupational level, but they also bring with them surprising new opportunities.

The unexpected consolidation of the local electric wire segment and the equally unexpected surge in performance in the manufacturing, trade, and mining sectors in the second half of 2020 have resulted in an entirely new supply and demand situation; one that is very different to what it was at the beginning of the year.

Demand for our products, which have an established reputation for quality, now outstrips supply, and the task that lies ahead of us is to reconfigure our business so that we can use this as an opportunity to grow and to become both more sustainable and more profitable. Without discounting the uncertainties we face in the immediate future, I believe there is cause for optimism. This is not just because market circumstances have changed, but because of the muscle the people of SOH have built up as they confronted the challenges that the pandemic brought with it.

In conversations with employees throughout the business about the events of the past year, it has become clear to me what a strong and united workforce we have here. The commitment every employee has shown to new workplace procedures and to ensuring that the Group could survive and, indeed, prosper under such difficult circumstances is truly remarkable. We now have the prospect of changing gear from 'survive' to 'thrive' and I believe we are more than ready to do that.

Strategy

We already have a strategy in place to support this shift in gear and the task that lies ahead is to implement that strategy diligently and effectively.

Business decisions taken over the past two years have placed us in a sound position not only to secure and grow our business, but also to expand into new and lucrative markets in Africa. In a similar way, commitment to innovation, quality, efficiency, learning, cooperation, and hard work at all levels of the business have seen us through possibly one of the most significant hurdles the business will ever have to face. There will be more mountains to climb in the future, but we have an organisation that is more than able to do that.

In both the immediate future and in the long term, we will continue to focus on our competencies in the electric cable and wiring segment, in which we have the infrastructure, innovative capacity, skills, competencies, and knowledge to secure and retain a competitive advantage. Using lean management principles, we will focus on maintaining robust fundamentals, such as good cost management, a positive cash flow, optimal efficiency, and ethical practices, which we will use as the foundation for growth and expansion.

Macroeconomic factors

We cannot, however, lose sight of the fact that the South African economy, like economies around the world, has been deeply affected by the pandemic and that it contracted by 7% in 2020. While this was slightly better than Treasury's prediction of 7.2%, it is going to take time to recover from this setback. So, as both individuals and as a nation, we cannot afford to take our eye off the ball.

On a constructive note, what we need to keep in mind is that growth rebounded above expectations in both the third and the fourth quarters of 2020, with manufacturing being one of the eight industries that showed remarkable resilience. In fact, the manufacturing industry as a whole recorded a growth rate of 21.1% for the fourth quarter, contributing 2.4% to overall GDP growth. This was despite the second wave of the pandemic, which triggered similarly strict lockdown measures to those implemented in March.

This shows just how resilient South Africans can be and, while we have a long way to go, we have tangible proof that our economy is robust enough to recover from the ongoing challenges presented by the pandemic.

Within this context, B-BBEE and transformation will continue to be a primary focus for SOH and we are putting plans into place to exercise our commitment to continuous improvement in this area.

Sustainability and integrated reporting

In line with the guidelines set out in King IV, we will also continue to report not only on financial matters, but to provide non-financial information on issues such as corporate citizenship, transformation, sustainable development, and industry regulation, all of which are material to stakeholders. In order to align our reporting with international best practice, we will continue to be guided by the Six Capitals of Sustainable Development, which provide a widely accepted benchmark for listed companies around the world.

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

Outlook

While we have to accept that the outlook for 2021 remains uncertain, we have the largest advance order book the business has ever had and are in the process of commissioning new machinery and streamlining our production and administration processes. As economies both at home and abroad rebound in response to economic stimulus packages, we are well positioned to take advantage of that and to have a positive and productive year.

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

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

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

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

Appreciation

In concluding, I would like to thank my predecessor, Koos Bekker, for his dedication in piloting the Group through some of the most challenging times in its history. He has laid a solid foundation on which we are now able to build, and our success in the coming years will be testament to that.

I would also like to thank our Chairperson, Mr Pon, and the other members of the Board, who have welcomed me so warmly as a new director. I look forward to a long and very productive working relationship with all of you.

Special thanks are due to Werner Basson, who did so much to keep the ship on course between the time Koos resigned and the time I was able to join the Group. He has been extraordinarily generous in sharing his knowledge and experience with me and I believe that, with the support of our managers and staff, we will be able to provide focused leadership.

Finally, I would like to extend my heartfelt thanks to our valued shareholders, partners, suppliers, and customers for their continuing support. It is their steadfast partnership that has enabled us to maintain a firm position in turbulent waters and to keep the Group in a position to secure long-term sustainability and growth.



Andre Smith
Chief Executive Officer

Five-year review

GROUP PERFORMANCE AND SEGMENTAL ANALYSIS

	2020	2019	2018	2017	2016
GROUP STATEMENT OF COMPREHENSIVE INCOME					
Net revenue (Rm)	**1 748.8**	1 566.1	2 008.9	1 728.8	1 777.2
Operating profit/(loss) (Rm)	**43.4**	(7.4)	33.0	(15.2)	(31.8)
Net profit/(loss) after taxation (Rm)	**26.9**	(15.9)	(3.7)	(57.4)	(39.1)
GROUP STATEMENT OF FINANCIAL POSITION					
Shareholders' equity (Rm)	**498.2**	471.3	488.8	472.0	529.9
Non-current liabilities (Rm)	**59.5**	61.3	73.4	84.6	87.5
Current liabilities (Rm)	**136.6**	173.2	296.7	328.3	325.7
Total liabilities (Rm)	**196.1**	234.5	370.1	412.9	413.3
Non-current assets (Rm)	**229.6**	306.8	277.6	297.5	319.3
Cash and cash equivalents (Rm)	**20.7**	15.8	37.5	30.3	22.3
Other current assets (Rm)	**444.0**	383.2	543.7	557.1	601.5
Total assets (Rm)	**694.3**	705.8	858.8	884.9	943.1
SHAREHOLDER RETURNS					
Earnings/(loss) per share (cents)	**13.25**	(7.80)	(1.95)	(36.67)	(25.03)
Headline earnings/(loss) per share (cents)	**13.32**	(4.14)	3.74	(35.93)	(13.11)
Dividend per share (cents)	**3.0**	–	–	–	–
Net tangible asset value per share (cents)	**245.1**	231.8	240.5	301.8	333.9
Total operating profit/(loss) margin (%)	**2.48**	(0.5)	1.6	(0.9)	(1.8)
Cash generated/(utilised) for the year (Rm)	**39.5**	(20.0)	6.4	8.5	1.2
Number of shares in issue (millions)	**203.3**	203.3	203.3	156.4	156.4

Subsidiaries

SOUTH OCEAN ELECTRIC WIRE COMPANY PROPRIETARY LIMITED ("SOEW")

SOEW is a manufacturer and distributor of a full range of low-voltage electrical cables and wires, from those typically used in households to those used in industrial steel-wire armoured cables. Our product range includes general-purpose insulated wire, a range of flexible conductors, steel wire armoured cables, flat-twin and earth cables, aluminium conductor steel reinforced (ACSR) cables, aerial bundle conductors (ABC), and surface wire.

All of our products are manufactured at the SOEW plant in Alrode, Gauteng, where stringent quality controls are in place.

We also distribute directly to our clients, using our own fleet of trucks and delivery vehicles. Our direct clients are electrical wholesalers and distributors who, in turn, supply the building, construction, mining, and retail sectors. As at the end of the reporting period, SOEW employed 468 people, including electrical, engineering, administration, marketing, warehousing, skilled, and semi-skilled personnel.

Our competitive advantage is based on the superior quality of our products, reliable distribution, and excellent customer service, all of which enable us to remain competitive despite the challenging market conditions that have prevailed in South Africa for many years.

Products

SOEW's comprehensive product range includes:

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

The SOEW advantage

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

ANCHOR PARK INVESTMENTS 48 PROPRIETARY LIMITED

("ANCHOR PARK")

Anchor Park is an investment holding company that holds the Group's property assets. Our three properties in Alrode house SOEW's manufacturing operations and plant, as well as the South Ocean Holdings head office.

Directors and management

Andre Smith (55)

Higher National Diploma: Mechanical Engineering

Chief Executive Officer

Andre is a qualified mechanical engineer with 29 years of experience in the cable and wire industry. He held several senior management and executive positions in the manufacturing, sales, export, and technical areas of the industry. He has visited and trained in cable and wire factories around the world, including in the US, Europe, Australia, China and Korea.

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

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

Werner Basson (38)

BAcc, BAcc (Hons), CA(SA)

Chief Financial Officer

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

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

Yasmin Mahomed (54)

Sales and Marketing Director

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

Chantelle Govender (43)

Financial Director

Chantelle has 18 years of experience in finance, payroll, and project management in both the FMCG and manufacturing sectors. She is a qualified project manager, having successfully completed the Management Advancement Programme and the Executive Development Programme at Wits Business School.

She was appointed Administration Manager at SOEW in October 2011 and was promoted to Financial Manager in 2018. She became Divisional Director: Finance in January 2019 and Financial Director in November 2020.

Johan Prinsloo (47)

Divisional Director: Factory and Operations

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

He is a qualified millwright by trade and has 21 years of cable, wire, and related technical experience.

Thelma Tshivhase (41)

Divisional Director: Human Resources

Thelma has 16 years of experience in human resources management, specifically in skills development facilitation, training and development, industrial relations, recruitment, talent management, change management, performance management, B-BBEE, and employment equity. She gained her experience in a number of industries, including engineering, manufacturing, the metal industry, and services.

Her qualifications include a BTech in Human Resources Management. She has also successfully completed the Management Advancement Programme and the Executive Development Programme at the Wits Business School.

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

Operational report

Overview

Several factors had a significant impact on operations during the course of the year. The COVID-19 pandemic and the various levels of lockdown implemented by government to curb the spread of infection were the most significant, but continuing loadshedding, an unstable economic environment, currency fluctuations, and ratings downgrades also had an influence.

While the effect of these was most acute in the first two quarters of the year, an unexpected consolidation of the electric wire market in the wake of the first 'hard' lockdown had a positive impact on the business. As several manufacturers either had to cut back on production or go into liquidation, a general product shortage developed and, when we were able to revert to full production capacity in June, we could take advantage of the resulting increase in demand for our products.

An uptick in the manufacturing, trade, and mining sectors in the second two quarters of the year further increased demand and we closed the year with a high order book. Despite operating during an ongoing pandemic, we were able to post a 12% increase in revenue and to report a profit for the first time in several years. We were also able to approve a dividend of 3.00 cents per share.

Going forward, the ongoing impact of the pandemic, fluctuations in the value of the Rand, increases in the price of copper, and commodities shortages due to the effect of the stimulus packages being implemented in both the US and China will all affect the business. All of these factors have, however, been taken into account from both a strategy and budgeting perspective, and we are confident that we will be able to manage their impact.

As in previous years, we continue to explore opportunities to export into Africa, where demand is also increasing. Purchases of new machinery during the course of 2020 and a production process review in March 2021 have placed us on a strong footing to be able to extend our footprint into key markets across the continent.

People

From a people management perspective, we are proud to have been able to continue to employ our full staff complement throughout the pandemic, which we were able to do with the assistance of the UIF/COVID-19 Temporary Employer/Employee Relief Scheme (TERS). We are also proud to have maintained a good occupational health and safety record, with only 23 health and safety incidents being recorded during the course of the year, none of which were classified as serious (2019: 73 incidents and one serious injury).

The three-year wage agreement concluded in August 2017 remained in place until June 2020, when unions agreed to extend it for a further year due to the pandemic. A new wage agreement will be negotiated during the second quarter of 2021 and expected wage increases have been budgeted for.

At executive level, our CEO, Koos Bekker, resigned with effect from 30 November 2020. A new CEO, Andre Smith, who is a mechanical engineer with a strong business background, took up the position on 1 March 2021.

Outlook

While the country's economic recovery in the last two quarters of 2020 exceeded expectations, a recovery to pre-pandemic GDP will take time. This is especially true as the pandemic is still very much a factor and its full impact is yet to be determined. We are nevertheless well positioned to take advantage of the consolidation of the electric wire market and the increase in demand resulting from growth in key sectors and in the export market.

Economic instability is nevertheless likely to persist and, as a result, immediate planning remains largely tactical, focusing on such fundamentals such as managing input costs, production efficiency, and cash flow.

Wealth creation and sustainability

OVERVIEW

At South Ocean Holdings, we aim to add value, create wealth, and secure long-term sustainability by transforming six capital inputs into outputs (products and services) that result in positive outcomes (profits, dividends and other results) for all stakeholders. The six capitals of sustainability are financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

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

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

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

VALUE-ADDED STATEMENT	**2020 R'000**	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Revenue	**1 748 796**	1 566 078	2 008 869	1 728 794	1 777 190
Paid to suppliers and providers of services	**(1 459 298)**	(1 338 301)	(1 653 232)	(1 521 589)	(1 565 421)
Value added	**289 498**	227 777	355 636	207 205	211 769
Income from investment	**4 230**	9 794	7 958	8 167	6 471
Total value created	**293 728**	237 571	363 594	215 372	218 240
Distributed as follows:					
Employees	**125 999**	115 324	155 489	129 485	130 218
Providers of capital	**9 725**	15 723	24 551	26 988	23 273
Government taxes	**89 475**	87 718	134 827	88 175	82 311
Retained for growth	**68 529**	18 806	48 727	(29 276)	(17 562)
Depreciation, amortisation and impairment	**19 584**	14 943	26 420	11 916	36 544
Deferred taxation	**22 006**	19 724	25 971	16 158	(14 967)
Retained earnings (Accumulated loss)	**26 939**	(15 861)	(3 664)	(57 350)	(39 139)
Total value distributed	**293 728**	237 571	363 594	215 372	218 240
Value-added statement ratio analysis					
Number of employees	**473**	431	586	622	676
Revenue per employee (R'000)	**3 697**	3 634	3 428	2 779	2 629
Value added per employee (R'000)	**612**	528	607	333	313
Average salary per employee (R'000)	**266**	268	265	208	193

Financial capital

ORGANISATIONAL EQUITY

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

From an equity point of view, we have 203.3 million shares in issue (2019: 203.3 million) and a market capitalisation as at 31 December 2020 of R79.3 million (2019: R81.3 million).

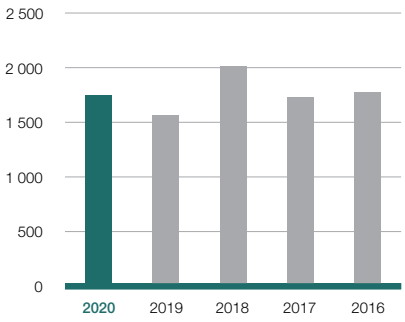
We also make use of capital inputs that were previously considered to be non-monetary variables, but which have increasingly become monetised, such as water. A comprehensive analysis of our water usage is given in the relevant section below.

ADDED VALUE

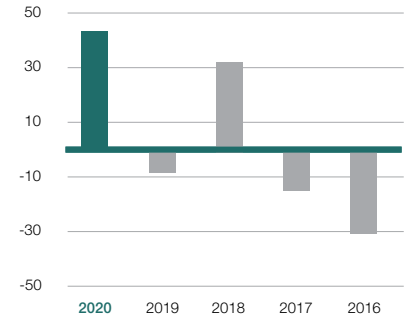
We add value, create wealth, and secure sustainability by using the financial capital at our disposal to manufacture high-quality products, run an efficient distribution system, offer competitive pricing, deliver superior customer service, empower our staff, support external stakeholders, adhere to accepted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

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

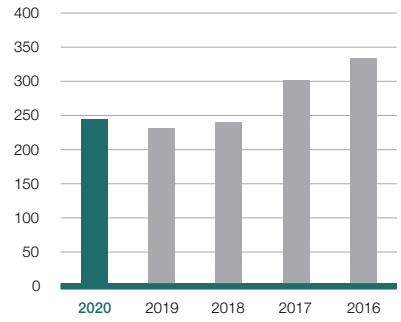
REVENUE
(Rm)



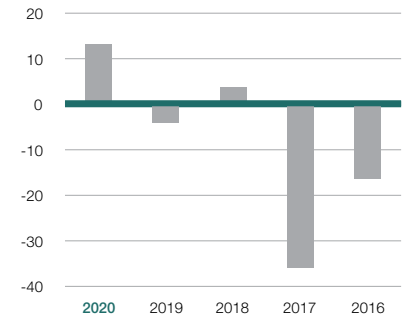
OPERATING PROFIT/(LOSS)
(Rm)



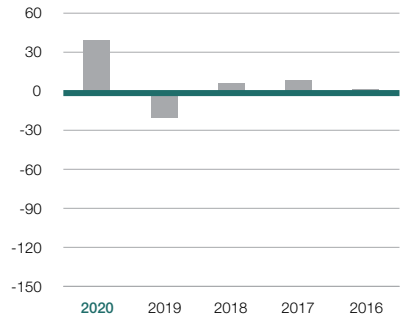
NET TANGIBLE ASSETS VALUE
Value per share (cents)



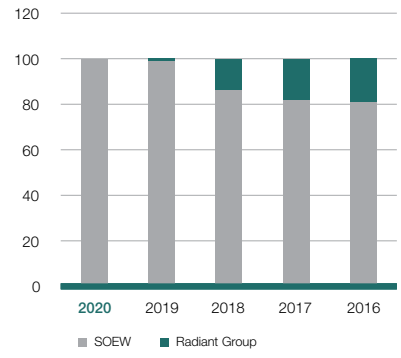
HEADLINE EARNINGS/(LOSS) PER SHARE
(cents)



CASH GENERATED/(UTILISED)
(Rm)



SEGMENT ANALYSIS
(Contribution to revenue %)



Manufactured and intellectual capital

MANUFACTURED CAPITAL

Infrastructure, equipment, and tools

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

Added value

Like all other manufacturers in South Africa, we have had to navigate challenging and uncertain market conditions in recent years.

In the 2020 financial year, the total value added was R293.7 million (2019: R237.6 million) and the value added per employee was R612 000 (2019: R528 000).

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

Product range

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

Product quality

Product quality has always been the cornerstone of our success, with SOEW being certified as compliant with ISO 9001: 2015 Quality Management Standards.

As mentioned elsewhere in this report, the products produced by SOEW also conform to the SANS 1574, SANS 1576, SANS 1507, SANS 1418, and SANS 61386 (PVC 20mm^2 & 25mm^2 conduit) quality standards. To ensure strict adherence to quality standards, we have quality control facilities and a testing laboratory on-site at our Alrode plant. We also have a 24-hour on-site maintenance team, which monitors production consistency, quality, and reliability.

INTELLECTUAL CAPITAL

Protecting knowledge resources

The International <IR> Framework highlights the fact that intellectual capital and knowledge management are essential to securing an organisation's long-term earning potential and to sustaining its competitive advantage.

The intellectual capital value chain involves making use of the output of research and development activities to add value in various areas of the business, most notably by using proprietary processes and procedures to create products and services. It also involves the effective management of an organisation's knowledge resources. These include employee competencies, customer relationship management procedures, financial management procedures, and ICT resources. All of these can, of course, be compromised by illegal or unethical behaviours and practices.

This demonstrates the fact that there is obviously a relationship between intellectual capital, human capital, and social and relationship capital. The reports on these capitals in this section give insight into how we manage and secure our intellectual capital. Our stable and time-tested governance procedures also protect the intellectual capital that secures our leadership position in the market.

Human capital

OVERVIEW

Managing the skills vested in skill and experience

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

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

Despite the challenges the year 2020 presented, we continued to focus on building a resilient and engaged workforce by strengthening and enhancing the skills, experience, diversity, and productivity of our employees. We did this by investing significantly in sponsored study programmes, technical learning programmes, learnerships, and critical skills development.

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

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

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

As at 31 December 2020, we were employing 473 full-time employees, (2019: 431). We constantly strive to increase efficiencies in human capital management and to maintain the flexibility necessary to adapt to prevailing economic conditions.

EMPLOYMENT EQUITY AND DIVERSITY

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

Black permanent employees	Black management
Male – 82%	Male – 60%
Female – 7%	Female – 9%

6	4
Disabled employees	Disabled learners

EMPLOYEE DEVELOPMENT

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

Continuing education

In 2020, 107 employees including executives, managers, office staff, and factory staff had the opportunity to enhance their skills by studying further. Some enrolled for courses offered by the Wits Digital Campus, the university's online continuing education platform. We provided both financial and academic support for employees undertaking further studies in this way and are proud to announce that they achieved a 99% pass rate.

Bursaries

In addition to educational support for employees, we offer several bursaries for suitably qualified dependents. We offered 12 bursaries to the dependents of employees in 2020.

Learnerships

On a broader basis, we also funded learnerships for four disabled and unemployed learners with the aim of upskilling them and bringing them into the formal workplace. On completing these learnerships, the beneficiaries had the additional opportunity to participate in an accelerated learning programme designed to improve their chances of being employed immediately after the learning process. In addition to paying their course fees, we provided learnership beneficiaries with stipends to cover their day-to-day expenses.

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

The total investment in learnerships during the reporting period was R0.4 million (2019: R1.4 million).

Training

We continue to invest in various training programmes to ensure that the skills of our workforce are consistently being enhanced. The total invested in training during the reporting period was R1.3 million (2019: R1.5 million).

EMPLOYEE INCENTIVES

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

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

FREEDOM OF ASSOCIATION

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

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

The number of employees belonging to trade unions in 2020 was as follows:

Trade union	2020	2019	2018	2017
NUMSA	**296**	255	318	297
Solidarity	**6**	5	8	8
Number of employees who are members of unions	**302**	260	326	305
Percentage employees who are members of unions (%)	**63.8**	60.3	55.6	47.1

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

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

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

Occupational health and safety standards are governed by national occupational health and safety regulations. To ensure a balanced management approach, we have health and safety committees in various areas of the business, and it is their function to ensure that we abide by these regulations.

The committees include representatives from senior management, as well as health and safety representatives selected from all levels of staff. Meetings are scheduled on a regular basis, depending on the working environment and requirements.

The committees report compliance issues and safety incidents to the Management Committee and make recommendations on areas for improvement. The appointment of safety representatives and first-aid practitioners, as well as overseeing the processes necessary to ensure the safe operation of factory equipment, are all functions that are delegated to these committees.

Safety

We facilitate and oversee the training of first aid and fire-fighting representatives to ensure that, in the event of an accident, there are always trained personnel immediately on hand to assist their colleagues.

Over the past year, there has been an decrease in the number of safety incidents recorded. In 2020, 23 incidents were recorded, down from 73 in 2019. Management takes each of these incidents very seriously. All injured employees who require medical attention are provided with appropriate treatment and, where needed, time off work for recovery.

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

Injury incidents (permanent staff)	Number of employees
Minor injuries	23
Serious injuries	–
Total number of employees injured	23
Incidents requiring time off work	17
Employees who received medical attention	23

Health

We value the lives of our employees and believe that preventative measures have an important role to play in securing their health. As in previous years, several awareness programmes and campaigns were undertaken during 2020 to ensure that employees have the knowledge to detect both acute and chronic conditions early. We also encourage employees to adopt a generally healthy way of living, partly through a programme of communications designed to inform them of the risks associated with various lifestyle choices.

In 2017, we conducted a comprehensive health and wellness survey to determine the basis for a long-term health management approach. Since then, we have established a formal health and wellness programme to assist employees with any health and psycho-social issues they may be experiencing.

HIV and Aids

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

Lead poisoning

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

Noise surveys

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

SECURITY PRACTICES

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

No material security violations were reported during the year.

STAFF TURNOVER

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

Reason for leaving (number of employees)	**2020**	2019
Resigned	**5**	7
Dismissed	**4**	12
Absconded	**1**	1
Death	**4**	3
Retrenched	**3**	3
Other	**6**	7
	23	33

New employment (number of employees)	**2020**	2019
Replacements and growth	**43**	45

ABSENTEEISM

Employees are encouraged to maintain a healthy work-life balance and various types of paid leave are offered to facilitate this. The following table indicates the average leave allowance employees are entitled to:

Leave type	Number of days
Annual leave (general employees)	15 days – An additional five days for longer than four years' service
Annual leave (directors)	20 days – An additional 5 days for longer than four years' service
Sick leave	30 days over a three-year period
Maternity leave	Up to four months (unpaid)
Family responsibility leave	Three days (MEIBC members can accumulate family responsibility leave up to a total of nine days)
Study leave (approved courses)	Two days per paper

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

Leave type (days taken)	**2020**	2019
Annual leave	**8 724**	5 525
Family responsibility leave	**287**	255
Maternity leave	**–**	161
Sick leave	**1 369**	1 529
Study leave	**–**	51
Unpaid leave	**–**	666
Total number of leave days taken	**10 379**	8 187
Average number of leave days per employee	**22**	19

EXTERNAL STAKEHOLDERS

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

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

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

Social and relationship capital

A SUCCESSFUL COMPANY IN A SUCCESSFUL SOCIETY

We strive to be a successful group that contributes to creating and sustaining socio-economic development in South Africa. We have all the appropriate structures, policies, and procedures in place to achieve this.

SOCIAL AND ETHICS COMMITTEE

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

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

Director	
N Lalla	Chairperson
H Pon	Member
JP Bekker	Chief Executive Officer (resigned with effect 30 November 2020)

The Chief Financial Officer, the Financial Director, and the Divisional Director Human Resources also attend the Committee meetings by invitation.

Meetings

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

Reporting

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

Responsibilities

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

- Social and economic development, with specific reference to:
  - the 10 principles defined in the United Nations Global Compact;
  - the Organisation of Economic Cooperation and Development ("OECD") recommendations regarding corruption;
  - the Employment Equity Act; and
  - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, with a particular focus on:
  - the promotion of equality, the prevention of unfair discrimination, and the elimination of corruption;
  - contributions to the development of the communities in which the Group operates and in which our products are sold; and
  - sponsorships and donations.
- The environment, health, and public safety.
- The impact of the Group's activities and of our products or services.
- Consumer relationships, including our advertising and public relations.
- Labour and employment, including:
  - the Group's standing in terms of the International Labour Organisation's protocols on decent work and working conditions; and
  - our employment relationships and our contributions towards the educational development of its employees.
- Drawing matters within its mandate to the attention of the Board, if and as required.
- Reporting on matters within its mandate at the Annual General Meeting.

EMPLOYMENT EQUITY COMMITTEE

We monitor adherence with the Employment Equity Act on an ongoing basis through our Employment Equity Committee, which is made up of a senior management representative, a shop steward, and elected employee representatives for the different categories of staff. We are fundamentally committed to ensuring that our workforce profile mirrors the demographics of the country.

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

	WHITE		ACI*		NON-RESIDENT		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Total workforce	**48**	47	**435**	383	**9**	13	**492**	443
Less: non-executive directors and non-permanent staff	**–**	–	**(15)**	(8)	**(4)**	(4)	**(19)**	(12)
	48	47	**420**	375	**5**	9	**473**	431
Gender profile								
Male	**37**	35	**366**	328	**4**	8	**407**	371
Female	**11**	12	**54**	47	**1**	1	**66**	60
	48	47	**420**	375	**5**	9	**473**	431
Occupational level								
Directors	**1**	3	**3**	1	**–**	–	**4**	4
Male	**1**	3	**–**	–	**–**	–	**1**	3
Female	**–**	–	**3**	1	**–**	–	**3**	1
Senior management	**5**	1	**4**	2	**3**	2	**12**	5
Male	**3**	1	**3**	0	**3**	2	**9**	3
Female	**2**	–	**1**	2	**–**	0	**3**	2
Professionally qualified and middle management	**27**	30	**76**	51	**2**	3	**105**	84
Male	**21**	22	**67**	42	**1**	2	**89**	66
Female	**6**	8	**9**	9	**1**	1	**16**	18
Skilled and technical staff	**9**	7	**67**	61		4	**76**	72
Male	**7**	5	**59**	55	**—**	4	**66**	64
Female	**2**	2	**8**	6	**–**	–	**10**	8
Semi-skilled and unskilled staff	**6**	6	**270**	260	**–**	–	**276**	266
Male	**5**	4	**237**	231	**–**	–	**242**	235
Female	**1**	2	**33**	29	**–**	–	**34**	31
	48	47	**420**	375	**5**	9	**473**	431
Disability profile								
Disabled	**–**	–	**6**	6	**–**	–	**6**	6
Male	**–**	–	**6**	6	**–**	–	**6**	6
Female	**–**	–	**–**	–	**–**	–	**–**	–
Non-disabled	**48**	47	**414**	369	**5**	9	**467**	425
Male	**37**	35	**360**	322	**4**	8	**401**	365
Female	**11**	12	**54**	47	**1**	1	**66**	60
	48	47	**420**	375	**5**	9	**473**	431
Age profile								
Under 30	**5**	5	**16**	15	**–**	–	**21**	20
Male	**2**	2	**10**	10	**–**	–	**12**	12
Female	**3**	3	**6**	5	**–**	–	**9**	8
Over 30, but less than 50 years	**33**	32	**395**	353	**5**	8	**433**	393
Male	**26**	24	**348**	312	**4**	7	**378**	343
Female	**7**	8	**47**	41	**1**	1	**55**	50
Over 50 years	**10**	10	**9**	7	**–**	1	**19**	18
Male	**9**	9	**8**	6	**–**	1	**17**	16
Female	**1**	1	**1**	1	**–**	–	**2**	2
	48	47	**420**	375	**6**	9	**473**	431

*ACI = African, Coloured and Indian

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

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

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

We regard B-BBEE and transformation as essential to achieving our strategic objectives. We have therefore consistently made improvements to our B-BBEE score and we are currently Level 4 compliant.

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

We are optimistic that we will be able to improve on this further during the current period.

CORPORATE SOCIAL INVESTMENT

We are committed to making sustainable contributions to and uplifting communities in the areas in which we operate. We do this primarily through a process of enterprise development, which is facilitated by accelerating the sustainability and financial independence of black-owned enterprises. This is supported by additional financial assistance for community-based development programmes, such as the New Beginnings Care Centre ("NBCC").

CSI spend

Our CSI spend during the year was made up of grants to the value of R1.5 million (2019: R0.6 million).

Political party policy

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

New Beginnings Care Centre (NBCC)

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

The centre, which has an average residency rate of approximately 300 individuals, provides homeless people of all ages with accommodation, food, and structured programmes designed to assist them in integrating back into mainstream society. It also provides a crèche and educational support for children under 18, and helps adult residents to find jobs that will enable them to regain their independence and rebuild their lives.

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

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

YES4YOUTH Programme

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

ENTERPRISE DEVELOPMENT

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

HUMAN RIGHTS

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

CHILD LABOUR

We procure materials, products and services from a number of suppliers who are domiciled in various jurisdictions, each governed by a different legislative framework. We strongly reject the use of child labour by any of our suppliers as this is a violation of human rights. While monitoring labour practices across a wide range of suppliers in foreign jurisdictions can be difficult, to date we have not encountered instances of the use of child labour among our suppliers.

Natural capital

TOWARDS A GREENER AND CLEANER FUTURE

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

Climate change

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

Environmental impact assessment and carbon footprint analysis

Due to the COVID-19 pandemic, our usual environmental impact assessments and our annual carbon footprint analysis were not undertaken during the reporting period as service providers did not want to perform on-site assessments. The assessments and analysis are scheduled to take place during 2021.

Energy usage

During the course of the year, SOEW, our manufacturing subsidiary, used 13.31 MWh of electricity (2019: 15.05 MWh), with the Level 5 national lockdown accounting for the decrease. This translates into 0.011 MWh per hour worked (2019: 0.013 MWh per hour worked).

Water management

Our manufacturing processes use very little water and, in this respect, we have very little impact on the environment. During the year, we used 6 973 kilolitres of water (2019: 7 748 kilolitres), translating into an average of 0.009 kilolitres per hour worked (2019: 0.01 kilolitres).

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

Waste management

We have a policy of re-using materials before undertaking any recycling or disposal. Only waste that cannot be re-used is disposed of and this is done in an environmentally safe manner. We use specialist companies to handle the disposal of hazardous materials, such as used oil from manufacturing machinery, and paper recycling bins are situated throughout our factories, testing facilities, and offices.

A portion of the total scrap generated during the year included PVC scrap, which was recycled and re-used in the production process. The balance of the PVC scrap and the copper scrap was sold. We aim to keep cable and wire scrap to a minimum and, where it is unavoidable, we sell it on as a financial recovery measure.

Used soluble and lubricating oils, which are a by-product of the manufacturing process, are disposed of through a third party, which either recycles or disposes of them in an environmentally safe manner. During 2020, 12 726 litres of both soluble and lubricating oil was generated and disposed of (2019: 14 140 litres).

Industrial waste generated and disposed of during the year totalled 1 094 500 kilograms (2019: 995 000 kilograms), with the increase being due to the installation of new equipment in the manufacturing plant. In order to maximise the operating efficiency of all our equipment over its lifetime, we adhere to a planned maintenance schedule.

Finally, we attempt to keep refuse to a minimum and we recycle as much as possible. During the year, a total of 1 189m^3 of refuse was generated (2019: 1 238m^3).

Risk report

RISK MANAGEMENT POLICY STATEMENT

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

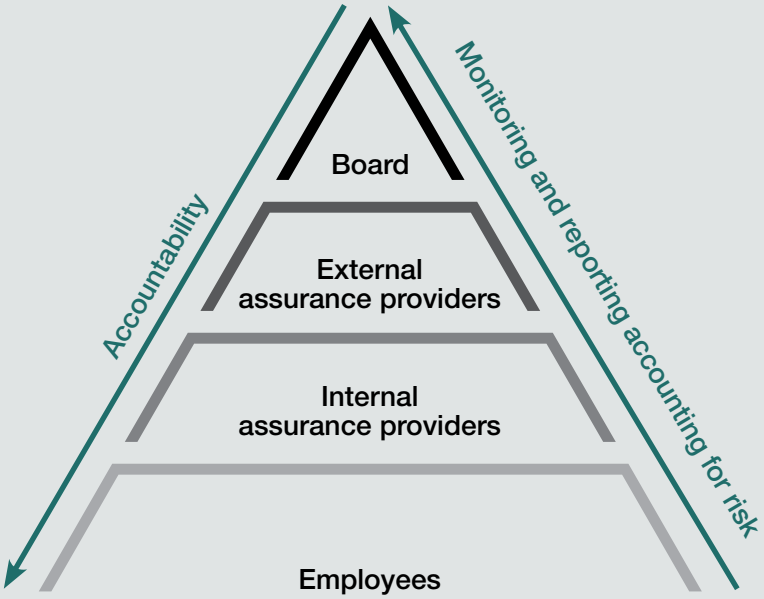
- identify potential risks that may affect the Group;
- prioritise and effectively manage these risks within clearly defined risk appetite parameters; and
- provide reasonable assurance regarding the achievement of organisational objectives.

ENTERPRISE RISK MANAGEMENT PRINCIPLES

The following principles underpin our risk management processes:

- Although the Board is accountable for the entire process of risk management, it is the responsibility of all employees to embed and maintain effective risk management, control, and governance processes throughout the organisation.
- Effective risk management is conducted within the approved risk management framework and structures. These have been tailored to our specific circumstances and form part of our daily operational activities.
- Risk identification, risk assessment, risk mitigation, and risk monitoring are ongoing and evolving processes and form an integral part of our daily decision-making.
- Quarterly risk reporting provides a balanced assessment of significant risks and the effectiveness of internal control in managing these risks.
- Through the skilled application of high-quality, integrated risk analysis and management, our employees exploit risk to enhance opportunities, reduce threats, and sustain a competitive advantage. As a group, we take calculated risks subject to tolerance limits.

Governance structure



ENTERPRISE RISK MANAGEMENT PHILOSOPHY

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

- We are committed to proactive risk management as a discipline that is intended to create value, protect stakeholders and assets, and promote long-term sustainability. The risk management practice is founded on the ethical values of responsibility, accountability, fairness, and transparency.
- We have a formal risk management policy in place to ensure that there is a standardised approach to and understanding of risks and risk management throughout the Group.
- The Board has the overall responsibility for the governance of risk. The Audit and Risk Management Committee assists the Board with risk management oversight. The Board discloses undue, unexpected, or unusual risks in the Integrated Annual Report each year and provides an opinion on the effectiveness of the risk management processes.

RISK MANAGEMENT FRAMEWORK

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

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

RISK APPETITE

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

TOP PRINCIPAL RISKS AND MITIGATIONS

Risk Description	Causes	Risk Rating: Current Year	Actions to improve the management of the risk
Unstable cash flow	• A volatile exchange rate and unstable RCP. • An increase in the cost of sales. • Reduced margins. • Reduced profitability.	CRITICAL	• Collections are closely monitored to identify distressed customers. • Working capital expenses are properly controlled. • Stock levels are optimally managed.
Non-compliance with B-BBEE legislation	Non-compliance with B-BBEE legislation or obtaining a low B-BBEE rating could lead to a loss of customers. The related inability to tender for public sector contracts would result in a loss of revenue.		• A comprehensive B-BBEE strategy is in place. • Preferential procurement assessments are done to ensure that we procure goods and services from suppliers with a high B-BBEE rating. • Black-owned and black women-owned enterprises are being identified as suppliers and for development assistance. • Employment policies are consistent with our employment equity targets.
Business interruption	The COVID-19 pandemic or any similar force majeure.		• With specific regard to COVID-19, government-mandated precautionary and management measures are in place to minimise the chance of any employees or visitors to our premises contracting the virus. • Employees are requested to report any symptoms they may experience immediately so that we can act accordingly. • In the event that an employee displays symptoms of having contracted the virus, they are provided with the necessary assistance to ensure they are tested and, should they test positive, they are asked to self-isolate for the mandatory period to prevent transmission to other employees. • At the same time, operations are halted, and the premises vacated and fully sanitised before operations are permitted to resume. • In the period following the first 'hard lockdown' in March, April and May 2020, this has only been necessary on two occasions.
Profitability	The poor economic climate, both in South Africa and internationally; the unstable political environment; the volatile exchange rate; the unstable Rand Copper Price; poor sales; and declining gross profit.		• We offer consistently superior quality throughout the product range. • We nurture our customer relationships. • We consistently develop marketing plans to position products within the market and to increase sales. • We maintain diversity in our revenue stream. • We consistently develop and support excellent sales teams.

Risk Description	Causes	Risk Rating: Current Year	Actions to improve the management of the risk
Unstable electricity supply	Continuing interruptions in the electricity supply have the potential to impact on manufacturing operations and affect business continuity. Should this happen, productivity will be affected and this will impact on sales, revenue, and market share. This, in turn, will impact on profitability and even sustainability.	EXTREME	• All of our offices are equipped with back-up generators to ensure business continuity during loadshedding and other power outrages. • Manufacturing operations require capacity that cannot be supplied by generators, but the factory sources electricity from multiple sub-stations to ensure that production can continue if one of these sub-stations goes off-line or ceases to be functional.
Loss of data or corruption of the Group's IT systems	Power outages and improper backup procedures could lead to the corruption or loss of data. IT policies and systems may not work as intended and IT security may be ineffective.		• Critical IT services are outsourced to a proven and capable IT company. • All backups are done offsite. • Controls are in place to ensure that backups are complete. • IT personnel monitor the servers continuously for viruses and hacking attempts. • Adequate firewalls are in place to prevent infiltration by unknown parties.
Loss of significant customers and/or a decline in sales	As we operate in a highly competitive industry, failure to compete successfully could result in the loss of one or more significant customers and/or a general decline in sales.		• We continuously aim to improve customer experience by offering high-quality products and superior service, as well as by communicating regularly and effectively with our customers.
Exchange rate volatility			• We continuously monitor exchange rates and the business's expenditure against budget. • We take foreign exchange rate cover at the best possible rates on all foreign purchases in order to minimise the impact of exchange rate losses.
Changes to legislation and regulations			• We monitor business processes on an on-going basis to ensure there that are no transgressions. • Staff are trained in order to raise awareness of Competition Commission regulations. • Further training is conducted on an on-going basis to ensure that staff are fully aware of and compliant with changes in legislation.
Industrial action			• Our business continuity plan outlines the actions to be taken in the event of a strike or other industrial action. • Non-union factory workers and office staff are used to maintain business continuity in the event of a strike or other industrial action.
Loss of key staff			• We have comprehensive job descriptions and succession plans in place for all key staff to mitigate against the loss of these staff for any reason. • Short- and long-term incentive schemes are in place to encourage the retention of key staff.

Risk Description	Causes	Risk Rating: Current Year	Actions to improve the management of the risk
A breakdown in the supply chain or long periods of disruption		MEDIUM	• In order to secure our supply chain, we consistently use formal supplier relationship management processes. • We also use formal processes to drive strategic value through innovation, optimum risk management, and highly effective supply chain management.
Misappropriation of assets due to fraud and/ or corruption		LOW	• To mitigate against fraud and corruption, we have a whistle-blowing hotline in place and all staff are aware of our whistle-blowing policy. • We have a clear segregation of duties throughout the Group. • The approval of the executive management is necessary before assets can be removed from the premises. • There are strict security control in place at all exit points.
A default by a major debtor and/or a significant insurance exclusion			• Sales are spread out across a number of significant customers and we monitor the debtors' book closely. • The debtors' book is insured through the Credit Guarantee Insurance Corporation of South Africa Limited.

Remuneration report

PART 1: REMUNERATION POLICY

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

Our remuneration policy is designed to:

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

The policy aims to ensure that remuneration is:

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

This, in turn, is designed to:

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

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

Remuneration Committee

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

Composition

The Remuneration Committee is made up of two independent non-executive directors and one non-executive director, all of whom have the qualifications and experience to fulfil their duties.

Meetings

Committee meetings are held at least twice a year unless additional meetings are required. The Chief Executive Officer and the Chief Financial Officer attend the meetings by invitation, but do not participate in discussions related to their own remuneration.

Reporting

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

Roles and responsibilities

The Committee does not assume the functions of management, which remain the responsibility of the executive directors and senior management. Its primary task is to assist the Board in ensuring that the remuneration of directors and executives is fair and market-related.

The Remuneration Report in this section provides a detailed overview of our remuneration practices. It deals mostly with the remuneration of directors and senior management.

Remuneration of non-executive directors

Terms of service

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

According to the terms of the Group's memorandum of incorporation, one-third of the non-executive directors may make themselves available for re-election each year, under the condition that, should a director be appointed as an executive director or as an employee of the Group in any other capacity, they shall not, while they continue to hold that position or office, be subject to retirement by rotation and they shall not, in that case, be taken into account in determining the rotation or retirement of directors.

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

The independence of the non-executive directors is evaluated annually and the evaluation performed for 2020 has confirmed their independence.

Fees

Group policy is to pay competitive fees that are aligned to skill, experience, and the time commitment required from the non-executive directors. Fees are benchmarked against a comparison group of JSE-listed companies. Non-executive directors are entitled to be compensated for travel and subsistence when travelling on official business, but there is no contractual agreement to compensate them for loss of office.

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

Remuneration of executive directors and senior management

Our remuneration philosophy is to pay executive directors, senior managers, and staff market-related remuneration that is intended to motivate them, encourage sustainable performance, and secure retention. In terms of remuneration policy, above-average remuneration accrues only to employees who demonstrate a preparedness to accept the challenges of the enterprise and who excel in the achievement of the objectives of the enterprise.

Remuneration package

The remuneration packages of executive directors and senior managers are made up of:

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

Guaranteed package

A total cost-to-company package for each director and senior manager is determined annually based on the market value of his or her position. It is awarded on the assumption that performance targets are higher than they were in the preceding year and that these targets will be met. The guaranteed pay is calculated at between 75% and 80% of the total cost-to-company package for directors and at 92.4% for senior managers.

Performance bonus

Directors and senior managers are required to enter into performance contracts that clearly define individual key performance areas linked to the strategic objectives of the business. The contracts and related performance ratings are reviewed by the executive directors and reports are made to the Remuneration Committee. The Committee provides insight into how risks are being managed and controlled, as well as into succession planning at both Group and subsidiary levels.

Performance ratings based on KPIs are the basis on which the annual performance bonus is paid. For directors, this is calculated at between 20% and 25% of the total cost-to-company package, while for senior managers, it is calculated at 7.6% of total package.

Profit-sharing bonus

Executives and senior managers employed by the Group participate in a profit-share pool if profit before taxation exceeds targeted earnings for the year. This policy was proposed by the Remuneration Committee and approved by the Board.

Target earnings are defined as the inflation-adjusted moving average of earnings for the past three years multiplied by a growth factor equal to expected inflation. For the purposes of the profit-sharing bonus scheme, a nominated percentage of the excess earnings of the Group and its subsidiary is allocated to be shared by eligible participants. The profit-sharing bonus for 2020 was R0.7 million.

Long-term incentive scheme

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

The incentive scheme is a share-appreciation rights scheme in terms of which each participant receives a cash bonus based on equity growth. It does not confer any rights on employees to acquire, hold, or subscribe for shares at any time, and does not in any way dilute the shareholdings of existing or future shareholders.

The features of the scheme are as follows:

- There are separate schemes for the Group and its subsidiary, SOEW.
- Share appreciation rights are defined in relation to the issued shares of each entity at the commencement of each financial year.
- Each share appreciation right relates to one issued share.
- In the case of the Group scheme, eligible participants have been allocated rights based on the value of ordinary shares which, in turn, was based on the volume-weighted quoted share price during the month preceding the allocation.
- Beneficiaries of the Group scheme receive a cash bonus at the end of a defined holding period, which is equal to the difference between the value of those shares at the beginning of the period and the value of the shares at the end of the period.
- In the case of SOEW, eligible participants are allocated rights:
  - in relation to a certain value of the shares of the company (75% of the allocation);
  - in terms of a valuation of the shares of the company which, in turn, is based on its financial results over the preceding three financial years;
  - based on the shares of the holding company (25% of the allocation) which, in turn, is based on the volume-weighted quoted share price during the month of December in the previous year;
  - a cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period; and
  - the holding period of allocations being three years, which may be extended to four years at the third year of each allocation at the option of the participant.
- The quantum of the allocations is in the range between 33.3% and 83.3% of the annual guaranteed pay of each participant in the years following.

Annual review by the Remuneration Committee

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

The Committee is also mandated to review on an annual basis the Remuneration Policy as it applies to all executive and senior managers who are members of the Executive Committee or a management committee.

Executive directors' remuneration from related companies

Executive directors' remuneration paid for 2020 was as follows:

Company	2020 R'000	2019 R'000
South Ocean Holdings Limited	**5 246**	5 795

Details of the remuneration of individual executive directors are given in the notes to the Annual Financial Statements in this report.

Non-executive directors' remuneration

The fees for non-executive directors during 2020 were as follows:

	Fixed fee Per annum 2020 R'000
Chairperson	**531 949**
Deputy Vice-Chairperson	**306 882**
Non-Executive Director	**177 317**
Chairperson of the Audit Committee	**265 974**
Member of the Audit Committee	**57 464**
Chairperson of the Remuneration Committee	**81 784**
Member of the Remuneration Committee	**57 464**
Chairperson of the Social and Ethics Committee	**81 784**
Member of the Social and Ethics Committee	**57 464**
Chairperson of a Special Committee	**R3 448/hour**
Member of a Special Committee	**R2 069/hour**

Details of the remuneration of individual non-executive directors are given in the notes to the Annual Financial Statements in this report.

Interest of directors in the share capital of the Group

The details of individual directors' interest in the share capital of the Group is disclosed in the Directors' Report on page 55.

Interest of directors in contracts

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

Share Appreciation Scheme

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

Prescribed officers of the Group who are not executive directors

King IV recommends that the salaries of the prescribed officers – excluding executive directors – should be disclosed.
These officers have been identified and their earnings, including any bonus and share appreciation rights paid out, have been disclosed. Remuneration, benefits, and incentives paid in 2019 and 2020 are set out in the notes to the Annual Financial Statements in this report.

Service contracts and severance pay

The Group enters into formal service contracts with all non-executive directors.

Executive directors, executive managers, and senior managers are subject to South Ocean Holdings' standard terms and conditions of employment and have notice periods that vary between 30 and 90 days. In line with Group policy, no director is compensated for loss of position and none of the directors have special termination benefits.

Our policy when terminating the services of an individual for operational reasons is to pay a minimum of one week of the annual cost of employment for each completed year of service.

Provident fund and Group life cover

Employees who are not members of the Metal Industry Bargaining Council are contributing to the Alexander Forbes Access Retirement Fund and their contributions vary between 6.6% and 15% of their basic salaries. Employees who are members of the Metal Industry Bargaining Council belong to the Metal Industries Pension Fund or the MEIBC Provident Fund and their contributions amount to 14.6% of their basic salaries.

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

Shareholder agreement

The Group's Remuneration Policy and related implementation plan is presented to shareholders for consideration and approval at each Annual General Meeting, as recommended by King IV. In the event that 25% or more of the votes cast are against either the Remuneration Policy resolution or the implementation plan resolution, executive management will engage with shareholders to ascertain the reasons for the dissenting vote.

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

Remuneration Committee members

The Remuneration Committee members in 2020 were:

- HL Li: Chairperson
- KH Pon: Member
- CF Chen: Member

Non-binding advisory vote

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

PART 2: IMPLEMENTATION OF REMUNERATION POLICY

Executive directors' remuneration

Guaranteed pay: basic remuneration and benefits

In determining the cost-to-company increases for executive directors in 2020, the Board considered the average increases to general staff and also used relevant market data. Benchmarks were selected based on a number of factors including, but not limited to, the company size and the complexity of comparable listed companies with reference to market capitalisation, turnover, profitability, number of employees, and sector.

The increases for the executive directors were as follows:

- Chief Executive Officer: 4%
- Chief Financial Officer: 4%

Details of the remuneration paid to executive directors in office during the year ending 31 December 2020 are set out in the notes to the Annual Financial Statements in this report.

Short-term incentive outcomes

Executive directors' and prescribed officers' short-term incentives for 2020, which were paid in the 2021 financial year, were as follows:

Company	**2020 R'000**	2019 R'000
C Govender	**223**	–
Y Mahomed	**201**	–

Long-term incentive outcomes

The number of shares allocated to directors and prescribed officers as at 1 January 2020 are given in the table below. Each participant will receive a cash bonus based on the equity value growth at the end of the three-year holding period.

	SOH shares	SOEW shares
Allocation price	R0.39	R7.59
C Govender	469 089	72 513
Y Mahomed	612 818	94 731

Non-executive directors' remuneration

Payment of non-executive remuneration for the reporting period was as per the 2020 Annual General Meeting.

The fees for non-executive directors for the 2021 financial year are proposed as follows:

	Fixed fee Per annum 2021 R
Chairperson	**553 227**
Deputy Vice-Chairperson	**319 157**
Non-Executive Director	**184 410**
Non-Executive Director acting as consultant	**300 000**
Chairperson of the Audit Committee	**276 613**
Member of the Audit Committee	**59 763**
Chairperson of the Remuneration Committee	**85 055**
Member of the Remuneration Committee	**59 763**
Chairperson of the Social and Ethics Committee	**85 055**
Member of the Social and Ethics Committee	**59 763**
Chairperson of a Special Committee	**R3 586/hour**
Member of a Special Committee	**R2 152/hour**

Non-binding advisory vote

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

Approval

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

Corporate governance report

OVERVIEW

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

Within this context, the Group constantly strives to entrench a culture of good governance and responsible corporate citizenship. This is to ensure that all decisions are taken in an ethical, fair, and transparent manner that supports accountability to the law and all of the Group's stakeholders.

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

Corporate responsibility

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

Statement of compliance

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

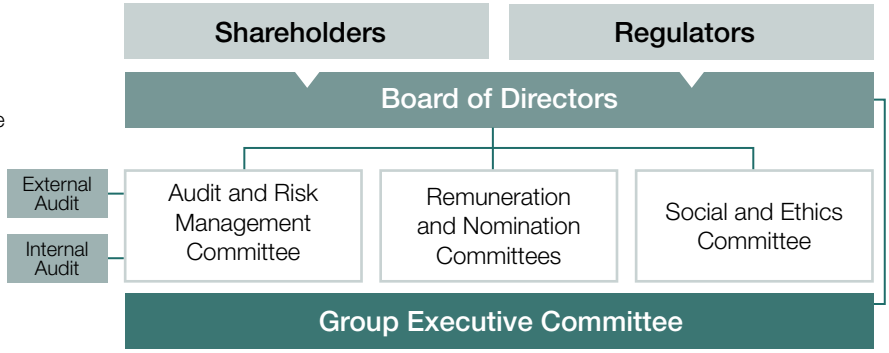
A report on the application and disclosure of all King IV principles is available on the South Ocean Holdings website.

Board of Directors

Composition and responsibilities

During the course of 2020, the Board was mainly made up of nine directors, with two being executive directors and the remainder being non-executive directors. In accordance with King IV, six of the seven non-executive directors are independent.

GOVERNANCE STRUCTURE



BOARD AND COMMITTEES OF THE BOARD

BOARD OF DIRECTORS

KH Pon (Chairperson):
Independent Non-Executive Director
HL Li (Deputy Vice Chairperson):
Independent Non-Executive Director
N Lalla:
Independent Non-Executive Director
M Chong:
Independent Non-Executive Director
JH Yeh:
Independent Non-Executive Director
B Petersen:
Alternate Non-Executive Director to J van Rensburg[7]
CF Chen:
Non-Executive Director
DJC Pan:
Alternate Non-Executive Director to M Chong
CY Wu:
Alternate Non-Executive Director to CF Chen[1]
J Liu:
Alternate Non-Executive Director to CF Chen[4]
J van Rensburg:
Non-Executive Director[8]
A Smith:
Executive Director, Chief Financial Officer[6]
WP Basson:
Executive Director, Chief Financial Officer[5]
JP Bekker:
Executive Director, Chief Executive Officer and Acting Chief Financial Officer[2]
MK Zack:
Executive Director, Chief Financial Officer[3]

AUDIT AND RISK MANAGEMENT COMMITTEE

N Lalla:
(Chairperson): Independent Non-Executive Director
KH Pon:
Independent Non-Executive Director
HL Li:
Independent Non-Executive Director

REMUNERATION COMMITTEE

HL Li:
(Chairperson): Independent Non-Executive Director
KH Pon:
Independent Non-Executive Director
CF Chen:
Non-Executive Director

NOMINATION COMMITTEE

KH Pon:
(Chairperson): Independent Non-Executive Director
HL Li:
Independent Non-Executive Director
JH Yeh:
Independent Non-Executive Director

SOCIAL AND ETHICS COMMITTEE

N Lalla:
(Chairperson): Independent Non-Executive Director
KH Pon:
Independent Non-Executive Director
JP Bekker:
Executive Director[2]
MK Zack:
Executive Director[3]
A Smith:
Executive Director[6]
WP Basson:
Executive Director[5]

1 Retired 25 May 2020
2 Appointed Acting Chief Financial Officer effective 1 March 2020 and resigned effective 30 November 2020
3 Resigned effective 28 February 2020
4 Appointed effective 10 June 2020
5 Appointed effective 14 September 2020
6 Appointed effective 1 March 2021
7 Appointed as alternate, effective 10 March 2021
8 Appointed effective 10 March 2021

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

- CY Wu retired on 25 May 2020. He relinquished his role as a director on 28 June 2019 and was appointed as an alternate director to CF Chen on the same day.
- DJC Pan, who was previously the alternate director for HL Li, was appointed as an alternate director to M Chong on 20 November 2020.
- MK Zack, who fulfilled the role of Chief Financial Officer, resigned effective 28 February 2020.
- J Liu was appointed in June 2020 as an alternate director to CF Chen.
- JP Bekker, who was an executive director and the Group's CEO, assumed the role of Acting Chief Financial Officer with effect from 1 March 2020. He handed the duties of Chief Financial Officer over to WP Basson with effect from 14 September 2020 and resigned as executive director and Group CEO with effect from 30 November 2020.
- WP Basson was appointed executive director and Group Chief Financial Officer with effect from 14 September 2020.
- A Smith was appointed executive director and Group CEO with effect from 1 March 2021.
- J van Rensburg was appointed as a non-executive director with effect from 10 March 2021. Prior to his appointment he held 40 975 623 shares or 20.16% of the issued shares in the Company through Joseph Investments Proprietary Limited.
- B Petersen was relinquished his role as non-executive director with effect from 10 June 2020 and became an independent non-executive director. He relinquished his role as independent non-executive director and was appointed as an alternate director to J van Rensburg with effect from 10 March 2021.

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

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

Members of the Board are required to uphold the highest ethical standards and the Board takes all appropriate measures to ensure that its members abide by these standards. It values the Group's standing as a good corporate citizen and makes every effort to preserve this standing.

The Board holds final responsibility for monitoring and reporting on the effectiveness of the Group's system of internal controls. It is assisted by the Audit and Risk Management Committee in discharging this responsibility.

Appointment process

Directors are appointed through a formal and transparent process that includes background checks. Appointments to the Board and recommendations for re-election to the Board are proposed by the Nominations Committee and are considered by the Board as a whole. All appointments are subject to shareholder approval and ratification. The Group's Memorandum of Incorporation allows the Board to remove any director by giving written notice signed by the majority of the directors. This process does not require shareholder approval.

Board Charter

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

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

Board processes

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

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

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

Evaluation of Board performance

A questionnaire-based evaluation is undertaken annually by the directors. This provides for assessment of the performance of the Board, the Chairperson, the Chief Executive Officer, the Chief Financial Officer, individual directors, and the members of all of the committees of the Board.

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

Responses from the 2020 evaluation process indicate that the Board is well balanced, that its size and composition are adequate for the effective management of the Group and that the members have the relevant knowledge required to fulfil the leadership roles required of them. The directors are of the opinion that Board meetings are well organised and efficiently run and that all relevant aspects of the Group's businesses are dealt with thoroughly by the Board and its various committees.

Succession planning

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

Meetings

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

Attendance at meetings

A minimum of four Board meetings are scheduled per financial year and additional meetings may be convened if and when necessary. Four Board meetings were held in 2020.

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

	Attendance of meetings in 2020			
Director	4 Mar	19 June	4 Aug	18 Nov
KH Pon	✓	✓	✓	✓
HL Li	✓	✓	✓	✓
N Lalla	✓	✓	✓	✓
M Chong	✓	✓	✓	✓
JH Yeh	✓	✓	✓	✓
CF Chen	✓	♦	✓	✓
DJC Pan		✓	✓	✓
CY Wu•	✓			
J Liu*		✓	✓	♦
B Petersen**	✓	✓	✓	✓
JP Bekker~	✓	✓	✓	✓
WP Basson◊				✓

✓ Present
♦ Apologies
• Retired 25 May 2020
* Alternate from 10 June 2020
** Alternate from 10 March 2021
~ Appointed Acting Chief Financial Officer from 1 March 2020 to 13 September 2020, resigned 30 November 2020
◊ Appointed 14 September 2020

Non-executive directors

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

All of the directors retire at the first Annual General Meeting after their initial appointment and a third of the directors, namely those who have been in office the longest, retire annually. They are eligible for re-election at the same meeting.

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

Executive directors

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

Chairperson

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

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

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

Chief Executive Officer

Mr A Smith is the Chief Executive Officer. He is responsible for the operational management of the Group and his responsibilities include, among others:

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

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

Company Secretary

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

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

- ensuring that Board procedures are followed and reviewed regularly;
- ensuring that the rules and regulations that govern the conduct and processes of the Board are complied with;
- maintaining and submitting statutory records in accordance with legal requirements;
- guiding the Board as to how its responsibilities should be properly discharged;
- keeping abreast of and informing the Board of current and new developments regarding corporate governance practice; and
- ensuring compliance with all legal and regulatory requirements, including the JSE Listings Requirements.

All directors have access to the advice and the services of the Company Secretary and, in appropriate circumstances, are entitled and authorised, at the Group's expense, to obtain independent professional advice concerning the affairs of the Group.

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

Directors' remuneration

The Board has delegated the responsibility for dealing with all matters related to remuneration of directors to the Remuneration Committee. The Committee is made up of two independent non-executive directors and one non-executive director. Its role is to ensure that directors are fairly and responsibly remunerated within a market-related framework.

Remuneration of non-executive directors

Non-executive directors receive an annual fee for their service on the Board. This consists of a baseline fee and, where applicable, an additional fee for serving on one or more of the ad hoc committees of the Board.

Proposed fees for non-executive directors in 2020 were submitted to shareholders in advance of the Annual General Meeting of that year and were subsequently approved.

Remuneration of executive directors

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

Committees of the Board

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

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

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Composition

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

Meetings

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

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

Responsibility

The Audit and Risk Management Committee's primary responsibility is to review the interim and annual financial statements, monitor the appropriateness of accounting policies, secure the effectiveness of the internal systems of control, and consider the findings of the internal and external audits.

Further responsibilities include:

- regular reviews of the Group's financial reporting standards and processes to ensure that they are compliant with all appropriate laws, guidelines, and requirements;
- regular reviews of the Group's compliance with all other laws and regulations;

- regular reviews of the Group's risk management strategy and the systems in place to identify, control, and manage risk;
- regular reviews of asset management processes;
- compliance with paragraph 3.84(g) of the JSE Listings Requirements;
- regular reviews of the expertise, experience, and performance of the Group's Chief Financial Officer; and
- the appointment and oversight of both the internal and external auditors.

External auditor

The Audit and Risk Management Committee was responsible for assessing, approving and re-appointing the Group's external auditor, PricewaterhouseCoopers Inc., for the 2020 financial year, as well as for assessing and approving the firm's fees for the period.

As part of this process, the Committee:

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

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

The external auditor has unrestricted access to the Group's directors, senior managers, staff and all financial and management records. The firm provides a written report to the Committee on any significant findings following the annual audit, and is able to raise any matters of concern directly with the Group Chairperson.

Internal auditor

The Audit and Risk Management Committee will recommend the appointment of a firm as the Group's independent internal auditor before the next Annual General Meeting as the previous independent internal auditor has resigned. The internal auditor is responsible for reviewing all of the Group's internal controls, systems and procedures, and the Committee must be satisfied with the firm's independence and impartiality.

As part of its annual assessment of the then internal auditor, the Committee:

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

The Audit and Risk Management Committee was satisfied with the knowledge, expertise, and objectivity of Phakisa Incorporated, who has subsequently resigned as the Group's internal auditor. The Committee will satisfy itself with the knowledge, expertise, and objectivity of the firm to be appointed as independent internal auditor for the 2021 financial year. The Committee is also satisfied that the internal controls in place at South Ocean Holdings are adequate to safeguard the Group's assets, prevent and detect errors and fraud, ensure the accuracy and completeness of accounting records, and guarantee the integrity of the Group's Annual Financial Statements.

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

Internal financial controls

The Committee has assessed the information and explanations given by management and the internal auditor regarding the assessment of the internal controls environment. No material matter has come to the attention of the Committee or the Board that has caused the directors to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements.

Evaluation of Chief Financial Officers and the finance function

The Audit and Risk Management Committee is satisfied that the expertise and experience of the Chief Financial Officers who served during the reporting period was appropriate to meet the responsibilities of the position. This assessment was based on the officers' qualifications, level of experience, continuing professional education, and the Board's assessment of their financial knowledge. The Chief Financial Officer serving at the beginning of the year resigned on 28 February 2020 and was replaced on 14 September 2020. The Chief Executive Officer served as the Acting Chief Financial Officer during the intervening period.

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

Risk management

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

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

- reviewing, on behalf of the Board, the effectiveness and integrity of the Group's risk management systems, processes, procedures, and controls;

- reviewing the Group's approach to risk management and the effectiveness of its systems and processes;
- reviewing reports from the compliance officer on the adequacy and effectiveness of risk management systems and procedures;
- ensuring that disclosure regarding risk is comprehensive, timely, and relevant; and
- reviewing reports from management and the internal auditors on the effectiveness and integrity of the Group's risk management systems and procedures.

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

- consistently recommend policies, systems, processes, and procedures to manage risk;
- create a culture of risk awareness and ownership or risk mitigation through communication and education;
- clarify the roles, responsibilities, and accountability of all staff responsible for the identification, assessment, management, monitoring, and reporting of all financial and non-financial risks;
- maintain a robust and measurable approach to risk identification and assessment;
- assist management to identify, assess, manage, monitor, and report effectively on risks to the business;
- establish a process that requires all material changes to the business to be subject to adequate risk assessment and due diligence prior to commencement; and
- ensure that an independent, effective, comprehensive, and ongoing assessment of risks to the business is provided by the Internal Audit function.

Integrated reporting

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

- reviews the Annual Financial Statements, interim report, preliminary results announcement, and summarised integrated information;
- ensures compliance with international financial reporting standards;
- considers the frequency of interim reports and decides on whether interim results should be assured;
- reviews and approves the appropriateness of accounting policies, disclosure policies, and the effectiveness of internal financial controls;
- provides oversight over the Group's integrated reporting process and considers factors and risks that could impact on the integrity of the integrated annual report;
- reviews the disclosure regarding sustainability in the Integrated Annual Report and ensures it does not conflict with financial information;
- considers external assurance of material sustainability issues; and
- approves and recommends the Integrated Annual Report for approval by the Board.

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

The Integrated Annual Report for the year ended 31 December 2020 was subsequently approved by the Board.

Attendance at meetings

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

	Attendance of meetings in 2020			
	4 Mar	19 June	4 Aug	18 Nov
N Lalla	✓	✓	✓	✓
KH Pon	✓	✓	✓	✓
HL Li	✓	✓	✓	✓

✓ Present

EXECUTIVE COMMITTEE

Composition

The Executive Committee is made up of the Chief Executive Officer and the Chief Financial Officer of the Company and the Financial Director, Sales Director, Divisional Director of Factory and Operations, and Divisional Director Human Resources of the subsidiary. All matters related to policy and strategy are referred to the Board.

Meetings

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

Responsibility

The Executive Committee is responsible for:

- developing and implementing the Group's policies and strategies;
- monitoring the business and affairs of the Group;
- prioritising the allocation of capital, technical, and human resources;
- establishing best-practice management procedures and functional standards of the Group;
- appointing and monitoring the performance of senior managers;
- ensuring that regular, detailed reports on the Group's activities and performance, as measured against strategies and operational plans, are received and submitted to the Board;
- ensuring that regular, detailed reports on the Group's financial performance and forecasts against budgets are received and submitted to the Board; and
- reviewing and monitoring the Company's system of internal controls and risk management.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee is made up of three members, two of whom are independent non-executive directors and one of whom is a non-executive director. The Committee is responsible for ensuring that the Group's directors and senior managers are fairly remunerated.

Responsibility

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

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

The Remuneration Committee's responsibilities include:

- developing a remuneration policy that will support the achievement of the Group's strategic objectives and encourage individual performance;
- advising on the remuneration of non-executive directors;
- determining and administering remuneration at senior management level;
- ensuring that the mix of fixed and variable pay in cash, short- and long-term incentives and other elements meets the Group's needs and strategic objectives;
- considering the evaluation of the performance of the Chief Executive Officer and other executive directors, both as directors and as executives responsible for determining remuneration;
- reviewing incentive schemes to ensure that these continue to contribute to shareholder value and are administered in terms of established rules; and
- reviewing the outcomes of the implementation of the remuneration policy to determine whether its objectives are being achieved.

Remuneration of directors and senior managers comprises:

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

Meetings

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

	Attendance of meetings in 2020	
	4 Mar	18 Nov
HL Li	✓	✓
KH Pon	✓	✓
CF Chen	✓	✓
CY Wu*	✓	

✓ Present
* Retired 25 May 2020

NOMINATION COMMITTEE

Composition

The Nominations Committee consists of three independent non-executive directors and, like all of the other committees, operates under mandate from the Board.

Purpose

The Committee meets when there is a vacancy on the Board or at executive level, as well as to discuss director development. The Committee met once during the course of 2020 to interview a potential Chief Financial Officer.

Responsibilities

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

The Board has established a Nominations Committee to:

- ensure that there is a formal process for the appointment of directors, which includes processes to:
  - identify suitable individuals for the vacant positions;
  - undertake reference and background checks of the candidates prior to nomination; and
  - formalise the appointment of directors through an agreement between the Company and the director;
- oversee the development of a formal induction programme for new directors;
- ensure that inexperienced directors are developed through a mentorship programme;
- oversee the development and implementation of continuing professional development programmes for directors;
- ensure that directors receive regular briefings on changes in risks, laws and the Group's operating environment;
- consider the performance of directors and take steps to remove directors who do not make an appropriate contribution to the activities of the Board;

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

Gender and race diversity policy

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

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

Meetings

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

	Attendance of meetings in 2020
	8 Sept
KH Pon	✓
HL Li	✓
JH Yeh	✓

✓ Present

SOCIAL AND ETHICS COMMITTEE

Composition

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

Responsibilities

The Social and Ethics Committee's role is to:

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

Meetings

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

	Attendance of meetings in 2020		
	20 Mar	4 Aug	18 Nov
N Lalla	✓	✓	✓
KH Pon	✓	✓	✓
JP Bekker•	✓	✓	✓

✓ Present

• Appointed Acting Chief Financial Officer 1 March 2020 to 13 September 2020

Employment equity

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

Code of Conduct and Ethics

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

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

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

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

Fraud, bribery, corruption, and illegal acts

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

Corporate social investment

The Group invests in the communities in which it operates through job creation, donations, and educational and cultural contributions. The Social and Ethics Committee is responsible for the Group's activities in these areas.

Protection for whistle-blowers

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

Preferential procurement

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

Worker participation

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

These include collective bargaining mechanisms and regular shop steward and trade union meetings, as well as equity skills and development meetings, structures to drive productivity improvements, safety committees, and other participative forums. These structures are designed to achieve good employer and employee relations through effective sharing of relevant information, consultation, and the identification and resolution of conflict.

OTHER CORPORATE GOVERNANCE MATTERS

Governance of IT systems

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

The IT Steering Committee ensures that the Group's strategy is aligned with the Group's business objectives and oversees the implementation Group's IT strategy. The Committee meets periodically, comprises representatives from SOEW, and is chaired by the Chief Executive Officer of Numata, the Group's IT service provider.

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

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

Dealing in Company securities

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

In addition, all directors, including the Company Secretary, are prohibited from dealing in the shares of the Company during prohibited periods or at any time when they are in possession of unpublished price-sensitive information in relation to those shares. The consent of the Chairperson is required before any director or member of senior management, including the Company Secretary, can deal in the Company's shares.

Interest in contracts

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

Relationships with stakeholders and investors

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

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

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

Going concern status

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

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

Compliance

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

Annual Financial Statements

for the year ended 31 December 2020

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

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Level of assurance

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

Preparer



The Annual Financial Statements were internally compiled by:
WP Basson
Group Chief Financial Officer

Issued

15 March 2021

Report of the Audit and Risk Management Committee

for the year ended 31 December 2020

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2020.

The Audit and Risk Management Committee is a statutory committee of the Board and forms an integral component of the Group's governance framework. The Audit and Risk Management Committee has written terms of reference that deal with its membership, authority and duties. In addition to having specific statutory responsibilities to the shareholders in terms of section 94 of the Companies Act, No. 71 of 2008 of South Africa, the Audit and Risk Management Committee assists the Board by examining, reviewing and advising on the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information; the risk management process; internal financial controls; external and internal audit functions; and statutory and regulatory compliance.

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

1. Composition

The members of the Audit and Risk Management Committee, during the year were: Ms N Lalla CA(SA) (Independent non-executive chairperson), Mr KH Pon CA(SA) (Independent non-executive director) and Mr HL Li (Independent non-executive director).

The Committee is satisfied that the members have the required knowledge and experience as set out in section 94(5) of the Companies Act, No. 71 of 2008 of South Africa and Regulation 42 of the Companies Regulation, 2011.

All the members have the required financial and commercial skills and experience to contribute to the Committee's deliberations. The Board is satisfied that the Audit and Risk Management Committee members act independently.

2. Terms of reference

The Audit and Risk Management Committee functions within the scope provided by approved terms of reference which were reviewed and updated during the year. The Audit and Risk Management Committee has acted upon its statutory duties and functions during the year. The Board has assessed and is satisfied with the performance of the Audit and Risk Management Committee and its members and found it to be functioning effectively.

3. Meetings

The Audit and Risk Management Committee performs the duties laid upon it by section 94(7) of the Companies Act, No. 71 of 2008 of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The Audit and Risk Management Committee held four scheduled meetings during 2020 and all the members attended the Committee meetings.

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

4. Duties

For the year ended 31 December 2020, the Audit and Risk Management Committee met their objectives and carried out their duties as per the statutory requirements.

5. External auditor

The Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as the independent auditors and Mrs P Pope as the designated auditor, who is a registered independent auditor, for the year ended 31 December 2021 audit. The appointment of the auditors for the 2021 financial year will be approved at the next Annual General Meeting.

The Committee satisfied itself through enquiry that the external auditors are independent as defined in the Companies Act, No. 71 of 2008 of South Africa and as per the standards stipulated by the auditing profession. Requisite assurance was sought that internal governance processes within PricewaterhouseCoopers Inc. support and demonstrate the claim to independence.

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

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

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

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

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

The Audit and Risk Management Committee has satisfied itself through representations that the external auditors are independent and approved the following fees for work done by them. The fees approved during the year for audit services amounted to R1 907 540 (2019: R2 663 500). Fees approved for non-audit services amounted to R5 000 (2019: R8 500).

6. Annual financial statements and accounting controls

The Audit and Risk Management Committee has:

Reviewed the Annual Financial Statements for the year ended 31 December 2020 and commented on the accounting practices and the effectiveness of the internal controls with regard to:

- the appropriateness and consistent application in the adoption of accounting policies and any changes in accounting policies and practices;
- significant financial estimates based on judgement which are included in the Annual Financial Statements;
- the appropriateness of major adjustments processed at the interim and at year-end;
- the going-concern assumption;
- compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No. 71 of 2008 (the Companies Act);
- whether the Annual Financial Statements present a balanced and understandable assessment of the Group's statement of financial position, statement of financial performance and cash flow statement;
- the Directors' Statement included in the Annual Financial Statements, including the statement on effectiveness of the system of internal control; and
- the Directors' Statement included in the Annual Financial Statements, including the statement on effectiveness of the system of internal control.

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

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

The Audit and Risk Management Committee will review the integrated report and make recommendations to the Board for approval. The Committee will also comment on the state of the internal control environment in the integrated report once it has been prepared.

7. Internal auditors

The Audit and Risk Management Committee has:

- appointed the company's internal auditors for 2020;
- satisfied itself with the competence of the internal auditor and adequacy of the internal audit staffing;
- satisfied itself through enquiry that Phakisa Incorporated is independent;
- approved the annual risk based internal audit plan;
- reviewed the internal auditors' assessment of internal controls and confirmed that nothing has come to their attention to indicate any material failure of internal control systems;
- reviewed the internal audit reports and management's response to matters raised;
- reviewed and is satisfied with the quality and effectiveness of the internal audit;
- satisfied itself with the competence of the internal audit firm; and
- satisfied itself with the co ordination between internal and external auditors.

The appointment of the internal auditors for the 2021 annual financial year will be approved at the next Audit and Risk Management Committee meeting.

8. Legal and regulatory compliance

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

9. Review of financial function and Chief Financial Officer

The Audit and Risk Management Committee has reviewed the performance, appropriateness and expertise of the Group Chief Financial Officer and confirms their suitability in terms of the JSE Listings Requirements.

10. Going concern

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

On behalf of the Audit and Risk Management Committee:



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

Johannesburg
15 March 2021

Directors' Responsibilities and Approval

for the year ended 31 December 2020

The directors are required in terms of the Companies Act, No. 71 of 2008 of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS").

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditor and their report is presented on pages 57 to 61.

Approval of the Annual Financial Statements

The Annual Financial Statements set out on pages 53 to 56 and pages 62 to 105, which have been prepared on the going-concern basis, were approved by the Board of Directors on 15 March 2021 and were signed on their behalf by:



KH Pon CA(SA)
Independent Non-Executive Chairperson



A Smith
Chief Executive Officer

CEO and FD Responsibility Statement

for the year ended 31 December 2020

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

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

- the annual financial statements set out on pages 53 to 56 and pages 62 to 105, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to Principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



A Smith
Chief Executive Officer



WP Basson
Financial Director

Company Secretary's Certification

for the year ended 31 December 2020

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008 of South Africa, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



WT Green
Company Secretary

Johannesburg
15 March 2021

Directors' Report

for the year ended 31 December 2020

The directors have pleasure in submitting their report on the Annual Financial Statements of South Ocean Holdings Limited and its subsidiary companies for the year ended 31 December 2020.

1. Nature of business

South Ocean Holdings Limited ("SOH") is the holding Company of a Group of two main operating subsidiary companies ("Group"): South Ocean Electric Wire Company Proprietary Limited ("SOEW"). An electrical wire manufacturing company and Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), a property investment company. It also has investments in SOH Calibre International Limited, a foreign procurement company and Icembu Services Proprietary Limited, a dormant company.

There have been no material changes to the nature of the Group's business from the prior year (2019: none).

2. Financial results

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

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

The COVID-19 pandemic impacted the cable and wire industry substantially during the 2020 financial year and this had a significant impact on the business during the Level 5 lockdown measures instituted by government on 26 of March 2020. During this period, businesses in the cable and wire industry were not considered as essential services and hence were unable to operate. This placed immense pressure on the industry at large.

The Group suffered financial losses during this period as we were unable to produce or trade during the nationwide lockdown. As restrictions eased to Level 4, SOEW applied for and received an essential services certificate and we were able to produce and trade at one-third the normal capacity.

Due to limited production, the cable industry experienced supply side limitations shortages in the South African market. The Group was able to leverage off this as demand increased and we were able to achieve higher sales than expected.

After the Level 5 lockdown it took time to build up finished goods. We did, however, manage to produce during the subsequent lockdown levels and were able to sell into the market whilst adhering to strict COVID-19 protocols. The Group minimised the impact by applying to the TERS fund for relief. Partial payments were received which were appropriately passed on the employees.

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

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 (2019: none).

Issued share capital

The issued share capital amounts to R2 032 768 (2019: R2 032 768), being 203 276 794 (2019: 203 276 794) ordinary shares of R0.01 each. There were no changes to the issued share capital during the year under review (2019: none).

4. Special resolutions

At the Annual General Meeting of the Company held on 3 August 2020, shareholders approved the following special resolutions:

Special Resolution Number 1:

Non executive directors' fees for the financial year ending 31 December 2020 and quarter ending 31 March 2021 and June 2021.

Resolved that the fees, to be paid to the non-executive directors for their services as directors of the Company, for the year ending 31 December 2020 and the quarter ending 31 March 2021 and June 2021 (being two quarters of the fees payable for the year ending 31 December 2020) be approved as follows:

Chairperson	R531 949.00
Deputy Vice-Chairperson	R306 882.00
Non-Executive Director	R177 317.00
Chairperson of the Audit Committee	R265 974.00
Member of the Audit Committee	R57 464.00
Chairperson of the Remuneration Committee	R81 784.00
Member of the Remuneration Committee	R57 464.00

Directors' Report (continued)

for the year ended 31 December 2020

Chairperson of the Social and Ethics Committee	R81 784.00
Member of the Social and Ethics Committee	R57 464.00
Chairperson of the Special Committees	R3 448.00 per hour
Member of the Special Committees	R2 069.00 per hour

The reason for special resolution number 1 is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the financial year ending 31 December 2020 and for the quarters ending 31 March 2021 and 30 June 2021 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the fees payable to the directors for the quarters ending 31 March 2020 and 30 June 2020. The passing of this special resolution will have the effect of approving the remuneration of each of the non-executive directors of the Company for the financial year ending 31 December 2021 and quarters ending 31 March 2021 and 30 June 2021 as well as confirming and ratifying the increase in fees paid to the directors for the quarters ending 31 March 2020 and June 2020. The fees payable for the quarter ending 31 March 2021 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 quarters ending 31 March 2021 and 30 June 2021 at the 2021 Annual General Meeting.

Special Resolution Number 2:

Loans or other financial assistance.

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

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

5. Borrowing limitations

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

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

6. Directorate

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

Directors	Designation	Nationality	Changes
JP Bekker	Executive	South African	Resigned 30 November 2020
MK Zack	Executive	South African	Resigned 28 February 2020
WP Basson	Executive	South African	Appointed 14 September 2020
A Smith	Executive	South African	Appointed 1 March 2021
KH Pon	Non-Executive (Independent)	South African	
N Lalla	Non-Executive (Independent)	South African	
HL Li	Non-Executive (Independent)	Taiwanese	
M Chong	Non-Executive (Independent)	South African	
JH Yeh	Non-Executive (Independent)	South African	
B Petersen (Alternate)	Non-Executive (Independent)	South African	Resigned as Director and appointed as Alternate Director on 10 March 2021
CF Chen	Non-Executive	Taiwanese	
DJC Pan (Alternate)	Non-Executive	Brazilian	
CY Wu (Alternate)	Non-Executive	Taiwanese	Resigned 28 June 2020
J Liu (Alternate)	Non-Executive	Taiwanese	Appointed 10 June 2020
J van Rensburg	Non-Executive	South Africa	Appointed 10 March 2021

7. Directors' emoluments

The directors' emoluments are set out in note 29 the Annual Financial Statements.

8. Dividends

Taking into account the earnings performance for the year ended 31 December 2020, notice is hereby given that a dividend of 3 cents per ordinary share was approved by the directors on 10 March 2021, payable to shareholders recorded in the share register of the Company at the close of business on 1 April 2021. No dividends were declared in 2019.

In compliance with IAS 10, Events after reporting date, the dividend will only be accounted for in the financial statements for the year ending 31 December 2021.

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

Last day of trade *cum* dividend	Monday, 29 March 2021
Trading *ex* dividend commences	Tuesday, 30 March 2021
Record date	Thursday, 1 April 2021
Dividend payment date	Tuesday, 6 April 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 30 March 2021 and Thursday, 1 April 2021, both days inclusive.

9. Directors' interests in contracts

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

10. Secretary

The Company Secretary is Mr WT Green.

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

11. Directors' interests in shares

The interest of directors in the issued share capital of the Company as at 31 December 2020 was as follows:

Interests in shares

Directors	2019 Direct
JP Bekker	**491 807**

JP Bekker resigned as director on 30 November 2020.

JP Bekker held 0.24% of issued share capital in 2019.

No shares were traded by any director from 31 December 2020 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 14 of the Annual Financial Statements.

13. Management by third and related parties

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

14. Interests in subsidiaries

Details of material interests in subsidiary companies are presented in the Annual Financial Statements in note 30.

Directors' Report (continued)

for the year ended 31 December 2020

15. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the Company and its subsidiaries for the year ended 31 December 2020.

At the Annual General Meeting, the shareholders will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditors of the Company and to confirm Mrs P Pope as the designated lead audit partner for the 2021 annual financial year.

16. Events after the reporting period

A final dividend of 3 cents per share was approved by the directors on 10 March 2021 in terms of the general authority granted to the directors. Details of the dividend is set out on note 36.

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

17. Going concern

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

At 31 December 2020, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of 12 months. Various scenarios have been considered to test the Group's resilience against operational risks.

Management has concluded that the Group's ability to continue to meet its financial obligations as they fall due is dependent on the Group's ability to continue to improve its performance, and/or the Group's bankers, FNB, renewing the Group's working capital facilities (refer note 6). Each of these matters present a risk to the Group remaining as a going concern.

The impact of COVID-19 provides for an opportunity in the market and management will continue to capitalise on available market opportunities, seek new markets, and secure and increase market share. Operationally, these goals will continue to be supported by stringent internal cost control measures and continual improvements in both efficiencies and capacity.

The Group has short-term borrowings to the value of R16.6 million (2019: R14 million) as disclosed in note 11 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R200 million (2019: R200 million). The facility is due for renewal during May 2021.

The directors perform a property valuation every three years, with the latest valuation having been performed in 2020. The market valuation of the properties was in excess of the carrying value by R58.7 million at the time. The properties are stated at historical cost less accumulated depreciation and accumulated losses in line with the Group's accounting policy.

18. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act, No. 71 of 2008 of South Africa which indicated that the Group is liquid and solvent.

Independent Auditor's Report

To the Shareholders of South Ocean Holdings Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of South Ocean Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

South Ocean Holdings Limited's consolidated financial statements set out on pages 62 to 105 comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

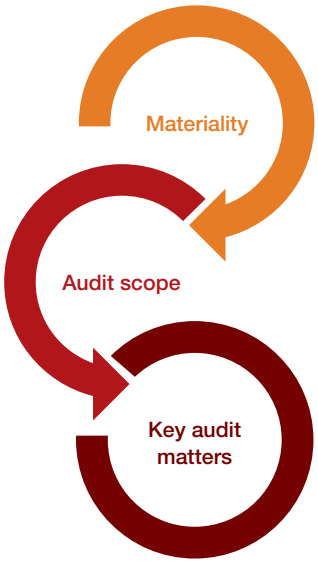
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R8 715 135, which represents 0.5% of total consolidated revenue.

Group audit scope

- The Group consists of five components.
- We conducted a full scope audit for two of the reporting units based on their financial significance and the audit risk associated with these reporting units.
- Specified audit procedures have been performed on another two reporting units in order to obtain sufficient appropriate audit evidence to express an opinion on the consolidated financial statements as a whole.
- Substantive analytics were performed over the remaining reporting unit.

Key audit matters

- Impairment assessment of South Ocean Holdings Group Limited ("SOH Group").

Independent Auditor's Report (continued)

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

Materiality

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

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

Overall group materiality	*R8 715 135.*
How we determined it	*0.5% of total consolidated revenue.*
Rationale for the materiality benchmark applied	*We chose total consolidated revenue as our benchmark because it is the benchmark against which the performance of the Group is most commonly measured by shareholders and other users of the consolidated financial statements. The Group's performance over the past seven years has been extremely volatile due to the volatility of the copper price and as the Group's operating subsidiary, SOEW, continues to seek scale in order to cover its fixed cost base. Furthermore, revenue represents a key driver of the Group's business.* *We chose 0.5% which is not consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. The reason for using 0.5% is because the entity is listed, the distribution of the consolidated financial statements are widespread as 60.7% of its shares are held by three legal entities and the remaining shares are held by various investors, and the Group has a significant level of external debt.*

How we tailored our group audit scope

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

The Group consists of the holding company, one operating subsidiary, one property investment company, one foreign procurement company and one dormant company. Refer to note 30 (Interest in subsidiaries) to the consolidated financial statements for further details. We performed full scope audits for the holding company and the operating subsidiary based on their financial significance and the audit risk associated with these reporting units. Specified audit procedures were performed for the property investment company and the dormant company, and substantive analytics were performed over the foreign procurement company, in order to obtain sufficient appropriate audit evidence to express an opinion on the consolidated financial statements as a whole. The group audit team performed all audit work on all reporting units.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for the South Ocean Holdings Limited ("SOH Group").	
Management identified impairment indicators which provide evidence that the assets of the SOH Group may be impaired at the reporting date in accordance with International Accounting Standard 36 "Impairment of Assets" ("IAS 36"). Management performed an impairment assessment to determine if the combined recoverable amount of the two cash generating units ("CGU's"), namely SOEW and Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), exceeds the net asset value of the SOH Group of R498.3 million as at 31 December 2020. The following valuation methods were used: • SOEW – income approach to calculate the value in use (a value in use calculation was prepared using cash flow projections based on financial budgets approved by management that cover a five-year period); and • Anchor Park – fair value less costs of disposal performed by management. The following key assumptions were applied in the valuations: **SOEW** • Terminal growth rate; • Discount rate; • Revenue growth rates; and • Gross profit margins. **Anchor Park** • Capitalisation rate; and • Vacancy allowance. Based on the results of management's impairment assessment, no impairment was identified and recognised for the SOH Group in the current reporting period. The impairment assessment for the SOH Group is considered to be a matter of most significance to the current year audit due to the significant judgements that are made by management in performing valuations, specifically in respect of the assumptions applied. Refer to the following disclosures in the consolidated financial statements for detail: • Note 1.16 – Significant judgements and sources of estimation uncertainty; and • Note 37 – Impairment assessment.	Utilising our valuations expertise, we performed the following audit procedures to test the impairment assessment performed on SOEW: • Evaluated the valuation methodology used by management to determine the estimated value in use and whether the income approach is an appropriate valuation methodology applied in the circumstances and as required by IFRS 13 (Fair value measurement). Based on our work performed, we accepted management's use of the income approach as a valuation methodology; • Tested management's cash flow forecast by comparing the inputs such as revenue and gross profit margins in the forecast to management's budget. Management's inputs agreed to the budget; • Tested management's key assumptions applied for revenue growth and gross profit margins by comparing them to the historical average revenue growth rate and gross profit margins for the 2010 to 2019 financial years. The assumptions used by management were found to be comparable; • Assessed the reasonableness of management's budgeting process by comparing the budgeted figures for the 2015 to 2019 financial years to actual results for these years. We evaluated differences noted against underlying documentation and explanations obtained from management. Based on our work performed we accepted these differences; • Tested management's key valuation assumptions, specifically the discount rate and the terminal growth rate, by comparing the rates used by management to those of entities operating in the same industry. The rates used by management were found to be within an acceptable range of our independently obtained rates; and • Performed sensitivity analyses on the inputs and assumptions used by management in their valuation model relating to the revenue growth rates, gross margins, discount rate and terminal growth rates to evaluate the minimum changes in these inputs that would result in a material change to the fair value calculation for both disclosure and measurement purpose. Based on the outcome of our procedures, we did not note any aspect requiring further consideration. We compared our independently calculated value in use to the value in use calculated by management and noted no material differences. For the valuation of the properties in Anchor Park, we performed the following audit procedures: • We assessed the valuation methodology used with reference to commonly used valuation techniques and the requirements of IFRS 13 (Fair value measurement). Based on our work performed, we accepted the valuation methodology applied; • We assessed whether the rate per square meter used for the valuation of the properties was within a reasonable range, and tested the capitalisation rates used by the valuer by comparing these to publicly available rates from a reputable source. We noted that the value calculated by management's expert was comparable to the value independently calculated by ourselves using the publicly available rates from a reputable source, and that the capitalisation rates and vacancy allowances were comparable to the published data; and • We performed sensitivity analyses on the inputs and assumptions used by management in their valuation model relating to the capitalisation rate and vacancy allowance to evaluate the minimum changes in these inputs that would result in a material change to the fair value calculation for both disclosure and measurement purposes. Based on the outcome of our procedures, we accepted management's assessment. We compared the combined recoverable amounts of SOEW and Anchor Park, after reducing them for their respective associated debt and the cost of disposal of the properties, to the consolidated net asset value of the SOH Group. No impairments were identified for the 2020 financial year.

Independent Auditor's Report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "South Ocean Holdings Limited and its subsidiary companies Annual Financial Statements for the year ended 31 December 2020", which includes the Directors' Report, the Report of the Audit and Risk Management Committee and the Company Secretary's Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "South Ocean Holdings Integrated Annual Report for the year ended 31 December 2020" which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group 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, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of South Ocean Holdings Limited for 12 years. Prior to its incorporation, the business of South Ocean Holdings Limited was transacted through SOEW, of which PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 31 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: P Pope
Registered Auditor
Johannesburg
15 March 2021
Johannesburg

Statement of Financial Position

as at 31 December 2020

	Notes	Group 2020 R'000	Group 2019 R'000
Assets			
Non-current assets			
Property, plant and equipment	3	**220 358**	204 839
Right-of-use assets	4	**8 703**	15 171
Deferred tax assets	5	**550**	798
		229 611	220 808
Current assets			
Inventories	6	**182 345**	175 694
Trade and other receivables	7	**255 622**	204 735
Current tax receivable		**6 025**	2 776
Cash and cash equivalents	8	**20 745**	15 789
		464 737	398 994
Disposal group held for sale	9	**–**	86 000
Total assets		**694 348**	705 802
Equity and liabilities			
Equity			
Share capital	10	**461 343**	461 343
Reserves		**434**	410
Retained earnings		**36 493**	9 554
		498 270	471 307
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	11	**27 290**	26 389
Lease liabilities	4	**6 872**	12 666
Deferred tax liabilities	5	**22 556**	20 522
Share-based payment liabilities	12	**2 776**	1 738
		59 494	61 315
Current liabilities			
Trade and other payables	13	**115 793**	121 816
Interest-bearing borrowings	11	**16 575**	14 026
Lease liabilities	4	**2 399**	2 787
Current tax payable		**619**	–
Share-based payment liabilities	12	**1 198**	–
Bank overdraft	8	**–**	34 551
		136 584	173 180
Total liabilities		**196 078**	234 495
Total equity and liabilities		**694 348**	705 802

The accounting policies on pages 66 to 75 and the notes on pages 76 to 105 form an integral part of the Annual Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

	Notes	Group 2020 R'000	Group 2019 R'000
Continuing operations			
Revenue	14	**1 743 027**	1 557 318
Cost of sales	16	**(1 658 733)**	(1 494 235)
Gross profit		**84 294**	63 083
Other operating income	15	**3 881**	8 761
Other operating losses	16	**(196)**	(192)
Administration expenses	16	**(24 859)**	(38 437)
Distribution expenses	16	**(2 093)**	(1 828)
Operating expenses	16	**(22 939)**	(40 165)
Operating profit/(loss)		**38 088**	(8 778)
Finance income	18	**349**	1 033
Finance costs	19	**(9 725)**	(15 723)
Profit/(loss) before taxation		**28 712**	(23 468)
Tax	20	**(7 128)**	6 247
Profit/(loss) from continuing operations		**21 584**	(17 221)
Discontinued operations			
Profit from discontinued operations	9	**5 355**	1 360
Profit/(loss) for the year		**26 939**	(15 861)
Other comprehensive income/(loss):			
Total items that may be reclassified to income/(loss)		**24**	(1 653)
Other comprehensive income/(loss) for the year net of taxation	21	**24**	(1 653)
Total comprehensive income/(loss) for the year		**26 963**	(17 514)
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (cents):			
From continuing operations		**10.62**	(8.47)
From discontinued operations		**2.63**	0.67
Total earnings/(loss) per share (cents)	22	**13.25**	(7.80)
Dividend per share (cents)*	36	**3.00**	–

The accounting policies on pages 66 to 75 and the notes on pages 76 to 105 form an integral part of the Annual Financial Statements.

* Includes dividend approved after year-end. The policy of South Ocean Holdings Limited is to recommend a final dividend to shareholders when the preliminary results for each financial year are released.

Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Retained earnings (accumulated loss) R'000	Total equity R'000
Group						
Balance at 1 January 2019	1 743	459 600	461 343	2 063	25 415	488 821
Loss for the year	–	–	–	–	(15 861)	(15 861)
Other comprehensive loss	–	–	–	(1 653)	–	(1 653)
Total comprehensive loss for the year	**–**	**–**	**–**	**(1 653)**	**(15 861)**	**(17 514)**
Balance at 1 January 2020	**1 743**	**459 600**	**461 343**	**410**	**9 554**	**471 307**
Profit for the year	**–**	**–**	**–**	**–**	**26 939**	**26 939**
Other comprehensive income	**–**	**–**	**–**	**24**	**–**	**24**
Total comprehensive income for the year	**–**	**–**	**–**	**24**	**26 939**	**26 963**
Balance at 31 December 2020	**1 743**	**459 600**	**461 343**	**434**	**36 493**	**498 270**
Note	10	10	10			

The accounting policies on pages 66 to 75 and the notes on pages 76 to 105 form an integral part of the Annual Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2020

	Notes	Group 2020 R'000	Group 2019 R'000
Cash flows from operating activities			
Cash generated from/(used in) continuing and discontinued operations	23	**1 898**	(11 945)
Finance income	18	**349**	1 033
Finance costs	19	**(9 725)**	(15 723)
Tax paid	24	**(7 476)**	(4 244)
Net cash from operating activities		**(14 954)**	(30 879)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(33 349)**	(27 053)
Proceeds on disposal of property, plant and equipment	26	**86 120**	58
Proceeds on disposal of subsidiary	25	**–**	70 319
Net cash from investing activities		**52 771**	43 324
Cash flows from financing activities			
Repayment of interest bearing borrowings	27	**(14 588)**	(32 742)
Payment of share based payment liabilities		**–**	(890)
Proceeds from interest bearing borrowings	27	**18 038**	2 213
Repayment of lease liabilities	27	**(1 784)**	(1 047)
Net cash from financing activities		**1 666**	(32 466)
Total cash and cash equivalents movement for the year		**39 483**	(20 021)
Cash and cash equivalents at the beginning of the year		**(18 762)**	15 600
Cash and cash equivalents from disposal group at the beginning of the year		**–**	21 863
Effect of exchange rate movement on cash balances		**24**	(1 653)
Reclassification of bank overdraft from interest bearing borrowings		**–**	(34 551)
Total cash and cash equivalents at end of the year	8	**20 745**	(18 762)

The accounting policies on pages 66 to 75 and the notes on pages 76 to 105 form an integral part of the Annual Financial Statements.

Accounting Policies

for the year ended 31 December 2020

1. Presentation of Annual Financial Statements

General information

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

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

Summary of significant accounting policies

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

Basis of preparation

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

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

1.1 Consolidation

Basis of consolidation

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

Subsidiaries

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

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

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

1.2 Property, plant and equipment

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

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

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

Land is not depreciated, and capital work-in-progress is depreciated once the asset is available for use. Depreciation on other assets is calculated using the straight-line basis over its estimated useful lives, to the estimated residual value, as follows

Item	Average useful life
Buildings	50 years
Plant and machinery	8 – 20 years
Furniture and fixtures	3 – 10 years
Motor vehicles	5 – 7 years

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

1. Presentation of Annual Financial Statements (continued)

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.

1.3 Leases

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

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

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

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

Group as lessee

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

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

Details of leasing arrangements where the Group is a lessee are presented in note 4 Leases (Group as lessee).

Lease liability

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 16).

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 19).

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

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

Accounting Policies (continued)

for the year ended 31 December 2020

1. Presentation of Annual Financial Statements (continued)

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

Right-of-use assets

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

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

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

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

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

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

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

1.4 Share capital

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

Ordinary shares are classified as equity.

1.5 Translation of foreign currencies

Functional and presentation currency

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

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

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

Group companies

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

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

1. Presentation of Annual Financial Statements (continued)

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

1.6 Inventories

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

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

Provision is made for slow moving goods and obsolete inventories.

1.7 Impairment of non-financial assets

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

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

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

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

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

1.8 Financial instruments

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

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

Financial assets which are debt instruments:

- Amortised cost

Financial liabilities:

- Amortised cost

Note 31, Financial instruments and risk management, presents the financial instruments held by the Group based on their specific classifications.

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

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

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT, deposits and prepayments, are classified as financial assets subsequently measured at amortised cost (note 7).

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

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

Accounting Policies (continued)

for the year ended 31 December 2020

1. Presentation of Annual Financial Statements (continued)

1.8 Financial instruments (continued)

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

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

Impairment

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

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

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 7.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 16).

Write-off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 7) and the financial instruments and risk management note (note 31).

Borrowings

Classification

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

Recognition and measurement

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

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

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 13), excluding VAT, payroll accruals and deposits, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

1. Presentation of Annual Financial Statements (continued)

1.8 Financial instruments (continued)

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

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

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

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 31).

Cash and cash equivalents

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

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.9 Employee benefits

Defined contribution plans

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

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

Profit-sharing and bonus plans

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

Short-term employee benefits

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

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

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

1.10 Revenue recognition

The Group recognises revenue from the following major sources:

Revenue from contracts with customers:

- Sales of goods

Revenue other than from contracts with customers:

- Rental income

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

Accounting Policies (continued)

for the year ended 31 December 2020

1. Presentation of Annual Financial Statements (continued)

1.10 Revenue recognition (continued)

Sale of goods

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

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

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

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

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

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

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

Rental income

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

1.11 Finance income

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

1.12 Segment reporting

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

1.13 Tax

Current income tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

1. Presentation of Annual Financial Statements (continued)

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

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

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

Income tax expenses

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

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

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

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

1.14 Share-based payments

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

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

1.15 Provisions

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

1.16 Significant judgements and sources of estimation uncertainty

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

Share-based payments (estimate)

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

Tax (judgement and estimate)

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

Accounting Policies (continued)

for the year ended 31 December 2020

1. Presentation of Annual Financial Statements (continued)

1.16 Significant judgements and sources of estimation uncertainty (continued)

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

Bank overdraft (judgement)

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

Incremental borrowing rate (judgement)

To determine the incremental borrowing rate, the Group:

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

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

1.17 Related party transactions

All subsidiaries, major shareholders and key management personnel of the Group are related parties. A list of all transactions with major subsidiaries, major shareholders and key management personnel is included in note 28. All transactions entered into with subsidiaries were on terms no more favourable than those with third parties and have been eliminated in the consolidated Group accounts. There were no other material contracts with related parties.

1.18 Earnings/(loss) per share

Earnings/(loss) per share is based on attributable earnings/(loss) for the year divided by the weighted average number of ordinary shares in issue during the year. Fully diluted loss per share is presented when the inclusion of potential ordinary shares have a dilutive effect on the earnings/loss per share.

1.19 Headline earnings/(loss) per share

Headline earnings/(loss) per share is based on the same calculation as above, except that attributable loss specifically excludes items as set out in Circular 1/2019: "Headline Earnings" issued by The South African Institute of Chartered Accountants. Fully diluted headline earnings/(loss) per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings/(loss) per share.

1.20 Non-current assets (disposal groups) held for sale and discontinuing operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use and the sale is considered highly probable. They are measured at the lower of its carrying amount and fair value less costs to sell except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

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

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

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Performance. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Performance. The results of discontinuing operations are presented separately in the Statement of Profit or Loss and Other Comprehensive Income.

1.21 Cost of sales

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

1.22 Dividends

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

Notes to the Annual Financial Statements

for the year ended 31 December 2020

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Definition of a business Amendments to IFRS 3	01 January 2020	The impact of the standard is not material.
Presentation of Financial Statements: Disclosure initiative (Amendment to IAS 1)	01 January 2020	The impact of the standard is not material.
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative (Amendment to IAS 8)	01 January 2020	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory and relevant for the Group's accounting periods beginning on or after 01 January 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Classification of Liabilities as Current or Non-current Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018 2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
Onerous Contracts Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact
Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 4	01 January 2021	Unlikely there will be a material impact
Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 7	01 January 2021	Unlikely there will be a material impact
Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9	01 January 2021	Unlikely there will be a material impact
Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 16	01 January 2021	Unlikely there will be a material impact
Interest Rate Benchmark Reform Phase 2: Amendments to IAS 39	01 January 2021	Unlikely there will be a material impact
COVID-19 Related Rent Concessions Amendment to IFRS 16	01 June 2020	Unlikely there will be a material impact
IFRS 17 Insurance Contracts	01 January 2021	Unlikely there will be a material impact

3. Property, plant and equipment

Group	2020 Cost R'000	2020 Accumulated depreciation R'000	2020 Carrying value R'000	2019 Cost R'000	2019 Accumulated depreciation R'000	2019 Carrying value R'000
Buildings	**102 310**	**(9 970)**	**92 340**	97 503	(7 090)	90 413
Plant and machinery	**237 066**	**(130 156)**	**106 910**	204 622	(116 302)	88 320
Furniture and fixtures	**24 526**	**(18 074)**	**6 452**	18 773	(16 697)	2 076
Motor vehicles	**13 691**	**(7 716)**	**5 975**	13 688	(7 714)	5 974
Capital work-in-progress	**8 681**	**–**	**8 681**	18 056	–	18 056
Total	**386 274**	**(165 916)**	**220 358**	352 642	(147 803)	204 839

Reconciliation of property, plant and equipment Group – 2020

Group	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Total R'000
Buildings	**90 413**	**2 931**	**–**	**–**	**(1 004)**	**92 340**
Plant and machinery	**88 320**	**–**	**–**	**32 444**	**(13 854)**	**106 910**
Furniture and fixtures	**2 076**	**24**	**–**	**5 742**	**(1 390)**	**6 452**
Motor vehicles	**5 974**	**–**	**(316)**	**1 583**	**(1 266)**	**5 975**
Capital work-in-progress	**18 056**	**30 394**	**–**	**(39 769)**	**–**	**8 681**
	204 839	**33 349**	**(316)**	**–**	**(17 514)**	**220 358**

Reconciliation of property, plant and equipment Group – 2019

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

Property, plant and equipment encumbered as security

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

	Group	
	2020 R'000	2019 R'000
Buildings	**92 340**	90 413
Plant and machinery	**22 438**	–
Motor vehicles	**2 540**	3 898
Land and buildings held for sale	**–**	86 000

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

4. Leases (Group as lessee)

The Group leases several assets consisting of plant and machinery and motor vehicles. The average lease term is 3 years.

Net carrying amounts of right-of-use assets

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

	Group	
	2020 R'000	2019 R'000
Motor vehicles	**8 703**	15 171
	8 703	15 171
Additions (terminations) to right-of-use assets		
Motor vehicles	**608**	16 500
Motor vehicles	**(5 006)**	–
	(4 398)	16 500
Depreciation recognised on right-of-use assets		
Depreciation recognised on each class of right-of-use assets, is presented below and is included in the total depreciation charge in profit or loss (note 16).		
Motor vehicles	**2 070**	1 329
	2 070	1 329
Other disclosures		
Interest expense on lease liabilities	**803**	634
Leases of low value assets included in operating expenses	**615**	–
Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Within one year	**2 399**	2 787
Two to five years	**6 872**	12 666
	9 271	15 453
Non-current liabilities	**6 872**	12 666
Current liabilities	**2 399**	2 787
	9 271	15 453

Refer to note 31 Financial instruments and financial risk management for details of liquidity risk exposure and management.

5. Deferred tax assets and liabilities

The deferred tax asset and the deferred tax liabilities are calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2019: 28%). Deferred taxation asset and liabilities are offset when the income taxes relate to the same fiscal authority, and there is a legal right to offset at settlement. The amount disclosed in the statement of financial position is analysed as follows:

	Group	
	2020 R'000	2019 R'000
Deferred tax asset		
Tax losses	**2 467**	8 109
Provisions	**6 071**	4 273
Total deferred tax asset	**8 538**	12 382
Deferred tax liability		
Property, plant and equipment	**(30 544)**	(32 106)
Deferred tax liability	**(30 544)**	(32 106)
Deferred tax asset	**8 538**	12 382
Total net deferred tax liability	**(22 006)**	(19 724)
Reconciliation of deferred tax (liability) asset		
At beginning of year	**(19 724)**	(25 971)
Current year tax losses (utilised)/raised	**(5 642)**	3 679
Temporary differences on capital allowances	**1 562**	4 935
Temporary differences on provisions	**1 798**	(2 367)
At end of year	**(22 006)**	(19 724)
Disclosed as		
Non-current assets	**550**	798
Non-current liabilities	**(22 556)**	(20 522)
	(22 006)	(19 724)

Group	Tax losses R'000	Capital allowances R'000	Provisions R'000	Total R'000
2020				
Opening balance	**8 109**	**(32 106)**	**4 273**	**(19 724)**
Charged to the statement of comprehensive income	**(5 642)**	**1 562**	**1 798**	**(2 282)**
Closing balance	**2 467**	**(30 544)**	**6 071**	**(22 006)**
2019				
Opening balance	4 430	(37 041)	6 640	(25 971)
Charged to the statement of comprehensive income	3 679	4 935	(2 367)	6 247
Closing balance	8 109	(32 106)	4 273	(19 724)

	Group	
	2020 R'000	2019 R'000
Unprovided tax losses at the end of the year deductible from future taxable income	**–**	459
Unprovided deferred tax asset on tax losses	**–**	128

Recognition of deferred tax asset

The Group recognises a deferred tax asset when a loss is incurred in either the current or preceding period and the Group expects future taxable profits. Utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

Unremitted earnings from a foreign entity

The unremitted earnings from foreign entities is a loss of R8 894 (2019: R26 086 profit). Deferred tax on the future remittances has not been provided for as the future dividends will not be subject to tax in South Africa.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

	Group	
	2020 R'000	2019 R'000
6. Inventories		
Raw materials, components	**45 019**	60 694
Work-in-progress	**107 947**	46 569
Finished goods	**12 921**	48 852
Consumable stores	**16 458**	19 579
	182 345	175 694

The cost of inventories recognised as an expense and included in cost of sales is R1 489 239 000 (2019: R1 343 322 000).

	Group	
	2020 R'000	2019 R'000
7. Trade and other receivables		
Financial instruments		
Trade receivables	**248 691**	192 459
Loss allowance	**(1 583)**	(744)
Trade receivables at amortised cost	**247 108**	191 715
Other receivables	**5 318**	5 318
Non-financial instruments		
South African Revenue Services – VAT receivables	**86**	3 880
Deposits	**232**	424
Prepayments	**2 878**	3 398
Total trade and other receivables	**255 622**	204 735
Categorisation of trade and other receivables		
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial instruments:		
Financial instruments	**252 426**	197 033
Non-financial instruments	**3 196**	7 702
	255 622	204 735

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R200 000 000 (2019: R200 000 000) of the Group. At year end the overdraft amounted to Rnil (2019: R34 550 753).

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

Exposure to credit risk

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

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

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

7. Trade and other receivables (continued)

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

Group	Estimated gross carrying amount at default R'000	Loss allowance (Lifetime expected credit loss) R'000	Estimated gross carrying amount at default R'000	Loss allowance (Lifetime expected credit loss) R'000
2020				
Expected credit loss rate				
Not past due: 0.18% (2019: 0.03%)	**113 924**	**208**	63 099	18
Less than 30 days past due: 0.31% (2019: 0.02%)	**124 787**	**384**	103 730	24
31 – 60 days past due: 1.01% (2019: 0.86%)	**14 486**	**147**	31 313	270
61 – 90 days past due: 99.5% (2019: 91.10%)	**848**	**844**	474	432
	254 045	**1 583**	198 616	744

The gross carrying amount above differs from trade receivables because of settlement discounts included in trade receivables.

Reconciliation of loss allowances

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

	Group	
	2020 R'000	2019 R'000
Opening balance	**(744)**	(1 040)
Expected credit loss on new trade receivables	**(117)**	(667)
Expected credit loss reversed on settled trade receivables	**–**	963
Expected credit loss on trade receivables with increased risk	**(722)**	–
	(1 583)	(744)

The increase in the expected credit loss during the year relates to certain debtors included in the property rental business due to anticipated cash constraints experienced by these debtors due to the COVID-19 pandemic.

Fair value of trade and other receivables

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

Exposure to currency risk

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

	Group	
	2020 R'000	2019 R'000
Rand amount		
Rand	**255 622**	204 735

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

	Group	
	2020 R'000	2019 R'000
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	**20 684**	15 683
Bank overdraft	**–**	(34 551)
Cash on hand	**61**	106
	20 745	(18 762)

Exposure to currency risk

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

	Group	
	2020 R'000	2019 R'000
Rand amount		
Rand	**14 668**	(24 710)
US Dollar	**–**	137
Hong Kong Dollar	**6 077**	5 811
	20 745	(18 762)
Disclosed as		
Current assets	**20 745**	15 789
Current liabilities	**–**	(34 551)
	20 745	(18 762)

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

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

Baa3 (2019: Baa3) – First National Bank, a division of FirstRand Bank Limited

Aa3 (2019: Aa3) – Bank of Taiwan

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

In the prior year management assessed the overdraft to be used primarily to fund operating activities and has classified the amount as cash and cash equivalents.

9. Disposal group held for sale

In a general meeting held on 29 November 2018, the shareholders approved the disposal by SOH of 100% of the issued share capital in and claims against Radiant Group. The effective date of the disposal and loss of control of Radiant Group was 1 January 2019. The selling price of Radiant Group was R96.8 million, of which R91.9 million was received in 2019, with the balance of R4.9 million to be received during 2021 and has been included in other receivables in note 7.

Refer to note 25 for the details of the cash received at Group level.

On the same date the shareholders also approved the disposal of the properties from which Radiant Group operates for R86 million, which is the fair value less costs of disposal. Due to delays, the transfer of the properties was concluded in the current year.

	Group	
	2020 R'000	2019 R'000
Assets and liabilities		
Assets of disposal groups		
Property, plant and equipment	**–**	86 000
Discontinuing operations		
Revenue	**5 769**	8 760
Gross profit	**5 769**	8 760
Total expenses	**(414)**	(7 400)
Operating profit	**5 355**	1 360
Profit before taxation	**5 355**	1 360
Profit for the year	**5 355**	1 360
Cash flows		
Net cash inflow from operating activities	**5 355**	1 360
Net cash inflow from investing activities	**86 000**	70 319

10. Share capital

	Group	
	2020 R'000	2019 R'000
Authorised		
500 000 000 ordinary shares of R0.01 each	**5 000**	5 000
Issued		
203 276 794 Ordinary shares	**1 743**	1 743
Share premium	**459 600**	459 600
	461 343	461 343

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

	Group	
	2020 R'000	2019 R'000
11. Interest-bearing borrowings		
Mortgages		
First National Bank, a division of FirstRand Bank Limited: 3-000-013-732-425	**16 440**	20 220
First National Bank, a division of FirstRand Bank Limited: 3-000-012-798-538	**1 480**	4 866
First National Bank, a division of FirstRand Bank Limited: 3-000-013-460-751	**6 306**	8 015
Other loans		
Instalment sale agreements	**19 639**	3 973
Other financial liabilities	**–**	3 341
	43 865	40 415
Non-current liabilities		
Mortgage bonds	**16 857**	24 484
Instalment sale agreements	**10 433**	1 905
	27 290	26 389
Current liabilities		
Mortgage bonds	**7 369**	8 617
Instalment sale agreements	**9 206**	2 068
Other financial liabilities	**–**	3 341
	16 575	14 026
The maturity of non-current liabilities is as follows:		
Between one and five years	**27 290**	26 389

Borrowing powers

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

11. Interest-bearing borrowings (continued)

Securities

The interest bearing borrowings are secured as follows:

First National Bank, a division of FirstRand Bank Limited

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

Loan agreement 3 000 013 732 425 for R68 665 000

Erf 688 Alrode Extension 2 for R30 000 000 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank Limited, suretyship for R400 000 000 by South Ocean Electric Wire Company Proprietary Limited and Anchor Park Investments 48 Proprietary Limited. The interest is payable at First National Bank's prime lending rate less 0.50% per annum. The prime lending rate at year end is 7.00% (2019: 10.00%). The loan is repayable in monthly instalments of R418 699 (2019: R447 469) inclusive of interest.

Loan agreement 3 000 012 798 538 for R24 000 000

Erf 685 Alrode Extension 2 Township of R28 800 000 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 1.00% per annum. The prime lending rate at year end is 7.00% (2019: 10.0%). The loan is repayable in monthly instalments of R298 968 (2019: R303 672) inclusive of interest.

Loan agreement 3 000 013 460 751 for R14 918 150

Erf 637 Alrode Extension 4 Township of R14 918 150 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 0.50% per annum. The prime lending rate at year end is 7.00% (2019: 10.00%). The loan is repayable in monthly instalments of R183 100 (2019: R194 321) inclusive of interest. The loan is also secured by unlimited securityship by South Ocean Electric Wire Company Proprietary Limited.

Other loans

Instalment sale agreements are secured by the underlying assets with a net book value of R24 978 000 (2019: R3 898 000), bear interest at rates varying from 8.75% to 9.25% (2019: ranged between 10.50% and 11.50%) and are repayable over 36 months (note 3).

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

Exposure to liquidity risk

Refer to note 31 Financial instruments and financial risk management for details of liquidity risk exposure and management. For the borrowings, the fair values are not materially different from their carrying amounts since the interest payable on those borrowings are close to current market rates.

Banking facilities

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

First National Bank Limited, a division of FirstRand Bank Limited

The Group has an overdraft facility with First National Bank of R200 million (2019: R200 million). The facility is secured by a cession of the Group's trade receivables, a cession of trade receivables cover policy with Credit Guarantee Insurance Corporation of Africa Limited as well as noting the bank's interest and deed of negative pledge of assets. The overdraft is also secured by a bond of R30 million (2019: R30 million) registered over Erf 688 Alrode, extension 1. The facility, when utilised, bears interest at prime (2019: prime less 0.25%). The unused facility at year end amounted to R200 million (2019: R165.4 million). The facility is renewable annually in May. The Group has an instalment sale facility of R20 million (2019: R20 million) with the same bank, of which R0.36 million (2019: R16 million) was unutilised at year end.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

12. Share-based payment liabilities

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

The Group has a 100% cash settled Share Appreciation Rights (SAR) plan in place, which has been in place since 2009. The next SAR's were eligible to be exercised in 2020, if not exercised in 2020, they can be exercised in 2021. There was no obligation to pay in 2019 as rights were out of the money and no liability was recognised. The fair value of the rights was calculated using the Black Scholes Valuation Model. The assumptions used in determining the fair value of each SAR granted as at the end of the respective reporting periods are summarised as follows:

	2020	2019
Share price (Volume Weighted Average Price)	**R0.25**	R0.39
Strike price: SOH	**R0.39**	R0.64
Strike price: SOEW	**R7.59**	R14.45
Spot price: SOH	**R0.39**	R0.48
Spot price: SOEW	**R11.52**	R6.29
Dividend yield	**0.0%**	0.0%
Volatility	**60.00%**	60.00%

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

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

The volatility was determined by applying the equally weighted methodology to the historical share prices of SOH. The spot price of the rights in the subsidiary is determined using three year average profit after tax.

	Group	
	2020 R'000	2019 R'000
Rights granted		
Grant date	**1 January 2020**	1 January 2019
Grant price: SOEW	**R7.59**	R14.46
Grant price: SOH	**R0.39**	R0.64
Number of units granted	**4 659**	7 327
Reconciliation of liability		
Opening balance	**1 738**	9 296
Charge/(credit) in statement of comprehensive income	**2 236**	(6 668)
Encashment of units	**–**	(890)
Closing balance	**3 974**	1 738
Non-current liabilities	**2 776**	1 738
Current liabilities	**1 198**	–
	3 974	1 738
Reconciliation of units		
Opening balance	**27 941**	32 654
Units granted	**4 659**	7 327
Equity units forfeited	**(23 012)**	(7 567)
Encashment of units	**–**	(4 473)
Closing balance	**9 588**	27 941

Units comprise a combination of SOH and SOEW units.

At year end Rnil (2019: R8 276 462) shares have vested with an intrinsic value of Rnil (2019: Rnil).

12. Share-based payment liabilities (continued)

	Number of SAR units	Value R'000
Directors' interest in long-term incentive plans		
2020		
JP Bekker (resigned 30 November 2020)	–	–
2019		
JP Bekker	19 107	1 738

	Group	
	2020 R'000	2019 R'000
13. Trade and other payables		
Financial instruments:		
Trade payables	**77 308**	92 764
Accruals	**22 659**	17 848
Warranty provision	**–**	2 300
Non-financial instruments:		
Payroll accruals	**10 974**	8 495
Deposits received	**100**	230
South African Revenue Services – VAT payable	**1 347**	179
Claim provision	**3 405**	–
	115 793	121 816
Financial instrument and non financial instrument components of trade and other payables		
Financial instruments	**99 967**	112 912
Non-financial instruments	**15 826**	8 904
	115 793	121 816
Exposure to currency risk		
The trade and other payables are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.		
Rand amount		
Rand	**108 888**	115 875
US Dollar	**1 887**	1 151
Hong Kong Dollar	**5 018**	4 790
	115 793	121 816

The carrying amounts of trade and other payables are considered to be the same as their fair values due to the short-term nature. Refer to note 31 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

	Group	
	2020 R'000	2019 R'000
14. Revenue		
Revenue from contracts with customers		
Sale of goods	**1 742 563**	1 556 487
	1 742 563	1 556 487
Revenue other than from contracts with customers		
Rental Income	**464**	831
	464	831
	1 743 027	1 557 318
Disaggregation of revenue from contracts with customers		
The Group disaggregates revenue from customers as follows:		
Sale of goods at a point in time		
Copper cable sold	**1 717 983**	1 528 404
Aluminium cable sold	**2 150**	1 827
Conduit sold	**22 430**	26 256
Total revenue from contracts with customers	**1 742 563**	1 556 487

Prior period restatement

The Group revenue from contracts with customers as previously reported has been restated as management has assessed that the transport of the goods is considered a fulfilment activity rather than a separate performance obligation as previously reported, as control only transfers to the customer when the goods are delivered to the customer's site. The transportation of the goods is therefore not considered to be a separate performance obligation any longer resulting in the note to the financial statements being restated accordingly.

In addition, rental income which is subject to the requirements of IFRS 16 *Leases* has also been reclassified from the revenue from contracts with customers category to revenue other than from contracts with customers.

These restatements had no impact on the profit or loss, cash flow information or financial position as reflected in the respective primary financial statements. The effect of the note restatement is as follows:

	Group	
	2020 R'000 Previously reported	2019 R'000 Restated
Revenue from contracts with customers		
Sale of goods	**1 541 057**	1 556 487
Rendering of services	**16 261**	–
	1 557 318	1 556 487
Revenue other than from contracts with customers		
Rental income	**–**	831
	1 557 318	1 557 318
Disaggregation of revenue from contracts with customers		
Copper cable	**1 513 252**	1 528 404
Aluminium cable	**1 809**	1 827
Conduit	**25 996**	26 256
	1 541 057	1 556 487
Rendering of services over time		
Distribution income	**15 430**	–
Rental income	**831**	–
	16 261	–
	1 557 318	1 556 487

	Group	
	2020 R'000	2019 R'000
15. Other operating income		
Profit on exchange differences	**3 640**	5 536
Sundry income	**241**	3 225
	3 881	8 761
16. Expenses by nature		
The total cost of sales and other operating expenses are analysed by nature as follows:		
Auditor's remuneration	**2 240**	2 761
Depreciation	**19 584**	14 943
Electricity and water	**23 964**	24 270
Employee benefit expense	**127 012**	116 435
Freight	**2 093**	1 828
Changes in inventories of finished goods and WIP	**(25 447)**	1 257
Insurance – trade receivables	**3 637**	3 276
Insurance – other	**3 879**	4 241
Loss allowance movement	**839**	(246)
Loss on disposal of assets	**196**	192
Loss on disposal of disposal group	**–**	7 317
Motor vehicle expenses	**3 593**	5 499
Other expenses	**9 326**	13 129
Professional fees	**1 472**	5 509
Rates and taxes	**2 958**	1 656
Raw materials and consumables purchased	**1 514 686**	1 343 322
Repairs and maintenance	**15 117**	23 705
Secretarial fees	**220**	212
Security expenses	**2 346**	2 618
Social development	**–**	633
Claim provision	**1 105**	2 300
Total cost of sales, administration, distribution and operating expenses	**1 708 820**	1 574 857

	Group	
	2020 R'000	2019 R'000
17. Employee benefit expense		
Salaries, wages and bonuses	**119 137**	117 626
Share-based payment expense	**2 236**	(6 668)
Pension and provident fund contributions	**5 639**	5 477
	127 012	116 435
The employees of the Group are the members of the following contribution plans:		
• Metal Industries Pension Fund		
• Alexander Forbes Access Retirement Fund		
• MEIBC Provident Fund		
• MPF Provident Fund		
Number of persons employed at 31 December		
Full time	**473**	436
Part time	**7**	7
	480	443

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

	Group	
	2020 R'000	2019 R'000
18. Finance income		
Interest income		
Bank and other cash	**269**	646
Other	**80**	387
Total interest income	**349**	1 033
19. Finance costs		
Mortgage bonds	**2 087**	3 485
Instalment sale agreements	**889**	609
Bank overdraft	**5 708**	10 138
Lease liabilities	**803**	634
Other	**238**	857
Total finance costs	**9 725**	15 723
20. Tax		
Major components of the tax expense/(income)		
Current		
Local income tax – current period	**4 846**	–
Deferred tax		
Originating and reversing temporary differences – current period	**2 282**	(6 247)
	7 128	(6 247)
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit – continuing	**28 712**	(23 468)
Accounting profit/(loss) – discontinued	**5 355**	1 360
Tax at the applicable tax rate of 28% (2019: 28%)	**9 538**	(6 190)
Tax effect of adjustments on taxable income		
Deferred tax asset prior year under provision	**–**	(1 848)
Expenses of a capital nature which are not deductible	**42**	51
Loss on disposal of disposal group	**–**	2 049
Non deductible interest	**92**	39
Unprovided deferred tax asset	**(2 854)**	(992)
Claim provision	**310**	644
	7 128	(6 247)

No provision has been made for 2019 tax as the Group has assessed losses. The details of the assessable losses are disclosed in note 5.

21. Other comprehensive income/(loss)

Components of other comprehensive income – Group

Group	Gross R'000	Tax R'000	Net R'000
2020			
Items that may be reclassified to income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	**24**	**–**	**24**
	24	**–**	**24**
2019			
Items that may be reclassified to income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	18	–	18
Exchange differences reclassified on disposal of foreign operation	(1 671)	–	(1 671)
	(1 653)	–	(1 653)

	Group	
	2020 R'000	2019 R'000
22. Earnings/(loss) per share		
Basic and diluted earnings (loss) per share of continuing and discontinued operations (cents)	**13.25**	(7.80)
Profit/(loss) for the year	**26 939**	(15 861)
Headline earnings/(loss) per share		
Headline (loss)/earnings and diluted (loss)/earnings per share (cents)	**13.32**	(4.14)
Reconciliation between earnings/(loss) and headline earnings/loss)		
Profit/(loss) for the year	**26 939**	(15 861)
Loss on disposal of property, plant and equipment	**196**	192
Loss on disposal of disposal group	**–**	7 317
Tax effect on adjustments	**(55)**	(54)
Headline earnings/(loss)	**27 080**	(8 406)
Number of share in issue ('000)	**203 277**	203 277
Headline and diluted earnings/(loss) of continuing operations (cents)	**10.69**	(4.80)
Headline and diluted earnings of discontinued operations (cents)	**2.63**	0.67
Weighted average number of shares		
Number of shares	**203 276 794**	203 276 794
Weighted average number of shares in issue at the beginning of the year	**203 276 794**	203 276 794
Weighted average number of shares in issue at the end of the year	**203 276 794**	203 276 794

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

	Group	
	2020 R'000	2019 R'000
23. Cash generated from/(used in) operations		
Profit/(loss) before taxation from continuing and discontinued operations	**34 067**	(22 108)
Adjustments for:		
Depreciation	**19 584**	14 943
Finance income	**(349)**	(1 033)
Finance costs	**9 725**	15 723
Share based payment provision	**2 236**	(6 668)
Loss on disposal of property, plant and equipment	**196**	192
Changes in working capital:		
Inventories	**(6 651)**	5 309
Trade and other receivables	**(50 887)**	31 089
Trade and other payables	**(6 023)**	(49 392)
	1 898	(11 945)
24. Tax paid		
Balance at beginning of the year	**2 776**	(1 468)
Current tax for the year recognised in profit or loss	**(4 846)**	–
Balance at end of the year	**(5 406)**	(2 776)
	(7 476)	(4 244)
25. Proceeds on disposal of subsidiary		
Inventory	**–**	100 928
Trade and other receivables	**–**	30 853
Derivative asset	**–**	22
Cash and cash equivalents	**–**	21 863
Interest-bearing borrowings	**–**	(25 773)
Trade and other payables	**–**	(30 829)
Net book value	**–**	97 064
Amount included in trade and other receivables	**–**	(4 882)
Less: Opening cash and cash equivalents	**–**	(21 863)
Proceeds on disposal subsidiary	**–**	70 319

	Group	
	2020 R'000	2019 R'000
26. Proceeds on disposal of property, plant and equipment		
Loss on disposal of property, plant and equipment	**(196)**	(192)
Net book amount of assets disposed of	**316**	250
Non-current asset held for disposal	**86 000**	–
	86 120	58
27. Net debt reconciliation		
Cash and cash equivalents	**20 745**	(18 762)
Interest-bearing borrowings repayable within one year	**(16 575)**	(14 026)
Interest-bearing borrowings repayable after one year	**(27 290)**	(26 389)
Lease liabilities repayable within one year	**(2 399)**	(2 787)
Lease liabilities repayable after one year	**(6 872)**	(12 666)
Net debt	**(32 391)**	(74 630)

	Cash and cash equivalents		Interest bearing borrowings			
Net debt movement reconciliation – Group	Disposal Group R'000	Continuing operations R'000	Disposal Group R'000	Continuing operations R'000	Lease liabilities R'000	Total R'000
Balance at 1 January 2019	21 863	15 600	(25 773)	(105 495)	–	(93 805)
Cash movements	–	1 842	–	32 742	1 047	35 631
Funds advanced	–	–	–	(2 213)	–	(2 213)
Lease liability recognised – non-cash	–	–	–	–	(16 500)	(16 500)
Non-cash movement	–	(1 653)	–	–	–	(1 653)
Reclassification of bank overdraft	–	(34 551)	–	34 551	–	–
Disposal of subsidiary	(21 863)	–	25 773	–	–	3 910
Balance at 31 December 2019	**–**	**(18 762)**	**–**	**(40 415)**	**(15 453)**	**(74 630)**
Cash movements	**–**	**39 483**	**–**	**14 588**	**1 784**	**55 856**
Funds advanced to purchase property, plant and equipment	**–**	**–**	**–**	**(18 038)**	**–**	**(18 038)**
Lease liability terminated – non-cash	**–**	**–**	**–**	**–**	**4 398**	**4 397**
Non-cash movement	**–**	**24**	**–**	**–**	**–**	**24**
Balance at 31 December 2020	**–**	**20 745**	**–**	**(43 865)**	**(9 271)**	**(32 391)**

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

28. Related parties

Relationships	
Directors	KH Pon HL Li N Lalla B Petersen YH Yeh M Chong CF Chen WP Basson DJC Pan (Alternate) J Liu (Alternate) CY Wu (Alternate) JP Bekker MK Zack
Subsidiaries	Anchor Park Investments 48 Proprietary Limited Icembu Services Proprietary Limited South Ocean Electric Wire Company Proprietary Limited SOH Calibre International Limited

Related party balances

	Group	
	2020 R'000	2019 R'000
Compensation to directors and other key management		
Salaries and short-term benefits – continuing operations	**8 182**	11 409

29. Directors' and prescribed officers' emoluments

Executive

Group	Salary R'000	Medical group benefit contributions R'000	Provident fund R'000	Total R'000
2020				
JP Bekker (resigned 30 November 2020)	**4 054**	**143**	**388**	**4 585**
MK Zack (resigned 28 February 2020)	**191**	**–**	**12**	**203**
WP Basson (appointed 14 September 2020)	**430**	**–**	**28**	**458**
	4 675	**143**	**428**	**5 246**
2019				
JP Bekker	4 319	129	388	4 836
MK Zack	947	–	12	959
	5 266	129	400	5 795

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

Non-executive

Group	Directors' fees R'000	Total R'000
2020		
KH Pon	**739**	**739**
HL Li	**446**	**446**
N Lalla	**525**	**525**
CF Chen	**235**	**235**
B Petersen	**177**	**177**
M Chong	**177**	**177**
JH Yeh	**191**	**191**
	2 490	**2 490**
2019		
KH Pon	698	698
HL Li	438	438
N Lalla	505	505
CY Wu (Alternate)	122	122
B Petersen	170	170
M Chong	85	85
CF Chen	113	113
JH Yeh	85	85
	2 216	2 216

Prescribed officers

Group	Emoluments R'000	Medical aid R'000	Provident fund R'000	Total R'000
2020				
C Govender (appointed 18 November 2020)	**368**	**22**	**18**	**408**
YB Mahomed	**1 620**	**90**	**89**	**1 799**
	1 988	**112**	**107**	**2 207**
2019				
DD Johnson (resigned 31 October 2019)	3 942	52	99	4 093
YB Mahomed	1 948	72	86	2 106
	5 890	124	185	6 199

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

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

Directors' interests in share capital

No shares were traded by any director from 31 December 2020 until the date of this report. Refer to note 12 for details of share appreciation rights allocated to the directors during the year.

The interest in the issued share capital of the Company as at 31 December 2020 was as follows:

	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2020				
JP Bekker (resigned 30 November 2020)	**–**	**–**	**–**	**–**
2019				
JP Bekker	491 807	–	491 807	0.24%

30. Interest in subsidiaries

	Issued share capital and percentage held					
Direct Holdings	**2020 %**	2019 %	**Shares at cost 2020 R'000**	Shares at cost 2019 R'000	**Indebtedness by 2020 R'000**	Indebtedness by 2019 R'000
South Ocean Electric Wire Company Proprietary Limited	**100**	100	**712 165**	712 165	**106 208**	101 475
Anchor Park Investments 48 Proprietary Limited	**100**	100	*****	*	**10 421**	10 013
Icembu Services Proprietary Limited	**100**	100	*****	*	**69**	66
SOH Calibre International Limited*	**100**	100	*****	*	**176**	151
			712 165	712 165	**116 874**	111 705
Less: Dividends received from pre-acquisition profits (prior to 2009)			**(41 550)**	(41 550)	**–**	–
Less: Impairments						
South Ocean Electric Wire Company Proprietary Limited			**(302 290)**	(302 290)	**–**	–
			368 325	368 325	**116 874**	111 705

* denotes amounts of less than R1 000

All subsidiaries are incorporated and operate in South Africa with the exception of SOH Calibre International Limited which is incorporated in Hong Kong.

31. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group	Notes	Amortised cost R'000	Total R'000	Fair value R'000
2020				
Trade and other receivables	7	**252 426**	**252 426**	**252 426**
Cash and cash equivalents	8	**20 745**	**20 745**	**20 745**
		273 171	**273 171**	**273 171**
2019				
Trade and other receivables	7	197 033	197 033	197 033
Cash and cash equivalents	8	15 789	15 789	15 789
		212 822	212 822	212 822

Categories of financial liabilities

Group	Notes	Amortised cost R'000	Total R'000	Fair value R'000
2020				
Trade and other payables	13	**99 967**	**99 967**	**99 967**
Interest-bearing borrowings	11	**43 865**	**43 865**	**43 865**
Lease liabilities	4	**9 271**	**9 271**	**9 271**
		153 103	**153 103**	**153 103**
2019				
Trade and other payables	13	112 912	112 912	112 912
Interest-bearing borrowings	11	40 415	40 415	40 415
Lease liabilities	4	15 453	15 453	15 453
Bank overdraft	8	34 551	34 551	34 551
		203 331	203 331	203 331

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The executive directors are involved in the daily operations of the Group, and the necessary decisions regarding capital risk management are made as and when necessary.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 4 and 11, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

The Group maintains overdraft facilities with reputable financial institutions for short-term financing needs. Where operational needs require prolonged use of overdraft facilities, the Group seeks opportunities to use long term financing. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total debt plus net overdraft divided by total equity. The Group's strategy is to maintain the ratio below 50%.

At 31 December 2020 the gearing ratio was 9.00% (2019: 16.00%). The gearing ratio decreased primarily as a result of a decrease in interest bearing borrowings.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

31. Financial instruments and risk management (continued)

Financial risk management

Overview

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

a. Credit risk;

b. Liquidity risk; and

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

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management 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 Board of Directors.

Credit risk

Potential concentrations of credit risk consist primarily of cash and cash equivalents and trade receivables. Trade receivables consist of a large number of customers spread across diverse industries and geographical areas, but we draw attention to the fact that 34.00% (2019: 34.00%) of revenue was derived from a single customer. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and in most instances, utilises credit insurance. The ongoing creditworthiness of the trade receivables is assessed taking into account the specific debtors balances against their credit limit. Details of credit risk for trade receivables is disclosed in note 7.

The Group manages outstanding trade receivables using a combination of Credit Guarantee and outside collection agents. The Credit Guarantee terms require that before the outstanding accounts are handed over to them for management, an effort must have been made by management to collect the outstanding amounts. The amount not recoverable from Credit Guarantee is limited to 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. 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 29.00% (2019: 33.09%), First National Bank 71.00% (2019: 29.87%) and HSBC 0.00% (2019: 37.04%).

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

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

		2020			2019		
Group	Notes	**Gross carrying amount R'000**	**Credit loss allowance R'000**	**Amortised cost/fair value R'000**	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/fair value R'000
Trade and other receivables	7	**254 009**	**(1 583)**	**252 426**	197 777	(744)	197 033
Cash and cash equivalents	8	**20 745**	**–**	**20 745**	15 789	–	15 789
		274 754	**(1 583)**	**273 171**	213 566	(744)	212 822

31. Financial instruments and risk management (continued)

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

	2020		2019	
Group	Credit limit R'000	Balance utilised R'000	Credit limit R'000	Balance utilised R'000
Counter-party				
First National Bank – Overdraft	**(200 000)**	**–**	(200 000)	(34 551)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Notes	Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Total R'000	Carrying amount R'000
2020						
Non-current liabilities						
Interest-bearing borrowings	11	**–**	**15 281**	**23 577**	**38 858**	**27 290**
Lease liabilities		**–**	**5 673**	**1 286**	**6 959**	**6 872**
Current liabilities						
Trade and other payables	13	**99 967**	**–**	**–**	**99 967**	**99 967**
Interest-bearing borrowings	11	**21 119**	**–**	**–**	**21 119**	**16 575**
Lease liabilities		**3 199**	**–**	**–**	**3 199**	**2 399**
		124 285	**20 954**	**24 863**	**170 102**	**153 103**

Group	1 to 2 years R'000	2 to 5 years R'000	Over 5 years R'000	Total R'000	Carrying amount R'000
2019					
Non-current liabilities					
Interest bearing borrowings	–	11 007	19 755	30 762	26 389
Lease liabilities	–	4 172	10 836	15 008	12 666
Current liabilities					
Trade and other payables	112 912	–	–	112 912	112 912
Interest-bearing borrowings	16 791	–	–	16 791	14 026
Lease liabilities	4 172	–	–	4 172	2 787
Bank overdraft	37 756	–	–	37 756	34 551
	171 631	15 179	30 591	217 401	203 331

Foreign currency risk

The Group operates and trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States ("US") Dollars. The Group buys its major machinery and raw copper in United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities when they are denominated in a currency that is not the entity's functional currency.

The Group does not hedge foreign currency risk.

At 31 December 2020, if the currency had weakened/strengthened against the United States Dollar by 2.00% (2019: 2.00% USD) with all other variables held constant, (loss)/profit after tax would have decreased/increased by R27 173 (2019: R14 576), mainly as a result of foreign exchange gains/losses on translation of trade payables.

At 31 December 2020, if the currency had weakened/strengthened against the Hong Kong Dollar by 2.00% (2019: 2.00% HKD) with all other variables held constant, (loss)/profit after tax would have decreased/increased by R28 751 (2019: R26 396), mainly as a result of foreign exchange gains/losses on translation of trade payables and cash and cash equivalents.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

31. Financial instruments and risk management (continued)

Exposure in Rand

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

		Group	
	Notes	2019 R'000	2018 R'000
US Dollar exposure			
Current assets:			
Cash and cash equivalents	8	**–**	137
Current liabilities:			
Trade and other payables	13	**(1 887)**	(1 151)
Net US Dollar exposure		**(1 887)**	(1 014)
Hong Kong Dollar exposure			
Current assets:			
Cash and cash equivalents	8	**6 077**	5 811
Current liabilities:			
Trade and other payables	13	**(5 018)**	(4 790)
Net Hong Kong Dollar exposure		**1 059**	1 021
Net exposure to foreign currency in Rand		**(828)**	7

Interest rate risk

As the Group has no significant interest bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk arises from long term and current borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rates are monitored when there are indications that rates may change. Details of interest rates on borrowings are disclosed in note 11.

All Group borrowings are denominated in Rands. The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Interest rate exposure is not analysed on a specific basis. However, should the interest rates increase/decrease by 2% the Group loss after tax will decrease/increase by R631 656 (2019: R1 079 521).

The fair value was calculated based on cash flows discounted using the current borrowing rate. They are classified as Level 3 in the fair value hierarchy due to the inclusion of unobservable inputs.

32. Segment reporting

The Group is organised into two main business segments:

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

The activities of other group companies are not significant enough and do not warrant to be regarded as a segment on their own and are reported together with corporate activities as other assets or liabilities or other overheads and are included in corporate and other assets in the reconciliation of total assets. The chief operating decision maker who has been identified as the Group's executive committee, reviews the Group's internal reporting in order to assess performance and has determined the operating segments based on these reports.

The assessment of the performance of the operating segments is based on the adjusted operating profit before interest, income tax, depreciation and amortisation (adjusted EBITDA). This measurement basis excludes intercompany management fees and the effect of non recurring expenditure from the operating segments, such as profit on disposal of property, plant and equipment and impairments. Earnings are defined as the operating profits. The reported total assets and liabilities exclude current and deferred taxation and intercompany balances.

32. Segment reporting (continued)

The details of the business segments are reported as follows:

Group	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
2020				
Electrical cable manufacturing	**1 742 563**	**75 536**	**662 684**	**224 960**
Property investments	**23 420**	**18 640**	**113 815**	**30 516**
	1 765 983	**94 176**	**776 499**	**255 476**
2019				
Electrical cable manufacturing	1 556 487	28 459	589 050	245 879
Property investments	24 872	14 952	182 928	39 936
	1 581 359	43 411	771 978	285 815

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

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

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

32. Segment reporting (continued)

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

	2020 R'000	2019 R'000
Revenue		
Reportable segment revenue	**1 765 983**	1 581 359
Inter-segment revenue (property rentals)	**(17 187)**	(15 281)
Discontinued operations revenue	**(5 769)**	(8 760)
Revenue per statement of comprehensive income	**1 743 027**	1 557 318
EBITDA		
Adjusted EBITDA	**94 176**	43 411
Corporate and other overheads	**(4 952)**	(13 287)
Depreciation	**(19 584)**	(14 943)
Inter-segment expenses	**(26 197)**	(15 282)
Loss on disposal of disposal group	**–**	(7 317)
Discontinued operations	**(5 355)**	(1 360)
Operating profit/(loss) per consolidated statement of profit or loss and other comprehensive income	**38 088**	(8 778)
Operating profit/(loss)	**38 088**	(8 778)
Finance income	**349**	1 033
Finance costs	**(9 725)**	(15 723)
Profit/(loss) before taxation per consolidated statement of profit or loss and other comprehensive income	**28 712**	(23 468)
Assets		
Reportable segment assets	**776 499**	771 978
Corporate and other assets	**14 405**	11 904
Current tax receivable	**6 025**	2 776
Deferred tax	**550**	798
Inter-segment eliminations	**(103 131)**	(81 654)
Total assets per statement of financial position	**694 348**	705 802
Liabilities		
Reportable segment liabilities	**255 476**	285 815
Corporate and other liabilities	**17 129**	13 821
Current tax payable	**619**	–
Deferred tax	**22 556**	20 521
Inter-segment eliminations	**(99 702)**	(85 662)
Total liabilities per statement of financial position	**196 078**	234 495

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 737 098 902 (2019: R1 564 172 943) and earned from other countries is R5 928 137 (2019: R1 046 204). Revenue of 34% (2019: 34%) of total revenue was derived from a single external customer.

The total non-current assets other than financial instruments and excluding deferred tax assets located in South Africa is R229 061 500 (2019: R220 010 000) and the total of these non-current assets located in other countries is Rnil (2019: Rnil).

33. Going concern

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

At 31 December 2020, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of twelve months. Various scenarios have been considered to test the Group's resilience against operational risks.

Management has concluded that the Group's ability to continue to meet its financial obligations as they fall due is dependent on the Group's ability to continue to improve its performance, and/or the Group's bankers, FNB, renewing the Group's working capital facilities (refer note 6). Each of these matters present a risk to the Group remaining as a going concern.

The impact of COVID-19 provides for an opportunity in the market and management will continue to capitalise on available market opportunities, seek new markets, and secure and increase market share. Operationally, these goals will continue to be supported by stringent internal cost control measures and continual improvements in both efficiencies and capacity.

The Group has short-term borrowings to the value of R16.6 million (2019: R14 million) as disclosed in note 11 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R200 million (2019: R200 million). The facility is due for renewal during May 2021.

The directors perform a property valuation every three years, with the latest valuation having been performed in 2020. The market valuation of the properties was in excess of the carrying value by R58.7 million at the time. The properties are stated at historical cost less accumulated depreciation and accumulated losses in line with the Group's accounting policy.

34. Events after the reporting period

A final dividend of 3 cents per share was approved by the directors on 10 March 2021 in terms of the general authority granted to the directors. Details of the dividend is set out in note 36.

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

35. Fair value information

Fair value hierarchy

All financial assets and liabilities of the Group is carried at amortised cost which are considered to approximate their fair value, which are considered to be Level 3 fair value measurements based on the principles included in the table below:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

	Group	
	2020 R'000	2019 R'000
36. Dividends per share		
Dividends recommended (R'000)	**6 098**	–
Number of shares in issue ('000)	**203 277**	–
Dividend per share (cents)	**3,00**	–

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2020

37. Impairment assessment

As part of the process of finalising the financial statements management identified the following impairment indicators:

- The net asset value of R498.3 million exceeds the group market capitalisation of R79.3 million (calculated by multiplying the number of share in issue per note 10 by the closing share price at 31 December 2020); and
- the profit/loss from operations has been volatile for the past 3 years, 2020: R21.6 million profit, 2019: R17.2 million loss and 2018: R25.7 million profit.

As a result of this an impairment assessment was performed to determine if the combined recoverable amounts of the two cash generating units ("CGU's"), namely South Ocean Electric Wire Company Proprietary Limited ("SOEW") and Anchor Park Investments 48 Proprietary Limited ("Anchor Park"), exceeded the net asset value of the Group included in the Statements of Financial Position.

The following valuation methods were used:

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

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

The recoverable amount of the SOEW CGU is determined based on the higher of its value in use or fair value less costs to sell. Value in use calculations are prepared using cash flow projections based on financial budgets approved by management and cover a five year period. The estimated growth rates applied are in line with that of the industries in which the companies operate and are materially similar to assumptions of external market sources. The CGU's recoverable amount is most sensitive to the growth rate and gross margin assumptions applied. Management assumed budgeted gross margins and growth rates for the first five years based on past performance and best estimates regarding forecasts taking into account the potential impact of COVID-19 which was considered to be minimal. Cash flows beyond the five year period are extrapolated using the estimated growth rate stated below. The discount rates used are pre tax and reflect the appropriate risk associated with the industry and respective business.

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

Terminal growth rate (Weighted average growth rate used to extrapolate cash flows into perpetuity) 4.7% (2019: 5%).

Discount rate (Weighted after tax discount rate applied to the cash flow projections) 14.8% (2019: 16.8%).

The recoverable amount of Anchor Park CGU is determined based on the higher of its value in use or its fair value less costs to sell. The fair value of the properties was determined by management. The value was performed using a single year's cash flow and applying a capitalisation rate which is the ratio between the net operating income produced by the asset and its capital cost. The single year cash flow was calculated using the square meters available for rental multiplied by the expected market rental per square meter and deducting operating expenses using an expected operating expenses ratio in relation to the derived revenues based on the market rental per square meter. All rates used in the calculation was obtained from publicly available rates prepared by a reputable source. The publicly available information includes the necessary adjustments to consider the impact of COVID-19. The calculation represents the open market value of the properties.

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

Vacancy allowance 3.5% – 5% (2019: 4% – 5%).

Capitalisation rate (weighted average rate used to calculate the market value of the property) 11% 12% (2019: 11% 12%).

After calculating the individual recoverable amounts of the CGU's, and comparing it to the net asset value of the Group, no impairment was identified and recognised for the Group in 2020 (2019: R nil)

37. Impairment assessment (continued)

Sensitivity analysis

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

		Expected change in valuation	
	Change in assumption	Increase in assumption	Decrease in assumption
SOEW			
Discount rate	1.00%	(52 336)	64 064
Revenue growth rate	2.00%	72 054	(67 328)
Gross profit	1.00%	166 998	(166 998)
Terminal growth rate	1.00%	21 576	(17 654)
Anchor Park			
Capitalisation rate	2.00%	(24 491)	30 745
Vacancy allowance	2.00%	(5 803)	2 127

Analysis of Ordinary Shareholders

as at 31 December 2020

Shareholder Spread	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
1 – 1 000	278	44.98	75 158	0.04
1 001 – 10 000	172	27.83	741 551	0.36
10 001 – 100 000	112	18.12	4 279 137	2.11
100 001 – 1 000 000	41	6.64	12 711 121	6.25
Over 1 000 000	15	2.43	185 469 827	91.24
Total	618	100.00	203 276 794	100.00

Shareholder Types	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
Banks, Brokers & Nominees	4	0.65	264 751	0.13
Close Corporations	9	1.46	722 626	0.35
Collective Investment Schemes	3	0.49	8 735 010	4.30
Hedge Funds	1	0.16	470 000	0.23
Non-SA Custodians	1	0.16	2 555 279	1.26
NPO & Charity Funds	1	0.16	1	–
Private Companies	12	1.94	42 296 849	20.81
Public Companies	3	0.48	88 581 705	43.58
Retail Individuals	552	89.32	35 032 107	17.23
Retirement Benefit Funds	5	0.81	2 557 951	1.26
Trusts & Investment Partnerships	27	4.37	22 060 515	10.85
Total	618	100.00	203 276 794	100.00

Key Shareholders	Number of shareholders	% of total shareholding	Number of shares	% of issued capital
Non-Public Shareholders	3	0.49	123 334 698	60.68
Beneficial Holders > 10%	3	0.49	123 334 698	60.68
Directors and Associates (Indirect Holdings)	–	–	–	–
Directors and Associates (Direct Holdings)	–	–	–	–
Public Shareholders	615	99.51	79 942 096	39.32
Total	618	100.00	203 276 794	100.00

Beneficial Shareholders Holding > 3% of issued shares	Number of shares	% of issued capital
Hong Tai Electric Industrial Co Ltd	56 270 187	27.68
Joseph Investments (Pty) Ltd	40 975 623	20.16
Metallic City International Ltd	26 088 888	12.83
HS Family Trust	14 245 992	7.01
Chua Pan Mary Mrs	10 231 862	5.03
Ninety One	7 957 728	3.91
Moneywin International Ltd	6 222 630	3.06
Total	161 992 910	79.68

Fund Managers Holding greater > 3% of the issued shares	Number of shares	% of issued capital
Ninety One	11 335 161	5.58
Total	11 335 161	5.58

Shareholders by Country	Number of shares	% of issued capital
Taiwan	108 215 227	53.24
South Africa	92 449 277	45.48
Belgium	2 555 279	1.26
Botswana	29 898	0.01
Australia	25 000	0.01
Namibia	2 113	–
Total	203 276 794	100.00

Non-Public Shareholder Type

Strategic Shareholders (> 10%)	Number of shares	% of issued capital
Hong Tai Electric Industrial Co Ltd	56 270 187	27.68
Joseph Investments (Pty) Ltd	40 975 623	20.16
Metallic City International Ltd	26 088 888	12.83
	123 334 698	60.67
Non-public shareholder totals	123 334 698	60.67

Market Statistics	Indicator
Opening Price 2 January 2020	R0.40
Closing Price 31 December 2020	R0.39
High for period (January 2020)	R0.40
Low for period (2 & 3 November 2020)	R0.19
Number of shares in issue	203 276 794
Volume traded during period	3 005 349
Ratio of volume traded to shares issued	1.48%
Rand value traded during the period	R690 717
Earnings yield as at 31 December 2020	(35.128)
Price/Earnings Ratio as at 31 December 2020	(2.850)
Market capitalisation at 31 December 2020	R79 277 950

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of South Ocean Holdings Limited ("SOH" or "the Company") will be held virtually on Wednesday, 28 July 2021 at 11:00. The Annual General Meeting will be conducted entirely by electronic communication as contemplated in Section 63 (2) of the Companies Act, 2008. Shareholders or their proxies may only participate in the Annual General Meeting by way of electronic participation. Shareholders will need to access an online meeting platform. Shareholders who wish to participate in the Annual General Meeting are advised to contact Computershare Investor Services Proprietary Limited on +27 11 370 5000 or via email on proxy@computershare.co.za.

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

	2021
Record date for determining those shareholders entitled to receive the notice of AGM	Friday, 23 April
Last day to trade to be eligible to participate in, and vote at the AGM	Tuesday, 20 July
Record date (for voting purposes at the AGM)	Friday, 23 July

The purpose of the Annual General Meeting is to propose the passing of the following ordinary and special resolutions:

1. ORDINARY RESOLUTION NUMBER 1

Approval of Annual Financial Statements

Resolved that the Annual Financial Statements of the Company and its subsidiary companies for the year ended 31 December 2020, together with the reports of the Directors, Auditors and Audit and Risk Management Committee be and are hereby considered and adopted.

2. ORDINARY RESOLUTION NUMBER 2

Appointment of auditors and designated auditor

Resolved that PricewaterhouseCoopers Inc. be and are hereby re-appointed auditors of the Company and that Mrs P Pope is hereby appointed as the designated auditor to hold office for the ensuing year.

The Company's Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as auditors of the Company with Mrs P Pope being appointed as the designated auditor for the current financial year.

3. ORDINARY RESOLUTION NUMBER 3

Re-election of Ms N Lalla as a director

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

The curriculum vitae for Ms N Lalla appears on page 5 of this annual report.

4. ORDINARY RESOLUTION NUMBER 4

Re-election of Mr JH Yeh as a director

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

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

5. ORDINARY RESOLUTION NUMBER 5

Re-election of Mr J Van Rensburg as a director

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

The curriculum vitae for Mr J Van Rensburg appears on page 6 of this annual report.

6. ORDINARY RESOLUTION NUMBER 6

Appointment of Audit and Risk Management Committee member

Resolved that Ms N Lalla be re-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.

The curriculum vitae for Ms N Lalla appears on page 5 of this annual report.

7. ORDINARY RESOLUTION NUMBER 7

Appointment of Audit and Risk Management Committee member

Resolved that Mr HL Li be re-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.

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

8. ORDINARY RESOLUTION NUMBER 8

Appointment of Audit and Risk Management Committee member

Resolved that Mr KH Pon be re-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.

The curriculum vitae for Mr KH Pon appears on page 4 of this annual report.

9. ORDINARY RESOLUTION NUMBER 9

Remuneration Report and Implementation Report

Section 3.84(k) of the JSE Listings Requirements require the Company to submit its Remuneration Report and Implementation Report every year to shareholders for consideration and to provide shareholders with an opportunity to indicate whether they do or do not support the material provisions of the Remuneration Report and policy of the Company and the implementation thereof. Shareholders are referred to the Remuneration Report and the Implementation Report set out on pages 34 to 37 of the Integrated Annual Report.

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

9.1 **Ordinary resolution number 10.1**

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

9.2 **Ordinary resolution number 10.2**

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

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 37 of the annual report, for the financial year ended 31 December 2020, will be tabled at the Annual General Meeting.

10. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' fees for the financial year ending 31 December 2021 and quarters ending 31 March 2022 and 30 June 2022

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 2021 and the quarters ending 31 March 2022 and 30 June 2022 (being two quarters of the fees payable for the year ending 31 December 2021) be approved as follows:

	31 December 2021
• Chairperson	R553 227.00
• Deputy Vice Chairperson	R319 157.00
• Non-Executive Director	R184 410.00
• Non-Executive Director acting as consultant	R300 000.00
• Chairperson of the Audit Committee	R276 613.00
• Member of the Audit Committee	R59 763.00
• Chairperson of the Remuneration Committee	R85 055.00
• Member of the Remuneration Committee	R59 763.00
• Chairperson of the Social and Ethics Committee	R85 055.00
• Member of Social and Ethics Committee	R59 763.00
• Chairperson of Special Committees	R3 586.00 per hour
• Member of Special Committees	R2 152.00 per hour

The reason for special resolution number 1 is to obtain shareholders' approval for the remuneration of each of the non-executive directors of the Company for the financial year ending 31 December 2021 and for the quarters ending 31 March 2022 and 30 June 2022 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the fees payable to the directors for the quarters ended 31 March 2021 and 30 June 2021. 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 2021 and quarters ending 31 March 2022 and 30 June 2022 as well as confirming and ratifying the increase in fees paid to the directors for the quarters ended 31 March 2021 and 30 June 2021. The fees payable for the quarters ending 31 March 2022 and 30 June 2022 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 quarters ending 31 March 2022 and 30 June 2022 at the 2022 Annual General Meeting.

Notice of the Annual General Meeting (continued)

11. SPECIAL RESOLUTION NUMBER 2

Loans or other financial assistance

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

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

12. ORDINARY RESOLUTION NUMBER 10

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.

13. 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 26). 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 page 54;
- the major shareholders of the Company on page 106;
- the directors' shareholding in the Company on page 96; and
- the share capital of the Company in note 10 on page 83.

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 2020 and 15 March 2021.

The directors, whose names are given on page 54 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and beliefs there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the Annual General Meeting.

Entitlement to attend and vote at the Annual General Meeting in person or by proxy

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name in the Company sub-register), as at Friday, 23 July 2021, then:

- You may participate and vote at the Annual General Meeting; alternatively
- You may appoint an individual as a proxy (who need not also be a shareholder of the Company) to participate in and speak and vote in your place at the Annual General Meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover of the annual report. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the Annual General Meeting

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

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE") held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- If you wish to participate at the Annual General Meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- If you are unable to participate at the Annual General Meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the Annual General Meeting and/or request it to appoint a proxy.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to participate and vote at the Annual General Meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover of the annual report.

By order of the Board



WT Green
Company Secretary

Johannesburg
30 April 2021

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 Wednesday, 28 July 2021. Shareholders listed in the shareholder register as at Friday, 23 July 2021 will be eligible to vote at the Annual General Meeting.

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

Each shareholder entitled to participate and vote at the Annual General Meeting is entitled to appoint a proxy (who need not also be a shareholder of the Company) to participate in and speak and vote in place of that shareholder at the Annual General Meeting, and at any adjournment thereafter.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the Annual General Meeting;
- The appointment of the proxy is revocable; and
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the Companies Act, 2008 requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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

I/We _____

Address: _____

Contact telephone number: _____

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

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairperson of the Annual General Meeting,

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

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

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

Number of votes (one vote per ordinary share)		For	Against	Abstain
Ordinary resolution number 1:	Approval of Annual Financial Statements			
Ordinary resolution number 2:	Appointment of the auditors and designated auditor			
Ordinary resolution number 3:	Re-election of Ms N Lalla as a director			
Ordinary resolution number 4:	Re-election of Mr JH Yeh as a director			
Ordinary resolution number 5:	Re-election of Mr J Van Rensburg as a director			
Ordinary resolution number 6:	Re-appointment of Audit and Risk Management Committee member Ms N Lalla			
Ordinary resolution number 7:	Re-appointment of Audit and Risk Management Committee member Mr HI Li			
Ordinary resolution number 8:	Re-appointment of Audit and Risk Management Committee member Mr KH Pon			
Ordinary resolution number 9.1:	Approval of Remuneration report			
Ordinary resolution number 9.2:	Approval of Implementation report			
Special resolution number 1:	Approval of non-executive directors' fees for 2021			
Special resolution number 2:	Approval of loans or other financial assistance to related or inter-related companies			
Ordinary resolution number 10:	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 _____ 2021

Signature: _____

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

Telephone number: _____

Notes to the form of proxy

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

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

- This proxy form must be dated and signed by the shareholder appointing the proxy;
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at the Annual General Meeting on your behalf;
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- This proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to participate on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- If this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act, 2008 or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- Your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this proxy form;
- The appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof or for a period of 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, 23 July 2021 will be eligible to participate and vote at the Annual General Meeting to which this proxy forms part.
2. The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to participate as a proxy to the exclusion of those whose names which follow thereafter.
3. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Proxy forms must be lodged at the Head Office of the Company, 16 Botha Street, Alrode, 1451 or posted to the Company Secretary at PO Box 260362, Excom, 2023, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132, South Africa).
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132, South Africa, together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialed by the signatory/ies, but any such alteration or correction will only be validly made.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Notes

Notes

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 (Chairperson)
HL Li (Deputy Vice Chairperson)
A Smith (Chief Executive Officer)
W Basson (Chief Financial Officer)
N Lalla
M Chong
JH Yeh
CF Chen
J van Rensburg
B Petersen (Alternate)
DJC Pan (Alternate)
J Liu (Alternate)

REGISTERED OFFICE
12 Botha Street
Alrode
1451

Business address
16 Botha Street
Alrode
1451

Postal address
PO Box 123738
Alrode
1451

BANKERS
First National Bank, a division of FirstRand Bank Limited

AUDITORS
PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Jukskei View
Johannesburg, 2090

Telephone: +27(0)12 797 4000

Fax: +27(0)12 797 5800

Website: www.pwc.co.za

SPONSOR
AcasiaCap Advisors Proprietary Limited

20 Stirrup Lane
Woodmead Office Park,
Corner Woodmead Drive and Van Reenens Avenue
Woodmead
2192

Suite #439
Private Bag X29
Gallo Manor
2052

Shareholders' diary

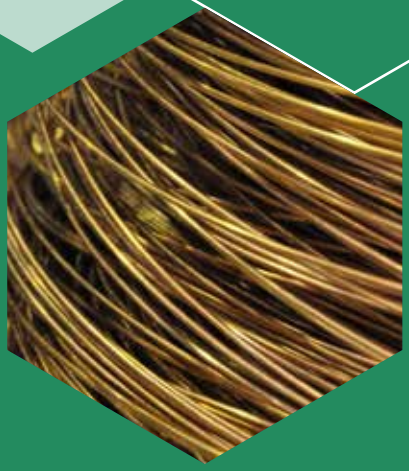
2020 FINANCIAL YEAR-END
Annual General Meeting	28 July 2021

FINANCIAL YEAR-END
Financial year-end	31 December

REPORTS
Interim Report – 2021	August 2021
Final Report – 2021	March 2022
Publication of Integrated Annual Report – 2021	April 2022

DIVIDEND
Final	April 2022

2021 FINANCIAL YEAR-END
Annual General Meeting	July 2022





South Ocean
HOLDINGS

southoceanholdings.co.za