

South Ocean Holdings Limited and its subsidiary companies
(Registration number 2007/002381/06)
Annual Financial Statements
for the year ended 31 December 2021

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Holding company with interest in electrical wire manufacturing and property investment
Directors	Henry KH Pon HL Li N Lalla A Smith WP Basson LL Chen M Chong JH Yeh J van Rensburg SN Yeh (alternate) DJC Pan (alternate)
Registered office	12 Botha Street Alrode 1451
Business address	16 Botha Street Alrode 1451
Postal address	PO Box 123738 Alrode Gauteng 1451
Bankers	First National Bank, a division of FirstRand Bank Limited Bank of Taiwan
Auditor	PricewaterhouseCoopers Inc.
Secretary	WT Green
Registration number	2007/002381/06
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 CA(SA) Group Chief Financial Officer
Issued	31 March 2022

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Contents

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

	Page
Report of the Audit and Risk Management Committee	4 – 7
Directors' responsibilities and approval	8
CEO and FD responsibility statement	9
Company secretary's certification	10
Directors' report	11 – 15
Independent auditor's report	16 – 25
Statement of financial position	26
Statement of profit or loss and other comprehensive income	27
Statement of changes in equity	28
Statement of cash flows	29
Accounting policies	30 – 43
Notes to the Annual Financial Statements	44 – 74

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Report of the Audit and Risk Management Committee

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2021.

The Audit and Risk Management Committee is a statutory committee of the Board and forms an integral component of the Group's governance framework. The Audit and Risk Management Committee has written terms of reference that deal with its membership, authority and duties. In addition to having specific statutory responsibilities to the shareholders in terms of Section 94 of the Companies Act 71 of 2008 of South Africa, the Audit and Risk Management Committee assists the Board by examining, reviewing and advising on the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information; the risk management process; internal financial controls; external and internal audit functions; and statutory and regulatory compliance.

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

1. Composition

The members of the Audit and Risk Management Committee, during the year were: Ms N Lalla CA(SA) (Independent Non-Executive Chairperson), Mr. Henry KH Pon CA(SA) (Independent Non-Executive Director) whom is also the Chairperson of the Board, and Mr. HL Li (Independent Non-Executive Director).

The Committee is satisfied that the members have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 of South Africa and Regulation 42 of the Companies Regulation, 2011.

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

2. Terms of reference

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

3. Meetings

The Audit and Risk Management Committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the all stakeholders.

The Audit and Risk Management Committee held four scheduled meetings during 2021 and all the members attended the Committee meetings.

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

4. Duties

For the year ended 31 December 2021 the Audit and Risk Management Committee met their objectives and carried out their duties as per the statutory requirements.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Report of the Audit and Risk Management Committee

5. External auditor

The Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as the independent auditors and Ms S Akoojee as the designated auditor, who is a registered independent auditor, for the year ending 31 December 2022 audit. The appointment of the auditors for the 2022 financial year will be approved at the next Annual General Meeting.

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

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

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

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

The Audit and Risk Management Committee has satisfied itself through representations that the external auditors are independent and approved the following fees for work done by them. The fees approved during the year for audit services amounted to R2 021 992 (2020: R1 907 540). Fees approved for non-audit services amounted to Rnil (2020: R5 000).

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 2021 and commented on the accounting practices and the effectiveness of the internal controls with regards to:

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Report of the Audit and Risk Management Committee

6. Annual Financial Statements and accounting controls (continue)

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 2021 and 2022;
- satisfied itself with the competence of the internal auditor and adequacy of the internal audit staffing;
- satisfied itself through enquiry that GRIPP Advisory is independent;
- approved the annual risk-based internal audit plan;
- reviewed the internal auditors' assessment of internal controls and confirmed that nothing has come to their attention to indicate any material failure of internal control systems;
- reviewed the internal audit reports and management's response to matters raised;
- reviewed and is satisfied with the quality and effectiveness of the internal audit;
- satisfied itself with the competence of the internal audit firm; and
- satisfied itself with the co-ordination between internal and external auditors.

8. Legal and regulatory compliance

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

9. Review of financial function and Chief Financial Officer

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Report of the Audit and Risk Management Committee

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 Latta CA(SA)
Chairperson: Audit and Risk Management Committee
Johannesburg
31 March 2022

South Ocean Holdings Limited and its subsidiary companies
Annual Financial Statements for the year ended 31 December 2021

Directors' responsibilities and approval

The directors are required in terms of the Companies Act 71 of 2008 of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS").

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

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

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

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

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2022 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditor and their report is presented on pages 18 to 25.

Approval of the Annual Financial Statements

The Annual Financial Statements set out on pages 11 to 15 and pages 28 to 74, which have been prepared on the going concern basis, were approved by the board of directors on 31 March 2022 and were signed on their behalf by:



Henry KH Pon CA(SA)
Independent Non-Executive Chairperson



A Smith
Chief Executive Officer

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

CEO and FD responsibility statement

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 26 to 74, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



A Smith
Chief Executive Officer



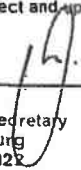
WP Basson
Financial Director (Chief Financial Officer)

South Ocean Holdings Limited

Annual Financial Statements for the year ended 31 December 2021

Company Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act 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
31 March 2022

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Directors' report

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 2021.

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.

2. Financial results

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

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

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

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 increase market share.

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.

Issued share capital

The issued share capital amounts to R2 032 768 (2020: R2 032 768), being 203 276 794 (2020: 203 276 794) ordinary shares of R0.01 each. There were no changes to the issued share capital during the year under review.

4. Special resolutions

At the Annual General Meeting of the Company held on 28 July 2021, shareholders approved the following special resolutions:

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Directors' report

Special Resolution Number 1:

Non-executive directors' fees for the financial year ended 31 December 2021 and quarter ending 31 March 2022 and 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 quarter ending 31 March 2022 and June 2022 (being two quarters of the fees payable for the year ending 31 December 2021) be approved as follows:

Chairperson	R553 227.00
Deputy Vice-Chairperson	R319 157.00
Non-Executive Director	R184 410.00
Chairperson of the Audit Committee	R276 613.00
Member of the Audit Committee	R 59 763.00
Chairperson of the Remuneration Committee	R 85 055.00
Member of the Remuneration Committee	R 59 763.00
Chairperson of the Social and Ethics Committee	R 85 055.00
Member of the Social and Ethics Committee	R 59 763.00
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 shareholder 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 ending 31 March 2021 and 30 June 2021. The fees payable for the quarter 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

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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Directors' report

6. Directorate

The directors in office during the year are as follows:

Directors	Designation	Nationality	Changes
A Smith	Executive	South African	Appointed 1 March 2021
WP Basson	Executive	South African	
KH Pon	Non-executive Independent	South African	
HL Li	Non-executive Independent	Taiwanese	
N Lalla	Non-executive Independent	South African	
M Chong	Non-executive Independent	South African	
JH Yeh	Non-executive	Taiwanese	
LL Chen	Non-executive	Hong Kong	Appointed 1 March 2022
J van Rensburg	Non-executive	South Africa	Appointed 10 March 2021
CF Chen	Non-executive	Taiwanese	Resigned 27 January 2022
DJC Pan (alternate)	Non-executive	Brazilian	
SN Yeh (alternate)	Non-executive	Taiwanese	Appointed 1 March 2022
J Liu (alternate)	Non-executive	Taiwanese	Resigned 27 January 2022
B Petersen (alternate)	Non-executive Independent	South African	Resigned as director and appointed as alternate on 10 March 2021 and resigned as alternate on 12 July 2021.

7. Directors' emoluments

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

8. Dividends

Taking into account the earnings performance for the year ended 31 December 2021, notice is hereby given that a dividend of 9 cents per ordinary share was approved by the directors on 9 March 2022, payable to shareholders recorded in the share register of the Company at the close of business on 22 April 2022.

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

Last day of trade cum dividend	Tuesday, 19 April 2022
Trading ex dividend commences	Wednesday, 20 April 2022
Record date	Friday 22 April 2022
Dividend payment date	Monday, 25 April 2022

Share certificates were not dematerialised or rematerialised between Wednesday 20 April 2022 and Friday 22 April 2022, 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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Directors' report

10. Secretary

The company secretary is Mr WT Green.

Postal address: P.O. Box 123738
Alrode
1451

Business address: 21 West Street
Houghton
2198

11. Directors' interests in shares

The interest of directors in the issued share capital of the Company as at 31 December 2021 was as follows:

Interests in shares		
Directors	2021 Indirect	Percentage of issued share capital
J van Rensburg	62,119,517	30.56%

No shares were traded by any director from 31 December 2021 until the date of this report.

12. Share-based payments

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

13. Management by third and related parties

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

14. Interests in subsidiaries

Details of material interests in subsidiary companies are presented in the Annual Financial Statements in notes 5 and 29.

15. Auditor

PricewaterhouseCoopers Inc. continued in office as auditors for the Company and its subsidiaries for the year ended 31 December 2021.

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 Ms S Akoojee as the designated lead audit partner for the 2022 annual financial year.

16. Events after the reporting period

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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Directors' report

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 2021, the Group's assets, fairly valued, exceeded its liabilities. Furthermore, management assessed the Group's liquidity forecasts for a period of twelve months. Various scenarios have been considered to test the Group's resilience against operational risks.

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

The 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 R13.5 million (2020: R16.6 million) as disclosed in note 11 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R250 million (2020: R200 million). The facility is due for renewal during May 2022.

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

18. Liquidity and solvency

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

19. Forensic investigation

During the financial year a whistle-blower alleged that, in or during 2013 and 2014, certain of the Company's staff may have been involved in a stock rolling scheme. The Company commissioned a forensic investigation which did not identify any stock losses or any material financial effect in the current or comparative financial year. The Company's auditors reported a reportable irregularity to the Independent Regulatory Board for Auditors in terms of their responsibilities in accordance with Section 45 of the Auditing Professions Act. None of the individuals implicated are still with the Company and the Company has implemented improvements to its policies, procedures and implemented electronic systems during 2015 in order to prevent future recurrence of the matter. The auditors have subsequently reported to the IRBA that in its view the reportable irregularity is no longer ongoing and that the Company has taken sufficient and appropriate steps to prevent or recover any loss as a result thereof, if relevant.



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 2021, 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 26 to 74 comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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)*.

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview

	<p>Overall group materiality</p> <ul style="list-style-type: none"> Overall group materiality: R 10,007,731 which represents 0.5% of consolidated revenue.
	<p>Group audit scope</p> <ul style="list-style-type: none"> The Group consists of five components. We conducted a full scope audit for two of the components based on their financial significance to the group and the audit risk associated with them. Independent review procedures were performed on another two components 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 component.
	<p>Key audit matters</p> <ul style="list-style-type: none"> Impairment assessment of cash generating units.

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.



<i>Overall group materiality</i>	R 10,007,731
<i>How we determined it</i>	0.5% of total consolidated revenue.
<i>Rationale for the materiality benchmark applied</i>	We chose total consolidated revenue as our benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by shareholders and other users of the consolidated financial statements. We chose 0.5% which is consistent with quantitative materiality thresholds used for similarly geared companies in this sector.

How we tailored our group audit scope

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

The Group consists of the holding company, one operating subsidiary, one property investment company, one foreign procurement company and one dormant company. We performed full scope audits for the holding company and the operating subsidiary based on their financial significance to the group and the audit risk associated with these components. Independent review 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 the audit work across all the components.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of cash generating units</p> <p>Refer to Note 30: Financial Instruments and Risk Management in the consolidated financial statements for detail.</p>	<p>Utilising our valuations expertise, we performed the following audit procedures over management's impairment assessment of the SOEW cash generating unit:</p> <ul style="list-style-type: none"> We evaluated the valuation methodology used by management in their value in use model against the

Management identified an impairment indicator which provided evidence that the assets of the Group may be impaired as at the reporting date in accordance with International Accounting Standard 36 "Impairment of Assets" ("IAS 36").

The impairment indicator identified was that the Group's net asset value of R567.254 million exceeded the Group's market capitalization of R262.227 million as at 31 December 2021.

Management performed an impairment assessment to determine if the 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"), exceed the net asset value of the Group as at 31 December 2021.

The following valuation methods were used:

- SOEW - income approach to calculate the value in use (a value in use calculation was prepared using cash flow projections based on financial budgets approved by management that cover a five-year period and a terminal year); and
- Anchor Park - fair value less costs of disposal performed by management.

The following key assumptions were applied in the valuations:

SOEW

- Terminal growth rate;
- Discount rate;
- Revenue growth rates; 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 Group in the current reporting period.

We considered the impairment assessment of

requirements of IFRS 13 "Fair value measurement" ("IFRS 13"). We found management's valuation model to be in line with the IFRS 13 requirements;

- We tested management's cash flow forecast by comparing the key inputs to the approved budget. We found no material discrepancies;
- We assessed the reasonableness of management's budgeting process by comparing the budgeted figures for the 2015 to 2021 financial years to the actual results for these years. We evaluated any significant differences noted against underlying support to corroborate explanations obtained from management. We found management's budgeting process to be reasonable;
- We tested management's key assumptions applied for revenue growth and gross profit margins by comparing these to the historical actual average revenue growth rate and gross profit margins for the 2010 to 2021 financial years. The rates used by management were found to be within an acceptable range and management's assumptions were found to be comparable;
- We tested the mathematical accuracy of management's valuation model by recalculating the value in use and we did not note any discrepancies requiring further consideration;
- We compared the value in use of the CGU to the net asset value of the same CGU and noted no impairment required;
- We independently recalculated the weighted average cost of capital discount rate taking into account independently obtained data such as the cost of debt, risk-free rate, market risk premium, capital structure as well as the beta of comparable companies. Where differences were noted between



the CGU's to be a matter of most significance to our current year audit due to the following:

- Inherent subjectivity of the key assumptions that underpin the valuations of the CGU's and the heightened uncertainty involved in making these assumptions; and
- The magnitude of the Group Net Asset value as recorded in the consolidated statement of financial position.

the respective discount rate, we obtained an understanding of the reasons and incorporated our independently calculated discount rate as part of our sensitivity analysis testing to assess the impact of the differences noted in the discount rate on the valuation results. Management's discount rate was within an acceptable range and there was enough headroom with no further consideration required;

- The terminal growth rate as used by management was compared to the long-term inflation rate obtained from independent sources. Where differences were noted between the respective growth rates, we obtained an understanding of the reasons for these differences and incorporated the independently obtained growth rates as part of our sensitivity analysis testing to assess the impact of the differences in the growth rates noted on the valuation results. No material differences were noted; and
- We performed sensitivity analyses on the inputs and assumptions used by management in their valuation model relating to the revenue growth rates, gross margins, discount rate and terminal growth rate to evaluate the minimum changes in these inputs that would result in a material change to the value in use calculation for both disclosure and measurement purposes. We did not note any aspect requiring further consideration.

We calculated the value in use using the independently determined discount rate and terminal growth rate as applied to management's forecasts and compared this independently calculated value in use to the value in use calculated by management and noted no material differences.

We performed the following audit procedures over management's impairment assessment of the Anchor Park cash generating unit:

- We evaluated the valuation methodology used by management in their fair value less costs of disposal model against the requirements of IFRS 13. We found management's valuation model to be in line with the IFRS 13 requirements;
- We tested the key assumptions used by management's expert in the model relating to the capitalisation rates and vacancy allowances by comparing these to publicly available rates from a reputable source. We noted that the capitalisation rates and vacancy allowances were comparable to the published data;
- We tested the mathematical accuracy of management's valuation model by agreeing fair values used by management in the model to the fair values as determined by management's independent valuer and we did not note any discrepancies requiring further consideration;
- We assessed management expert's competence, capabilities and objectivity by obtaining and inspecting his professional qualifications, verified that he is a registered valuer who is employed by a reputable property valuation company and has a number of years of practical experience in the industrial property market. We noted that management's expert has the necessary competence, capabilities and objectivity to perform the valuation of the properties;
- We performed a reasonability test on management's costs to sell by taking into account what would make up the costs to sell in the area the properties are located, the type of assets being sold and all other costs necessary to bring an asset into condition for its sale. We found management's estimate to be reasonable;

- We compared the fair value less costs to sell to the net asset value of the CGU and noted no impairment required; and
- We performed sensitivity analyses on the inputs and assumptions used by management's expert in his valuation model relating to the capitalisation rate and vacancy allowances to evaluate the minimum changes in these inputs that would result in a material change to the fair value calculation for both disclosure and measurement purposes. We did not note any aspect requiring further consideration.
- We agreed the information disclosed in the financial statements relating to valuation methods used, and the percentages for the key assumptions used in the current and prior year to the work performed as noted above and the prior year audited financial statements. In addition, we ensured that the disclosures included in the financial statements were in accordance with the requirements of IAS 36. We did not note any aspect requiring further consideration.

We compared the recoverable amounts of the SOEW and Anchor Park CGUs, to the net asset value and noted no impairment.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "South Ocean Holdings Limited and its subsidiary companies Annual Financial Statements for the year ended 31 December 2021," 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, and "South Ocean Holdings Limited Annual Financial Statements for the year ended 31 December 2021" 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 2021" which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.



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

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

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

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and 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 13 years. Prior to its incorporation, the business of South Ocean Holdings Limited was transacted



through South Ocean Electric Wire Company Proprietary Limited , of which PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 31 years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such a matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in note 35 to the financial statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: S. Akoojee
Registered Auditor
Johannesburg, South Africa
31 March 2022

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Statement of financial position as at 31 December 2021

Figures in Rand thousand	Note	Group	
		2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	3	200 645	220 358
Right-of-use assets	4	6 304	8 703
Deferred tax assets	5	583	550
		207 532	229 611
Current Assets			
Inventories	6	209 500	182 345
Trade and other receivables	7	198 452	255 622
Current tax receivable		-	6 025
Cash and cash equivalents	8	139 974	20 745
		547 926	464 737
Total Assets		755 458	694 348
Equity and Liabilities			
Equity			
Share capital	10	461 343	461 343
Reserves		451	434
Retained earnings		105 460	36 493
		567 254	498 270
Liabilities			
Non-Current Liabilities			
Interest-bearing borrowings	11	33 814	27 290
Lease liabilities	4	4 574	6 872
Deferred tax liabilities	5	25 165	22 556
Share-based payment liabilities	12	11 662	2 776
		75 215	59 494
Current Liabilities			
Trade and other payables	13	94 509	115 793
Interest-bearing borrowings	11	13 529	16 575
Lease liabilities	4	1 944	2 399
Current tax payable		3 007	619
Share-based payment liabilities	12	-	1 198
		112 989	136 584
Total Liabilities		188 204	196 078
Total Equity and Liabilities		755 458	694 348

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Statement of profit or loss and other comprehensive income

Figures in Rand thousand	Note	Group	
		2021	2020
Revenue	14	2 001 546	1 743 027
Cost of sales	16	(1 826 053)	(1 658 733)
Gross profit		175 493	84 294
Other operating income	15	6 591	3 881
Other operating profit/(loss)	16	342	(196)
Administration expenses	16	(53 562)	(24 859)
Distribution expenses	16	(2 627)	(2 093)
Operating expenses	16	(13 289)	(22 939)
Movement in credit loss allowance	16	(754)	-
Operating profit		112 194	38 088
Finance income	18	224	349
Finance costs	19	(6 333)	(9 725)
Profit before taxation		106 085	28 712
Tax	20	(31 020)	(7 128)
Profit from continuing operations		75 065	21 584
Discontinued operations			
Profit from discontinued operations	9	-	5 355
Profit for the year		75 065	26 939
Other comprehensive income for the year net of taxation	21	17	24
Total comprehensive income for the year		75 082	26 963
Earnings per share			
Basic and diluted earnings per share (cents):			
From continuing operations		36.93	10.62
From discontinued operations		-	2.63
Total earnings per share (cents)	22	36.93	13.25
Dividend per share (cents)	34	9.00	3.00

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Statement of changes in equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve*	Retained earnings	Total equity
Figures in Rand thousand						
Group						
Balance at 01 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 01 January 2021	1 743	459 600	461 343	434	36 493	498 270
Profit for the year	-	-	-	-	75 065	75 065
Dividend paid	-	-	-	-	(6 098)	(6 098)
Other comprehensive income	-	-	-	17	-	17
Total comprehensive income for the year	-	-	-	17	68 967	68 984
Balance at 31 December 2021	1 743	459 600	461 343	451	105 460	567 254
Note	10	10	10			

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Statement of cash flows

Figures in Rand thousand	Note	Group	
		2021	2020
Cash flows from / (used in) operating activities			
Cash generated from operations	23	152 452	1 898
Interest received	18	224	349
Interest paid	19	(6 333)	(9 725)
Tax paid	24	(20 031)	(7 476)
Net cash from / (used in) operating activities		126 312	(14 954)
Cash flows (used in) / from investing activities			
Purchase of property, plant and equipment		(2 250)	(33 349)
Proceeds on disposal of property, plant and equipment	25	523	86 120
Net cash (used in) / from investing activities		(1 727)	52 771
Cash flows (used in) / from financing activities			
Repayment of interest-bearing borrowings	26	(16 722)	(14 588)
Payment of dividends	35	(6 098)	-
Proceeds from interest-bearing borrowings	26	20 200	18 038
Repayment of lease liabilities	26	(2 753)	(1 784)
Net cash (used in) / from financing activities		(5 373)	1 666
Total cash and cash equivalents movement for the year		119 212	39 483
Cash and cash equivalents at the beginning of the year		20 745	(18 762)
Effect of exchange rate movement on cash balances		17	24
Total cash and cash equivalents at end of the year	8	139 974	20 745

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

1. Presentation of the Annual Financial Statements

General Information

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

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

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

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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

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.

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

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

Borrowing cost are not capitalised on capital work in progress.

1.3 Leases

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

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

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

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

Group as lessee

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

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.

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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation gets applied on a straight line basis.

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

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

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

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

1.4 Share capital

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

Ordinary shares are classified as equity.

1.5 Translation of foreign currencies

Functional and presentation currency

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

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

Foreign currency transactions

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

At the end of the reporting period:

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

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

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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

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

1.6 Inventories

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

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

Provision is made for slow moving goods and obsolete inventories.

1.7 Impairment of non-financial assets

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

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

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

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

1.8 Financial instruments

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

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

Financial assets which are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost.

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

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

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

1.8 Financial instruments (continued)

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 finance income (note 18).

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

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

Impairment

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

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

Measurement and recognition of expected credit losses

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

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

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in the statement of other comprehensive income and is separately disclosed in terms of IFRS 9.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

1.8 Financial instruments (continued)

Write off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 7) and the financial instruments and risk management note (note 30).

Borrowings

Classification

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

Recognition and measurement

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

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

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

Trade and other payables

Classification

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

Recognition and measurement

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

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

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

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

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

1.8 Financial instruments (continued)

Trade and other payables denominated in foreign currencies

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at the bank, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

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. As a result, any impact from right of return has been concluded to be immaterial.

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

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

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

Rental income

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

1.11 Finance income

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

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).

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

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

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

Income tax expenses

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

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

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

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

1.14 Share based payments

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

The fair value of the instrument granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employees' remuneration in employee costs (note 17).

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

1.15 Provisions

Provisions are recognised when:

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

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

1.16 Significant judgements and sources of estimation uncertainty

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

Share-based payments (estimate)

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

Tax (judgement and estimate)

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

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

Impairment of inventory (judgement)

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

Impairment of trade receivables (judgement)

The Company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date. The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Accounting policies

Bank overdraft (judgement)

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

Incremental borrowing rate (judgement)

To determine the incremental borrowing rate, the Group:

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

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

1.17 Related party transactions

All subsidiaries, major shareholders and key management personnel of the Group are related parties. A list of all transactions with major subsidiaries, major shareholders and key management personnel is included in note 27. All transactions entered into with subsidiaries were on terms no more favourable than those with third parties and have been eliminated in the consolidated Group accounts. There were no other material contracts with related parties.

1.18 Earnings (loss) per share

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

1.19 Headline earnings (loss) per share

Headline earnings (loss) per share is based on the same calculation as above, except that attributable loss specifically excludes items as set out in Circular 1/2021: "Headline Earnings" issued by The South African Institute of Chartered Accountants. Fully diluted headline earnings (loss) per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings (loss) per share.

1.20 Cost of sales

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

1.21 Dividends

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

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:
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	01 January 2021	The impact of the standard is not material
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	The impact of the standard is not material
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	The impact of the standard is not material
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	The impact of the standard is not material
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	The impact of the standard is not material
• COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

3. Property, plant and equipment

Group	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	102 460	(10 974)	91 486	102 310	(9 970)	92 340
Plant and machinery	243 083	(147 441)	95 642	237 066	(130 156)	106 910
Furniture and fixtures	24 628	(20 490)	4 138	24 526	(18 074)	6 452
Motor vehicles	14 209	(8 735)	5 474	13 691	(7 716)	5 975
Capital work-in-progress	3 905	-	3 905	8 681	-	8 681
Total	388 285	(187 640)	200 645	386 274	(165 916)	220 358

Reconciliation of property, plant and equipment - Group – 2021

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

Reconciliation of property, plant and equipment - Group – 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
3. Property, plant and equipment (continue)		
Property, plant and equipment encumbered as security		
Carrying value of assets pledged as security for interest-bearing borrowings (note 11):		
Buildings	91 486	92 340
Plant and machinery	10 827	22 438
Motor vehicles	1 325	2 540
A register containing the information required by Regulation 25(3) of the Companies Regulations is available for inspection at the registered office of the Company.		
4. Leases (Group as lessee)		
The Group leases several assets consisting motor vehicles. The average lease term is 3 years and the interest rate ranges from 7.5% to 10.25%. There is an option to extend and or to terminate the contracts. The contracts have no residual values, guarantees or restrictions.		
Net carrying amounts of right-of-use assets		
The carrying amounts of right-of-use assets are as follows:		
Motor vehicles	6 304	8 703
	6 304	8 703
Additions (terminations) to right-of-use assets		
Motor vehicles	-	608
Motor vehicles	-	(5 006)
	-	(4 398)
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	2 399	2 070
	2 399	2 070
Other disclosures		
Interest expense on lease liabilities	796	803
Capital repayment on lease liabilities	2 753	1 784
Total cash outflow for leases	3 549	2 587
Leases of low value assets included in operating expenses	611	615

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
4. Leases (continued)		
Lease liabilities		
Non-current liabilities	4 574	6 872
Current liabilities	1 944	2 399
	6 518	9 271

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

5. Deferred tax

The deferred tax asset and the deferred tax liabilities are calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2020: 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:

Deferred tax asset

Tax losses	4 297	2 467
Provisions	6 824	6 071
Total deferred tax asset	11 121	8 538

Deferred tax liability

Property plant and equipment	(35 703)	(30 544)
Deferred tax liability	(35 703)	(30 544)
Deferred tax asset	11 121	8 538
Total net deferred tax liability	(24 582)	(22 006)

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
5. Deferred tax (continued)		
Reconciliation of deferred tax (liability) asset		
At beginning of year	(22 006)	(19 724)
Current year tax losses raised / (utilised)	1 830	(5 642)
Temporary differences on capital allowances	(5 158)	1 562
Temporary differences on provisions	752	1 798
At end of year	(24 582)	(22 006)
Disclosed as		
Non-current assets	583	550
Non-current liabilities	(25 165)	(22 556)
	(24 582)	(22 006)

Group

	Tax losses	Capital Allowances	Provisions	Total
	R'000	R'000	R'000	R'000
2021				
Opening balance	2 467	(30 544)	6 071	(22 006)
Charged to the statement of comprehensive income	1 830	(5 159)	753	(2 576)
Closing balance	4 297	(35 703)	6 824	(24 582)
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)

Recognition of deferred tax asset

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

Unremitted earnings from a foreign entity

The unremitted earnings from foreign entities is a loss of R112 095 (2020: R8 894 loss). Deferred tax on the future remittances has not been provided for as the future dividends will not be subject to tax in South Africa.

6. Inventories

Raw materials, components	29 369	45 019
Work in progress	120 142	107 947
Finished goods	42 727	12 921
Consumable stores	17 262	16 458
	209 500	182 345

The cost of inventories recognised as an expense and included in cost of sales is R1 691 855 161 (2020: R1 485 619 706).

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
7. Trade and other receivables		
Financial instruments:		
Trade receivables	184 784	248 691
Other receivables	6 864	5 318
Loss allowance	(2 337)	(1 583)
Trade receivables at amortised cost	189 311	252 426
Non-financial instruments:		
South African Revenue Services - VAT receivable	6 485	86
Deposits	2 536	232
Prepayments	120	2 878
Total trade and other receivables	198 452	255 622

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

Financial instruments	189 311	252 426
Non-financial instruments	9 141	3 196
	198 452	255 622

Trade and other receivables pledged as security

60% (2020:80%) of the carrying value of trade and other receivables were pledged as security for overdraft facilities limited to R250 000 000 (2020: R200 000 000) of the Group. At year end the overdraft amounted to Rnil (2020: Rnil).

Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited. The Group is exposed to 20% (2020: 15%) trade receivables within their credit limits 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 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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

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	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Not past due: 0.39% (2020: 0.18%)	81 277	320	113 924	208
Less than 30 days past due: 1.07% (2020: 0.31%)	104 835	1 119	124 787	384
31 - 60 days past due: 0.31% (2020: 1.01%)	10 253	32	14 486	147
61 - 90 days past due: 79.16% (2020: 99.5%)	1 094	866	848	844
Total	197 459	2 337	254 045	1 583

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

Reconciliation of loss allowances

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

Opening balance	(1 583)	(744)
Expected credit loss on new trade receivables	(170)	(117)
Expected credit loss on trade receivables with increased risk	(584)	(722)
Closing balance	(2 337)	(1 583)

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.

Rand Amount		
Rand	198 452	255 622

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	139 961	20 684
Cash on hand	13	61
	139 974	20 745

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.

Rand amount		
Rand	124 411	14 668
US Dollar	9 000	-
Hong Kong Dollar	6 563	6 077
	139 974	20 745

Disclosed as

Current assets	139 974	20 745
----------------	---------	--------

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

Ba1 (2020: Ba2) - First National Bank, a division of FirstRand Bank Limited

Aa3 (2020: Aa3) - Bank of Taiwan

AA- (2020: Aa-) – HSBC Hong Kong

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
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 2022 and has been included in other receivables in note 7.		
Discontinuing operations		
Revenue	-	5 769
Gross profit	-	5 769
Total expenses	-	(414)
Operating profit	-	5 355
Profit before taxation	-	5 355
Profit for the year	-	5 355
Cash flow		
Net cash inflow from operating activities	-	5 355
Net cash inflow from investing activities	-	86 000
10. Share capital		
Authorised		
500 000 000 Ordinary shares of R0,01 each	5 000	5 000
Issued		
203 276 794 Fully paid ordinary shares	1 743	1 743
Share premium	459 600	459 600
	461 343	461 343

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
11. Interest-bearing borrowings		
Mortgage bond		
First National Bank, a division of FirstRand Bank Limited: 3-000-013-732-425	12 342	16 440
First National Bank, a division of FirstRand Bank Limited: 3-000-012-798-538	-	1 480
First National Bank, a division of FirstRand Bank Limited: 3-000-013-460-751	4 454	6 306
First National Bank, a division of FirstRand Bank Limited: 3-000-017-904-697	20 113	-
Other Loans		
Instalment sales agreement	10 434	19 639
	47 343	43 865
Non-current liabilities		
Mortgage bonds	28 856	16 857
Instalment sales agreements	4 958	10 433
	33 814	27 290
Current liabilities		
Mortgage bonds	8 053	7 369
Instalment sales agreements	5 476	9 206
	13 529	16 575

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

Borrowing powers

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

Securities

The interest-bearing borrowings are secured as follows:

First National Bank, a division of FirstRand Bank Limited

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

Loan agreement 3-000-013-732-425 for 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 7.25% (2020: 7.00%). The loan is repayable in monthly instalments of R419 432 (2020: R418 699) inclusive of interest.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

11. Interest-bearing borrowings (continued)

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 0.5% per annum. The prime lending rate at year end is 7.25% (2020: 7.0%). This loan was fully repaid in the 2021 year. The loan was repayable in monthly instalments of R298 968 inclusive of interest at the end of the 2020 year.

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 7.25% (2020: 7.00%). The loan is repayable in monthly instalments of R183 243 (2020: R183 100) inclusive of interest.

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

Erf 685 Alrode Extension 2 Township of R24 000 000 and a cession of all rights, title, and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 0.50% per annum. The prime lending rate at year end is 7.25%. The loan is repayable in monthly instalments of R229 366 inclusive of interest. The loan is secured by a cross suretyship for R300 000 dated 13 May 2019 by Anchor Park and SOEW, and a cross suretyship for R30 000 000 dated 23 June 2021 by Anchor Park and SOEW.

Other loans

Instalment sale agreements are secured by the underlying assets with a net book value of R12 152 000 (2020: R24 978 000), bear interest at rates varying from 8.95% to 10.25% (2020: ranged between 8.75% to 9.25%) and are repayable over 36 months (note 3).

Exposure to liquidity risk

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

Banking facilities

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

First National Bank Limited, a division of FirstRand Bank Limited

The Group has an overdraft facility with First National Bank of R250 million (2020: 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, a general notarial bond over stock for the amount of R50 million, as well as noting the bank's interest and deed of negative pledge of assets. The overdraft is also secured by a bond of R30 million (2020: R30 million) registered over Erf 688 Alrode, extension 1. The facility, when utilised, bears interest at prime (2020: prime). The unused facility at year end amounted to R250 million (2020: R200 million). The facility is renewable annually in May. The Group has an instalment sale facility of R30 million (2020: R20 million) with the same bank, of which R19.64 million (2020: R0.36 million) was unutilised at year end.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	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 2021, if not exercised in 2021, they can be exercised in 2022. 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:

	2021	2020
Share price (Volume Weighted Average Price)	R 1.29	R0.25
Strike price: SOH	R 0.25	R0.39
Strike price: SOEW	R11.52	R7.59
Spot price: SOH	R 0.25	R0.39
Spot price: SOEW	R29.59	R11.52
Dividend yield	0.00%	0.00%
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.

Rights granted

Grant date	1 January 2021	1 January 2020
Grant price: SOEW	R11.52	R7.59
Grant price: SOH	R 0.25	R0.39
Number of units granted	8 733	4 659

Reconciliation of liability

Opening balance	3 974	1 738
Charge in statement of comprehensive income	7 688	2 236
Closing balance	11 662	3 974

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
12. Share-based payment liabilities (continued)		
Non-current liabilities	11 662	2 776
Current liabilities	-	1 198
	11 662	3 974

Reconciliation of units		
Opening balance	9 588	27 941
Units granted	11 607	4 659
Equity units forfeited / Encashment of units	(5 046)	(23 012)
Closing balance	16 149	9 588

Units comprise a combination of SOH and SOEW units.

At year end Rnil (2020: Rnil) shares have vested with an intrinsic value of Rnil (2020: Rnil).

Directors interest in long term incentive plans	Number of SAR Units	Value R '000
2021		
A Smith	4 922	1 652
W Basson	2 753	921

13. Trade and other payables

Financial instruments:		
Trade payables	56 470	77 308
Accruals and provisions	29 640	22 659
Deposits received	212	-
Non-financial instruments:		
Payroll accruals	7 962	10 974
Deposits received	-	100
South African Revenue Services - VAT payable	225	1 347
Claim provision	-	3 405
	94 509	115 793

Financial instrument and non-financial instrument components of trade and other payables

Financial instruments	86 322	99 967
Non-financial instruments	8 187	15 826
	94 509	115 793

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

13. Trade and other payables (continued)

Exposure to currency risk

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

Rand Amount		
US Dollar	11 723	1 887
Hong Kong Dollar	5 458	5 018
	17 181	6 905

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

14. Revenue

Revenue from contracts with customers		
Sale of goods	2 001 091	1 742 563
	2 001 091	1 742 563

Revenue other than from contracts with customers		
Rental Income	455	464
	455	464
	2 001 546	1 743 027

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	1 985 052	1 717 983
Aluminium cable sold	9 639	2 150
Conduit sold	6 400	22 430
Total revenue from contracts with customers	2 001 091	1 742 563

15. Other operating income

Profit on exchange differences	6 483	3 640
Sundry income	108	241
	6 591	3 881

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
16. Expenses by nature		
The total cost of sales and other operating expenses are analysed by nature as follows:		
Auditors remuneration	2 732	2 240
Depreciation	24 381	19 584
Electricity and water	26 290	23 964
Employee benefit expense	137 053	127 012
Freight	2 627	2 093
Changes in inventories of finished goods and WIP	(42 000)	(25 447)
Insurance - trade receivables	3 591	3 637
Insurance - other	87	3 879
Loss allowance movement	754	839
Loss on disposal of assets	(342)	196
Claim provision	(855)	1 105
Motor vehicle expenses	5 107	3 593
Other expenses	30 660	8 711
Professional fees	2 648	1 472
Rates and taxes	1 251	2 958
Raw materials and consumables purchased	1 688 920	1 514 686
Repairs and maintenance	9 508	15 117
Secretarial fees	233	220
Security expenses	2 687	2 346
Low value leases	611	615
Total cost of sales, administration, distribution and operating expenses	1 895 943	1 708 820

17. Employee benefit expense

Salaries, wages and bonuses	123 739	119 137
Share-based payment expense	7 688	2 236
Pension and provident fund contributions	5 626	5 639
	137 053	127 012

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	430	473
Part time	8	7
	438	480

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
18. Finance income		
Bank and other cash	129	269
Other	95	80
Total finance income	224	349
19. Finance costs		
Mortgage bonds	1 659	2 087
Instalment sale agreements	918	889
Bank overdraft	2 601	5 708
Lease liabilities	796	803
Other	359	238
Total finance costs	6 333	9 725
20. Tax		
Major components of the tax expense /(income)		
Current		
Local income tax - current period	28 444	4 846
Deferred		
Originating and reversing temporary differences - current period	2 576	2 282
	31 020	7 128
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit - continuing	106 085	28 712
Accounting profit - discontinued	-	5 355
Tax at the applicable tax rate of 28% (2020: 28%)	29 704	9 538
Tax effect of adjustments on taxable income		
Expenses of a capital nature which are not deductible	-	42
Non-deductible interest	-	92
Unprovided deferred tax asset	1 555	(2 854)
Claim provision	(239)	310
	31 020	7 128

No provision has been made for 2021 tax as the Group has assessed losses. The details of the assessable losses are disclosed in note 5.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

21. Other comprehensive income

Components of other comprehensive income - Group – 2021

	Gross	Tax	Net
Items that may be reclassified to income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	17	-	17
	17	-	17

Components of other comprehensive income - Group – 2020

	Gross	Tax	Net
Items that may be reclassified to income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	24	-	24
	24	-	24

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
22. Earnings per share		
Basic and diluted earnings per share of continuing and discontinued operations (cents)	36.93	13.25
Profit for the year	75 065	26 939
Headline earnings per share		
Headline earnings and diluted headline earnings per share (cents)	36.81	13.32
Reconciliation between earnings and headline earnings		
Profit for the year	75 065	26 939
(Profit)/Loss on disposal of property, plant and equipment	(342)	196
Tax effect on adjustments	96	(55)
Headline earnings	74 819	27 080
Number of shares in issue ('000)	203 277	203 277
Headline and diluted headline earnings continuing operations(cents)	36.81	10.69
Headline and diluted headline earnings of discontinued operations(cents)	-	2.63
	36.81	13.32
Weighted average number of shares	2021	2020
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

23. Cash generated from operations

Profit before taxation from operations	106 085	34 067
Adjustments for:		
Depreciation	24 381	19 584
Finance income	(224)	(349)
Finance costs	6 333	9 725
Share-based payment provision	7 688	2 236
(Profit)/Loss on disposal of property, plant and equipment	(342)	196
Changes in working capital:		
Inventories	(27 155)	(6 651)
Trade and other receivables	57 170	(50 887)
Trade and other payables	(21 484)	(6 023)
	152 452	1 898

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group			
	2021	2020		
24. Tax paid				
Balance at beginning of the year	5 406	2 776		
Current tax for the year recognised in profit or loss	(28 444)	(4 846)		
Balance at end of the year	3 007	(5 406)		
	(20 031)	(7 476)		
25. Proceeds on disposal of property, plant and equipment				
Profit/(Loss) on disposal of property, plant and equipment	342	(196)		
Net book amount of assets disposed of	132	316		
Non-current asset held for disposal	49	86 000		
	523	86 120		
26. Net debt reconciliation				
Cash and cash equivalents	139 974	20 745		
Interest bearing borrowings repayable within one year	(13 529)	(16 575)		
Interest bearing borrowings repayable after one year	(33 814)	(27 290)		
Lease liabilities repayable within one year	(1 944)	(2 399)		
Lease liabilities repayable after one year	(4 574)	(6 872)		
Net debt	86 113	(32 391)		
Net debt movement reconciliation – Group	Cash and cash equivalents	Interest bearing borrowings	Lease liabilities	Total
Balance at 1 January 2020	(18 762)	(40 415)	(15 453)	(74 630)
Cash movements	39 483	14 588	1 784	55 855
Funds advanced	-	(18 038)	-	(18 038)
Lease liability recognised - non-cash	-	-	4 398	4 398
Non-cash movement	24	-	-	24
Balance at 31 December 2020	20 745	(43 865)	(9 271)	(32 391)
Cash movements	121 813	16 722	3 549	142 084
Funds advanced	(2 601)	(20 200)	-	(22 801)
Non-cash movement	17	-	(796)	(779)
Balance at 31 December 2021	139 974	(47 343)	(6 518)	86 113

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

27. Related parties

Relationships

Directors

Henry KH Pon
 HL Li
 N Lalla
 B Petersen (resigned 12 July 2021)
 YH Yeh
 M Chong
 CF Chen
 WP Basson
 DJC Pan (Alternate)
 J Liu (Alternate)
 CY Wu (Alternate) (retired 25 May 2020)
 JP Bekker (resigned 30 November 2020)
 MK Zack (resigned 28 February 2020)
 J van Rensburg
 A Smith

Subsidiaries

Anchor Park Investments 48 Proprietary Limited
 Icembu Services Proprietary Limited
 South Ocean Electric Wire Company Proprietary Limited

 SOH Calibre International Limited

Dividends paid to directors as at 31 December 2021 was as follows:

J van Rensburg	1 229	--
----------------	-------	----

Related party balances

Compensation to directors and other key management personnel

Salaries and short-term benefits - continuing operations	11 866	8 182
--	--------	-------

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

28. Directors' and prescribed officers' emoluments

Executive

2021	Salary	Medical group benefit contributions	Provident fund	Total
A Smith (appointed 1 March 2021)	2 922	109	161	3 192
W Basson	1 937	21	100	2 058
	4 859	130	261	5 250

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group			
	2021	2020		
28. Directors' and prescribed officers' emoluments (continue)				
2020				
	Salary	Medical group benefit contributions	Provident fund	Total
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
Non-executive				
2021				
		Directors' Fees 2021	Directors' Fees 2020	
Henry KH Pon		908	739	
HL Li		464	446	
N Lalla		546	525	
CF Chen		244	235	
B Petersen (resigned 12 July 2021)		44	177	
M Chong		200	177	
JH Yeh		192	191	
J van Rensburg (appointed 10 March 2021)		154	-	
		2 752	2 490	
Prescribed officers				
2021				
	Salary	Medical group benefit contributions	Provident fund	Total
YB Mohomed (resigned 7 September 2021)	2 899	200	65	3 164
C Govender (resigned 5 May 2021)	1 356	26	57	1 439
	4 255	226	122	4 603
2020				
	Salary	Medical group benefit contributions	Provident fund	Total
C Govender (appointed 18 November 2020)	368	22	18	408
YB Mahomed	1 620	90	89	1 799
	1 988	112	107	2 207

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

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

Directors' interests in share capital

No shares were traded by any director from 31 December 2021 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 2021 was as follows:

2021	Direct beneficial holding	Indirect beneficial holding	Total	Percentage of issued share capital
J van Rensburg (appointed 10 March 2021)	-	61 118 517	61 118 517	30.56%
2020	Direct beneficial holding	Indirect beneficial holding	Total	Percentage of issued share capital
JP Bekker (resigned 30 November 2020)	491 807	-	491 807	0.24%

29. Interest in subsidiaries

Direct Holdings	Issued share capital and percentage held		Shares at cost	
	2021 %	2020 %	2021 R'000	2020 R'000
South Ocean Electric Wire Company Proprietary Limited	100	100	712 165	712 165
Anchor Park Investments 48 Proprietary Limited	100	100	-*	-*
Icembu Services Proprietary Limited	100	100	-*	-*
SOH Calibre International Limited	100	100	-*	-*
			712 165	712 165
Less: Dividends received from pre-acquisition profits (prior to 2009)			(41 550)	(41 550)
Less: Impairments South Ocean Electric Wire Company Proprietary Limited			(302 290)	(302 290)
			368 325	368 325

*denotes amounts of less than R 1 000

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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

30. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group – 2021

	Note	Amortised cost	Total	Fair value
Trade and other receivables	7	189 311	189 311	189 311
Cash and cash equivalents	8	139 974	139 974	139 974
		329 285	329 285	329 285

Group – 2020

	Note	Amortised cost	Total	Fair value
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

Categories of financial liabilities

Group – 2021

	Note	Amortised cost	Total	Fair value
Trade and other payables	13	86 322	86 322	86 322
Interest-bearing borrowings	11	47 343	47 343	47 343
Lease liabilities	4	6 518	6 518	6 518
		140 183	140 183	140 183

Group – 2020

	Note	Amortised cost	Total	Fair value
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

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

30. Financial instruments and risk management (continue)

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 2021 the gearing ratio was 8.00% (2020: 9.00%). The gearing ratio decreased primarily as a result of a decrease in interest bearing borrowings.

Financial risk management

Overview

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

- Credit risk;
- Liquidity risk; and
- 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.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

30. Financial instruments and risk management (continue)

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 29.00% (2020: 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 20% of trade receivables within their credit limit and 100% of trade receivables in excess of their approved limits. The amounts recoverable from Credit Guarantee are only recoverable 60 to 90 days after they have been handed over to Credit Guarantee for management. Trade debtors are not individually classed for insurance purposes, as all trade debtors within their credit limits are covered by Credit Guarantee.

To mitigate credit risk, the Group does not carry all of its cash resources in a single financial institution. At year end bank balances were invested in the following banking institutes, Bank of Taiwan 0% (2020: 29%), First National Bank 95% (2020: 46%), HSBC Hong Kong 5% (2020: 25%).

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

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

Group	Note	2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	7	191 648	(2 337)	189 311	254 009	(1 583)	252 426
Cash and cash equivalents	8	139 974	-	139 974	20 745	-	20 745
		331 622	(2 337)	329 285	274 754	(1 583)	273 171

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained to meet short term obligations as they become due and payable. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Group	2021 Credit limit	2021 Balance utilised	2020 Credit limit	2020 Balance utilised
	R'000	R'000	R'000	R'000
Counter party				
First National Bank - Overdraft	(250 000)	-	(200 000)	-

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group						
	2021	2020					
30. Financial instruments and risk management (continue)							
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 - 2021							
	Note	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Interest-bearing borrowings	11	-	16 336	12 428	9 998	38 762	33 814
Lease liabilities	4	-	3 032	1 903	-	4 935	4 574
Current liabilities							
Trade and other payables	13	86 322	-	-	-	86 322	86 322
Interest-bearing borrowings	11	17 756	-	-	-	17 756	13 529
Lease liabilities	4	1 944	-	-	-	1 944	1 944
		106 022	19 368	14 331	9 998	149 719	140 183

Group – 2020

	Note	Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Non-current liabilities						
Interest-bearing borrowings	11	-	15 281	23 577	38 858	27 290
Lease liabilities	4	-	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	4	3 199	-	-	3 199	2 399
		124 285	20 954	24 863	170 102	153 103

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

30. Financial instruments and risk management (continue)

Foreign currency risk

The Group operates and trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars. The Group buys its major machinery and raw copper in United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities when they are denominated in a currency that is not the entity's functional currency.

The Group does not hedge foreign currency risk.

At 31 December 2021, if the currency had weakened/strengthened against the United States Dollar and Euro by 2.00% (2020: 2.00% USD and Euro) with all other variables held constant, (loss)/profit after tax would have decreased/increased by R11 839 975 (2020: R2 077 932), mainly as a result of foreign exchange gains/losses on translation of trade payables.

At 31 December 2021, if the currency had weakened/strengthened against the Hong Kong Dollar by 2.00% (2020: 2.00% HKD) with all other variables held constant, (loss)/profit after tax would have decreased/increased by R4 018 (2020: R27 173), mainly as a result of foreign exchange gains/losses on translation of trade payables and cash and cash equivalents.

Currency exposure

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

US Dollar	Note		
Current liabilities:			
Trade and other payables	13	(11 723)	(1 887)
Net US Dollar exposure		(11 723)	(1 887)
Hong Kong Dollar exposure			
Current assets:			
Cash and cash equivalents	8	6 563	6 077
Current liabilities:			
Trade and other payables	13	(5 458)	(5 018)
Net Hong Kong Dollar exposure		1 105	1 059
Net exposure to foreign currency in Rand		(10 618)	(828)

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk arises from long term and current borrowings as well as cash and cash equivalents. Borrowings, cash balances and leasing arrangements issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rates are monitored when there are indications that rates may change. Details of interest rates on borrowings are disclosed in note 11.

All Group borrowings are denominated in Rands. The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Interest rate exposure is not analysed on a specific basis. However, should the interest rates increase/decrease by 2% the Group loss after tax will decrease/increase by R681 739 (2020: R631 656).

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

30. Financial instruments and risk management (continue)

Impairment assessment

An impairment assessment was performed to determine if the 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 market capitalization of the company is lower than its net asset value which was an impairment indicator at group level. This assessment and disclosure was included in the annual financial statements for this purpose.

The following valuation methods were used:

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

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

The recoverable amount of the SOEW CGU is determined based on the higher of its value-in-use or fair value less costs to sell. Value-in-use calculations are prepared using cash flow projections based on financial budgets approved by management and cover a five-year period. The estimated growth rates applied are in line with that of the industries in which the companies operate and are materially similar to assumptions of external market sources. The CGU's recoverable amount is most sensitive to the growth rate and gross margin assumptions applied. Management assumed budgeted gross margins and growth rates for the first five years based on past performance and best estimates regarding forecasts 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) 4.8% (2020: 4.7%),
Discount rate - (Weighted after-tax discount rate applied to the cash flow projections) 16.2% (2020: 14.8%),
Revenue growth rate - (Average growth rate applied to the revenue cash flow projections) 10.5% (2020: 8.16%)
Gross profit rate - (Average growth rate applied to the cash flow projections) 10.1% (2020: 8.6%)

The recoverable amount of the Anchor Park CGU is determined based on the higher of its value-in-use or its fair value less costs to sell. The fair value of the properties was determined by management. The value was performed using a single year's cash flow and applying a capitalisation rate which is the ratio between the net operating income produced by the asset and its capital cost. The single year cash flow was calculated using the square meters available for rental multiplied by the expected market rental per square meter and deducting operating expenses using an expected operating expenses ratio in relation to the derived revenues based on the market rental per square meter. All rates used in the calculation was obtained from publicly available rates prepared by a reputable source. The 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% (2020: 3.5% - 5%).

Capitalisation rate - (weighted average rate used to calculate the market value of the property) 11% - 12% (2020: 11%-12%).

After calculating the value for the individual CGU's the individual results were reduced by the associated debt and these amounts were compared to the carrying value of the investments in the Company's Statement of Financial Position and no impairment was identified and recognised for 2021 (2020: Rnil).

After calculating the individual recoverable amount of the CGU's, and comparing it to the net asset value of each CGU, no impairment were identified and recognised for the Company in 2021 (2020: Rnil).

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

Impairment assessment (continued)

Sensitivity analysis

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

	Change in assumption	Expected change in valuation	
		Increase in assumption	Decrease in assumption
Discount rate	1.00%	(54 566)	62 886
Revenue growth rate	2.00%	70 472	(66 140)
Gross profit	1.00%	151 096	(151 097)
Terminal growth rate	1.00%	23 060	(20 066)
Capitalisation rate	2.00%	(10 952)	17 655
Vacancy allowance	2.00%	(2 383)	5 607

31. Segment reporting

The Group is organised into two main business segments:

- Electrical cable manufacturing - manufacturing and distribution of electric 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.

The details of the business segments are reported as follows:

2021	Revenue	Adjusted EBITDA	Segment assets	Segment liabilities
	R'000	R'000	R'000	R'000
Electric cable manufacturing	2 001 091	140 303	702 034	192 080
Property investments	21 321	22 502	133 251	37 588
	2 022 412	162 805	835 285	229 668

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group			
	2021	2020		
31. Segment reporting (continue)				
2020	Revenue	Adjusted EBITDA	Segment assets	Segment liabilities
	R'000	R'000	R'000	R'000
Electric 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
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.				
Reconciliation of segment results to statements of comprehensive income and financial position				
		2021	2020	
		R'000	R'000	
Revenue				
Reportable segment revenue		2 022 412	1 765 983	
Inter-segment revenue (property rentals)		(20 866)	(17 187)	
Discontinued operations revenue (property rentals)		-	(5 769)	
Revenue per statement of profit or loss and other comprehensive income		2 001 546	1 743 027	
EBITDA				
Adjusted EBITDA		162 805	94 176	
Corporate and other overheads		(4 792)	(4 952)	
Depreciation		(24 381)	(19 584)	
Inter-segment eliminations		(21 438)	(26 197)	
Discontinued operations		-	(5 355)	
Operating profit per consolidated statement of profit or loss and other comprehensive income		112 194	38 088	
Operating profit		112 194	38 088	
Finance income		224	349	
Finance costs		(6 333)	(9 725)	
Profit before taxation per consolidated statement of profit or loss and other comprehensive income		106 085	28 712	
Assets				
Reportable segment assets		835 285	776 499	
Corporate and other assets		12 319	14 405	
Current tax receivable		-	6 025	
Deferred tax		583	550	
Inter-segment eliminations		(92 729)	(103 131)	
Total assets per statement of financial position		755 458	694 348	

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020
31. Segment reporting (continue)		
Liabilities		
Reportable segment liabilities	229 688	255 476
Corporate and other liabilities	16 001	17 129
Current tax payable	3 007	619
Deferred tax	25 165	22 556
Inter-segment eliminations	(85 637)	(99 702)
Total liabilities per statement of financial position	188 204	196 078

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 994 688 989 (2020: R1 737 098 902) and earned from other countries is R6 857 285 (2020: R5 928 137). Revenue of 29% (2020: 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 R206 948 527 (2020: R229 061 500) and the total of these non-current assets located in other countries is Rnil (2020: Rnil).

32. Going concern

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

At 31 December 2021, 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 R13.5 million (2020: R16.6 million) as disclosed in note 11 of the Annual Financial Statements. SOEW has an overdraft facility with First National Bank of R250 million (2020: R200 million). The facility is due for renewal during May 2022.

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

33. Events after the reporting period

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Annual Financial Statements, save for the proposed change in tax rate, which would affect the operations of the Group or the results of those operations significantly.

South Ocean Holdings Limited and its subsidiary companies

Annual Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

Figures in Rand thousand	Group	
	2021	2020

33. Events after the reporting period (continue)

On 23 February 2022, the Finance Minister noted in the Budget Speech that there will be a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023 (i.e. for years of assessment beginning on or after 1 April 2022 with the possible exception where a financial year has changed). The rate change has been substantively enacted after 31 December 2021 and has been determined to be a non-adjusting subsequent event. The financial effect of the income tax rate is estimated to be R1 016 000 on income tax expense and R92 000 on deferred tax had the rate been 27% for the year ended 31 December 2021.

34. Dividends per share

Dividends recommended (R'000)	18 294	6 098
Number of shares in issue ('000)	203 277	203 277
Dividend per share (cents)	9.00	3.00

A final dividend of 9 cents per share was approved at the board meeting of the Company held on 9 March 2022. In compliance with IAS 10, 'Events after reporting date', the annual financial statements do not reflect this dividend. This dividend will only be accounted for in the financial statements for the year ending 31 December 2022.

35. Forensic investigation

During the financial year a whistle-blower alleged that, in or during 2013 and 2014, certain of the Company's staff may have been involved in a stock rolling scheme. The Company commissioned a forensic investigation which did not identify any stock losses or any material financial effect in the current or comparative financial year. The Company's auditors reported a reportable irregularity to the Independent Regulatory Board for Auditors in terms of their responsibilities in accordance with Section 45 of the Auditing Professions Act. None of the individuals implicated are still with the Company and the Company has implemented improvements to its policies, procedures and implemented electronic systems during 2015 in order to prevent future recurrence of the matter. The auditors have subsequently reported to the IRBA that in its view the reportable irregularity is no longer ongoing and that the Company has taken sufficient and appropriate steps to prevent or recover any loss as a result thereof, if relevant.