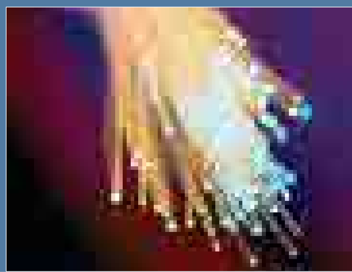
REUNERT

Investing in our future together...





ANNUAL REPORT 2006

Vision

Reunert will manage businesses in the electronics and electrical engineering sectors, supplying value-added products, systems and solutions to local and international growth markets. Each of these businesses will remain capable of meeting the group's objectives for sustainable growth and earnings.

CONTENTS

Who we are

Reunert Limited is one of the leading companies in South Africa and is listed on the JSE Limited (JSE) in the Industrial Goods & Services (electronic and electrical equipment) sector and is included in the ALSI 40 index.

The company was established in 1888 by pioneers Theodore Reunert and Otto Lenz. For more than a century, the group has played a major role in the South African economy and its products are leaders in the various markets it serves. Reunert & Lenz was first listed in the engineering sector of the JSE in 1948. In 1980 the company was acquired by Barlow Rand and listed in the electronics sector three years later. Reunert was unbundled from Barlows in 1993.

Reunert underwent a major restructuring in the late 1990s when various non-core or unprofitable businesses were disposed of or closed.

Today, the companies comprising the Reunert group are focused on electronics and electrical engineering. Reunert owns and manages CBi-electric, Nashua, Nashua Mobile and RC&C Holdings, the exclusive distributor of Panasonic products in southern Africa. Reutech represents the defence electronics businesses in the group.

Reunert's telecommunication interest is vested in a 40% stake in Siemens Telecommunications. A planned joint venture with listed PSG Group will give Reunert a 49,9% share in Quince Capital, a financial services company complementary to its core business.

Reunert promotes a decentralised management style, with operating decisions made by the business units. The Reunert executive team streamlines long-term strategic plans and investment decisions, whilst approvals for capital expenditure are made by the Reunert board.

Reunert's revenue in 2006 from local and international markets exceeded R8 billion. The group has more than 6 000 employees, many of whom are highly qualified and experienced engineers, technicians, research and development experts and field support staff.

FINANCIAL HIGHLIGHTS

Outstanding performance by majority of Reunert operations

↗28%
HEADLINE EARNINGS PER SHARE
2006: 524,6 cents
2005: 408,4 cents

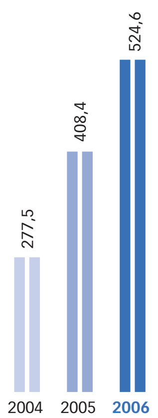
↗17%
REVENUE
2006: 8,2 billion rand
2005: 7,0 billion rand*

↗23%
TOTAL ORDINARY DIVIDEND PER SHARE
2006: 273 cents
2005: 222 cents*

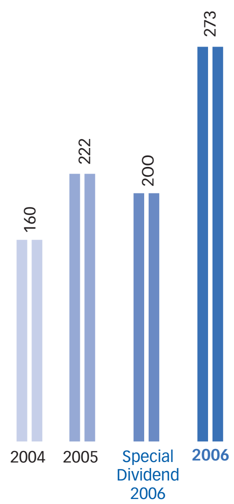
↗38%
EBITDA
2006: 1 336 million rand
2005: 967 million rand

↗39%
OPERATING PROFIT
2006: 1 273 million rand
2005: 917 million rand

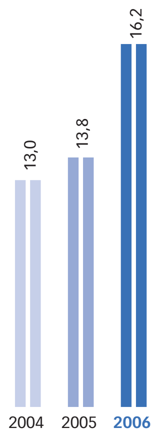
** 2005 financials are restated*



HEADLINE EARNINGS PER SHARE (CENTS)



DIVIDENDS PER SHARE (CENTS)



EBITDA AS A PERCENTAGE OF REVENUE (%)

GROUP @ A GLANCE

DESCRIPTION OF BUSINESS

ELECTRICAL ENGINEERING (CBi-electric)

CBi electric african cables	**Power cables**	Designs and manufactures a comprehensive range of electric power cables. Main users include Eskom, local municipalities and major players in the industrial, mining and manufacturing sectors as well as general electrical contractors. ISO 9001 accreditation
CBi electric telecom cables	**Telecom cables**	Manufacturer and supplier of copper and optical fibre telecommunications cables. The cables are used by public network operators, whilst a range of measurement, control, data and security cables are supplied to commerce and industry. ISO 9001 and OHSAS 18001 certification
CBi electric	**Low voltage**	Designs and manufactures low-voltage switchgear for the protection of installations and equipment from overload and short circuit. Products include a wide range of residual current devices for the protection of people against electrocution. ISO 9001 and EN 29001 certification

ELECTRONICS

OFFICE SYSTEMS

NASHUA	**Nashua**	A leading supplier of office multifunctional devices in Southern Africa. Products are sourced from Ricoh, the world's leading manufacturer of office automation equipment and branded Nashua. Nashua has a well-established network of 56 franchises in South Africa, Namibia, Swaziland, Lesotho, Botswana, Zimbabwe and Zambia. ISO 9002 accreditation
NASHUA FINANCE	**Nashua Finance**	RC&C Finance Company, trading as Nashua Finance, provides asset-based financial solutions to companies in the Reunert group. In future, Nashua Finance will operate as a division of the joint venture financial company, Quince Capital, that will be created by Reunert and PSG.

CONSUMER PRODUCTS AND SERVICES

NASHUA MOBILE	**Nashua Mobile**	One of South Africa's largest independent cellular solutions providers offering consumers the choice of all three networks (Vodacom, MTN and Cell C). Growing into a telecommunications solutions service provider, Nashua Mobile aids customers to make sense of a complex, fast-moving environment with a choice of suppliers and new offerings, including broadband and ISP. Nashua Mobile has more than 570 000 contract subscribers.
RC&C	**RC&C Holdings**	**Business Systems:** Imports, markets and distributes business system products under the Panasonic and Pansolutions brand. Product categories include office automation, IT, telecommunications, security systems, broadcast systems and presentation systems. **Consumer electronics:** The exclusive importer and distributor of a wide range of Panasonic products manufactured by Matsushita. Also represents the Akai, Futronic and Nintendo brands in southern Africa.

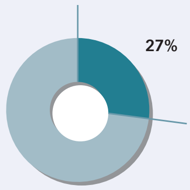
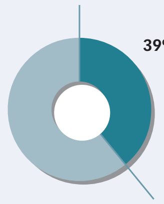
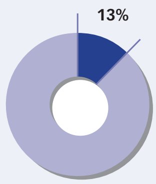
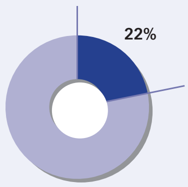
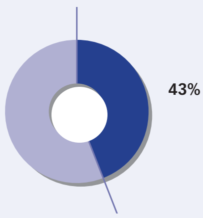
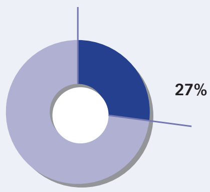
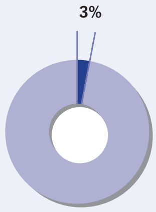
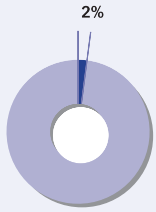
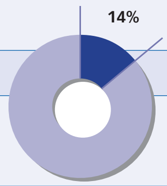
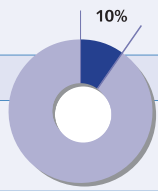
REUTECH

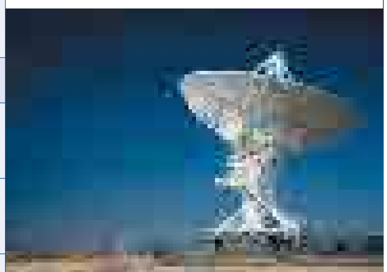
	Fuchs Electronics	A world-renowned supplier of a broad range of electronic fuses for artillery, mortar, naval and air weapon applications. Exports over 98% of its products.
RDI	**RDI Communications**	Supplier of all the VHF/UHF tactical communications equipment used in South Africa.
RDL	**RDL Technologies**	A systems engineering and support company. Services cover the entire spectrum of installation and logistic support of electronic equipment for the South African Defence Force, other government agencies as well as blue-chip clients in the banking and mining industries.
	Reutech Radar Systems	Supplier of some of the most modern radar equipment in the world. Specialises in ground-based and ship-borne radar systems, early warning radar systems and non-military mining sensor equipment.

TELECOMMUNICATIONS

SIEMENS	**Siemens Telecommunications**	Leading supplier of fixed and mobile voice and data networks with a comprehensive portfolio of products and services for service providers, enterprise networks and carriers.

Note 1: Saco Systems employs 59 people. With effect from 1 October 2006 it is part of Reutech.
Note 2: Acuo Technologies employs 30 people. With effect from1 October 2006 it is part of Nashua.

% HOLDING AT YEAR END	NOTE	REVENUE CONTRIBUTION	OPERATING PROFIT CONTRIBUTION	NUMBER OF EMPLOYEES
74,9				684
74,9				489
100				2 122
100	4			364
100				36
	1			
100				760
100				962
100				311
100				101
70				263
57				95
	2			
40	3			736



Note 3: Siemens Telecommunications staff numbers are not included in the Reunert numbers reflected elsewhere in this report.
Note 4: Nashua Kopano is owned 74% by Reunert.

LETTER TO SHAREHOLDERS

Martin Shaw, Chairman

Gerrit Pretorius, Chief executive

Operating profit increased by 39% to almost R1,3 billion. A further improvement in the EBITDA margin to 16,2% was achieved largely as a result of revenue increasing by 17% to R8,2 billion, while increases in fixed costs were contained.

Dear Shareholder

Reunert performed well during the year to 30 September 2006, exceeding R900 million in attributable earnings and being recognised as one of the top 40 shares on the JSE Limited after being included in the ALSI 40 Index. This milestone achievement reflects the increase in market capitalisation from R7,4 billion a year ago to R12,0 billion at 30 September 2006.

Operating profit increased by 39% to almost R1,3 billion. A further improvement in the EBITDA margin to 16,2% was achieved largely as a result of revenue increasing by 17% to R8,2 billion, while increases in fixed costs were contained. Revenue grew despite deflationary pressures brought on by the stronger rand and a continuing decline of prices of electronic goods during the period.

For the past few years Reunert has consistently produced strong cash flows. A final dividend of 210 cents per share has been declared, resulting in a total dividend of 273 cents for the year – up 23% from 222 cents per share last year. In addition, a special dividend of R2 per share will be paid to shareholders on 18 December 2006. Since 1999 your company has returned over R1,6 billion to shareholders by way of special dividends and share buybacks. It is our policy to return all capital deemed surplus to foreseeable requirements to shareholders. Return on equity in 2006 was 57% and 54% in 2005.

Capital expenditure grew from R60 million last year to R194 million this year, while the level of capital commitment for next year also increased. Significant capacity was added to CBi-electric, enabling us to meet the anticipated increase in demand for products produced by our electrical engineering division. State-of-the-art equipment is being installed at the low-voltage plant in Elandsfontein and at the power cable factory in Vereeniging, leading to much-improved efficiencies. In some instances, lines are running at four times their previous speeds.

The consolidation of our electrical businesses under one brand, CBi-electric, was completed during the review period and successfully launched during six customer events countrywide in June. A final step in that process is the promotion of Helmuth Fischer, currently managing director of CBi-electric: low voltage, to divisional chief executive effective 1 January 2007, with overall responsibility for electrical engineering. Chris Oliver will take over as managing director of the low-voltage division. We are pleased Reunert has the necessary depth in management to fill vacancies internally.

CBi-electric: telecom cables (ATC) made an offer to acquire the assets of Aberdare's telecom cable business in exchange for half the shares in a new company to be named CBi-electric Aberdare-ATC telecom cables. The new entity will be a 50/50 joint venture between Reunert and the Altron group and is subject to Competition Commission approval. Located at Brits in North-West province, the new company will be run by the existing management team headed by managing director, Koos Vorster. The to-be-acquired Aberdare capacity will enable us to meet anticipated strong demand for both copper and fibre optic telecommunication cables in Africa.

On the black economic empowerment front, agreement was reached, subject to shareholder approval, to introduce a strategic BEE shareholding at holding company level. Treasury shares held by Reunert investment company, Bargenel, will be used to facilitate the BEE partners' transaction.

LETTER TO SHAREHOLDERS continued

Our intention is to create a broad-based, sustainable empowerment transaction through which a large group of previously disadvantaged individuals can benefit. Peotona founding members Cheryl Carolus, Dolly Mokgatle, Thandi Orleyn and Wendy Lucas-Bull, will receive 30% of the shares, while the Rebatona Educational Trust will hold 70% of the shares. The Trust will provide further education and training to black youth in Mathematics, Science, English and Accountancy and will build on the success of the Reunert College.

The Bargenel shares were acquired between 1999 and 2004 at an average price of R14,79. Peotona and the Rebatona Educational Trust will pay R60,13 per share for 18,5 million shares (representing approximately 9,5% of Reunert's share capital), amounting to a transaction value of R1,112 million. Preference shares, yielding 71% of the prime overdraft rate, will be issued to Reunert to fund the transaction. Full details are disclosed in a circular distributed with this annual report.

Peotona is highly regarded and we are confident this relationship will be mutually beneficial. Thandi Orleyn will, subject to shareholder approval, be appointed to the board of Reunert and we look forward to her contribution.

As part of the empowerment transaction, we are proposing to grant 100 Reunert shares to every employee, excluding existing option holders. These shares will vest after five

Peotona is highly regarded and we are confident this relationship will be mutually beneficial.

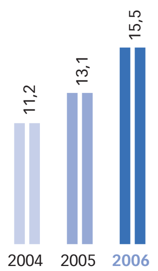
years, after which employees will be free to deal with their shares as they wish. This token of appreciation recognises the contributions made to Reunert's success by our employees at all levels.

The formation of a new finance business, Quince Capital, in which Reunert will hold 49,9% and the PSG Group 39,9%, was announced just after year-end. This transaction is still subject to the fulfilment of a suspensive condition.

Quince Capital should begin business early in 2007 once the suspensive condition has been met. The new company will have an initial capital base of R500 million. Michiel le Roux, co-founder of listed Capitec Bank, subscribed for 6,7% of the share capital and will be the first chairman. The remaining shares will be held by individuals involved in the business. Johan du Preez has been appointed chief executive officer.

We are continually alert to potential acquisitions. Our criteria, however, are stringent. Our existing operations present good growth opportunities and we will capitalise on these by spending on systems, capacity and people. An entrepreneurial spirit is encouraged and rewarded via our short-term and long-term incentive schemes.

Our attributable earnings are now close to the R1 billion mark – a significant base from which to continue growing at the rate we have done over the past few years. Management, however, is confident it will continue to deliver acceptable levels of sustainable growth.



OPERATING MARGIN (%)

The economic outlook for Reunert remains favourable despite increasing interest rates and a weakening currency. Although the consumer electronic business of Panasonic will, in all likelihood, be the business most affected by these factors, Reunert's dependence on consumer electronics is relatively small. We do not believe any of our other businesses will suffer as a result of rising interest rates. A weakening rand is good for exports and should stand us in good stead.

Finally, we express our gratitude to our board, management and employees. Collectively, they form a cohesive unit that makes business at Reunert a pleasure.

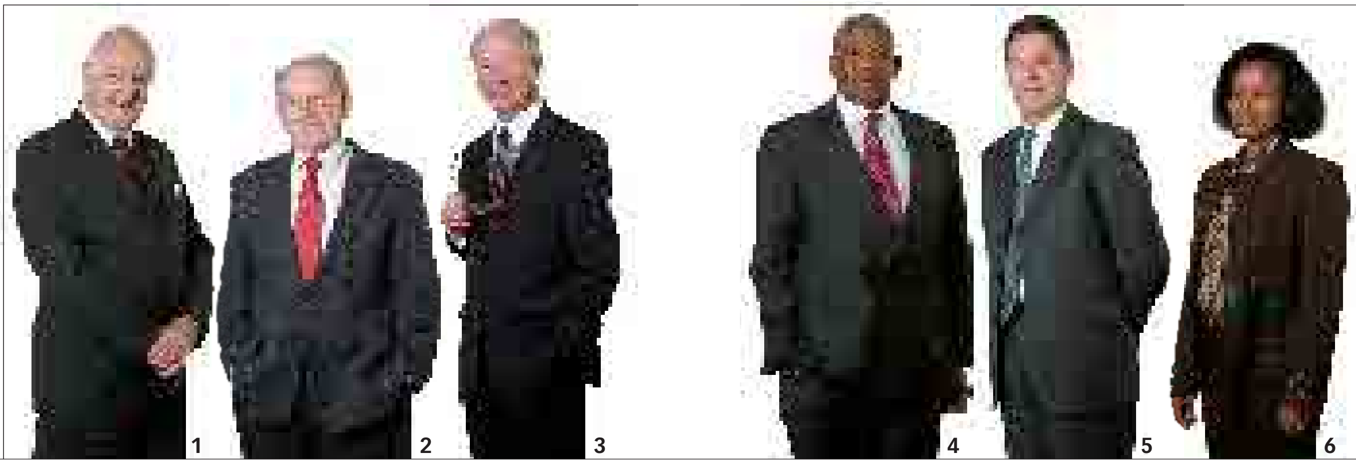
G Pretorius
Chief executive

M J Shaw
Chairman

Sandton
6 December 2006

RETURN ON EQUITY (%)

BOARD OF DIRECTORS



NON-EXECUTIVE DIRECTORS

1. MJ Shaw (68)

Chairman, non-executive, independent director

CA(SA)

Director of companies

Appointed to the board in 2001 and as chairman from 1 June 2005

Born 13 September 1938

Martin joined Deloitte & Touche in 1956 in Johannesburg. He was appointed a partner in 1968 and transferred to Durban. He returned to Johannesburg in 1983 and was appointed managing partner.

In 1991 he became chief executive, a position he held until 1999. Thereafter he acted as chairman of the board until his retirement in 2001.

He serves as a board member of Illovo Sugar Limited, JD Group Limited, Liberty Group Limited, Liberty Holdings Limited, Murray & Roberts Holdings Limited, Pretoria Portland Cement Company Limited, Standard Bank Group Limited and Standard Bank of SA Limited.

2. KS Fuller (66)

Non-executive, independent director

CA(SA)

Appointed to the board from 1 June 2005

Born 5 December 1939

Kingsley joined Deloitte & Touche in East London in 1961 as an articled clerk. After qualifying as a CA(SA) in June 1963, he transferred to the Johannesburg office in 1964. He has held various positions in Deloitte, culminating in his appointment as a senior partner at the Sandton office in 1990. He retired from Deloitte in 2003.

Kingsley is the current chairman of the Board of Trustees of Deloitte & Touche Pension & Provident Fund.

3. BP Connellan (66)

Non-executive, independent director

CA(SA)

Director of companies

Appointed to the board in 1999

Born 28 June 1940

Brian retired as executive chairman of Nampak Limited in 2000, a position he had held since 1990. He joined the Barlow Group in 1964 and managed a number of subsidiaries before being appointed as director of Barlow Rand Limited in 1985.

He is a director of Absa Group Limited, Illovo Sugar Limited, Sasol Limited and Tiger Brands Limited. In addition, Brian is a past councillor of the South Africa Foundation, Corporate Forum and the Institute of Directors, as well as a contributor to King I and King II on corporate governance.

4. KJ Makwetla (65)

Non-executive, independent director

Social Work Diploma, PMD (Harvard)

Appointed to the board in 2000

Born 14 September 1941

Bobby spent most of his working life in the furniture industry. He served as executive director for King Food Corporation, a subsidiary of Tiger Brands (Tiger Oats) and Tiger Foods.

He serves on the boards of Lebowa Platinum and Potgietersrus Platinum. Bobby is chairman of Clear Channel Merafe (Pty) Limited and deputy chairman of Smokey Hills Trading (Pty) Limited. In his various capacities, Bobby has contributed extensively to black economic empowerment issues at government level.

5. SD Jagoe (55)

Non-executive, independent director

BSc (Eng), MBA

Merchant banker

Appointed to the board in 2000

Born 9 June 1951

Sean is a senior adviser in Morgan Stanley's Johannesburg office, with 25 years' experience in banking and finance. Prior to joining Morgan Stanley, he was head of mergers and acquisitions at Deutsche Morgan Grenfell, head of corporate finance at Rand Merchant Bank and chief professional officer with the Industrial Development Corporation.

Sean also serves on the boards of AVI Limited and Ceramic Industries Limited.

6. KC Morolo (43)

Non-executive, independent director

BSc Mech Eng, MEng

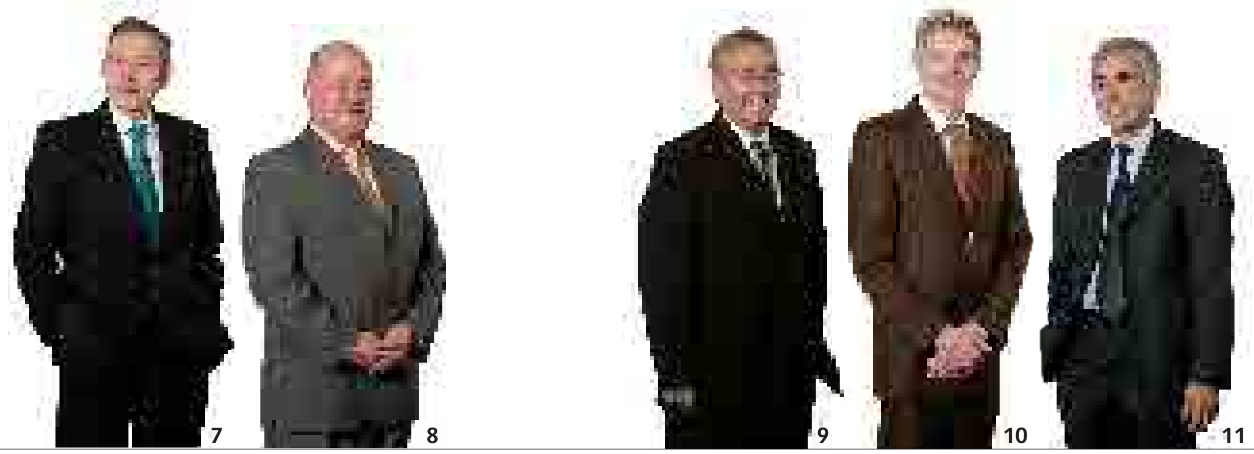
Appointed to the board in August 2004

Born 6 August 1963

Khumo is general manager projects in the capital expansion department of Eskom that is responsible for electricity generation assets creation.

She holds a BSc Mechanical Engineering degree from Wits University and obtained her MEng (Engineering Management) qualification at the University of Pretoria in 1998.

Khumo started work as a management trainee at Liberty Life, becoming a computer programmer in 1989. In 1994 she moved to Eskom as a consulting engineer. She was promoted to engineering manager at Matimba power station in 1999 and progressed to become power station manager in January 2002. In September 2003 Khumo was appointed general manager for production for a cluster consisting of two power stations, Arnot (near Middelburg) and Matimba in Lephalale (previously Ellisras), the largest direct dry-cooled installations in the world.



7. JC van der Horst (62)

Non-executive, independent director

BA, LLD

Director of companies

Appointed to the board in 1993

Born 4 February 1944

Johannes worked for Old Mutual from 1971 to 2002, where he was general manager (investments) from 1985 to 1997.

In September 1997 he was appointed to lead Old Mutual's demutualisation project, which culminated in July 1999 with its listing on the London Stock Exchange and the JSE Securities Exchange.

Over the past 20 years he has served on the boards of various companies listed on the JSE Securities Exchange, and he is currently also on the boards of Assore Limited and Wooltru Limited.

EXECUTIVE DIRECTORS

8. G Pretorius (58)

Chief executive

BSc, BEng, LLB, PMD

Appointed to the board in 1990

Born 24 August 1948

Gerrit joined Fuchs Electronics as a development engineer in 1973 and completed an LLB, studying part-time. Progressing through the ranks, he was appointed managing director of Reutech in 1989.

In 1990 he was appointed to the Reunert board. Following the unbundling of the group in 1993 he restructured Reunert's telecommunications interests and established joint ventures with Siemens Limited and GEC plc. A year later he was appointed chief executive of Telephone Manufacturers of South Africa.

In April 1997, Gerrit was promoted to chief executive of Reunert Limited.

9. BP Gallagher (56)

Executive director

BCom, CA(SA)

Appointed to the board in 1993

Born 5 March 1950

Pat joined the Barlow Rand Group, Rand Mines Properties as financial accountant in 1976. He was promoted soon after and subsequently served as managing director for various companies in the Barlow Rand Group.

With the unbundling of the Barlow Rand Group in 1993, Pat was appointed executive director of Reunert Limited and chairman of Reunert Consumer and Commercial Holdings.

10. GJ Oosthuizen (52)

Commercial director

Bluris, LLB

Appointed to the board in 1997

Born 31 March 1954

Gerrit practised as a lawyer for nine years before joining the Barlow Rand Group as an industrial relations adviser in 1987.

In 1996 he was appointed executive director: human resources at PPC Limited and the following year returned to Reunert as an executive director. Gerrit's current responsibilities include general commercial work, corporate communications and legal affairs.

11. DJ Rawlinson (57)

Financial director

CA(SA)

Appointed to the board in 1992

Born 23 February 1949

After completing his articles, David joined Coopers & Lybrand and was then seconded to England for three years.

He has been involved for the past 15 years in the electronics and electrical engineering industry, working for CG Smith, GEC and as deputy managing director of Alstom. He became financial director of Reunert and was appointed to the Reunert board in 1992.

COMMITTEES

Audit and risk committee

KS Fuller (chairman), BP Connellan, SD Jagoe, G Pretorius, DJ Rawlinson

Remuneration committee

SD Jagoe (chairman), MJ Shaw, JC van der Horst

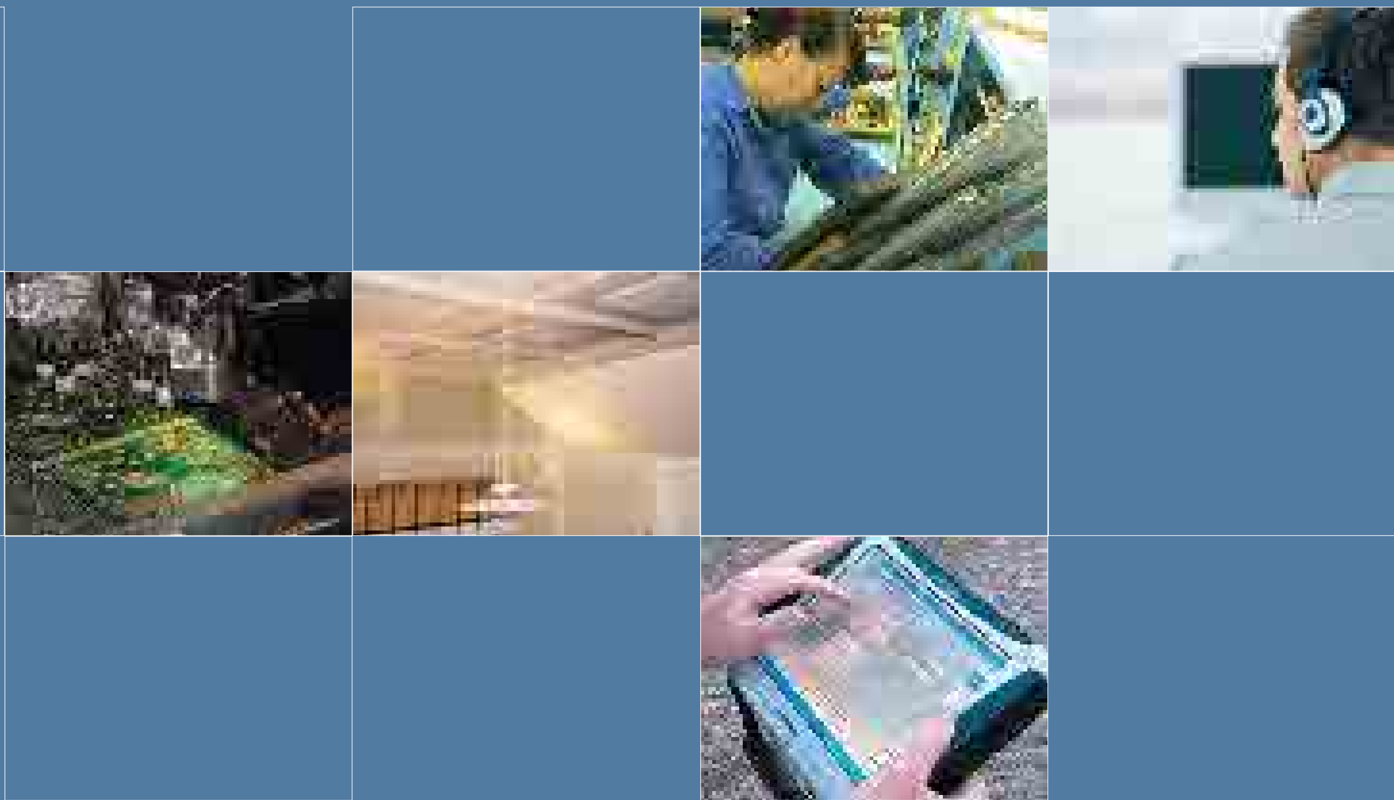
Nomination committee

MJ Shaw (chairman), SD Jagoe, JC van der Horst

Group executive and risk management committee

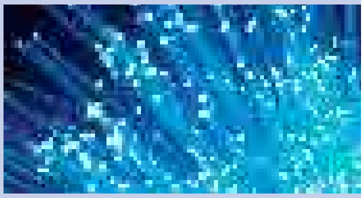
G Pretorius (chairman), BP Gallagher, GJ Oosthuizen, DJ Rawlinson

MANAGEMENT DISCUSSION



creating space

for our businesses to grow



Electrical engineering

↗30%	↗66%
REVENUE	**OPERATING PROFIT**
2006: 2,6 billion rand 2005: 2,0 billion rand	2006: 552 million rand 2005: 333 million rand

The electrical engineering division, now branded CBi-electric, consists of energy and telecommunication cables and low-voltage products. An integrated branding strategy was introduced in June 2006 and allows for the easy addition of other related businesses and products under the name CBi-electric.

Creating a strong brand will enable the group to promote its products and services in a more effective way locally as well as in the export market.

CBi-electric experienced exceptional growth on the back of countrywide strong demand to improve infrastructure. Revenue grew by 30% to R2,6 billion and operating profit soared by 66% to R552 million.

Growth is expected to continue albeit at a slower pace. Demand for low-cost housing continues at a constant level. Spending on infrastructure is expected to accelerate and should benefit the electrical businesses. The platinum mining industry is investing in order to satisfy demand.

CE SCHUTTE
Managing director:
CBi-electric: african cables
BSc (Eng)(Elec)
Certificate of Competency
Born 13 July 1949
Appointed June 1999

Ernst started his career as a pupil engineer at the then Union Steel Corporation of SA Ltd's non-ferrous division in 1973 after he obtained his engineering degree at the University of Pretoria.

He was later appointed as section engineer: electrical; maintenance engineer; production manager; marketing manager and general manager of Usko Ltd.

He served on the boards of Alustang (Pty) Ltd, EPI (Pty) Ltd, Transvaal Copper Rod Company and Usko Ltd.

CBi-electric: african cables

Demand remained strong across the range of product despite a rampant increase in the price of copper. The average copper price was R37 347 per ton compared to R20 668 per ton in the previous year.

The pricing model allowed us to pass price increases on to the customers and, consequently, it had no negative effect on profitability. Demand is not expected to decrease as a result of the higher copper price. Houses built need to be supplied with electricity, maintaining the demand for copper cable

The process of upgrading the reticulation networks of the utilities is ongoing and far from complete. The addition of thousands of residential houses, a multitude of shopping complexes and office parks are putting considerable strain on existing networks.

The strong increase in oil, gold and platinum prices stimulated growth in the mining and industrial sector which had a positive effect on demand for power cable. The platinum mining industry is booming and mining operations are expanding. Supplies to the mining industry currently constitute 8% of total sales. This is not expected to change materially.

MANAGEMENT DISCUSSION continued

Projects like the Gautrain and the upgrading of airports and stadiums in preparation for the Soccer World Cup in 2010 will further increase the demand for energy cables. Capital is being invested at our factory in Vereeniging on an ongoing basis to meet expected demand. State-of-the-art equipment is being installed to operate more efficiently and faster.

In light of the increased demand and expected positive growth in the economy, some R80 million will be invested in new equipment by the end of the 2007 financial year. Approximately R40 million has been spent in the current year.

The rapid increase in local demand absorbed most of the available capacity, necessitating a cutback in exports. This situation will be rectified once the upgrade programme has been completed.

CBi-electric: telecom cables

CBi-electric: telecom cables, previously ATC, experienced a complete turnaround from the previous few years due to the closure of a competitor's telecoms manufacturing facility in Port Elizabeth. Copper cable volumes doubled and fibre optic cable market share went from 20% to 30%. Telkom, however, remains the dominant customer.

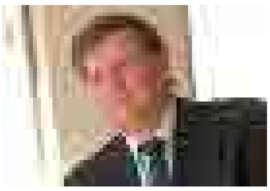
Demand for copper telecommunication cable is expected to remain relatively flat while fibre optic cable offers significant scope for growth. The lack of telecommunications infrastructure in Africa, in particular Nigeria, presents CBi-electric with potentially exciting opportunities. The company currently supplies fibre optic cables to Nigeria and the viability of a manufacturing plant is being investigated. Finality on this venture will be reached within the next few months.

Telkom's planned capital expenditure of R30 billion for a new generation network, especially broadband services, over the next few years should benefit the company. In addition to increased demand for fibre optic cable, ADSL compatible copper cable should be high on the agenda.

In the non-Telkom market, demand will be stimulated by improving infrastructure. The Gautrain project; new and demothballed power stations; and the refurbishment of railway lines, to name a few, should lead to strong demand.

The second network operator, Neotel, and infrastructure company, Infracom, will invest in a telecommunications cable infrastructure. In all likelihood, it will be more fibre based than copper. Further deregulation of the telecom market would allow cellular operators to install cable networks to allow for self-provisioning. CBi-electric is well positioned and has excess capacity to satisfy increasing demand.

ATC (Pty) Ltd has made an offer to acquire the assets of Aberdare's telecommunications cable manufacturing facility in exchange for a 50% shareholding in a new business to be formed. The matter is currently before the Competition Commission and will hopefully be adjudicated shortly.



JA VORSTER
Managing director:
CBi-electric: telecom cables
BCom, CIS, MBL
Born 28 May 1949
First employed by ATC in 1971

Koos started his career as assistant accountant at Standard Telephones and Cables (Pty) Ltd (STC) in 1969. He joined ATC (Pty) Ltd in 1971 as accountant and subsequently held the positions of chief accountant and financial director prior to his appointment as managing director in 1986, a position he held until 1999.

Koos joined Marconi South Africa (Pty) Ltd in 1999 as CEO. He left Marconi in 2001 and pursued his own private business interests until he rejoined ATC (CBi-electric: telecom cables) in Oct 2002 as managing director.

HH Fischer
Managing director:
CBi-electric: low voltage
Dipl.-Ing, Dipl.-Wirtschaftsingenieur
Born 13 September 1947 in Germany
Appointed in 1984

Helmu0at the Technical University of Darmstadt, Germany where in 1972 he obtained a masters degree in mechanical engineering.

Thereafter he studied business administration at the Technical University of Munich, Germany where in 1974 he obtained a masters degree in industrial engineering (equivalent to MBA).

His association with Barlow Rand/Reunert started in 1984 when he emigrated to South Africa to join Heinemann Electric (Pty) Ltd (then 70% owned by Barlow Rand) as manager for manufacturing co-ordination and information systems.

In 1989 he was appointed managing director of Circuit Breaker Industries.

From 1 January 2007 Helmuth will take divisional responsibility of CBi-electric.

CBi-electric: low voltage

Unit sales with the exception of prepayment meters grew strongly across all market segments. Wiring accessories, in particular, albeit from a low base increased substantially. After years of modest spending, the mining sector bounced back with increased volumes, especially from platinum mines.

The shortage of generating capacity led to a slow down in the provisioning of electricity to low-cost housing projects, resulting in lower sales of prepayment meters. Sales of commercial and industrial breakers benefited from the strong demand from platinum and other mining operations. The residential housing boom, with the accompanying shopping centres, ensured good growth for residential products.

Despite the relatively strong rand, exports increased by 21% year-on-year. Results in the United States remained disappointing while European exports buoyed. Australian business was relatively flat.

Manufacturing capacity was increased by the opening of a second assembly operation in Lesotho. Ongoing investment in the components manufacturing facility will ensure sufficient capacity and ability to compete. Of a planned R62 million capital expenditure budget, R52 million will be spent on expansion/new products.

Older products are constantly being replaced by more modern versions that, in many cases, offer increased functionality. When sensible, products are sourced from other vendors in order to augment the product offering.

CBi-electric's customer base is well diversified and more or less equally spread amongst residential, industrial, mining and exports. The export market presents the company with the opportunity to grow from a very low base. Continued strong growth is expected from this activity.

Higher inflation and interest rate increases are not expected to have a negative impact on the company. Lack of infrastructure, demand for raw materials and a shortage of housing will continue to stimulate demand for CBi-electric's products. A weaker rand will benefit exports. On balance, the outlook for the company remains positive.

Electronics

↗20%	↗15%
OPERATING PROFIT	**REVENUE**
2006: 862 million rand	2006: 6,9 billion rand
2005: 717 million rand	2005: 6,0 billion rand

The overall operating profit of the electronics division improved by 20% from R717 million to R862 million. Turnover improved by 15% to R6,9 billion.

Office systems continued its record of strong growth and improved operating profit by 22% to R314 million. The largest division, consumer products and services, improved revenues by 10% to R4,1 billion and contributed R375 million in operating profit, growing by 15% over the comparable period.

Reutech grew revenue by 6% to R317 million but saw a significant improvement in operating profit from R4 million profit last year to R30 million this year.

The attributable portion of Siemens Telecommunications' net operating profit came to R143 million – an improvement of 8% compared to a year ago.

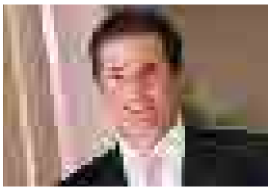
Nashua

Nashua's goal was to increase total document volume by focusing on the high-volume printing and copying sector. It did well in developing niche markets such as wide-format printing and duplicators. The document storage division has enjoyed moderate success selling a local system. Recently it gained access to laserfiche, a cost-efficient, internationally recognised solution. In addition Nashua acquired Dynatrac, a complete account management system for all document flow.

Multifunctional unit sales have continued to grow at over 20% per annum after a strong 2005 when sales grew over 25% year-on-year. Nashua's market share in colour printers has increased to almost 20%, the second largest in the industry.

The increase in sales is due to a strong performance by Nashua's direct channel, Nashua Kopano. Nashua Kopano is an A-rated BEE company responsible for 25% of all Nashua

MANAGEMENT DISCUSSION continued



CN Scoble
Managing director: Nashua
BBusSci
Born 26 January 1961
Appointed 1 August 1996

Chris was born in Cape Town in 1961. He was educated at Rondebosch Boys' High. After completion of his National Service he attended UCT where he obtained a Bachelor of Business Science degree, majoring in Economics and Marketing.

In 1985 Chris joined Nashua as product manager – facsimile. He was promoted to marketing manager in 1991 and was appointed to the Nashua board in 1992 as marketing director. In 1993 he assumed the sales portfolio.

The four companies in the Nashua group report to Chris. These being Nashua Office Automation, Nashua Finance, Royce Imaging and Nashua Kopano, the newly established empowerment company. He remains a director of Nashua Mobile.

sales. During the year Nashua Cape Town achieved an A rating, having sold 35% equity to empowerment partners.

The implementation of a strategic sales division in September 2005 has yielded excellent results. Operating margins have decreased slightly as a result of Nashua's success in winning several large tenders and the marketing of colour printers. This strategy will continue with the aim to increase both colour printing and copying volume. The increase in sales of colour toners has risen sharply over the period.

The merging of printing and copying technology has created a fierce battle in the market place between rival US and Japanese manufacturers. The cost of colour printing devices has fallen dramatically over the past year to an entry level of less than R3 000 for a laser-based product. Despite their high price, multifunction copier-based machines continue to sell into business environments due to higher levels of functionality and running costs of less than a third of their printer-based competitors.

The level of training and education has increased significantly in the IT environment as decision making is moved from the purchasing to the IT department. IT managers have steadily accepted the adoption of multifunction printers onto their networks and, therefore, the threat of traditional printer vendors has been reduced.

Nashua's business model is based on building annuity revenue which has been inelastic to price and economic shifts. Over 80% of all sales are customer upgrades where, in almost every case, the customer receives a new machine with state-of-the-art technology at much the same price as the old machine.

Most rental deals are done at fixed rates and are financed by Nashua's finance company. Service is charged per print and increases over the life of the unit. In most cases an upgrade saves the customer money on rental and service charges, hence future business is secure.

Another major factor ensuring sustainable growth is the growth of the Internet which has fuelled print volumes.

Nashua will shortly be launching the Ricoh (ex-Hitachi) range of ultra-fast, high-volume printers capable of monthly volumes in excess of a million prints.

The inkjet market is another area of volume growth that will be addressed through a new product using gel technology (Ricoh patented technology). The company is continuing to offer refilling of both ink and laser cartridges through Royce Imaging Industries.

MANAGEMENT DISCUSSION continued

Nashua Mobile

Nashua Mobile has met two of its major business objectives in the past year: expanding the reach of the retail channel, and establishing itself in the Internet and data market. The company now has over 115 retail outlets countrywide and has more than tripled its retail sales in the past year, in a highly competitive sector, that includes most furniture, clothing and food retailers.

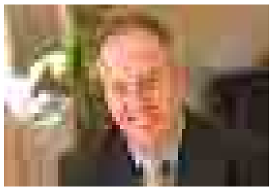
With mobile number portability (MNP) implemented from 10 November 2006, continued expansion of the retail channel remains a strategic priority for Nashua Mobile. It is important that all customers are able to do their cellular business and renew contracts during more flexible hours and at convenient locations. In the last 18 months Nashua Mobile has opened more than 60 retail outlets and plans to open an additional 53 in the next 12 months.

Nashua Mobile has completed the integration of Nashua Broadband (which was previously part of fellow Reunert subsidiary Nashua) into the business and has acquired an Internet service provider called Black Dot IT solutions. The company now has a presence in the Internet services market and is well placed to compete in a market where voice and data as well as fixed-line and mobile services are converging.

While cellular service provision remains Nashua Mobile's largest business, the company has aggressive plans to grow the data and Internet service provision businesses over the next two years. Email and Web hosting, broadband and Internet access, and other traditional ISP services are new offerings that complement the traditional cellular business. The South African broadband market had 275 000 users (end August 2006), with Telkom (160 000) and Vodacom (65 000), being the market leaders. This figure is forecast to grow to over 400 000 by the end of 2007, as data connectivity costs drop and the service improves. With the emergence of Neotel (second fixed-line operator), traditional dial-up users (1,3 million base) will have additional options of accessing data.

By presenting customers with a single bill for a range of services, Nashua Mobile gives the subscriber a transparent view of their telecommunications costs and aids in the better management of this environment. Broadband penetration is growing rapidly in South Africa, and Nashua Mobile is one of the few players to offer customers a choice between wireless broadband, ADSL and cellular solutions like 3G and HSDPA.

The high costs of telecommunications in South Africa and the continuing quest for cheaper data, have prompted a number of innovative ways of cost reduction. One such technology is least-cost routing (LCR), which has been offered by Nashua Mobile for a number of years.



Mark Taylor
Managing director:
Nashua Mobile
Born 15 June 1963
First appointed in 1999

Mark was appointed managing director of Nashua Mobile in July 2003. He has worked in the local cellular industry for the past eight years and has more than 20 years of experience in the ICT industry.

As an IT specialist, Mark worked extensively in the mainframe arena in the banking industry at the start of his career. He was intimately involved in the consolidation of IT systems following Nedbank's mergers with companies such as Perm and Cape of Good Hope.

He was the project manager responsible for the merger of Plessey and Nedtel in 1999, and played the same role when Nedtel and Nashua merged to form Nashua Mobile in 2001.

With the deregulation of carrying voice over data networks and the wide use of Voice over Internet Protocol (VoIP), many new opportunities are being presented. Once voice has been digitised, the possibility exists to achieve even greater savings by routing national and international voice traffic over data networks, which are considerably cheaper than conventional voice channels. Nashua Mobile is providing solutions in this space, consisting of VoIP-enabled gateways which are programmed to direct calls via the most cost-effective routes while ensuring that a high quality of service (QoS) is maintained.

Although continued liberalisation of the telecom market presents exciting new opportunities for Nashua Mobile and more choice for customers, it also means that competition is heating up.

MNP could be considered as both a threat and an opportunity for Nashua Mobile. As one of the few service providers able to offer the services from all three networks, Nashua Mobile can aid customers to choose the right network and contract for their needs and can offer subscribers the convenience of switching networks without the headaches associated with moving their accounts to a new provider.

However, Nashua Mobile's customers are also equally free to migrate to other service providers, and thus, Nashua Mobile has invested heavily in customer service infrastructure and staff as part of its strategy for retaining subscribers.

Mobile Internet solutions, such as email, should continue to show sharp growth but contract cellular penetration for voice services is starting to reach saturation point in South Africa. As such, Nashua Mobile's growth will be supplemented by new products and services, as well as from growing revenues with existing customers.

Reunert Consumer and Commercial Holdings

The volatility of the local currency makes managing this business extremely demanding. It has happened that the exchange rate of the South African rand can fluctuate by up to 5% against other currencies in a day. This variance can wipe out operating margin. It is therefore paramount to manage the inventory pipeline and ensure hedging of currency in an optimal way. Over the past two years considerable progress has been made by management in this regard.

Business Systems

The systems business has grown strongly during the past year, benefiting from the buoyant market environment and now contributes 70% of operating profit. Market share has improved in many systems product groups, such as office automation, telecommunications, presentation systems and closed circuit television.

MANAGEMENT DISCUSSION continued

Much of this growth has been a function of the focus created through our wholly owned franchises dealing with the end user and a strong performance from the Panasonic Business Systems franchise network and Ristar Telecommunications franchise network.

PanSolutions, a wholly owned franchise, operating in Johannesburg, Cape Town, Durban and Pretoria, has recently concluded a BEE deal resulting in the sale of 26% to key individuals who offer many years of experience in the office automation industry. In addition, an acquisition of Office Solutions Empowerment Company ("OSEC") will allow the PanSolutions operation to enter the BEE tender and corporate business environment for the first time.

Consumer Electronics

Chinese manufacturing continues to drive prices down in real terms. Despite the enormous unit deflation the buoyancy of the consumer retail market has allowed revenues to grow during this period. The unit price deflation in high technology products such as plasma, LCD flat panels and DVD hard-drive recorders has exceeded 60% in many cases in a 12 month period. This has placed further pressure on operating margins and overall profitability has worsened due to the increasing unit cost of technical service and support as well as product warehousing and distribution logistics. The company is fortunate to offset that negative trend by increasing volumes.

The domestic appliance and air conditioner industries continue to grow strongly and are not plagued by the enormous unit price deflation experienced in the consumer electronic entertainment and photographic industries.

In general, brand loyalty in the consumer market is on the decline in favour of competitive prices. RC&C's initiative to offer its own brands, Futronic and Akai, has stood the company in good stead. The premium Panasonic brand, however, will serve the upper market and remains the core of the company.

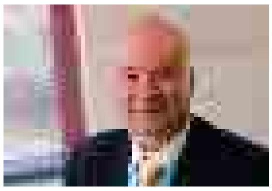
Panasonic, Futronic and Akai have launched selected appliance products appealing to each brand's core consumer market. These products include refrigeration, air conditioning and cooking appliances. It is anticipated that these market segments will continue to offer growth opportunities as high levels of infrastructure development continue, especially the roll-out of electrification and low-cost housing programmes.

Systems Products and Services

The new BEE structure of PanSolutions, our direct sales arm, will allow greater opportunity to expand into parastatal, government and large corporate tender business. Although this expansion will initially focus on office automation and telecommunications, PanSolutions is uniquely positioned to offer a full systems solution. All aspects of business electronics, including closed circuit television, air conditioning, presentation products and IT solutions will be covered under one brand and with one customer contact.

South Africa's infrastructural development and especially the run-up to the 2010 World Cup, offers a plethora of opportunities. A special operation to capitalise on these

RC&C



MCA MADDOX
Group Managing Director, Reunert Consumer & Commercial Holdings
BA Econ (Hons) (Victoria Univ of Manchester, UK); Snr Exec Prog I & II (Wits); Snr Exec Prog III (Harvard); Advanced Marketing (UCT/Wits)
Born 17 June 1961, Manchester, UK
Appointed in 1983

Martin has been employed by Reunert since his arrival in South Africa from the UK in 1983. He held the position of group product manager from 1988 to 1990 and was appointed marketing manager until 1991. He was made a director in 1991 and held the position of marketing director, then group marketing director until his appointment in 1997 to the position of managing director: Panasonic Systems Company. Martin has held the position of group managing director since 1999.

He is chairman of the Television Manufacturers' Association: Consumer Electronics Association opportunities is being staffed with both local and international expertise. This will cover existing products line-ups as well as Panasonic products and systems, such as LED screens and data streaming systems, which are well proven but have not been imported to South Africa in the past.

Consumer Electronics Entertainment and Products

The unit price deflation created by digitalisation is expected to continue for the foreseeable future, further reducing the manufactured prices of electronic products. A slowdown is expected due to a general credit squeeze, increased interest rates and perhaps a weaker rand.

The Panasonic consumer operation will remain focused on the fast-growing areas of flat panel television and photographic products, whilst the Akai and Futronic operations will offer audio visual and domestic appliances to the mass market.

Reutech

The defence business operating environment is notoriously lumpy – margins are generally high, and disappointing results are mostly attributable not to low margin but rather to lack of turnover when orders are not received as expected. Inevitably "famine" is followed by "feast" and capacity constraints become the challenge when more orders than expected are received in any given period.

The 2006 year, while significantly better than 2005 – as a direct result of improvement in sales – is still falling short of the five year average of around R60 million operating profit. The difficulty experienced in Fuchs Electronics over the last few years resulted in disappointing results despite a reasonable performance from the other divisions. An improvement in the Fuchs' results is expected to impact positively on the overall performance over the next few years.

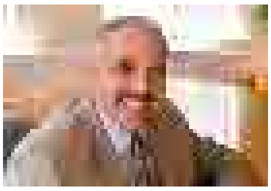
It is widely recognised that further consolidation within the South African defence industry is inevitable. Over the years, the Reunert businesses have produced good growth in the non-defence related areas, while Reutech's contribution to the Reunert operating results has reduced significantly.

RDI Communications, RDL Technologies and RRS are profitable, sustainable on local business and well positioned to take advantage of the South African defence expenditure planned for the next few years – however, they are unlikely to make the type of contribution to Reunert's results that would justify Reunert's long-term involvement in this sector.

A disposal process was embarked upon during 2006 which could result in some or all of these companies being sold during 2007.

Fuchs Electronics is in a different situation and cannot sensibly be part of any local consolidation. A strong alliance with one or more international ammunition suppliers is required to fully benefit from the world-class capability of the company. This is actively being pursued, and could well lead to an international joint venture or partnership.

REUTECH Limited



PW Smit
Managing Director Reutech Limited
MEng, MBA
Born 12 December 1961
With Reunert group since 1987

Piet joined the group in the radar division in Stellenbosch as a development engineer in 1987. Studying part-time, he obtained an MEng degree from the University of Stellenbosch and, by 1994, an MBA from the University of Cape Town. In 1999 he was appointed as managing director of Reutech Radar Systems, the joint venture with EADS and Kgorong Investment Holdings. In December 2003 he was appointed managing director of Reutech Limited.

Telecommunications

Reunert holds a 40% share in Siemens Telecommunications, with Siemens South Africa holding the remaining 60%. Siemens Telecommunications is driven by a team of professionals and encompasses fixed, mobile networks and services which account for the bulk of its operations in the region. The company has shown strong growth, increasing revenue by 29% and operating profit by 8% compared to the previous year. The geographic footprint covered by Siemens Telecommunications is SADC.

The rapid rate of technology adoption in many African states will catapult the region into the benefits of electronic communication. The growth of mobile telephony, among many other developments, has been nothing short of phenomenal.

These developments have forced several African states to adopt a new policy direction where most countries now have at least two mobile operators and an independent or semi-independent fixed-line operator present. The primary driver for growth on the continent is attributed to the massive demand for basic voice services. The scramble for the African telecommunications pie has seen a number of leading mobile operators establishing a dominant position in certain regions of the continent. These include MTN, Celtel and Vodacom.

In South Africa, the industry has seen an unprecedented move towards deregulation. The South African government awarded a consortium of local and international shareholders the licence to set up and operate the country's second fixed-line operator, Neotel.

South Africa is among the first countries in the world to adopt cutting-edge technology in telecommunications. The country's largest mobile operator, Vodacom, was one of the first operators to launch HSDPA in the world, which was underpinned by Siemens technology. They have also recently conducted a successful trial of Digital Video Broadcast-Handheld (DVB-H), or the broadcasting of television signals via mobile devices.

In 2006 Siemens Telecommunications continued to demonstrate strong growth in the South African market, despite pricing pressures and new market entrants.

Mobile networks

During the year under review the group helped to maintain its clients' leading positions as first-to-market with innovative technologies. Vodacom launched 3G which was shortly followed by the introduction of the High Speed Download Packed Access (HSDPA), and the market response has been extremely positive. Vodacom, in partnership with Siemens Telecommunications, is planning to launch 3G in Tanzania. The group also supplied Cell C with their HLRi, Operational Systems Support and Next Generation Messaging.

In the latter part of the past fiscal year, Siemens Telecommunications managed to gain a supply contract with MTN Swaziland.

SIEMENS

Dr JM Mrosik
Chief executive officer: Siemens Telecommunications
BAdmin, PhD (Elec)
Born 16 September 1964
With Siemens since 1996

Jan completed his studies in electrical engineering and business administration at RWTH Aachen, Germany. He started his professional career as head of a research project at his alma mater in 1991.

In 1996 he was appointed by Siemens in the strategic business planning department of the information and communication networks group. He was promoted to vice president sales D2 Vodafone at Siemens in 1998.

In 2002 he relocated to South Africa to take up the position of managing director information and communications mobile at Siemens Telecommunications. He was promoted to his current position in April 2005.

Fixed networks

The group has managed to sustain and grow the business with Telkom with the roll-out of new generation network (NGN) and broadband equipment as well as the System Care Contract. The group is well positioned to serve the requirements of Neotel going forward.

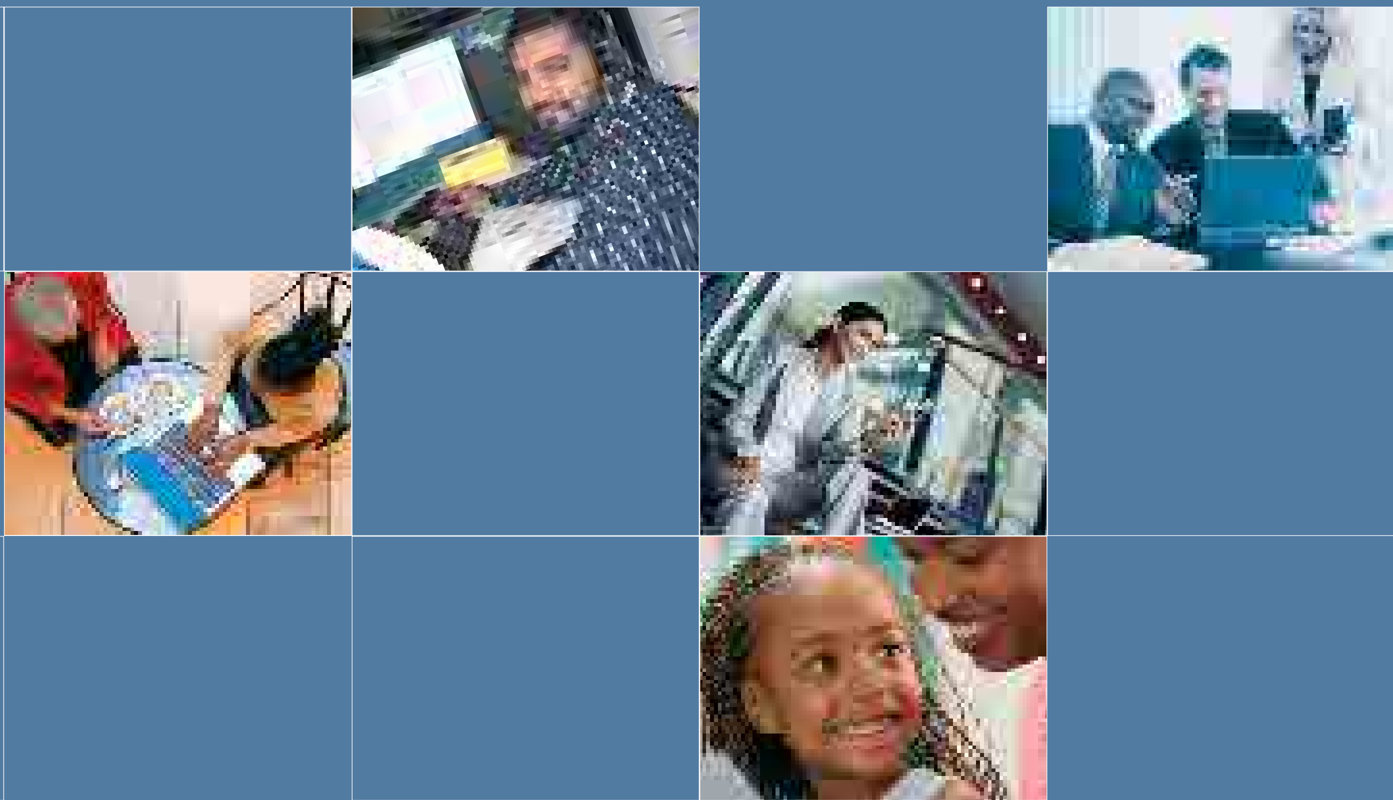
The future outlook

Subsequently, Siemens Networks and Nokia announced their intentions to create a 50-50 joint venture. The merger will come into effect on 1 January 2007 when the group will be housed under Nokia Siemens Networks, which will result from the amalgamation of the Nokia and Siemens telecommunications infrastructure businesses.

The impending merger to form what will be the world's third largest provider of end-to-end fixed and mobile voice and data networks and infrastructure solutions for carriers is well under way. Nokia Siemens Networks, with its headquarters based in Helsinki, will bring together research and development skills, resources, economies of scale and customer insights that will ideally position Nokia Siemens to deliver compelling customer benefits coupled with the most comprehensive portfolio of products and solutions.

Siemens Telecommunications is also gearing up to grow the services business, particularly in managed and professional services. The group will closely monitor and pursue business opportunities with both fixed and mobile carriers in the SADC.

BUILDING AND DEVELOPING PEOPLE



investing

to develop our people

The Reunert College was established in 1993 to provide specialised tuition to students from previously disadvantaged communities to improve their matriculation results for Mathematics, Science, English and Accounting.

For more than a decade, the Reunert group has emphasised building and developing people – from our own employees to those involved in the group's corporate social investment programme.

Reunert College

The economic growth of South Africa in recent years has emphasised the shortage of critical skills. At the heart of an expanding economy lies the technically orientated work environment where understanding mathematical and computational science and their application is essential. Currently, the country's education system cannot provide sufficient students who have passed Mathematics and Science at the required standard.

With a degree of foresight, the Reunert College was established in 1993 to provide specialised tuition to students from previously disadvantaged communities to improve their matriculation results for Mathematics, Science, English and Accounting. The intention has been to develop these students with a view to ultimately employing them in Reunert companies. Since inception, approximately R18 million in cash has been spent on the Reunert College.

In 2006, a further 40 students completed their studies, bringing the number of students who have graduated from the college to approximately 550. Since inception, some 450 bursaries have been awarded to enable college students to enroll for tertiary education. The programme's success can be ascribed in part to the close interaction between students and the college through an ongoing mentorship system, which includes the opportunity for vocational training at company operations. This important interaction is aimed at retaining critical and scarce skills within the group.

More than 50 individuals who have attended tertiary institutions through the college programme are currently employed in the group, mostly in junior managerial positions. Another 90 former students are employed in other companies, including those which were previously part of the Reunert group.

BUILDING AND DEVELOPING PEOPLE continued

Most students qualified in industrial engineering, electrical engineering and information technology. During 2006 the college embarked on a programme to provide special post-graduate training to students who see their future in a marketing position. Approximately 10 of these students were placed in Reunert companies during the year and most of them are expected to find full-time employment in the group.

The Reunert College is accredited for experiential training by the Witwatersrand, Vaal Triangle and Tshwane universities of technology. The college is also an examination centre registered with the Gauteng Department of Education and the Independent Examination Board.

Aside from playing an important role in the group's employment equity programme, college staff are required to control, implement and monitor skills development programmes in the group and, to a large extent, they take responsibility for adult basic education and training for employees. The high standard of skills development and training is maintained throughout the group, with the college principal serving as the group human resources development manager and coordinator of the group training and development forum. During the training year which ended in March 2006, 2 600 Reunert employees participated in training programmes in the group. Approximately 57% of these trainees are from previously disadvantaged backgrounds.

For a number of years, the Reunert College has interacted with disadvantaged schools in the Boksburg and Alberton areas in Gauteng. Further training and education is provided to teachers, particularly those responsible for Mathematics, Science and English. This programme could be expanded in collaboration with the Department of Education.

The groundbreaking work at the college continues to be recognised by the National Board for Further Education and Training as well as the South African Qualifications Authority. The college principal, Marina Gunter, is serving a third term on the National Skills Authority (NSA), the highest authority for skills development in the country. She also serves as a member of the executive council and education and training provision task team of the National Board for Further Education and Training, the social policy and training and development committees at BUSA, and acts as chairperson of the CHAMSA committee for training and development. In addition, she has qualified as a level-one coach of the International Coach Federation.

Through the college, Reunert is in constant contact with the Department of Education, which has already noted the successes achieved by the college. Through the large employer organisations in the country, a proposal was recently made to the Minister of Education to expand the Reunert bridging programme to other companies to accelerate the development of critical skills.

Mentorships

The Reunert employee mentorship programme, introduced in 2003, was further expanded in 2006. This programme enables less experienced employees to benefit from the structured coaching of experienced employees. The aim is to retain and develop high-performing staff, and particularly to attract and retain high-calibre staff from previously disadvantaged communities. The programme assists in integrating new members of staff and is instrumental in the development and promotion of existing members of staff. To date, 250 employees have participated in the programme and, during 2006, a refresher course was presented for all mentors who have been trained since 2003.

As part of a scientific and integrated approach to mentorships, both mentors and protégés attend an initial training programme which is the framework for future development. To enable employees to effectively focus on what they want to achieve in their careers, the programme concentrates on helping them to understand themselves and their relationship with others. The aim is to coach employees to understand effectiveness in a business context and how to continually improve their skills.

As a large number of these participants take part in accelerated development programmes, significant emphasis is placed on how to achieve equity with integrity and to understand the correlation between work output and remuneration.

We are pleased by the subsequent achievements of those who attended the programme, not only in their renewed enthusiasm for career development, but by the significant individual development and promotions achieved. Equally important, the programme helps retain high levels of skills and enhances productivity and self-esteem.

Other training activities

During 2006, CBi-electric: telecom cables was granted MERSETA approval to train for a certification in power and telecommunications cable manufacturing, and to train fitter and turner millwrights. Agreement was also reached with Numsa to improve the literacy levels of members of staff. As part of a focused recruitment drive, the company has employed 14 previously disadvantaged youths with grade 12 Mathematics and Science qualifications. All these employees will be exposed to the cable-making learnership. The company has also introduced a programme to develop senior black managers and black female employees. Two of these candidates were recently appointed as production managers. A further five graduates will undergo practical training to enable the company to offer them employment. Approximately 30 employees participate in education assistance programmes at the company.

CBi-electric: low voltage has expanded its programme to train young graduates from previously disadvantaged backgrounds. Six graduates attended a business development programme and 13 previously disadvantaged students were engaged in shadow positions to enable them to ultimately gain sufficient experience to be appointed in permanent positions. The company continues to run an apprentice programme and 11 apprentices participated in the programme during 2006.

Panasonic is sponsoring the enrolment of ten students from disadvantaged backgrounds to attend the Central Johannesburg College. The sponsorship covers the students' tuition fees, books and weekly stipends and includes experiential training at Panasonic during college vacation periods. It is envisaged that these students, who are studying marketing, sales and technical subjects, will be offered full-time employment at Panasonic on

BUILDING AND DEVELOPING PEOPLE continued

completion of their studies. Panasonic has also continued its donations to the Mhlontlo Senior Secondary School in Mount Fletcher, Eastern Cape. The current year's donation forms part of an overall sum of R1 million committed to the project.

CBi-electric: african cables, in conjunction with the Sedibeng East District Education Department, provided training and donated micro science kits to all high schools in the Sedibeng East and West districts. In addition, further training was provided to educate and train tutors in using the science kits for laboratory practicals, and to improve their skills to enable them to educate their learners. Sixty-six educators were trained.

The company also assisted tertiary institutions such as the Wits Electrical Department and the Vaal University of Technology by donating equipment such as a sub-station required for practical training.

The Nashua group donated more than 50 copiers, faxes, computers and printers to the value of more than R300 000 to underprivileged schools, children's homes and care centres during the financial year. Most of these schools are in informal settlements and include Leonasia in Centurion, Kwa Thema in Springs, Daveyton as well as schools in the Nelspruit area.

Bursaries

In addition to Reunert College bursaries, many Reunert companies have their own established bursary schemes for employees' children and disadvantaged children.

CBi-electric: african cables has offered a bursary scheme for company employees since 1982. In 1998, this was expanded to include students outside the company. The main objective of the scheme is to assist children from previously disadvantaged communities. In the last ten years the scheme has granted 309 bursaries and, in 2006, 88% of available funds went to children in disadvantaged communities. The company also provides study assistance to its staff which has enabled many employees to successfully apply for promotion.

CBI-electric: telecom cables provided 30 employees with education assistance programmes during the year. The company also provides bursaries to employees' children who want to further their tertiary studies. At present, the company has 56 bursary holders at a total value of R400 000. In partnership with Reboni School in Brits, the company sponsored three learners from a disadvantaged rural area. These learners actively engage with the company and are guided in developing life skills.

For many years the company has been a co-sponsor of the Centre of Excellence in Optical Research at the University of Johannesburg. The company's annual contribution is R200 000. This centre is also closely linked with Telkom, a valued customer of the company.

Employment equity

All trading operations in the Reunert group maintain employment equity plans and forums in terms of the Employment Equity Act of 1998. Most of these plans, once formulated, are managed in conjunction with employee representatives of business units. The Reunert College serves as a primary source of employees from previously disadvantaged communities. At least ten former students were offered employment on either a permanent or temporary basis during 2006.

The group's approach to employment equity is part of an integrated plan aimed at ensuring a constant stream of new entrants to the college and retaining skills through the Reunert mentorship programme. These activities emphasise developing young people from previously disadvantaged communities and all interventions, including the level of funds contributed by group companies, are monitored monthly.

Broad-based black economic empowerment

Significant progress was made with the group's broad-based black economic empowerment (BBBEE) programme during the year. The Peotona group is being introduced as a BBBEE partner at group level with a 9,5% shareholding. It is particularly pleasing that 70% of the investment made by Peotona will be applied and invested for the benefit of the broader community.

During the last year, a 26% stake of Pansolutions was sold to an empowerment group.

Kgorong Investment Holdings still holds 30% of RDL Technologies with two seats on the company board, including the chairmanship. Powerhouse Utilities holds a 25,1% share in CBi-electric: telecom cables (which includes CBi-electric: african cables) and has two seats on the company's board. A BBBEE group holds 26% of the shares of Nashua Kopano and has two seats on the Kopano board, one as executive chairman and the other as managing director.

CBi-electric: telecommunication cables received the 2006 Fidentia Empowerment Top Award as winner in the manufacturing category.

Outsourcing, procurement and assistance to small and medium-sized enterprises

Over the last decade, Reunert companies have devoted considerable effort to creating small and medium-sized businesses and promoting business activities in previously disadvantaged communities.

During 2006, Nashua Mobile concluded a franchise agreement with a BEE partner, Poono Investments cc, and supports the franchise by contributing to a range of retail initiatives, including subsidised rentals, salaries, shop fittings and training and development. This initiative has culminated in two empowerment outlets in Pretoria, ie in the Kwagga Centre and the Tramshed. As part of a separate initiative, empowerment outlets were established in Lonehill and Pimville and another four are planned for 2007.

Since 2002, CBi-electric: african cables has helped Bogabane Engineering establish itself as a small engineering business in the Vaal Triangle. Bogabane specialises in maintenance work for industrial companies in the area, as well as engraving embossing wheels. At present, Bogabane rents premises and machinery from CBi-electric: african cables, but is shortly expected to buy additional machinery to cope with the expansion of the business.

BUILDING AND DEVELOPING PEOPLE continued

CBi-electric: african cables established a small enterprise, Atlehang Ma Africa in Vereeniging, which specialises in batting cable drums. In addition, Doocks Construction is responsible for rewinding galvanised wire used in the production process at CBi-electric: african cables. Another small company, Xylo, was established to recover scrap metal generated during the production process.

Through its small, medium and micro enterprise (SMME) initiatives, CBi-electric: african cables has established 93 jobs in businesses with a combined revenue of approximately R5,1 million per annum.

Aids and health services

All group companies have introduced an Aids policy based on a guideline issued by Reunert Limited. It is group policy not to discriminate against anybody who may be HIV positive. The strategy is aimed at educating employees about the importance of preventing this potentially fatal medical condition. All employees who have tested HIV positive are counselled.

Although the group focuses its social investment mainly on educating children, many Reunert companies are playing a major role in the wider community by helping to reduce the plight of Aids sufferers. Following its success with Nkosi's Haven, a home for Aids orphans and children living with Aids, Nashua is supporting the Banakekeleni Haven in Alexandra. Together with the Alexandra renewal project, new premises have been secured for Banakekeleni from a rundown warehouse. Plans are currently being drawn to build new facilities on secure premises. This haven is home to a number of HIV-positive patients and Aids orphans, and provides home-based care in Alexandra to Aids orphans and destitute children.

CBi-electric: telecom cables adopted the Madidi Hospice in Ga-Rankuwa in 2001 and actively supports the institution with funding, food and clothing. The company also participates in the Madibeng centre for research together with the University of Pretoria, Medunsa, medical practitioners and local government. The centre conducts medical research in rural areas on social and medical conditions common to rural areas. The company has served on the board of the centre and provides IT and infrastructure assistance. In addition, the company is involved in Aids projects in the community. Other projects include the Lesedi House of Aids orphans, Damonsville Aids project and National Aids day.

Nashua Mobile donated a minibus to the Novalis House for Adults who suffer from severe intellectual disabilities. The company will also assist Novalis residents to find employment in the Kyalami area. In addition, Nashua Mobile has formed a partnership with Cape Town-based Heart of Healing to cooperate in four projects, including a project at Groote Schuur Hospital and sponsorship of a television/cinema advertisement aimed at influencing those with drug abuse-related problems.

Support for community projects

Reunert group companies contribute meaningfully to a variety of organisations, especially those that provide food and shelter, education and training and assistance to victims of the Aids pandemic.

Nashua Mobile managed a feeding scheme for 1 400 pupils and sponsored a computer centre at Reagile Primary School in Midrand. It also supports the rugby, soccer and netball teams at Ivory Park High School and has equipped the school with a computer centre with 30 computers.

As part of CBi-electric: low voltage's engagement with local and provincial governments, the premier of the North-West province and the executive mayor of Madibeng have formalised structures in which the company engages with the relevant governments to enhance service delivery.

Panasonic has assisted various charities including orphanages such as the Mhlontlo Community Project. Product donations in excess of R80 000 were made to various charities, including the Avril Elizabeth Home, Reach for a Dream, Ravensmead Welfare Society and the Sephuti Secondary School.

Human resources

The group's corporate social investment, employment equity, BBBEE and all other social activities have been integrated into the human resources strategies and activities.

The Reunert College coordinates the skills development programme in each group company. College employees are responsible for introducing the group's mentorship programme. This approach helps college students progress from being learners to employees, and provides ongoing growth and development for existing Reunert staff who participate in the programme.

The group skills development forum meets four times a year and coordinates all related initiatives. The targets for skills development, as set out in the national skills development strategy (NSDS), are discussed at this forum. All Reunert companies have contributed substantially to this strategy.

All skills-related legislation and standards are discussed at the forum to ensure Reunert companies keep abreast of current skills-development policy and practices.

Nashua Mobile emphasises training, promotion opportunities and learnership programmes. The company's sales managers are participating in a year-long, internationally recognised Harvard sales management course to prepare them for an increasingly competitive sales environment. Call-centre management and staff have completed an intense training curriculum with a strong emphasis on delivering customer service excellence. The credit control department has completed most of the Institute of Credit Management's diploma courses this year. The company's executive leadership programme has enabled several executives to study for MBAs in telecommunication at international business schools.

BUILDING AND DEVELOPING PEOPLE continued

The strong economic growth in South Africa has enabled the group to employ more staff, with the number of permanent employees employed in South Africa increasing by 17% during the year. Strong recruitment activities were required in Nashua Mobile and CBi-electric: low voltage in particular.

CBi-electric: african cables is currently at the forefront of skills development in South Africa and is accredited by MERSETA and the Telecommunications and Cable Association as a trainer in learnerships in NQF levels one to four. The company has been instrumental in developing the unistandard for an NQF1 learnership.

In 1988, the group launched a long-term skills assessment programme to more accurately determine individual training needs at senior level and to identify future management potential as part of its ongoing succession planning. To date, approximately 230 employees have been assessed. Our intention is to assess at least 30 senior managers a year for further training at a business school in South Africa or overseas.

The group's remuneration strategies are closely aligned with business plans and performance-based bonuses are based primarily on an economic value-added (EVA) system. The details of the bonus scheme are adapted from time-to-time consistent with changes in the business environment.

Group companies continue to build sound relationships with trade unions, many of which have been in place since 1985. Established structures for collective bargaining and consultations, along with the expertise built in the group over many years, ensured there were no major industrial relations incidents during the year.

The group's reward system is based on a total package concept to provide employees with maximum flexibility. Group companies are participating members in at least three medical schemes and employees are encouraged to select their own schemes. Where a company's administration cannot provide for a choice of schemes, employees can still make their own administration arrangements to enable them to join alternative schemes.

A revised investment strategy for the Reunert Retirement Fund has proved successful. All employees now have access to a user friendly, sophisticated planning tool which enables them to make their own investment choices based on individual retirement needs.

Employee profile

as at September 2006

Total number of employees in South Africa

Occupation Levels	MALE African	MALE Coloured	MALE Indian	MALE White	FEMALE African	FEMALE Coloured	FEMALE Indian	FEMALE White	TOTAL
Top management	12	0	0	48	2	0	0	2	64
Senior management	8	3	5	109	1	0	0	14	140
Professionally qualified, experienced specialists and mid management	16	19	27	272	6	6	11	74	431
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	344	109	104	702	151	112	71	428	2 021
Semiskilled and discretionary decision making	634	93	41	44	192	129	32	115	1 280
Unskilled and defined decision making	319	18	0	10	1151	26	1	4	1 529
Total permanent	**1 333**	**242**	**177**	**1 185**	**1 503**	**273**	**115**	**637**	**5 465**
Contract workers	153	23	15	50	73	27	12	18	371
Temps	37	20	5	10	31	127	6	16	252
Trainees	22	2	1	6	4	0	0	1	36
Total non-permanent	**212**	**45**	**21**	**66**	**108**	**154**	**18**	**35**	**659**
Total	**1 545**	**287**	**198**	**1 251**	**1611**	**427**	**133**	**672**	**6 124**

Total number of employees in foreign countries	
Occupational Levels	
Top management	0
Senior management	10
Professionally qualified, experienced specialists and mid management	9
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	32
Semiskilled and discretionary decision making	99
Unskilled and defined decision making	0
Total permanent	**150**
Contract workers	1
Temps	1
Trainees	0
Total non-permanent	**2**
Total	**152**
Total number of employees in the group (South Africa and those employed in foreign countries)	**6 276**

ENVIRONMENTAL ISSUES

Reunert companies have systems or policies in place on activities, products and services they control or influence that could have a significant impact on the environment.

CBi-electric: african cables complies with the ISO 14001 environment management system and, as part of its risk policy, annual environmental objectives and targets are set and regularly monitored. The company has a system in place to reduce, recover and recycle waste materials.

The Panasonic television factory in Cape Town is the only television manufacturer in South Africa that uses a lead-free soldering process. Lead-free soldering is also used for products manufactured for CBi-electric: low voltage's circuit boards.

RDL is ISO 9001 accredited and has adopted the SANS 14001:2005 environmental management system. This system is maintained and regularly improved to ensure the optimal effectiveness of RDL's environmental management systems strategy. The company is introducing non-lead core solder wire in the manufacturing and repair of circuit boards, and all solvents used are CFC-free to reduce potential damage to the ozone layer.

Reutech Radar Systems has implemented a radio-frequency radiation safety policy to protect employees and the public against the possible hazardous effect of non-ionising radiation emitted by its products. Since South African standards are not yet available, the company is complying with Australian standards for general public exposure to radio-frequency electromagnetic fields.

CORPORATE GOVERNANCE

Reunert strives to comply fully with the recommendations of this report, including the code of corporate practice and conduct, and motivates its staff to conduct business activities with integrity.

The Reunert Limited board of directors and group management are firmly committed to sound corporate governance and endorse the principles of fairness, responsibility, accountability and transparency as set out in the King Report on Corporate Governance in South Africa of March 2002 (King code).

Reunert strives to comply fully with the recommendations of this report, including the code of corporate practice and conduct, and motivates its staff to conduct business activities with integrity. The Reunert board is satisfied that the group has in all material respects complied with the provisions and the spirit of the King code. The group endeavours to incorporate into its actions the best possible mutual interests of all stakeholders, including investors, employees, suppliers, customers and the communities in which it operates.

Board, directors and committees

Composition of the board

The Reunert board currently consists of 11 directors, seven of whom are non-executive, independent directors as defined in the King code. Board members duly consider diversity and the appropriate balance of executive, non-executive and independent directors when making or recommending appointments to the board. The directors bring a wide range of experience, wisdom and professional skills to the board. The composition of the board with brief resumés for each director appears on pages 8 and 9.

Declaration of interests

Several non-executive, independent directors hold directorships in other listed companies. Full details of these directorships are on pages 8 and 9.

When there appears to be a conflict of interest, the director concerned will recuse him/herself from discussion at board or board committee meetings when the relevant matter is tabled.

CORPORATE GOVERNANCE continued

Board charter

The Reunert board has adopted a board charter. Its salient features include:

- demarcation of the roles, functions, responsibilities and powers of the board;
- terms of reference of the various board committees;
- matters reserved for decisions by the board; and
- policies and practices of the board on matters such as corporate governance, board meetings and documentation, disclosure of conflicts of interest and trading by directors in the securities of the company.

Roles and responsibilities

The roles of the chairman and the chief executive are separate. The chairman is elected by members of the board. The chairman has no executive or management responsibilities and also chairs shareholder meetings.

The chief executive is appointed by the board on the recommendation of the nomination committee. The duration of his appointment, terms of appointment and compensation are determined by the board on the recommendation of the remuneration committee.

Non-executive directors are not appointed under service contracts and their remuneration is not tied to the group's financial performance. There is a clear division of board responsibilities and no one individual has unfettered powers of decision making.

Directors are jointly accountable for decisions of the board. Directors have a legal obligation to act in the best interests of the company and the group, to act with due care in discharging their duties as directors, to declare and avoid conflicts of interest with the company and the group and to account to the company for any advantages gained in discharging their duties on behalf of the company.

The Reunert board of directors, among other functions:

- retains full and effective control of the group;
- monitors and evaluates the implementation of strategies, policies and management performance;
- sets criteria and approves business plans;
- determines the group's purpose and values;
- ensures the group complies with sound codes of business practice;
- has unrestricted right of access to all company information, records, documents and property;
- ensures a process exists to identify key business risk areas and key performance indicators; and
- guards the interests of minorities through its independent, non-executive directors.

The board meets quarterly and at any additional times that may be required. Members of senior management can be invited to attend board meetings to facilitate communication between executive management and non-executive board members. All directors attended meetings held in 2005/6 except as indicated below.

During the past financial year, the board met five times on the following dates:

Date	Meeting	Apologies tendered
25 October 2005	Special	—
14 November 2005	Board	—
6 February 2006	Board & AGM	—
15 May 2006	Board	BP Connellan
31 August 2006	Board	—

Appointment and re-election of directors

Directors are subject to retirement by rotation and re-election by shareholders at an annual general meeting at least once every three years under the company's articles of association. The board charter is an integral part of the conditions of appointment of all directors. Procedures for appointments are formal and transparent and a matter for the board as a whole.

Non-executive directors retire after reaching the age of 70 at the next annual general meeting. Executive directors retire from the board at 63 years of age at the next annual general meeting.

SD Jagoe, KJ Makwetla, GJ Oosthuizen and MJ Shaw retire by rotation at the next annual general meeting. The nomination committee has recommended that they be re-elected and they have offered themselves for re-election at this meeting.

Details of remuneration, fees or other benefits earned by directors in the past year are given in note 29 to the annual financial statements.

Board committees

In terms of the articles of association, the board has the power to appoint board committees and to delegate powers to these committees. The board has four sub–committees: the audit and risk committee, the remuneration committee, the nomination committee and the group executive and risk management committee. Minutes are kept of all committee meetings. These committees can, at their own discretion, seek independent, outside professional advice when necessary. All committees have charters approved by the Reunert board. The committees are directly responsible to the board.

Audit and risk committee

KS Fuller (chairman), BP Connellan, SD Jagoe, G Pretorius, DJ Rawlinson

The audit and risk committee, chaired by an independent non-executive director and comprising a majority of independent non-executive directors, meets at least twice a year. The committee reviews the group's internal and external audit reports and agrees on the scope of audits. The committee operates in terms of its charter and reviews audit, accounting and financial reporting issues and ensures an effective internal control environment in the group. The committee reports bi-annually to the board on the effectiveness of risk controls and management within the group.

During the year, the following meetings took place:

Date	Meeting	Apologies tendered
10 November 2005	Regular	—
12 May 2006	Regular	BP Connellan
11 October 2006	Special	—
15 November 2006	Regular	—

CORPORATE GOVERNANCE continued

Remuneration committee

SD Jagoe (chairman), MJ Shaw, JC van der Horst

This committee comprises independent non-executive directors only and meets at least twice a year to make recommendations to the board on the framework of executive remuneration. These recommendations include granting share options in terms of the Reunert Share Option Scheme and performance-based incentives. The chief executive attends these meetings by invitation. In the past year, the remuneration committee met on 6 February 2006, 31 August 2006 and 15 November 2006, all with full attendance.

Executive remuneration philosophy

Reunert follows a holistic approach to executive remuneration. The total remuneration paid to executives is made up of a fixed base pay component (cash and benefit payments), a short-term incentive (variable) component and a long-term incentive scheme. Remuneration is market related and benchmarked against publicly available information.

In 2005 a decision was taken to increase the proportion of remuneration at risk relative to the guaranteed base pay component. The base pay component increases were capped at 6% for 2005 and 2006 while the short-term incentive was increased from a maximum of 100% of the cash package in 2005 to a maximum of 140% of the base pay component, with effect from the 2007 financial year.

The short-term incentive for executive management is based on economic value-added (EVA) principles. Growth targets to be achieved on a compound basis were set in 2000 and are still applicable. The incentive is self funding, where a percentage of returns in excess of the required growth is available for distribution to management, and is smoothed over a three-year period to avoid opportunism. The short-term incentive for executive directors is based on earnings per share.

All executives have, in addition to their financial targets, additional non-financial objectives which form part of the short-term incentive scheme. The scheme is structured to find an appropriate balance between financial and non-financial objectives as well as performance and behavioural criteria. These additional criteria, which are individually set, are only considered when the EVA or earnings targets are achieved.

Long-term incentives are provided through a share option scheme. Eligible executives are periodically, usually at two-year intervals, granted options that become exercisable in equal portions after three, four and five years. Participation in this scheme is limited and the overall number of shares under option, historically, has been less than 10% of Reunert's issued shares at any time.

Due to changes in tax legislation, it is proposed to introduce a cash-based share purchase scheme and a share-price-linked incentive scheme during the 2007 financial year, with a view to enabling more employees to participate in long-term incentives, to guard against excessive dilution and to optimise tax planning.

Nomination committee

MJ Shaw (chairman), SD Jagoe, JC van der Horst

This committee comprises independent non-executive directors only and meets at least annually to make recommendations to the board on the composition of the board and to identify and nominate candidates to fill any vacancies. In addition, the committee is tasked to advise the board on succession planning. The committee met on 6 February 2006, 31 August 2006 and 20 November 2006, all with full attendance.

Group executive and risk management committee

G Pretorius (chairman), BP Gallagher, GJ Oosthuizen, DJ Rawlinson

The group executive and risk management committee comprises executive directors only and is constituted to assist the chief executive to manage the group. Executive directors and senior executives meet regularly to guide and control the overall direction of the group and to identify potential risk areas. The internal audit department assists the board and management in monitoring the risk management process.

Company secretary

The board has access to the advice and services of Reunert Management Services Limited (RMS). RMS fulfils the role of company secretary and administers the share option scheme and all statutory requirements of the company and the group. The board believes the management of RMS has the requisite attributes, experience and qualifications to fulfil its company secretarial commitments effectively.

Sponsor

The company continues to use Rand Merchant Bank (RMB) as its sponsor. RMB's services include advising the board on the interpretation of, and compliance with, the listing requirements of the JSE Limited (JSE) and reviewing all notices required in terms of its statutes and JSE rules and regulations.

External audit

The board has appointed Deloitte & Touche to perform an independent and objective audit on the group's annual financial statements. The financial statements are prepared in terms of International Financial Reporting Standards (IFRS). The interim report to shareholders is not audited, but is discussed with the auditors. The board has considered the extent of non-audit related services provided by the external auditors and is satisfied that the independence of the external auditors is not compromised.

Accounting and internal controls

Accounting and internal controls focus on critical risk areas. The controls are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. The identification of risks and the implementation and monitoring of adequate systems of internal, financial and operating controls to manage such risks are delegated to senior executive management. The board acknowledges its responsibility for ensuring that management implements and monitors the effectiveness of systems of internal, financial and operating controls. The board, via the audit and risk committee, receives regular reviews from management on the effectiveness of established controls and procedures to ensure the accuracy and integrity of the accounting records and monitors the wider group's businesses, risks and performance.

The board has not been informed by executive management or internal audit of any issue that would constitute a material breakdown in the functioning of these controls during the financial year under review.

The external auditors have again confirmed, based on the scope of work performed, that they are not aware of any matters relating to Reunert's control systems that would constitute a material breakdown that could result in significant losses, contingencies or uncertainties that require disclosure in the annual financial statements or the external auditors' report.

CORPORATE GOVERNANCE continued

Internal audit
Comprehensive internal controls have been instituted to assist management and the directors in fulfilling their responsibility for preparing the annual financial statements, safeguarding assets and providing answers on transactions that are executed and recorded in terms of company and group policies and procedures.

Internal audit responds to these requirements by performing periodic independent evaluations of the adequacy and effectiveness of all controls, financial reporting structures and the integrity of all information systems and records.

Internal audit reports bi-annually to the audit and risk committee and has unrestricted access to the chairman of the board.

Non-financial matters
Reunert is committed to upholding and maintaining best international practices in the social, ethical, safety, health and environmental spheres of its business and acknowledges the responsibility it bears as a corporate citizen in society. The group sets the highest level of ethical standards for all its officers and employees in conducting business and dealing with all stakeholders.

Employment equity
The group supports employment equity and is committed to providing equal opportunities for all group employees. All business units have employment equity programmes that comply with legislative objectives and requirements. Various skills development, mentoring and training programmes exist within the group. An in-depth review of Reunert's focus on people development is available on pages 22 to 31.

Environmental issues
Systems and policies are in place to control or influence issues that can have an impact on the environment.

A report on environmental issues is printed on page 32.

Communications with stakeholders
Reunert is committed to ongoing and effective communication with all stakeholders. It subscribes to a policy of open, frank and timely communication in line with JSE guidelines and sound corporate governance practice. During the year, management reduced the number of one-on-one interactions, electing rather to share information and access through more participative, open investor days and road shows.

Numerous channels are used to disseminate information according to the preferences of the intended target audiences. These include ongoing dialogue with institutional investors, analysts and the media, and a corporate website (http://www.reunert.com) with up-to-date information on the company and its subsidiaries.

Dealing in the company's shares and closed periods
Employees are restricted from dealing either directly or indirectly in the company's shares on the basis of privileged price-sensitive information before it has been publicly announced to the market.

Senior executives require permission from the chief executive before shares are purchased or sold. All directors require permission from the chairman before dealing in the company's shares.

The group operates a closed period prior to the publication of its interim and preliminary results.

During these periods, the group's directors, officers and senior management may not deal in the shares of the company, nor may they discuss the group's financial prospects with any outside party. Additional closed periods are enforced as required by any corporate activity.

Code of ethics
The group's code of ethics is printed on the inside back cover of this report and is displayed on the company website.

SEGMENTAL ANALYSIS

BUSINESS AND GEOGRAPHIC SEGMENTS

Business segments

For management purposes, the group is currently organised into two operating divisions:

Electrical engineering (CBi-electric: low voltage (formerly Circuit Breaker Industries), CBi-electric: african cables (formerly African Cables) and CBi-electric: telecom cables (formerly ATC) and,

Electronics comprising Office systems (Nashua Office Automation, Nashua Kopano and RC&C Finance Company), Consumer products and services (Nashua Mobile and RC&C Holdings), Telecommunications (Siemens Telecommunications and Acuo Technologies) and Reutech (Fuchs Electronics, RDI Communications, RDL Technologies and Reutech Radar Systems). The group overview on pages 2 and 3 and pages 10 to 21 gives details of the activities of each division.

The associate company forms part of the Telecommunications segment.

These divisions are the basis on which the group reports its primary business segments.

Segment information about these businesses is presented below.

The group's operations are situated mostly in South Africa, with minor operations situated in Germany, the United States of America and Australia. It is, therefore, not considered meaningful to disclose information on geographic segments according to location of operation.

REVENUE INCLUDING ASSOCIATE COMPANY

Rm	2006	%	2005*	%	% change
Electrical engineering	2 573,7	27	1 986,7	25	30
Electronics					
Office systems	1 234,8	13	981,3	12	26
Consumer products and services	4 109,0	43	3 743,7	47	10
Telecommunications	1 285,7	14	993,0	12	29
Reutech	317,3	3	300,3	4	6
Total Electronics	6 946,8	73	6 018,3	75	15
Total operations	9 520,5	100	8 005,0	100	19
Less: Reunert's attributable portion of associate company's revenue	(1 284,1)		(993,0)		
Revenue as reported per the income statement	8 236,4		7 012,0		17

SEGMENTAL ANALYSIS continued

OPERATING PROFIT INCLUDING ASSOCIATE COMPANY

Rm	2006	%	2005*	%	% change
Electrical engineering	552,1	39	332,7	32	66
Electronics					
Office systems	314,1	22	257,1	24	22
Consumer products and services	374,5	27	324,5	31	15
Telecommunications	142,9	10	131,9	13	8
Reutech	30,4	2	3,7	—	722
Total Electronics	861,9	61	717,2	68	20
Total operations	1 414,0	100	1 049,9	100	35
Less: Reunert's attributable portion of associate company's net operating profit	(141,3)		(132,6)		
Operating profit as reported in the income statement	1 272,7		917,3		39

TOTAL ASSETS (EXCLUDING CASH AND CASH EQUIVALENTS AND DEFERRED TAXATION ASSETS) INCLUDING ASSOCIATE COMPANY

Rm	2006	2005*
Electrical engineering	1 325,2	939,0
Electronics		
Office systems	1 839,3	1 276,4
Consumer products and services	1 241,2	976,3
Telecommunications	978,3	581,7
Reutech	109,8	82,0
Total Electronics	4 168,6	2 916,4
Total operations	5 493,8	3 855,4
Less: Reunert's attributable portion of associate company's assets	(872,8)	(479,9)
Total assets (excluding cash and cash equivalents and deferred taxation assets) as reported per the balance sheet	4 621,0	3 375,5

TRADE AND OTHER PAYABLES, DERIVATIVE LIABILITIES AND PROVISIONS, INCLUDING ASSOCIATE COMPANY

Rm	2006	2005*
Electrical engineering	441,2	248,8
Electronics		
Office systems	359,6	293,6
Consumer products and services	958,7	804,0
Telecommunications	722,7	435,0
Reutech	125,6	97,2
Total Electronics	2 166,6	1 629,8
Total operations	2 607,8	1 878,6
Less: Reunert's attributable portion of associate company's liabilities	(721,9)	(434,5)
Trade and other payables, derivative liabilities and provisions as reported per the balance sheet	1 885,9	1 444,1

CAPITAL EXPENDITURE EXCLUDING ASSOCIATE COMPANY

Rm	2006	2005*
Electrical engineering	**99,8**	38,3
Electronics		
Office systems	**60,1**	2,4
Consumer products and services	**30,3**	15,1
Telecommunications	**0,1**	—
Reutech	**4,0**	3,9
Total Electronics	**94,5**	21,4
Capital expenditure as reported	**194,3**	59,7

DEPRECIATION AND IMPAIRMENTS OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS EXCLUDING ASSOCIATE COMPANY

Rm	2006	2005*
Electrical engineering	**36,9**	30,6
Electronics		
Office systems	**5,0**	3,0
Consumer products and services	**17,1**	12,8
Telecommunications	**—**	0,1
Reutech	**4,2**	3,4
Total Electronics	**26,3**	19,3
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets as reported	**63,2**	49,9

NUMBER OF EMPLOYEES EXCLUDING ASSOCIATE COMPANY

	2006	2005
Electrical engineering	**3 295**	2 680
Electronics		
Office systems	**400**	413
Consumer products and services	**1 781**	1 588
Telecommunications	**30**	16
Reutech	**770**	623
Total Electronics	**2 981**	2 640
Number of employees as reported	**6 276**	5 320

** The comparative information has been amended to take account of the effect of adopting IFRS from 1 October 2004 and SAICA Circular 9/2006.*

FIVE-YEAR FINANCIAL REVIEW

	2006 Rm	2005* Rm	2004** Rm	2003** Rm	2002** Rm
CONSOLIDATED BALANCE SHEETS					
ASSETS					
Property, plant and equipment	**455,4**	328,4	196,2	213,7	157,1
Intangible assets	**11,9**	7,9			
Goodwill	**326,8**	329,0	324,8	306,9	360,0
Investments and loans	**148,8**	116,2	109,9	20,8	151,6
RC&C Finance Company (RCCF) accounts receivable***	**1 403,8**	1 028,2	528,5	1 220,0	953,9
Deferred taxation assets	**59,1**	37,5	56,2	33,1	25,9
Cash and cash equivalents	**969,3**	784,4	451,3	484,8	283,5
Other current assets	**2 274,3**	1 565,8	1 420,6	1 358,5	1 372,7
Total assets	**5 649,4**	4 197,4	3 087,5	3 637,8	3 304,7
EQUITY AND LIABILITIES					
Ordinary and preference equity holders of Reunert Ltd	**1 680,9**	1 561,7	983,1	1 156,5	1 071,1
Minority interest	**38,2**	43,0	39,7	121,2	103,5
Total equity	**1 719,1**	1 604,7	1 022,8	1 277,7	1 174,6
Deferred taxation liabilities	**141,6**	81,7	44,3	63,8	45,9
Long-term borrowings	**115,0**	111,7	—	—	—
RCCF short-term borrowings***	**1 187,9**	866,8	314,1	900,7	838,0
Current liabilities	**2 485,8**	1 532,5	1 706,3	1 395,6	1 246,2
Total equity and liabilities	**5 649,4**	4 197,4	3 087,5	3 637,8	3 304,7
CONSOLIDATED INCOME STATEMENTS					
Revenue	**8 236,4**	7 012,0	6 247,3	6 103,9	5 062,9
Operating profit	**1 272,7**	917,3	700,5	607,7	472,1
Net interest and dividends received	**64,9**	50,1	65,1	45,2	36,5
Profit before abnormal items	**1337,6**	967,4	765,6	652,9	508,6
Abnormal items	**1,6**	3,9	6,0	—	(18,7)
Profit before taxation	**1 339,2**	971,3	771,6	652,9	489,9
Taxation	**(500,5)**	(326,5)	(309,0)	(224,4)	(177,3)
Profit after taxation	**838,7**	644,8	462,6	428,5	312,6
Share of associate company's profits/(losses)	**95,2**	79,2	66,8	(82,6)	89,6
Profit for the period	**933,9**	724,0	529,4	345,9	402,2
Profit for the period attributable to:					
Minority interest	**11,1**	10,7	51,0	50,5	31,6
Equity holders of Reunert Ltd	**922,8**	713,3	478,4	295,4	370,6
	933,9	724,0	529,4	345,9	402,2

	2006 Rm	2005* Rm	2004** Rm	2003** Rm	2002** Rm
CONSOLIDATED INCOME STATEMENTS *continued*					
Headline earnings attributable to equity holders of Reunert Limited	**918,6**	708,1	526,9	345,6	429,3
Headline earnings per share (cents)	**524,6**	408,4	277,5	183,5	229,5
Basic earnings per share (cents)	**527,0**	411,4	251,9	156,9	198,1
CONSOLIDATED CASH FLOW STATEMENTS					
EBITDA	**1 335,9**	967,2	811,9	712,3	559,7
Changes in working capital	**(252,8)**	(101,3)	113,0	210,5	(157,2)
Cash generated from operations	**1 083,1**	865,9	924,9	922,8	402,5
Net interest and dividends received	**120,9**	119,3	65,1	45,2	144,9
Taxation paid	**(347,4)**	(364,9)	(313,5)	(178,7)	(209,0)
Ordinary dividends paid	**(464,2)**	(308,3)	(268,1)	(258,4)	(201,0)
Share buyback	**—**	—	(476,6)	—	—
Acquisition of assets, businesses and investments and other	**(162,5)**	7,5	(237,2)	(123,1)	(451,6)
Net long-term borrowings (repaid)/raised	**(0,5)**	129,4	—	—	—
Net cash generated/(utilised) (before RCCF receivables)	**229,4**	448,9	(305,4)	407,8	(314,2)
(Increase)/decrease in RCCF receivables***	**(375,6)**	(499,7)	691,5	(269,8)	(208,8)
Net cash (utilised)/generated	**(146,2)**	(50,8)	386,1	138,0	(523,0)

** The 2005 information has been restated to take account of the effect of adopting IFRS on 1 October 2004 and SAICA Circular 9/2006.*

*** The 2002 to 2004 information has not been restated to take account of the effect of adopting IFRS and is therefore still in terms of SA GAAP.*

**** In December 2003 R1 255,5 million was received on the sale of the RC&C Finance Company debtors book.*

SUMMARY OF STATISTICS

	2006	2005*	2004**	2003**	2002**
SHARES					
Number of ordinary shares on which					
earnings per share is calculated (million)	**175,1**	173,4	189,9	188,3	187,0
Net asset value per share (cents) – tangible	**761**	702	383	450	380
Net asset value per share (cents)	**953**	896	572	612	572
Headline earnings per share (cents)	**524,6**	408,4	277,5	183,5	229,5
Normalised headline earnings per share (cents)	**495,3**	394,1	277,5	183,5	229,5
Basic earnings per share (cents)	**527,0**	411,4	251,9	156,9	198,1
Dividends per share (cents) – normal	**273,0**	222,0	160,0	120,0	118,0
– special	**200,0**				
Dividend cover (times)	**1,8**	1,8	1,7	1,5	1,9
Cashflow per share (cents)	**486,7**	374,6	353,2	417,7	187,7
Ordinary shares in issue (million) (net of treasury shares)	**176,3**	174,4	171,8	188,8	187,3
Number of transactions – JSE	**46 549**	20 938	13 452	11 308	12 765
Number of shares traded (million)	**138,2**	92,7	94,9	76,4	76,4
Value of shares traded (Rm)	**8 519,7**	3 473,0	2 129,5	1 380,4	1 438,2
Number of shares traded as a percentage of issued shares	**70,7**	47,9	49,7	37,1	37,4
Market price per share (cents)					
– year end	**6 814**	4 230	2 790	1 710	1 860
– highest	**7 745**	4 400	2 900	2 230	2 220
– lowest	**4 185**	2 600	1 695	1 560	1 610
Earnings yield (%) at year end	**7,7**	9,7	10,0	10,7	12,3
Dividend yield (%) at year end	**4,0**	5,2	5,7	7,0	6,3
Price : Earnings ratio (times) at year end	**13,0**	10,4	10,1	9,3	8,1
Market capitalisation (net of treasury shares) (Rm) at year end	**12 012**	7 376	4 792	3 228	3 482
JSE actuaries' electronics sector index at 30 September	**11 644**	7 851	5 328	3 852	3 887
(adjusted base 2002 = 3887)					
OTHER					
Number of employees	**6 276**	5 320	5 169	4 918	4 318
Revenue per employee (R000)	**1 312**	1 318	1 209	1 241	1 173
Operating profit per employee (R000)	**203**	172	136	124	109
Wealth created per employee (R000)	**439**	405	409	335	312
Employment cost per employee (R000)	**153**	161	149	142	130

	2006	2005*	2004**	2003**	2002**
PROFITABILITY, ASSET MANAGEMENT, LIQUIDITY AND LEVERAGE					
EBITDA as a percentage of revenue (%)	**16,2**	13,8	13,0	11,7	11,1
Operating margin (%)	**15,5**	13,1	11,2	10,0	9,3
Net asset turn (times)	**8,0**	7,7	7,6	6,8	5,9
Return on ordinary shareholders' funds (%)	**56,7**	53,5	49,3	31,0	44,1
Return on net operating assets (%)	**131,9**	108,9	99,6	63,5	70,0
Return on net operating assets excluding investments in associates (%)	**136,8**	110,9	96,7	78,4	71,5
Taxation (excluding STC on the special dividend in 2006 and the share buyback in 2004) as a percentage of profit before taxation (excluding abnormal items) (%)	**34,2**	33,8	36,4	34,4	34,9
Total liabilities to total shareholders' funds (%)	**225,4**	160,8	197,5	179,8	177,4
Net borrowings to total shareholders' funds (%)	**14,6**	6,6	3,2	32,8	47,5
Current ratio	**1,5**	1,8	1,3	1,6	1,6
Interest cover (times)	**38,1**	42,0	69,4	12,1	25,5

** The 2005 statistics have been restated to take account of the effect of adopting IFRS on 1 October 2004 and SAICA Circular 9/06.*

*** The 2002 to 2004 statistics have not been restated to take account of the effect of adopting IFRS and therefore are still in terms of SA GAAP.*

DEFINITIONS

Net worth per share

Ordinary shareholders' funds divided by shares in issue at year-end.

EBITDA

Earnings before interest, taxation, depreciation and amortisation of intangible assets. (Operating profit before deducting depreciation and amortisation expenses.)

Operating margin

Operating profit divided by revenue.

Total assets

Property, plant and equipment, intangible assets, investments and current assets.

Net assets

Total assets less non-interest-bearing debt, excluding RC&C Finance Company borrowings.

Net operating assets

Total assets excluding cash and cash equivalents, less current liabilities excluding short-term borrowings and bank overdrafts.

Net asset turn

Revenue divided by average net operating assets.

Return on ordinary shareholders' funds

Headline earnings divided by average ordinary shareholders' funds.

Return on net operating assets

Operating profit, plus share of associate company's profit, less adjustments for capital items excluded from headline earnings, divided by average net operating assets.

Return on net operating assets excluding investments in associates

As for return on net operating assets excluding investments in and share of associate company's profit.

Current ratio

Current assets divided by short-term non-interest-bearing debt.

Net interest cover

Operating profit and dividends from associate company divided by net interest paid.

Total liabilities

Total liabilities excluding deferred taxation.

Total borrowings

Interest-bearing debt.

Net borrowings

Total borrowings net of cash and cash equivalents.

Cash flow per share

Cash flow from operating activities before dividends paid and excluding the movement in RC&C Finance Company accounts receivable, divided by the weighted average number of shares in issue during the year.

Dividend cover

Headline earnings per share divided by dividends per share.

Earnings yield

Headline earnings per share divided by market price per share at year-end.

Dividend yield

Dividends per share divided by market price per share at year-end.

Market capitalisation

Market price per share at year-end multiplied by number of ordinary shares in issue.

Headline earnings per share

Attributable earnings adjusted for attributable value of items in terms of SAICA circular 07/2002, divided by the weighted average number of ordinary shares in issue during the year.

Normalised headline earnings per share

Attributable headline earnings adjusted for the interest in profit that is economically attributable to BEE partners divided by the weighted average number of ordinary shares in issue during the year.

VALUE ADDED STATEMENT

	2006 Rm	%	2005* Rm	%	% change 2006 over 2005
Revenue	**8 236,4**		7 012,0		**17**
Paid to suppliers for materials and services	**5 677,5**		5 010,4		**13**
Value added	**2 558,9**		2 001,6		**28**
Income from investments and associates	**195,1**		152,7		**28**
TOTAL WEALTH CREATED	**2 754,0**	**100**	2 154,3	100	**28**
DISTRIBUTED AS FOLLOWS:					
EMPLOYEES					
Remuneration and service benefits	**797,1**		716,1		
Add PAYE collected on behalf of government	**160,3**		140,6		
Gross remuneration and service benefits	**957,4**	**35**	856,7	40	**12**
PROVIDERS OF CAPITAL					
Dividends to Reunert shareholders	**798,3**	**29**	298,6	14	**167**
Dividends economically attributable to BEE partners (as defined in note 10.3)	**40,7**	**1**	1,2	—	**—**
Dividends to outside shareholders in subsidiaries	**15,9**	**1**	8,5	—	**87**
Interest paid on borrowings	**34,9**	**1**	23,5	1	**49**
	889,8	**32**	331,8	15	**168**
PAYMENTS TO GOVERNMENT					
Taxation on profits and dividends	**500,5**		326,5		
VAT, Customs duties and other taxes	**264,0**		173,7		
	764,5	**28**	500,2	23	**53**
RETAINED IN THE GROUP TO DEVELOP FUTURE GROWTH					
Amortisation of intangible assets and depreciation	**63,2**	**2**	49,9	3	**27**
Accumulated profit	**79,1**	**3**	415,7	19	**(81)**
	142,3	**5**	465,6	22	**(69)**
TOTAL WEALTH DISTRIBUTED	**2 754,0**	**100**	2 154,3	100	**28**

** The 2005 information has been restated to take account of the effect of adopting IFRS on 1 October 2004 and SAICA Circular 9/2006.*

FINANCIAL STATEMENTS directors' responsibility

for the year ended 30 September 2006

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors of Reunert Limited are responsible for the integrity of the annual financial statements of the company and group and the objectivity of other information presented in the annual financial statements.

In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded in accordance with the group's policies and procedures.

In presenting the accompanying annual financial statements, International Financial Reporting Standards have been followed, applicable accounting policies have been used and prudent judgements and estimates have been made. The annual financial statements are examined by our external auditors in conformity with International Standards on Auditing.

An audit and risk committee, consisting of three independent, non-executive directors, one of whom acts as chairman, and two executive directors, meets at least twice per annum with both the internal and external auditors to ensure that internal financial controls provide reasonable assurance that the group's assets are safeguarded and that the financial records may be relied upon for the preparation of the financial statements.

In terms of Section 11.26 of the Listings Requirements of the JSE Limited, the directors, whose names are given on pages 8 and 9 of the annual report of which this statement of directors' responsibility forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Other than the facts and developments reported on in the annual report, there have been no material changes in the financial or trading position of Reunert Limited and its subsidiaries since the interim reporting period.

The directors confirm that the group has adequate resources to operate for the foreseeable future and will remain a viable going concern in the year ahead.

The annual financial statements appearing on pages 51 to 111 were approved by the board of directors on 6 December 2006 and are signed on its behalf by:

MJ SHAW
Chairman

G PRETORIUS
Chief Executive

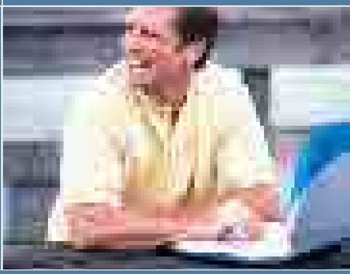
Secretaries' certification

for the year ended 30 September 2006

In terms of section 268G(d) of the Companies Act, 61 of 1973, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies for the financial year ended 30 September 2006 all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

For Reunert Management Services Limited
Company Secretaries
6 December 2006

ANNUAL FINANCIAL STATEMENTS
AND OTHER FINANCIAL MATTERS



Partners are

an essential part of our strategy

REPORT OF THE INDEPENDENT AUDITORS

for the year ended 30 September 2006

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TO THE MEMBERS OF REUNERT LIMITED

We have audited the annual financial statements and group annual financial statements set out on pages 51 to 111 for the year ended 30 September 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 September 2006, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

DELOITTE & TOUCHE

Per DH Uys

Partner

6 December 2006

Audit. Tax. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax L Geeringh Consulting MG Crisp Financial Advisory L Bam Strategy CR Beukman Finance TJ Brown Clients & Markets SJC Sibisi Public Sector and Corporate Social Responsibility NT Mtoba Chairman of the Board J Rhynes Deputy Chairman of the Board

A full list of partners and directors is available on request

DIRECTORS' REPORT

for the year ended 30 September 2006

AUTHORISED AND ISSUED CAPITAL

The authorised capital of the company remained unchanged. During the year 160 800 (2005: 1 261 900) ordinary shares were issued at R5,45 per share, 741 100 (2005: 861 600) at R14,10 per share, 467 100 (2005: 420 700) at R15,80 per share, 66 600 (2005: Nil) at R17,30 per share, 446 060 (2005: 30 000) at R15,99 per share and 33 300 (2005: 33 300) at R17,70 per share. Options exercised in terms of the Reunert 1985 Share Option Scheme accounted for this increase.

REVIEW OF OPERATIONS AND RESULTS

The performance of the divisions and the group's results are reviewed on pages 4 to 7 and the segmental analysis is set out on pages 39 to 41.

DIVIDENDS

An interim ordinary dividend No 160 of 63 (2005: No 158 of 52) cents per share was declared on 15 May 2006, a special dividend of 200 (2005: Nil) cents per share was declared on 31 August 2006 and a final ordinary dividend No 161 of 210 (2005: No 159 of 170) cents per share was declared on 20 November 2006.

A total distribution of 473 cents (2005: 222 cents) per ordinary share was declared relating to the 2006 financial year.

An interim 5,5% cumulative preference dividend No 42 was declared on 6 July 2006 and a final dividend No 43 will be declared on 29 December 2006.

SUBSIDIARY COMPANIES

Your directors are of the opinion that the publication of information on all the company's subsidiaries in this report would entail expense out of proportion to the value to shareholders.

Annexure A to this report, however, sets out the principal subsidiaries of the company.

SPECIAL RESOLUTIONS OF SUBSIDIARIES

During this financial year the following special resolutions were passed by subsidiaries of Reunert Ltd: Kopano Copier Company (Pty) Limited increased its share capital and Barmarc Properties (Pty) Limited and Reumech OMC (Pty) Limited changed their names to CBi-Electric – Telecommunication Cables (Pty) Limited and CBi-Electric – Transformers (Pty) Limited respectively and altered their memoranda of association.

Full details of these resolutions may be viewed at the company's registered office.

DIRECTORATE AND COMPANY SECRETARY

Messrs SD Jagoe, KJ Makwetla, GJ Oosthuizen and MJ Shaw retire by rotation at the forthcoming annual general meeting and all offer themselves for re-election.

The names of the directors in office at 30 September 2006 and to the date of this report, are set out on pages 8 and 9.

The name and address of the company secretaries is set out on page 114.

DIRECTORS' REPORT

for the year ended 30 September 2006 continued

INTERESTS OF DIRECTORS

At the reporting date, fully paid ordinary Reunert Limited shares were held directly and indirectly by the directors as indicated in the table below:

	Direct Beneficial	
	2006	2005
BP Connellan	**30 523**	30 523
KS Fuller	**—**	—
BP Gallagher	**346 709**	273 209
SD Jagoe	**—**	—
KJ Makwetla	**—**	—
KC Morolo	**—**	—
GJ Oosthuizen	**198 664**	196 720
G Pretorius	**378 720**	228 720
DJ Rawlinson	**395 820**	335 720
MJ Shaw	**—**	—
JC van der Horst	**—**	—
	1 350 436	1 064 892

	Indirect Beneficial	
	2006	2005
BP Connellan	**9 000**	9 000
KS Fuller	**—**	—
BP Gallagher	**—**	—
SD Jagoe	**18 000**	18 000
KJ Makwetla	**—**	—
KC Morolo	**—**	—
GJ Oosthuizen	**—**	—
G Pretorius	**—**	—
DJ Rawlinson	**—**	18 123
MJ Shaw	**—**	—
JC van der Horst	**—**	—
	27 000	45 123

These holdings have remained unchanged up to 6 December 2006.

There were no non-beneficial interests in either period.

Executive directors of the company held unexercised options to subscribe for 613 500 (2005: 1 027 200) ordinary shares in terms of the Reunert 1985 Share Option Scheme. These options are due to expire as follows:

– 333 500 on 13 May 2013

– 280 000 on 29 August 2015

The directors have no financial interest in contracts entered into by the group during the year. For further information on directors' share options, refer to note 29 of the annual financial statements.

SUBSEQUENT EVENTS

Agreement has been reached, subject to shareholders' approval, to introduce a strategic BEE shareholding at holding company level. The entire share capital of Bargenel Investments Limited, a wholly owned subsidiary of Reunert Limited, which will own approximately 9,5% of Reunert Limited's share capital, will be sold to a company to be known as Rebatona Investment Holdings (Pty) Limited. The Rebatona Educational Trust, a broad-based BEE trust created by Reunert for the purpose of benefiting black youth will hold 70% of Rebatona's shares, and 30% will be held by the Peotona founding members, Cheryl Carolus, Dolly Mokgatle, Noluthando Orleyn and Wendy Lucas-Bull.

Reunert recently announced the establishment of a finance company with PSG which is subject to certain suspensive conditions. Reunert will contribute its stake in RC&C Finance Company (Pty) Limited for 49,9% of the new company while PSG Group and other minority shareholders will own 39,9% and 10,2% respectively and will contribute R375 million in cash.

ATTRIBUTABLE INTEREST

The attributable interest of the company in the profits and losses of its consolidated subsidiaries for the year ended 30 September 2006 is:

	2006	2005
	Rm	Rm
In the aggregate net income	**570,7**	407,9
In the aggregate net losses	**(5,1)**	(34,5)
	565,6	373,4

ACCOUNTING POLICIES

for the year ended 30 September 2006

The consolidated financial statements, comprising Reunert Limited, its subsidiaries, joint ventures and associates (together referred to as "the group"), incorporate the following principal accounting policies, set out below.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations of those standards as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, the requirements of the JSE Limited and the requirements of the Companies Act, Act 61 of 1973 as amended.

These are the group's first consolidated financial statements prepared in terms of IFRS and IFRS 1 – *First-time adoption of IFRS*. The date of the group's transition to IFRS is 1 October 2004.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the group is provided in note 8 to the consolidated annual financial statements.

At the date of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6 – Exploration for and Evaluation of Mineral Resources
IFRS 7 – Financial Instruments: Disclosures
IFRIC 4 – Determining Whether an Arrangement Contains a Lease
IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6 – Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7 – Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies*
IFRIC 8 – Scope of IFRS 2
IFRIC 9 – Reassessment of Embedded Derivatives
IFRIC 10 – Interim Financial Reporting and Impairment
IFRIC 11 – Group and Treasury Share Transactions
AC 503 – Accounting for Black Economic Empowerment (BEE) transactions

Except for additional disclosures in the financial statements, the adoption of the above Standards and Interpretations is not expected to materially affect the results or financial position of the group.

BASIS OF PREPARATION

The consolidated financial statements are prepared on the historical cost basis, except for certain financial instruments which are stated at fair value.

The consolidated financial statements are presented in South African rand, the currency in which the majority of the group's transactions are denominated.

The consolidated financial statements are prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

ACCOUNTING POLICIES

for the year ended 30 September 2006 continued

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that may have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the following year are disclosed at the end of this section.

The accounting policies set out below have been applied, in all material respects, consistently to all periods presented in these consolidated financial statements and in preparing an opening balance sheet at 1 October 2004 for the purposes of transition to IFRS.

The accounting policies have been applied consistently by all group entities.

COMPARATIVE FIGURES

The comparative figures have been restated to comply with IFRS, as per note 8.

BASIS OF CONSOLIDATION

The group annual financial statements incorporate the financial statements of the company, its subsidiaries, joint ventures and associates.

Subsidiaries

A subsidiary is an entity over which the group has control. Control exists where the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Operating results of subsidiaries acquired are included from the effective date of acquisition. Operating results of subsidiaries disposed of are included up to the effective date of sale when control ceases.

Minority interest is measured as a percentage of the equity of relevant subsidiaries.

All intragroup transactions and balances, including any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated annual financial statements.

Associates

Associates are those entities in which investments are held which provide the group with the power to exercise significant influence over the financial and operating policies of those entities, but are not considered to be subsidiaries or joint ventures.

Associates are accounted for by the equity method from their audited or unaudited financial statements to 30 September. Investments in associates are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the group's share of the net assets of the associates, less any impairment in the value of the individual investments.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at no value. Additional losses are only recognised to the extent that the group has incurred obligations or made payments on behalf of the associate.

Post acquisition earnings and reserves retained by associate companies are transferred to non-distributable reserves.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

Intragroup transactions with associates are eliminated to the extent of the group's interest in the relevant associate.

Joint ventures

Joint ventures are those entities which are not subsidiaries and over which the group exercises joint control.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint ventures are accounted for using the proportionate consolidation method, whereby the group's share of each of the assets, liabilities, income, expenses and cash flows of joint ventures are included on a line by line basis in the consolidated annual financial statements.

Intragroup transactions with joint ventures are accounted for as follows:

On sales made by the rest of the group to the joint venture, where the asset is retained by it, only that portion of the gain attributable to the other venturers is recognised. Where the sale is made at a loss, the full loss is recognised immediately.

Where sales are made by the joint venture to the rest of the group, no profits made by the joint venture are recognised in the group accounts until the asset has been sold to an independent party.

Any difference between the cost of the acquisition and the group's share of the net identifiable assets, fairly valued, is recognised and treated according to the group's accounting policy for goodwill.

Goodwill

Business combinations with agreement dates on or after 31 March 2004

All business combinations are accounted for by applying the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. If the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

ACCOUNTING POLICIES

for the year ended 30 September 2006 continued

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units expected to benefit from the synergies of the combination. Goodwill is tested annually for impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of an associate is described under "Associates".

Business combinations with agreement dates before 31 March 2004

Goodwill was carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill was amortised on a straight-line basis over its estimated useful life, not exceeding 20 years up to 30 September 2004. Thereafter goodwill is not amortised but is subject to an annual impairment test. The accumulated amortisation has been netted against the cost.

On disposal of a subsidiary or a jointly controlled entity, the attributable goodwill is included in the determination of the profit or loss on disposal.

INVESTMENTS

All investments are initially recognised at cost, which includes transaction costs. After initial recognition, investments held for trading and those available for sale are measured at their fair values. Where investments are held for trading purposes, gains and losses arising from changes in fair value are recognised in the income statement for the period. For available for sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement for the period. The following categories of investments are measured at amortised cost using the effective interest rate method if they have a fixed maturity or at cost if there is no fixed maturity:

- Loans and receivables originated by the group and not held for trading;
- Held to maturity financial assets where the group has the ability and intention to hold the instrument to maturity; and
- Investments in financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The carrying values are reduced by any impairment losses recognised to reflect irrecoverable amounts.

PROPERTY, PLANT AND EQUIPMENT

All owner-occupied property and investment property are stated at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated and is, therefore, stated at cost less accumulated impairment losses. Investment properties are held to earn rental income and for capital appreciation, whereas owner-occupied properties are held for use by the group, in the supply of services or for administration purposes.

All other items of plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of normal production overheads.

Where an item of property, plant and equipment comprises major components with different useful lives, these components are accounted for as separate items.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. All other subsequent expenditure (repairs and maintenance) is recognised as an expense when it is incurred. Profits or losses on disposal of property, plant and equipment are the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement.

Depreciation is provided on a straight-line basis over the estimated useful lives of property, plant and equipment in order to reduce the cost of the asset to its residual value.

Residual value is the estimated amount that the group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually.

INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually. Intangible assets with an indefinite useful life are not amortised but are tested at least annually for impairment.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in the income statement as an expense when incurred.

ACCOUNTING POLICIES

for the year ended 30 September 2006 continued

Software

Purchased software and the direct costs associated with the customisation and installation thereof are stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally-developed software is capitalised if it is probable that future economic benefits will flow to the group from the assets and the costs of the asset can be reliably measured. Expenditure incurred to restore or maintain the originally assessed future economic benefits of existing software systems is recognised in the income statement.

IMPAIRMENT OF ASSETS

The carrying amounts of the group's assets, other than deferred tax, are reviewed at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated. For goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows arising from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the CGU exceeds its recoverable amount.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

A previously recognised impairment loss, other than goodwill, is reversed to the income statement if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

LEASES

Finance leases

Assets subject to finance lease agreements, where considered material and where the group assumes substantially all the risks and rewards of ownership, are capitalised as property, plant and equipment at the lower of fair value and the present value of the minimum lease payments at inception of the lease and the corresponding liability raised.

The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets.

Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which represents the difference between the total leasing commitments and the fair value of the assets acquired, which is charged to the income statement over the term of the relevant lease, and the capital payment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal groups - a group of assets, with possibly some directly associated liabilities, that an entity wants to dispose of in a single transaction) are available for immediate sale in their present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Any change in intention to sell will immediately result in the non-current assets and disposal groups being reclassified at the lower of their carrying amount before they were first classified as held for sale adjusted for any depreciation, amortisation, revaluations and impairment losses and their recoverable amount at the date of the subsequent decision not to sell.

INVENTORY AND CONTRACTS IN PROGRESS

Inventory is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The basis of determining cost of inventory is mainly the first-in first-out basis with average and standard cost also used. The values of finished goods and work in progress include direct costs and relevant overhead expenditure.

Obsolete, redundant and slow-moving inventory is identified on a regular basis and is written down to its estimated net realisable value. Consumables are written down with regard to their age, condition and utility.

Contracts in progress are valued at the lower of actual cost less progress invoicing and net realisable value. Cost comprises direct materials, labour, expenses and a proportion of overhead expenditure.

TAXATION

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The charge for taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed. Income tax comprises current and deferred tax.

Current taxation

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable in respect of previous years.

ACCOUNTING POLICIES

for the year ended 30 September 2006 continued

Deferred taxation

Deferred tax is provided for using the balance sheet liability method, on all temporary differences. Temporary differences arise from differences between the carrying amounts of assets and liabilities in the financial statements for accounting purposes and the corresponding tax bases used in the computation of assessable tax profit.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, to the extent that it is not deductible for tax purposes or from the initial recognition of other assets and liabilities which affect neither the tax profit nor the accounting profit at the time of the transaction.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, or in equity to the extent that it relates to items previously charged or credited to equity.

Secondary Tax on Companies (STC)

STC is recognised as part of the tax charge in the income statement in the period dividends are declared, net of STC credits on dividends recognised.

A taxation asset is recognised on unutilised STC credits when it is probable that such STC credits will be utilised in the future.

REVENUE

Revenue comprises net invoiced sales to customers, rental from leasing fixed and moveable properties, commission and interest earned and excludes value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, costs can be measured reliably and the receipt of future economic benefits is probable, while revenue from services is recognised when the services are rendered.

When the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

Airtime sales at the cellular service provider are disclosed at the amounts charged to subscribers.

Dividends are recognised when the shareholder's right to receive them has been established.

Interest is recognised on a time proportion basis, taking account of the principal amount outstanding and the effective rates over the period to maturity using the effective interest rate method.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). Reunert group's company and consolidated functional and presentation currency is rand and all amounts, unless otherwise stated, are stated in millions of rand (Rm).

FOREIGN CURRENCIES

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency and accounted for at the rates of exchange ruling on the date of the transaction. Gains and losses arising from the settlement of such transactions are recognised in the income statement on a net basis unless the gains and losses are material, in which case they are reported separately.

Foreign currency balances

Foreign monetary assets and liabilities of South African companies are translated into the functional currency at rates of exchange ruling at 30 September.

Unrealised differences on foreign monetary assets and liabilities are recognised in the income statement in the period in which they occur.

Foreign entities

The financial statements of all foreign operations are translated into South African rand as follows:

- Assets and liabilities at rates of exchange ruling at the group's financial year-end; and
- Income, expenditure and cashflow items at the weighted average rates of exchange during the financial year, to the extent that such average rates approximate actual rates.

Differences arising on translation are reflected in non-distributable reserves as a foreign currency translation reserve.

ACCOUNTING POLICIES

for the year ended 30 September 2006 continued

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve are included in determining the profit or loss on disposal of that investment recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at balance sheet date.

PROVISIONS

A provision is raised when a reliable estimate can be made of a present legal or constructive obligation, resulting from a past event, which will probably result in an outflow of economic benefits, and there is no realistic alternative to settling the obligation created by the event, which occurred before the balance sheet date.

Product warranties

Provision is made for the group's estimated liability on all products still under warranty at the balance sheet date. The provision is based on historical warranty data and returns and a weighting of possible outcomes against their associated probabilities.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, receivables, trade payables, borrowings and derivative instruments. Regular way purchases and sales of financial assets are accounted for at settlement date. Financial instruments are initially measured at cost, which includes transaction costs except for items carried at fair value through profit and loss. Details of the subsequent measurement of different classes of financial instruments are dealt with below and in the relevant notes to the annual financial statements.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Trade and other receivables

Trade and other receivables are stated at their invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts and cost of collection.

Derivative instruments

Derivative financial instruments, principally forward foreign exchange contracts and interest rate swap agreements, are used by the group in its management of financial risks. The risks being hedged by the forward foreign exchange contracts are exchange losses due to unfavourable movements between the rand and the foreign currency. The risks being hedged by interest rate swaps are increases in interest expenses due to higher interest rates being charged on borrowings. Gains and losses arising from the changes in the fair values of interest rate swaps are recognised in the income statement as they arise.

In accordance with its treasury policy, the group does not hold or issue derivative instruments for trading purposes. Derivative instruments are initially measured at cost, if any, and are subsequently remeasured to fair value at subsequent reporting dates with changes reflected in the income statement.

Financial liabilities

Financial liabilities, other than derivative instruments, are recognised at amortised cost, using the effective interest rate method, comprising original debt less principal payments and amortisations.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Debt instruments issued, which carry the right to convert to equity that is dependant on the outcome of uncertainties beyond the control of both the group and the holder, are classified as liabilities except where the possibility of conversion is certain.

Financial liabilities include interest bearing bank loans and overdrafts and trade and other payables.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Trade and other payables are stated at their nominal value.

Gains and losses on subsequent measurement

Gains and losses arising from the remeasurement to fair value of financial instruments that are not available for sale financial assets are recognised in the income statement. Unrealised gains and losses arising from changes in the fair value of available for sale financial assets that are measured at fair value subsequent to initial recognition are recognised directly in equity until the disposal or impairment of the financial instrument, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire. Financial liabilities are derecognised when the liability is extinguished, that is, the obligation specified in the contract is discharged, cancelled or expires.

ABNORMAL ITEMS

Abnormal items are items of income or expense that arise from ordinary activities but are of such size, nature or incidence that they are disclosed separately in order to best reflect the group's performance.

EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to wages, salaries, performance bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary levels.

ACCOUNTING POLICIES

for the year ended 30 September 2006 continued

Retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit obligations

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out annually.

Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

SHARE-BASED PAYMENTS

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of the Binomial pricing model. The expected lives used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Black Economic Empowerment (BEE) transactions

BEE transactions involving the disposal or issue of equity interests in subsidiaries are recognised when the accounting recognition criteria have been met.

Although economic and legal ownership of such instruments have transferred to the BEE partner, the accounting derecognition of such equity interest sold by the parent company or recognition of equity instruments issued in the underlying subsidiary is postponed until the significant risks and rewards of ownership of the equity have passed to the BEE partner.

SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The group's primary business segmentation is based on the group's internal reporting format to management.

CRITICAL JUDGEMENTS AND ESTIMATIONS

In preparing the financial statements in conformity with IFRS, the board of directors has made the following judgements, estimates and assumptions that have the most significant effect on the reported amounts and related disclosures:

Contracts in progress

Various assumptions are applied in arriving at the profit or loss recognised on contracts in progress. Refer to the revenue accounting policy for more detail.

Provisions

Various assumptions are applied in arriving at the carrying value of provisions that are recognised in terms of the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. This includes the provision for warranty claims and contract completion. The carrying amounts of the provisions are disclosed in note 26.

Impairments

Property, plant and equipment as well as intangible assets are considered for impairment when conditions indicate that impairment may be necessary. These conditions include economic conditions of the operating unit as well as the viability of the asset itself. The discounted cash flow method is used, taking into account future expected cash flows, market conditions and the expected useful lives of the assets.

The impairment of goodwill is considered at least annually. Assumptions were made in assessing any possible impairment of goodwill. Details of these assumptions and risk factors are set out in note 13.

Useful lives and residual values

The useful lives and residual values of property, plant and equipment and intangible assets are reviewed at each balance sheet date. These useful lives are estimated by management based on historic analysis and other available information. The residual values are based on the assessment of useful lives and other available information.

Deferred taxation assets

Judgement is applied by management to determine whether a deferred taxation asset should be recognised in the event of a tax loss, based on whether there will be future taxable income against which to utilise the tax loss.

Retirement benefit obligation

Various assumptions have been applied by the actuaries in the calculation of the retirement benefit obligation. The assumptions are disclosed in note 30 to the annual financial statements.

INCOME STATEMENTS

for the year ended 30 September 2006

	Notes	Group 2006 Rm	Group 2005 Rm (Restated)	Company 2006 Rm	Company 2005 Rm (Restated)
REVENUE	1	**8 236,4**	7 012,0	**2 610,6**	2 298,0
COST OF SALES		**(5 647,9)**	(4 826,6)	**(1 540,1)**	(1 320,9)
GROSS PROFIT		**2 588,5**	2 185,4	**1 070,5**	977,1
Other income		**72,9**	15,2	**9,2**	12,0
Other expenses		**(1 388,7)**	(1 283,3)	**(638,0)**	(565,0)
OPERATING PROFIT	2	**1 272,7**	917,3	**441,7**	424,1
Interest and dividends received	3	**99,8**	73,6	**399,0**	332,7
Interest paid	4	**(34,9)**	(23,5)	**(19,6)**	(7,1)
PROFIT BEFORE ABNORMAL ITEMS		**1 337,6**	967,4	**821,1**	749,7
Abnormal items	5	**1,6**	3,9	**12,8**	(40,5)
PROFIT BEFORE TAXATION		**1 339,2**	971,3	**833,9**	709,2
Taxation	6	**(500,5)**	(326,5)	**(224,7)**	(177,7)
PROFIT AFTER TAXATION		**838,7**	644,8	**609,2**	531,5
Share of associate company's profits	15	**95,2**	79,2		
PROFIT FOR THE YEAR		**933,9**	724,0	**609,2**	531,5
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Minority interest		**11,1**	10,7		
Equity holders of Reunert Limited		**922,8**	713,3	**609,2**	531,5
		933,9	724,0	**609,2**	531,5
BASIC EARNINGS PER SHARE (CENTS)	9	**527,0**	411,4		
DILUTED BASIC EARNINGS PER SHARE (CENTS)	9	**522,4**	406,5		
DIVIDENDS DECLARED AND PAID PER SHARE (CENTS)					
– Interim	7	**63,0**	52,0		
DIVIDENDS DECLARED PER SHARE (CENTS)					
– Final	7	**210,0**	170,0		
– Special	7	**200,0**	—		
TOTAL DIVIDENDS DECLARED PER SHARE (CENTS)		**473,0**	222,0		

BALANCE SHEETS

at 30 September 2006

		Group		Company	
	Notes	2006 Rm	2005 Rm (Restated)	2006 Rm	2005 Rm (Restated)
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11	**455,4**	328,4	**204,0**	120,0
Intangible assets	12	**11,9**	7,9	**8,2**	5,2
Goodwill	13	**326,8**	329,0	**13,8**	13,5
Interest in subsidiaries	14			**880,6**	877,0
Interest in associates and joint venture	15, 32	**126,0**	86,8	**158,5**	158,5
Other investments and loans	16	**22,8**	29,4	**22,8**	29,4
RC&C Finance Company accounts receivable	17	**985,3**	726,0		
Deferred taxation assets	18	**59,1**	37,5	**—**	—
		1 987,3	1 545,0	**1 287,9**	1 203,6
CURRENT ASSETS					
Derivative assets	34	**67,7**	1,5	**38,7**	—
Inventory and contracts in progress	19	**809,0**	560,9	**410,1**	337,3
RC&C Finance Company accounts receivable	17	**418,5**	302,2		
Accounts receivable	20	**1 395,0**	1 003,4	**443,6**	286,4
Non-current assets held for sale	21	**2,6**	—	**—**	—
Cash and cash equivalents	22	**969,3**	784,4	**125,6**	145,8
		3 662,1	2 652,4	**1 018,0**	769,5
TOTAL ASSETS		**5 649,4**	4 197,4	**2 305,9**	1 973,1
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital and premium	23	**76,9**	49,4	**76,9**	49,4
Share-based payment reserves	23	**40,4**	30,8	**16,3**	6,7
Treasury shares	23	**(282,0)**	(282,0)		
Non-distributable reserves	24	**104,8**	67,3	**0,3**	2,8
Retained earnings		**1 740,8**	1 696,2	**896,9**	1 130,4
Equity attributable to equity holders of Reunert Limited		**1 680,9**	1 561,7	**990,4**	1 189,3
Minority interest		**38,2**	43,0		
Total equity		**1 719,1**	1 604,7	**990,4**	1 189,3
NON-CURRENT LIABILITIES					
Deferred taxation liabilities	18	**141,6**	81,7	**32,1**	10,8
Long-term borrowings	25	**115,0**	111,7	**162,4**	111,4
		256,6	193,4	**194,5**	122,2
CURRENT LIABILITIES					
Derivative liabilities	34	**—**	17,9	**—**	11,9
Bank overdrafts and short-term portion of long-term borrowings		**27,0**	20,9	**16,0**	18,6
RC&C Finance Company short-term borrowings		**1 187,9**	866,8		
Shareholders for dividends		**390,7**	—	**390,7**	—
Provisions	26	**46,4**	60,9	**5,0**	9,2
Trade and other payables		**1 839,5**	1 365,3	**648,3**	571,9
Taxation		**182,2**	67,5	**61,0**	50,0
		3 673,7	2 399,3	**1 121,0**	661,6
TOTAL EQUITY AND LIABILITIES		**5 649,4**	4 197,4	**2 305,9**	1 973,1

CASH FLOW STATEMENTS

for the year ended 30 September 2006

	Notes	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations before working capital changes	A	**1 331,6**	996,5	**474,7**	457,1
Increase in net working capital		**(628,4)**	(601,0)	**(191,4)**	(49,7)
Movement in RC&C Finance Company accounts receivable		**(375,6)**	(499,7)		
Working capital changes	B	**(252,8)**	(101,3)	**(191,4)**	(49,7)
Cash generated from operations		**703,2**	395,5	**283,3**	407,4
Interest received		**92,9**	60,8	**56,8**	25,3
Interest paid		**(34,9)**	(23,5)	**(19,6)**	(7,1)
Dividends received (including from associate)		**62,9**	82,0	**342,2**	307,4
Taxation paid	C	**(347,4)**	(364,9)	**(192,0)**	(169,3)
Dividends paid (including to outside shareholders in subsidiaries)	D	**(464,2)**	(308,3)	**(452,0)**	(331,3)
Net cash inflow/(outflow) from operating activities		**12,5**	(158,4)	**18,7**	232,4
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operating capacity		**(45,3)**	(22,7)	**123,0**	(2,4)
– Repayment of non-current loans		**2,0**	3,1	**2,0**	3,1
– Non-current loans granted		**(4,5)**	(8,2)	**(4,5)**	(8,2)
– Replacement of property, plant and equipment		**(60,2)**	(33,4)	**(32,8)**	(13,5)
– Replacement of intangible assets		**—**	(3,7)	**—**	(2,5)
– Proceeds on disposal of property, plant and equipment, intangible assets, investments and other capital items		**17,4**	19,5	**158,3**	18,7
Investments to increase operating capacity		**(140,4)**	(25,8)	**(87,1)**	(132,9)
– Expansion of property, plant and equipment		**(132,0)**	(22,6)	**(75,8)**	(6,9)
– Additions of intangible assets		**(2,1)**	—	**(0,6)**	—
– Increase in investments		**—**	—	**—**	(134,1)
– Proceeds on disposal of subsidiaries and businesses	E	**—**	—	**—**	11,3
– Acquisition of subsidiaries and businesses	F	**(6,3)**	(3,2)	**(10,7)**	(3,2)
Net cash (outflow)/inflow from investing activities		**(185,7)**	(48,5)	**35,9**	(135,3)

	Notes	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES					
Funds provided by equity holders of Reunert Limited		**27,5**	26,7	**27,5**	26,7
Long-term borrowings – raised		**14,6**	130,5	**62,7**	130,0
– repaid		**(15,1)**	(1,1)	**(14,9)**	—
Net loans to subsidiaries				**(150,7)**	(451,8)
Net cash inflow/(outflow) from financing activities		**27,0**	156,1	**(75,4)**	(295,1)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(146,2)**	(50,8)	**(20,8)**	(198,0)
NET (BORROWINGS)/CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**(84,0)**	(33,2)	**145,8**	343,8
NET (BORROWINGS)/CASH AND CASH EQUIVALENTS AT END OF YEAR*		**(230,2)**	(84,0)	**125,0**	145,8
***NET (BORROWINGS)/CASH AND CASH EQUIVALENTS ARE MADE UP OF:**					
Cash and cash equivalents		**969,3**	784,4	**125,6**	145,8
Bank overdrafts		**(11,6)**	(1,6)	**(0,6)**	—
Net cash resources of the group/company excluding RC&C Finance Company		**957,7**	782,8	**125,0**	145,8
RC&C Finance Company short-term borrowings		**(1 187,9)**	(866,8)		
Net (borrowings)/cash and cash equivalents		**(230,2)**	(84,0)	**125,0**	145,8
Net cash flows from operating activities before dividends paid and excluding movements in RC&C Finance Company accounts receivable		**852,3**	649,6		
Operating cash flow per share (cents)		**486,7**	374,6		

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 September 2006

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
A. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES:				
Profit before taxation	**1 339,2**	971,3	**833,9**	709,2
Adjusted for:				
– Net interest received	**(58,0)**	(37,3)	**(37,2)**	(18,2)
– Dividends received	**(6,9)**	(12,8)	**(342,2)**	(307,4)
– Depreciation of property, plant and equipment	**59,9**	46,4	**24,7**	18,2
– Amortisation of intangible assets	**3,3**	3,5	**1,3**	0,7
– Net (surplus)/loss on disposal of property, plant and equipment	**(2,6)**	0,2	**0,3**	(0,1)
– Abnormal items	**(1,6)**	(3,9)	**(12,8)**	40,5
– Share option expense	**9,6**	6,7	**9,6**	6,7
– Powerhouse option expense	**—**	24,1		
– Other non-cash movements	**(11,3)**	(1,7)	**(2,9)**	7,5
Cash generated from operations before working capital changes	**1 331,6**	996,5	**474,7**	457,1
B. WORKING CAPITAL CHANGES:				
– Inventory and contracts in progress	**(247,6)**	(67,9)	**(64,8)**	(31,1)
– Accounts receivable, derivative assets and non-current assets held for sale	**(456,4)**	(66,9)	**(185,5)**	(20,2)
– Trade and other payables and derivative liabilities	**451,2**	33,5	**58,9**	1,6
Working capital changes	**(252,8)**	(101,3)	**(191,4)**	(49,7)
C. RECONCILIATION OF TAXATION PAID TO THE AMOUNTS DISCLOSED IN THE INCOME STATEMENT AS FOLLOWS:				
– Net amounts unpaid at beginning of year	**(67,5)**	(133,6)	**(50,0)**	(71,8)
– Current taxation per the income statement	**(461,8)**	(298,8)	**(203,0)**	(147,5)
– Translation reserve	**(0,3)**	—	**—**	—
– Net amounts unpaid at end of year	**182,2**	67,5	**61,0**	50,0
Cash amounts paid	**(347,4)**	(364,9)	**(192,0)**	(169,3)

	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
D. RECONCILIATION OF DIVIDENDS PAID TO THE AMOUNTS DISCLOSED IN THE STATEMENT OF CHANGES IN EQUITY AS FOLLOWS:				
– Dividends per the statement of changes in equity	**(839,0)**	(298,6)	**(842,7)**	(331,3)
– Dividends paid to outside shareholders in subsidiaries	**(15,9)**	(9,7)		
– Net amounts unpaid at end of year	**390,7**	—	**390,7**	—
Cash amounts paid	**(464,2)**	(308,3)	**(452,0)**	(331,3)
E. ANALYSIS OF DISPOSAL OF SUBSIDIARIES AND BUSINESSES:				
– Inventory	**—**	—	**—**	1,6
– Accounts receivable	**—**	—	**—**	15,4
– Trade and other payables and provisions	**—**	—	**—**	(6,5)
– Property, plant and equipment	**—**	—	**—**	0,8
– Cash on hand at time of the disposal	**—**	—	**—**	5,4
Amounts received in cash	**—**	—	**—**	16,7
Cash on hand at time of disposal	**—**	—	**—**	(5,4)
Net cash received	**—**	—	**—**	11,3
F. ANALYSIS OF ACQUISITION OF SUBSIDIARIES AND BUSINESSES:				
– Inventory	**(0,5)**	(1,9)	**(8,0)**	(0,3)
– Accounts receivable	**(1,4)**	(7,6)	**(10,4)**	—
– Trade and other payables and provisions	**1,9**	4,2	**4,1**	—
– Property, plant and equipment	**(0,3)**	(1,2)	**(2,7)**	(0,6)
– Intangible assets	**(5,2)**	(2,3)	**(3,7)**	(2,3)
– Net cash on hand at time of the acquisition	**(0,1)**	—	**(1,9)**	—
– Goodwill on previous acquisitions	**(0,8)**	—	**(3,4)**	—
– Intercompany loan			**13,4**	—
Cost of investment	**(6,4)**	(8,8)	**(12,6)**	(3,2)
Net cash on hand at time of the acquisition	**0,1**	—	**1,9**	—
Loans and share capital contributed by outside shareholder	**—**	5,6		
Net cash paid	**(6,3)**	(3,2)	**(10,7)**	(3,2)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September 2006

		GROUP							
	Notes	Share capital and premium Rm	Share-based payment reserves Rm	Treasury shares Rm	Non-distributable reserves Rm	Retained earnings Rm	Attributable to equity holders of Reunert Ltd Rm	Minority interest Rm	Total Rm
Balance at 30 September 2004 as previously reported		22,7	—	(282,0)	55,0	1 187,4	983,1	39,7	1 022,8
SA GAAP restatements	8					4,6	4,6		4,6
IFRS adjustments	8					127,5	127,5	0,3	127,8
Effect on tax due to adjustments	8					(28,0)	(28,0)		(28,0)
Restated balance at 1 October 2004		22,7	—	(282,0)	55,0	1 291,5	1 087,2	40,0	1 127,2
Fair value adjustments taken to reserves	24				2,5		2,5		2,5
Translation reserve reversing	24				(0,2)		(0,2)		(0,2)
Net income recognised directly in equity		—	—	—	2,3	—	2,3	—	2,3
Profit for the year restated						713,3	713,3	10,7	724,0
Profit for the year as previously reported						709,2	709,2	10,5	719,7
SA GAAP restatements	8					1,2	1,2		1,2
IFRS adjustments	8					10,3	10,3	0,2	10,5
Effect on tax due to adjustments	8					(7,4)	(7,4)		(7,4)
Total recognised income and expense for the year		—	—	—	2,3	713,3	715,6	10,7	726,3
Movement on reserves	24				10,0	(10,0)	—		—
Share-based payment expense	23		30,8				30,8		30,8
Dividends declared						(298,6)	(298,6)	(9,7)	(308,3)
Issue of shares – share capital	23	0,2					0,2		0,2
– share premium	23	26,5					26,5		26,5
Minority interest reduced								(3,6)	(3,6)
Minority introduced								5,6	5,6
Restated balance at 30 September 2005		49,4	30,8	(282,0)	67,3	1 696,2	1 561,7	43,0	1 604,7
Balance at 30 September 2005 as previously reported		49,4	30,8	(282,0)	67,3	1 588,0	1 453,5	42,5	1 496,0
SA GAAP restatements	8					5,8	5,8		5,8
IFRS adjustments	8					137,8	137,8	0,5	138,3
Effect on tax due to adjustments	8					(35,4)	(35,4)		(35,4)
Fair value adjustments previously taken to reserves now reversed	24				(2,5)		(2,5)		(2,5)
Translation reserve arising	24				0,8		0,8		0,8
Net income recognised directly in equity		—	—	—	(1,7)	—	(1,7)	—	(1,7)
Profit for the year						922,8	922,8	11,1	933,9
Total recognised income and expense for the year		—	—	—	(1,7)	922,8	921,1	11,1	932,2
Movement on reserves	24				39,2	(39,2)	—		—
Share-based payment expense	23		9,6				9,6		9,6
Dividends declared						(798,3)	(798,3)	(15,9)	(814,2)
Dividends declared to BEE partners						(40,7)	(40,7)		(40,7)
(as defined in note 10.3)									
Issue of shares – share capital	23	0,2					0,2		0,2
– share premium		27,3					27,3		27,3
Balance at 30 September 2006		**76,9**	**40,4**	**(282,0)**	**104,8**	**1 740,8**	**1 680,9**	**38,2**	**1 719,1**

COMPANY

	Notes	Share capital Rm	Share-based payment reserves Rm	Non-distributable reserves Rm	Retained earnings Rm	Total Rm
Balance at 30 September 2004 as previously reported		22,7	—	0,3	897,4	920,4
SA GAAP restatements	8				3,8	3,8
IFRS adjustments	8				39,0	39,0
Other	8				0,8	0,8
Effect on tax due to adjustments	8				(10,9)	(10,9)
Restated balance at 1 October 2004		22,7	—	0,3	930,1	953,1
Fair value adjustments taken to reserves	24			2,5		2,5
Net income recognised directly in equity		—	—	2,5	—	2,5
Profit for the year restated					531,6	531,6
Profit for the year as previously reported					526,2	526,2
SA GAAP restatements	8				(0,3)	(0,3)
IFRS adjustments	8				5,4	5,4
Other	8				1,3	1,3
Effect on tax due to adjustments	8				(1,0)	(1,0)
Total recognised income and expense for the year		—	—	2,5	531,6	534,1
Share-based payment expense	23		6,7			6,7
Dividends declared					(331,3)	(331,3)
Issue of shares – share capital	23	0,2				0,2
– share premium		26,5				26,5
Restated balance at 30 September 2005		49,4	6,7	2,8	1 130,4	1 189,3
Balance at 30 September 2005 as previously reported		49,4	6,7	2,8	1 092,3	1 151,2
SA GAAP restatements	8				3,5	3,5
IFRS adjustments	8				44,4	44,4
Other	8				2,1	2,1
Effect on tax due to adjustments	8				(11,9)	(11,9)
Fair value adjustments previously taken to reserves now reversed	24			(2,5)		(2,5)
Net income recognised directly in equity		—	—	(2,5)	—	(2,5)
Net profit for the year					609,2	609,2
Total recognised income and expense for the year		—	—	(2,5)	609,2	606,7
Share-based payment expense	23		9,6			9,6
Dividends declared					(842,7)	(842,7)
Issue of shares – share capital	23	0,2				0,2
– share premium		27,3				27,3
Balance at 30 September 2006		**76,9**	**16,3**	**0,3**	**896,9**	**990,4**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
1. REVENUE				
Revenue excludes revenue of associate companies and includes export revenue of R481,6 million (2005: R308,1 million) and interest received by RC&C Finance Company (Pty) Limited of R172,6 million (2005: R108,2 million).				
2. OPERATING PROFIT IS STATED AFTER:				
Administration, management and other fees	**37,7**	21,3	**29,5**	16,3
Auditors' remuneration:				
Audit fees	**10,2**	7,0	**5,1**	2,8
Other fees	**2,5**	1,7	**1,6**	0,7
Expenses	**0,1**	0,1	**—**	—
	12,8	8,8	**6,7**	3,5
Depreciation:				
Buildings	**3,4**	1,1	**0,7**	0,6
Plant and equipment	**51,6**	43,4	**21,2**	17,0
Vehicles	**4,9**	1,9	**2,8**	0,6
	59,9	46,4	**24,7**	18,2
Amortisation:				
Intangible assets	**3,3**	3,5	**1,3**	0,7
Impairments in respect of the group relating to buildings of Rnil (2005: R4,1 million), plant and equipment of Rnil (2005: R0,8 million), and goodwill of R3,4 million (2005: Rnil) have been included in abnormal items (refer to note 5).				
Bad debt expense	**12,5**	11,2	**2,4**	—
Rental income from investment properties (included in revenue)	**(4,5)**	(3,4)	**—**	—
Direct operating expenses arising from investment properties that generated rental income	**2,3**	2,1	**—**	—
Direct operating expenses arising from investment properties that did not generate rental income	**0,2**	—	**0,2**	—
Net realised gains/(losses) on currency exchange differences	**3,5**	(37,1)	**(4,6)**	(34,3)
Net unrealised (losses)/gains on currency exchange differences	**—**	19,0	**(20,9)**	18,7
Net realised gains on fair value adjustments to derivative instruments	**62,1**	(1,5)	**14,3**	(2,0)
Net unrealised gains/(losses) on fair value adjustments to derivative instruments (refer note 34)	**67,7**	(16,4)	**38,7**	(11,9)
	133,3	(36,0)	**27,5**	(29,5)

	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
2. OPERATING PROFIT IS STATED AFTER: (continued)				
Income from subsidiaries:				
Fees			**5,7**	4,3
Rental (included in revenue)			**6,9**	7,0
			12,6	11,3
Operating lease charges:				
Land and buildings	**26,3**	31,0	**12,4**	14,9
Vehicles and other	**0,9**	0,6	**0,6**	0,1
	27,2	31,6	**13,0**	15,0
Research and development expenditure:				
Financed by revenue from customers	**17,4**	32,8	**—**	—
Not financed by revenue from customers	**43,9**	40,3	**35,0**	30,9
	61,3	73,1	**35,0**	30,9
Net surplus/(loss) on disposal of plant and equipment	**2,6**	(0,2)	**(0,3)**	0,1
Staff costs:				
Salaries and wages	**852,0**	741,0	**—**	138,3
Pension fund contributions	**7,8**	9,3	**—**	0,5
Provident fund contributions	**52,9**	45,9	**—**	8,2
Other staff costs	**44,7**	60,5	**—**	23,1
	957,4	856,7	**—**	170,1
Share-based payment expense in respect of the group's share option scheme (refer to note 23).	**9,6**	6,7	**9,6**	6,7
Equity instrument offered to Powerhouse Utilities (Pty) Limited ("Powerhouse") to take up 25,1% of the A shares of ATC (Pty) Limited ("ATC").	**—**	24,1		

The group entered into an agreement with Powerhouse, whereby on 1 December 2004 25,1% of the A shares of ATC were transferred to Powerhouse at a cost of R130 million. IFRS requires the reversal of the sale since the purchase consideration has not been fully paid for by Powerhouse and conditions are attached to the unpaid portion, notwithstanding that the legal effect of this transaction is in fact a sale. The earnings attributable to Powerhouse are included in arriving at the earnings attributable to shareholders in Reunert Limited and an equity instrument of R24,1 million, which values the Black Economic Empowerment (BEE) deal in terms of IFRS 2, has been expensed in arriving at operating profit in the previous year. As and when dividends are paid to Powerhouse they will be treated as an appropriation of profits (refer to note 25).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

		GROUP		COMPANY	
		2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
2.	**OPERATING PROFIT IS STATED AFTER: (continued)**				
	Compensation of key management personnel				
	The remuneration paid to directors and other key management personnel of Reunert Limited during the year was as follows:				
	Short-term benefits	**32,5**	26,1	**1,1**	1,0
	Post-employment benefits	**2,5**	2,4		
	Share-based payments	**18,0**	8,0		
		53,0	36,5	**1,1**	1,0
	The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.				
3.	**INTEREST AND DIVIDENDS RECEIVED**				
	Dividends received:				
	– Unlisted subsidiaries			**279,3**	225,4
	– Unlisted associate			**56,0**	69,2
	– Other	**6,9**	12,8	**6,9**	12,8
	Interest received:				
	– Subsidiaries			**37,7**	8,8
	– RC&C Finance Company (Pty) Limited	**57,2**	30,1		
	– Other	**35,7**	30,7	**19,1**	16,5
		99,8	73,6	**399,0**	332,7
4.	**INTEREST PAID**				
	Subsidiaries			**4,8**	1,1
	Long-term borrowings	**10,6**	4,3	**12,7**	4,3
	Short-term loans and bank overdrafts	**24,3**	19,2	**2,1**	1,7
		34,9	23,5	**19,6**	7,1
	Interest paid by RC&C Finance Company (Pty) Limited included in cost of sales	**75,3**	52,5		
5.	**ABNORMAL ITEMS**				
	Reversal/(raising) of provision for losses in subsidiaries			**11,2**	(46,9)
	Surplus on sale of investments	**5,0**	6,4	**5,0**	6,4
	Impairment of goodwill	**(3,4)**	—	**(3,4)**	—
	Impairment of property, plant and equipment	**—**	(4,9)	**—**	—
	Negative goodwill taken to profit in terms of IFRS 3	**—**	2,4	**—**	—
	Gross abnormal items	**1,6**	3,9	**12,8**	(40,5)
	Taxation	**—**	1,4	**—**	—
	Net abnormal items	**1,6**	5,3	**12,8**	(40,5)

		GROUP		COMPANY	
		2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
6.	**TAXATION**				
	South African normal taxation:				
	– Current	**356,8**	257,7	**128,3**	130,4
	– Prior	**0,6**	8,7	**(0,2)**	3,7
	Deferred taxation:				
	– Current	**31,4**	31,5	**17,1**	3,1
	– Prior	**7,3**	(3,7)	**4,6**	27,1
	Secondary Tax on Companies (STC):				
	– Current	**99,3**	32,0	**74,9**	14,2
	– Prior	**—**	(0,9)	**—**	(0,8)
		495,4	325,3	**224,7**	177,7
	Foreign normal taxation:				
	Current	**5,1**	1,2		
		500,5	326,5	**224,7**	177,7
	Reconciliation of rate of taxation	**%**	%	**%**	%
	Effective rate of taxation	**37,4**	33,7	**27,4**	23,7
	Movement in rate of taxation due to:				
	– Applicable to dividends received	**0,1**	0,4	**12,1**	12,0
	– Disallowable charges	**(0,7)**	(1,9)	**(0,8)**	(0,7)
	– Secondary tax on companies	**(7,4)**	(3,3)	**(9,1)**	(1,9)
	– Adjustments from prior year	**(0,6)**	(0,9)	**(0,6)**	(4,1)
	– Timing differences not recognised	**(0,1)**	—	**—**	—
	– Tax losses utilised not recognised previously	**0,1**	1,8	**—**	—
	– Foreign tax rate differential	**0,2**	—		
	– Tax losses not recognised	**—**	(0,8)	**—**	—
	South African normal tax rate	**29,0**	29,0	**29,0**	29,0

Total estimated tax losses available to be offset against future taxable income are R30,4 million (2005: R51,9 million). The company has a capital gains tax loss of R21,6 million (2005: R24,9 million) which can be offset against future capital gains. A deferred tax asset has not been raised due to the uncertainty of any future capital gains.

		GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
7.	**DIVIDENDS DECLARED DURING THE YEAR**				
	Ordinary dividends paid:				
	Final 2005 –170,0 cents per share (2004: 120,0 cents)	**329,3**	230,9	**329,3**	230,9
	Interim 2006 – 63,0 cents per share (2005: 52,0 cents)	**122,7**	100,4	**122,7**	100,4
	Special 2006 – 200,0 cents per share (2005: nil)	**390,7**	—	**390,7**	—
	Attributable to Reunert shares held by a subsidiary	**(44,4)**	(32,7)		
		798,3	298,6	**842,7**	331,3
	Final ordinary dividend declared:				
	210,0 cents per share (2005: 170,0 cents)	**410,2**	328,8	**410,2**	328,8
	Attributable to Reunert shares held by a subsidiary	**(40,0)**	(32,4)		
		370,2	296,4	**410,2**	328,8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

	Notes	GROUP 30 September 2005 Rm	GROUP 1 October 2004 Rm	COMPANY 30 September 2005 Rm	COMPANY 1 October 2004 Rm
8. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CHANGE IN ACCOUNTING POLICIES AND OTHER RESTATEMENTS					
The group has adopted International Financial Reporting Standards (IFRS) for the year ended 30 September 2006, with a transition date of 1 October 2004 as required by the Listings Requirements of the JSE Limited.					
The financial statements for the year ended 30 September 2006 are the group's first consolidated IFRS-compliant financial statements and hence IFRS 1 *First-time adoption of IFRS* has been applied in preparing this annual report. The opening balance sheets on 1 October 2004 and the comparative information for 2005 have been restated to comply with IFRS.					
Reconciliation of profit for the period between SA GAAP and IFRS ( ) = reduction of profit					
As previously reported under SA GAAP:		719,7		526,2	
– Profit attributable to equity holders of Reunert Limited		709,2		526,2	
– Profit attributable to minority interest		10,5			
Adjusted for:					
SA GAAP restatements		1,2		(0,3)	
– IAS 16 – *Property, Plant and Equipment* – reversal of depreciation on land	8.1	0,7		0,3	
– IAS 38 – *Intangible Assets*	8.2	(0,2)		—	
– IAS 17 – *Leases*	8.3	—		—	
– IAS 11 – *Construction Contracts*	8.4	0,7		(0,6)	
IFRS adjustments					
– IAS 16 – *Property, Plant and Equipment*	8.1	10,5		5,4	
– Tax effect of all adjustments		(7,4)		(1,0)	
– Provision for losses in subsidiaries				1,3	
As reported under IFRS		724,0		531,6	
– Profit attributable to equity holders of Reunert Limited		713,3		531,6	
– Profit attributable to minority interest		10,7			

	Notes	GROUP 30 September 2005 Rm	GROUP 1 October 2004 Rm	COMPANY 30 September 2005 Rm	COMPANY 1 October 2004 Rm
8. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CHANGE IN ACCOUNTING POLICIES AND OTHER RESTATEMENTS (continued)					
Reconciliation of total equity between SA GAAP and IFRS ( ) = reduction of total equity					
As previously reported under SA GAAP:		**1 496,0**	1 022,8	**1 151,2**	920,4
– Equity attributable to equity holders of Reunert Limited		**1 453,5**	983,1	**1 151,2**	920,4
– Minority interest		**42,5**	39,7		
Adjusted for:					
SA GAAP restatements		**5,8**	4,6	**3,5**	3,8
– IAS 16 – *Property, Plant and Equipment* – reversal of depreciation on land	8.1	**5,6**	4,9	**3,5**	3,2
– IAS 38 – *Intangible Assets*	8.2	**0,6**	0,8	**—**	—
– IAS 17 – *Leases*	8.3	**(1,5)**	(1,5)	**—**	—
– IAS 11 – *Construction Contracts*	8.4	**1,1**	0,4	**—**	0,6
IFRS adjustments					
– IAS 16 – *Property, Plant and Equipment*	8.1	**138,3**	127,8	**44,4**	39,0
– Tax effect of all adjustments		**(35,4)**	(28,0)	**(11,9)**	(10,9)
– Provision for losses in subsidiaries				**2,1**	0,8
As reported under IFRS		**1 604,7**	1 127,2	**1 189,3**	953,1
– Equity attributable to equity holders of Reunert Limited		**1 561,7**	1 087,2	**1 189,3**	953,1
– Minority interest		**43,0**	40,0		
Adjustments to balance sheet line items ( ) = credit					
Property, plant and equipment		**140,2**	131,4	**44,5**	41,1
– IAS 16 – *Property, Plant and Equipment*		**143,9**	132,7	**47,9**	42,2
– Reclassified to intangible assets		**(3,7)**	(1,3)	**(3,4)**	(1,1)
Intangible assets		**4,3**	2,1	**3,4**	1,1
– IAS 38 – *Intangible Assets*		**0,6**	0,8	**—**	—
– Reclassified from property, plant and equipment		**3,7**	1,3	**3,4**	1,1
Deferred taxation		**(35,4)**	(28,0)	**(11,9)**	(10,7)
Interest in subsidiaries				**2,1**	0,8
Inventory and contracts in progress		**1,3**	(0,8)	**—**	(0,8)
Accounts receivable		**—**	1,7	**—**	1,7
Long-term borrowings		**(0,3)**	(0,5)	**—**	—
Bank overdrafts and short-term portion of long-term borrowings		**(0,6)**	(1,0)	**—**	—
Accounts payable		**(0,6)**	(0,3)	**—**	(0,3)
Taxation		**(0,2)**	(0,2)	**—**	(0,2)
		108,7	104,4	**38,1**	32,7
Adjustments to income statement line items ( ) = reduction of profit					
Revenue		**0,4**		**(1,4)**	
Cost of sales		**3,6**		**0,8**	
Other income		**(0,2)**		**—**	
Other expenses		**8,0**		**5,7**	
Abnormal items		**—**		**1,3**	
Interest paid		**(0,1)**		**—**	
Taxation		**(7,4)**		**(1,0)**	
		4,3		**5,4**	
Impact of adjustments on					
Basic earnings per share (cents)		**+2,5**			
Diluted earnings per share (cents)		**+2,5**			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

	GROUP		COMPANY	
	30 September 2005 Rm	1 October 2004 Rm	**30 September 2005 Rm**	1 October 2004 Rm

8. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CHANGE IN ACCOUNTING POLICIES AND OTHER RESTATEMENTS (continued)

Notes

8.1 IAS 16 – *Property, Plant and Equipment*

The useful lives, residual values, capitalisation of subsequent expenditure and componentisation of property, plant and equipment have been assessed and resulted in a substantial adjustment to the group's carrying amount of property, plant and equipment. The useful lives and residual values of property, plant and equipment will be reassessed annually.

8.2 IAS 38 – *Intangible Assets*

Intangible assets consisting of computer software and a customer list have been separated from property, plant and equipment. The depreciation on these intangible assets is now reflected as amortisation of intangible assets in the income statement.

8.3 IAS 17 – *Leases*

Income and expenses under operating leases with fixed escalation clauses are now recognised on a straight-line basis in line with Circular 7/2005 issued by The South African Institute of Chartered Accountants. Previously operating lease income and expenses were recognised on a cash basis. A finance lease has also been capitalised.

8.4 IAS 11 – *Construction Contracts*

The group's accounting policy on the recognition of contract revenue and contract costs in certain operations has been aligned with IAS 11 to recognise contract revenue and contract costs by reference to the stage of completion of the contract at the balance sheet date.

RESTATEMENT

The group has previously recorded discount to customers as an expense. The group now accounts for discount to customers as part of revenue in terms of Circular 9/2006 issued by SAICA. The prior year revenue and other expenses have been restated to reflect the change. The adjustment has no impact on profit or the balance sheet.

	Group 2005	Company 2005
Effect on the income statement:		
Reduction in revenue	**25,3**	12,9
Decrease in other expenses	**(25,3)**	(12,9)

	Notes	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
9. NUMBER OF SHARES USED TO CALCULATE EARNINGS PER SHARE					
Weighted average number of shares in issue used to determine basic earnings per share, headline earnings per share, normalised basic earnings per share and normalised headline earnings per share (millions of shares)		**175,1**	173,4		
Adjusted by the dilutive effect of unexercised share options available to executives employed in the group (millions of shares)		**1,5**	2,1		
Weighted average number of shares used to determine diluted basic, normalised diluted basic, diluted headline and normalised diluted headline earnings per share (millions of shares)		**176,6**	175,5		
10. HEADLINE EARNINGS, NORMALISED EARNINGS AND NORMALISED HEADLINE EARNINGS					
Headline earnings per share (cents)	10.1	**524,6**	408,4		
Diluted headline earnings per share (cents)	10.1	**520,0**	403,6		
Normalised basic earnings per share (cents)	10.2	**497,6**	397,1		
Normalised headline earnings per share (cents)	10.2	**495,3**	394,1		
Normalised diluted basic earnings per share (cents)	10.2	**493,3**	392,5		
Normalised diluted headline earnings per share (cents)	10.2	**490,9**	389,5		
10.1 HEADLINE EARNINGS		**Rm**	Rm		
Headline earnings are determined by eliminating the effect of the following items in attributable earnings:					
Profit attributable to equity holders of Reunert Limited		**922,8**	713,3		
Adjusted for:		**(4,2)**	(3,7)		
(Surplus)/loss on disposal of property, plant and equipment		**(2,6)**	0,2		
Surplus on sale of investments		**(5,0)**	(6,4)		
Impairment of goodwill		**3,4**	—		
Negative goodwill reflected in abnormal items		**—**	(2,4)		
Impairment of plant and equipment		**—**	4,9		
Taxation		**—**	(1,5)		
Headline earnings attributable to equity holders of Reunert Limited		**918,6**	708,1		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
10. HEADLINE EARNINGS, NORMALISED EARNINGS AND NORMALISED HEADLINE EARNINGS (continued)				
10.2 NORMALISED EARNINGS AND NORMALISED HEADLINE EARNINGS				
Normalised earnings are determined by deducting from attributable earnings the interest in profit that is economically attributable to BEE partners:				
Profit attributable to equity holders of Reunert Limited (basic and diluted)	**922,8**	713,3		
Interest in profit that is economically attributable to BEE partners	**(51,4)**	(24,7)		
Normalised earnings attributable to equity holders of Reunert Limited (basic and diluted)	**871,4**	688,6		
Normalised headline earnings are determined by deducting from headline earnings the interest in profit that is economically attributable to BEE partners:				
Headline earnings attributable to equity holders of Reunert Limited (basic and diluted)	**918,6**	708,1		
Interest in profit that is economically attributable to BEE partners	**(51,4)**	(24,7)		
Normalised headline earnings attributable to equity holders of Reunert Limited (basic and diluted)	**867,2**	683,4		
10.3 BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS				
As referred to in note 25 certain BEE transactions involving the disposal of equity interests have not been recognised because the significant risks and rewards of ownership of the equity have been deemed not to have passed to the BEE partners. Accordingly, the equity interests in subsidiaries have not been recognised in the group income statement and balance sheet.				
The effect of this has been to not recognise the following:				
Interest in current year profit that is economically attributable to BEE partners	**51,4**	24,7		
Balance sheet interest that is economically attributable to BEE partners	**106,3**	96,0		

		GROUP Cost Rm	GROUP Accumulated depreciation and impairments Rm	GROUP Net book value Rm	COMPANY Cost Rm	COMPANY Accumulated depreciation and impairments Rm	COMPANY Net book value Rm
11.	**PROPERTY, PLANT AND EQUIPMENT**						
	2006						
	Freehold land – investment	**7,6**	**—**	**7,6**	**3,3**	**—**	**3,3**
	– owner occupied	**21,4**	**—**	**21,4**	**16,0**	**—**	**16,0**
	Freehold buildings – investment	**8,4**	**0,3**	**8,1**	**0,4**	**—**	**0,4**
	– owner occupied	**73,8**	**15,6**	**58,2**	**34,8**	**7,4**	**27,4**
	Leasehold buildings – owner occupied	**9,5**	**3,3**	**6,2**	**0,1**	**0,1**	**—**
	Plant and equipment	**823,7**	**485,0**	**338,7**	**322,9**	**174,3**	**148,6**
	Vehicles	**30,6**	**15,4**	**15,2**	**14,2**	**5,9**	**8,3**
		975,0	**519,6**	**455,4**	**391,7**	**187,7**	**204,0**
	2005 (Restated)						
	Freehold land – investment	7,9	—	7,9	3,3	—	3,3
	– owner occupied	21,4	—	21,4	16,0	—	16,0
	Freehold buildings – investment	10,7	0,2	10,5	0,4	—	0,4
	– owner occupied	66,4	14,7	51,7	27,5	6,7	20,8
	Leasehold buildings – owner occupied	4,3	2,2	2,1	—	—	—
	Plant and equipment	677,4	454,9	222,5	227,5	153,9	73,6
	Vehicles	25,1	12,8	12,3	10,1	4,2	5,9
		813,2	484,8	328,4	284,8	164,8	120,0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

	Land		Buildings					
	Investment Rm	Owner occupied Rm	Investment Rm	Owner occupied Rm	Plant and equipment Rm	Vehicles Rm	**2006 Total Rm**	2005 Total Rm (Restated)
11. PROPERTY, PLANT AND EQUIPMENT (continued)								
MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – GROUP								
Net book value at beginning of the year	7,9	21,4	10,5	53,8	222,5	12,3	**328,4**	324,3
Acquisition of businesses					0,3		**0,3**	1,2
Additions				60,9	122,8	8,5	**192,2**	56,0
Disposals					(2,3)	(0,7)	**(3,0)**	(1,8)
Classified as held for sale	(0,3)		(2,3)				**(2,6)**	—
	7,6	21,4	8,2	114,7	343,3	20,1	**515,3**	379,7
Depreciation			(0,1)	(3,3)	(51,6)	(4,9)	**(59,9)**	(46,4)
Impairments							**—**	(4,9)
	7,6	21,4	8,1	111,4	291,7	15,2	**455,4**	328,4
MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – COMPANY								
Net book value at beginning of the year	3,3	16,0	0,4	20,8	73,6	5,9	**120,0**	118,7
Acquisition of businesses					2,6	0,1	**2,7**	0,6
Sale of businesses							**—**	(0,8)
Additions				7,3	95,7	5,6	**108,6**	20,4
Disposals					(2,1)	(0,5)	**(2,6)**	(0,7)
	3,3	16,0	0,4	28,1	169,8	11,1	**228,7**	138,2
Depreciation				(0,7)	(21,2)	(2,8)	**(24,7)**	(18,2)
	3,3	16,0	0,4	27,4	148,6	8,3	**204,0**	120,0

NOTES:

1. A register of group property may be inspected at the registered office of the company.
2. The open market value of investment properties amounts to R48,9 million (2005: R24,4 million).
   Five of the group's properties are investment properties. The open market values were determined by independent valuers who hold recognised and relevant qualifications and who have recent experience in the locations and categories of the investment properties being valued.
3. Useful lives used for the following categories:

Buildings	12 – 50 years
Plant	5 – 33,3 years
Office equipment	5 – 20 years
Computer equipment	3,3 – 10 years
Furniture	5 – 20 years
Vehicles	3 – 12 years

4. The insurable value of the group's property, plant and equipment as at 30 September 2006 amounted to R3,0 billion (2005: R2,7 billion).
   This is based on the cost of replacement of such assets, except for motor vehicles and certain selected assets which are included at market value.
5. Operating leases receivable

	GROUP		COMPANY	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
Total future minimum lease payments receivable for all non-cancellable leases on land and buildings				
< 1 year	**0,6**	0,6	**4,7**	1,0
1 – 5 years	**0,7**	1,2	**16,5**	—
	1,3	1,8	**21,2**	1,0
Gross carrying amount of assets leased under operating leases	**8,9**	8,9	**26,0**	19,2
Accumulated depreciation	**—**	—	**(1,2)**	(1,0)

		GROUP			COMPANY		
		Cost Rm	Accumulated amortisation and impairments Rm	Net book value Rm	Cost Rm	**Accumulated amortisation and impairments Rm**	Net book value Rm
12.	**INTANGIBLE ASSETS**						
	2006						
	Computer software	32,6	26,7	5,9	6,3	**3,0**	3,3
	Customer list and restraint of trade	7,4	1,4	6,0	5,9	**1,0**	4,9
		40,0	28,1	11,9	12,2	**4,0**	8,2
	2005 (Restated)						
	Computer software	34,1	28,0	6,1	5,6	**2,2**	3,4
	Customer list and restraint of trade	2,3	0,5	1,8	2,3	**0,5**	1,8
		36,4	28,5	7,9	7,9	**2,7**	5,2

	Computer software Rm	Customer list and restraint of trade Rm	**2006 Total Rm**	2005 Total Rm
MOVEMENT IN INTANGIBLE ASSETS – GROUP				
Net book value at beginning of the year	6,1	1,8	**7,9**	5,4
Acquisition of businesses	0,1	5,1	**5,2**	2,3
Additions	2,1	—	**2,1**	3,7
	8,3	6,9	**15,2**	11,4
Amortisation	(2,4)	(0,9)	**(3,3)**	(3,5)
	5,9	6,0	**11,9**	7,9
MOVEMENT IN INTANGIBLE ASSETS – COMPANY				
Net book value at beginning of the year	3,4	1,8	**5,2**	1,1
Acquisition of businesses	—	3,7	**3,7**	2,3
Additions	0,6	—	**0,6**	2,5
	4,0	5,5	**9,5**	5,9
Amortisation	(0,7)	(0,6)	**(1,3)**	(0,7)
	3,3	4,9	**8,2**	5,2

NOTE:

Useful lives for the following categories:

Computer software	3 – 10 years
Customer list	4 years
Restraint of trade	2 years

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

		GROUP		COMPANY	
		2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
13.	**GOODWILL**				
	Carrying value at the beginning of the year	**329,0**	324,8	**13,5**	10,8
	Acquisition of businesses, associates and subsidiaries	**1,2**	—	**3,7**	—
	Impairments	**(3,4)**	—	**(3,4)**	—
	Adjustment to the purchase price of a business acquired in the prior year	**—**	1,8	**—**	2,7
	Negative goodwill arising in the prior year included in abnormal items	**—**	2,4	**—**	—
	Carrying value at the end of the year	**326,8**	329,0	**13,8**	13,5
	Goodwill	**330,2**	329,0	**17,2**	13,5
	Accumulated impairments	**(3,4)**	—	**(3,4)**	—
		326,8	329,0	**13,8**	13,5
	Carrying value attributable to:				
	– Associates	**94,6**	94,6	**—**	—
	– Subsidiaries	**217,5**	220,9	**—**	—
	– Other businesses	**14,7**	13,5	**13,8**	13,5
		326,8	329,0	**13,8**	13,5

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.
The recoverable amounts of the CGUs are determined from fair value less costs to sell calculations. Discounted cash-flows have been performed to determine the fair value less costs to sell. The key assumptions for the discounted cash-flows are those regarding the discount rates and growth rates and are based on management's past experience. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on sustainable growth rates in earnings.

	Siemens Telecom-munications	Nashua Mobile	African Cables
Carrying amount of goodwill allocated to the unit (Rm)	94,6	158,2	59,3
Discount rates (pre-tax)	18,5%	21,3%	21,8%
Sustainable growth rates	10,0%	10,5%	10,0%

The balance of goodwill of R14,7 million has been allocated to other CGUs and is not significant in relation to total goodwill.

		COMPANY	
		2006 Rm	2005 Rm (Restated)
14.	**INTEREST IN SUBSIDIARIES** (Refer to Annexure A)		
	Shares at cost less amounts written off	**605,6**	750,6
	Amounts owing by subsidiaries	**488,0**	343,1
	Provision for losses	**(116,5)**	(127,8)
		977,1	965,9
	Amounts owing to subsidiaries	**(96,5)**	(88,9)
		880,6	877,0

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
15. INTEREST IN ASSOCIATES				
Shares at cost	**158,5**	158,5	**158,5**	158,5
Less: Transfer to goodwill on consolidation	**(133,6)**	(133,6)		
Attributable interest in accumulated profit	**101,1**	61,9		
Accumulated profit at beginning of the year	**61,9**	41,9		
Audited profit after tax and abnormal items	**95,2**	79,2		
Dividends	**(56,0)**	(69,2)		
Accumulated attributable loss of associate that became an investment during the year	**—**	10,0		
Total interest in associate companies	**126,0**	86,8	**158,5**	158,5
Directors' valuation – unlisted associate company	**520,0**	520,0	**520,0**	520,0

Summarised financial information of the principal associate companies is reflected in note 31.

	GROUP			
	Number of shares held		Percentage interest	
Details of investments	**2006**	2005	**2006 %**	2005 %
ASSOCIATE COMPANIES:				
Siemens Telecommunications (Pty) Limited (supplier of fixed and mobile voice and data networks)	**56 000**	56 000	**40**	40
Electric Products International (Pty) Limited (marketing body for electrical cables and other electrical products)	**2 400**	2 400	**24**	24

	Place of incorporation	Year end	Carrying value	
Details of investments (continued)			**2006 Rm**	2005 Rm
ASSOCIATE COMPANIES:				
Siemens Telecommunications (Pty) Limited	RSA	30 September	**126,0**	86,8
Electric Products International (Pty) Limited	RSA	30 September	**—***	—*
			126,0	86,8

** – Nil due to rounding.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
16. OTHER INVESTMENTS AND LOANS				
Reunert 1988 Share Purchase Trust loans – held at cost	**19,7**	15,3	**19,7**	15,3
Other loans – held at cost	**2,8**	5,6	**2,8**	5,6
Listed investment held for sale – at market value		7,8		7,8
Other unlisted investments – at cost	**0,3**	0,7	**0,3**	0,7
Total investments and loans	**22,8**	29,4	**22,8**	29,4
Directors' valuation – other unlisted investments	**0,3**	0,7	**0,3**	0,7

Loans granted by Reunert Limited in respect of the share option scheme (the scheme)

Option holders are obliged to pay 1 cent per share for shares purchased under the option scheme. Thereafter, Reunert may lend the shareholder the remainder of the funds required to purchase the shares at the option price. The loan is granted for a maximum of seven years. The interest rate applicable to the loan is determined in March and September each year for the following six months, based on a formula which takes the last dividend declared prior to granting the option divided by the option price, subject to a maximum of the official interest rate as set by the South African Revenue Services from time to time.

	COMPANY 2006 Rm	COMPANY 2005 Rm
Value of loans granted during the year to all scheme participants	**11,8**	11,3
Loans to the scheme include loans to Reunert executive directors:		
– Balance at the beginning of the year	**1,0**	1,3
– Advanced during the year	**4,1**	5,6
– Repaid during the year	**(1,3)**	(5,9)
Balance at the end of the year	**3,8**	1,0

	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
17. RC&C FINANCE COMPANY ACCOUNTS RECEIVABLE				
Discounted deals:				
Collectable within one year	**367,7**	277,7		
Collectable after one year	**975,6**	713,2		
	1 343,3	990,9		
Accounts receivable:				
Collectable within one year	**50,8**	24,5		
Collectable after one year	**9,7**	12,8		
	60,5	37,3		
	1 403,8	1 028,2		

The discounted deals comprise the present value of discounted rental agreements which are repayable over varying periods up to a maximum of five years from balance sheet date.

RC&C Finance Company has long-term banking facilities of R1,2 billion. The banks which have granted these facilities are contractually bound to provide these on a long-term basis but they may give notice to run down these facilities. Once notice has been given these facilities reduce to zero in line with the reduction in the underlying rental debtors over a maximum of five years.

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
18. DEFERRED TAXATION ASSETS/LIABILITIES				
MOVEMENT OF GROUP DEFERRED TAXATION				
Balance at the beginning of the year	**(44,2)**	(16,0)	**(10,8)**	19,8
Current year charge	**(31,4)**	(31,5)	**(17,1)**	(3,1)
Reversed from/(raised) in equity	**0,4**	(0,4)	**0,4**	(0,4)
Adjustment for prior years	**(7,3)**	3,4	**(4,6)**	(26,4)
Rate change		0,3		(0,7)
	(82,5)	(44,2)	**(32,1)**	(10,8)
Deferred taxation liabilities	**141,6**	81,7	**32,1**	10,8
Deferred taxation assets	**59,1**	37,5	**—**	—
ANALYSIS OF DEFERRED TAXATION				
Capital allowances	**(77,2)**	(64,9)	**(14,7)**	(14,9)
Provisions and accruals	**(9,2)**	12,6	**(17,6)**	1,5
Advance income offset by allowed future expenditure	**18,7**	13,4	**0,4**	3,0
Effect of tax losses	**(7,4)**	(3,5)		
Other (net)	**(7,4)**	(1,8)	**(0,2)**	(0,4)
	(82,5)	(44,2)	**(32,1)**	(10,8)
19. INVENTORY AND CONTRACTS IN PROGRESS				
Raw materials and components	**171,4**	117,3	**68,1**	55,1
Finished goods	**235,6**	182,6	**45,1**	43,0
Merchandise	**302,8**	241,6	**295,1**	238,2
Consumable stores	**2,7**	2,8	**0,8**	0,6
Contracts and other work in progress	**96,5**	16,6	**1,0**	0,4
	809,0	560,9	**410,1**	337,3
The value of inventory has been determined on the following bases:				
First-in first-out	**527,5**	404,9	**397,9**	334,7
Average	**87,9**	55,3	**1,8**	1,5
Net realisable value	**2,3**	13,0	**2,3**	1,1
Standard cost	**191,3**	87,7	**8,1**	—
	809,0	560,9	**410,1**	337,3
Write-down of inventory recognised in the income statement	**1,6**	7,8	**1,6**	7,8
Reversal of write-down of inventory from previous years	**(0,2)**	—	**—**	—
20. ACCOUNTS RECEIVABLE				
Trade receivables	**1 111,1**	796,8	**372,1**	248,2
Contract receivables	**54,3**	49,2	**2,5**	1,5
Retention receivables	**4,2**	2,3	**—**	—
Claims, prepayments and other receivables	**225,4**	155,1	**69,0**	36,7
	1 395,0	1 003,4	**443,6**	286,4

Trade receivables to the value of R93,6 million (2005: Rnil) have been ceded as security for liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

		GROUP		COMPANY	
		2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
21.	**NON-CURRENT ASSETS HELD FOR SALE**				
	The board of directors resolved to dispose of the majority of the Elandsfontein property owned by Reumech Management Services (Pty) Ltd.				
	The property has been sold and registration of the Title Deed in the Deeds office is being awaited, after which the sale will be recognised.				
	The property is reported as part of Reutech in the Electronics segment.				
	Property, plant and equipment	**2,6**	—	**—**	—
22.	**CASH AND CASH EQUIVALENTS**				
	Bank balances and cash	**869,3**	684,4	**25,6**	45,8
	Investment in redeemable preference shares	**100,0**	100,0	**100,0**	100,0
		969,3	784,4	**125,6**	145,8
23.	**SHARE CAPITAL AND PREMIUM**				
	AUTHORISED SHARE CAPITAL				
	235 000 000 (2005: 235 000 000) ordinary shares of 10 cents each	**23,5**	23,5	**23,5**	23,5
	350 000 (2005: 350 000) 5,5% cumulative preference shares of R2 each	**0,7**	0,7	**0,7**	0,7
	31 057 729 (2005: 31 057 729) redeemable preference shares of 1 cent each	**0,3**	0,3	**0,3**	0,3
		24,5	24,5	**24,5**	24,5

ISSUED SHARE CAPITAL	**Number of shares 2006**	Number of shares 2005	**GROUP 2006 Rm**	GROUP 2005 Rm (Restated)	**COMPANY 2006 Rm**	COMPANY 2005 Rm (Restated)
Ordinary shares of 10 cents each						
At the beginning of the year	**193 439 716**	190 832 235				
Shares issued during the year in terms of Reunert share option scheme	**1 914 960**	2 607 481				
At the end of the year	**195 354 676**	193 439 716	**19,5**	19,3	**19,5**	19,3
350 000 (2005: 350 000) 5,5% cumulative preference shares of R2 each			**0,7**	0,7	**0,7**	0,7
			20,2	20,0	**20,2**	20,0
SHARE PREMIUM						
At the beginning of the year			**29,4**	2,9	**29,4**	2,9
Arising on the issue of ordinary shares			**27,3**	26,5	**27,3**	26,5
At the end of the year			**56,7**	29,4	**56,7**	29,4
Total issued share capital and premium			**76,9**	49,4	**76,9**	49,4

	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
23. SHARE CAPITAL AND PREMIUM (continued)				
SHARE-BASED PAYMENT RESERVES				
Reserves arising from IFRS 2				
At the beginning of the year	**30,8**	—	**6,7**	—
Share option reserve arising on the expensing of executive share options (refer to note 2)	**9,6**	6,7	**9,6**	6,7
Reserve created on expensing of option to Powerhouse Utilities (refer to note 2)	**—**	24,1		
At the end of the year	**40,4**	30,8	**16,3**	6,7
TREASURY SHARES				
Reunert Limited shares bought back and held by a subsidiary 19 063 631 (2005: 19 063 631)	**(282,0)**	(282,0)		

	COMPANY Number of shares 2006	COMPANY Number of shares 2005
UNISSUED ORDINARY SHARES		
Total shares reserved to meet the requirements of The Reunert 1985 Share Option Scheme and The Reunert 1988 Share Purchase Scheme.		
The directors have general authority over these shares until the next annual general meeting.	**12 000 000**	12 000 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

23. SHARE CAPITAL AND PREMIUM (continued)

The Reunert 1985 Share Option Scheme

Options to take up Reunert Limited ordinary shares are granted to executives in terms of the Reunert 1985 Share Option Scheme.

The terms of the scheme allow the recipient of the options to exercise one third after three years, and a further one third each in years four and five. Any options unexercised lapse after ten years from the date of initial issue or the moment an option holder leaves the group. Should the option price exceed the market price, option holders may decline to exercise their right to have Reunert Limited shares issued to them.

	Number of options unexercised at the beginning of the year (Thousands)	Options granted during the year (Thousands)	Options exercised during the year (Thousands)	Options lapsed during the year (Thousands)	Number of options unexercised at the end of the year (Thousands)	Amount received for options exercised (R000)
2006						
Exercise price						
R5,45	**188**	**—**	**(161)**	**—**	**27**	**876**
R14,10	**898**	**—**	**(741)**	**—**	**157**	**10 450**
R15,80	**701**	**—**	**(467)**	**—**	**234**	**7 380**
R17,70	**97**	**—**	**(33)**	**—**	**64**	**589**
R15,99*	**1 730**	**—**	**(446)**	**(7)**	**1 277**	**7 133**
R17,30*	**200**	**—**	**(67)**	**—**	**133**	**1 152**
R41,90*	**2 550**	**—**		**(140)**	**2 410**	**—**
	6 364	**—**	**(1 915)**	**(147)**	**4 302**	**27 580**
2005						
Exercise price						
R5,45	1 449	—	(1 261)	—	188	6 877
R14,10	1 760	—	(862)	—	898	12 149
R15,80	1 122	—	(421)	—	701	6 647
R17,70	140	—	(33)	(10)	97	589
R15,99*	1 780	—	(30)	(20)	1 730	480
R17,30*	200	—	—	—	200	—
R41,90*	—	2 550		—	2 550	—
	6 451	2 550	(2 607)	(30)	6 364	26 742

** Share options valued in terms of IFRS 2 as they were granted after 7 November 2002.*

23. SHARE CAPITAL AND PREMIUM (continued)

	Number of options exercisable per annum (Thousands)	Number of tranches outstanding	Periods options exercisable (Dates)	Expiry date	Options vested at the beginning of the year (Thousands)	Options vested at the end of the year (Thousands)
Exercise price						
R5,45		—	Immediately	22 October 2009	188	27
R14,10		—	Immediately	1 February 2011	202	157
R15,80		—	Immediately	26 September 2011	286	234
R17,70	34	1	19 November 2006	19 November 2011	10	30
R15,99*	551	2	13 May 2007 and 13 May 2008	13 May 2013	—	176
R17,30*	67	2	27 July 2007 and 27 July 2008	27 July 2013	—	—
R41,90*	810	3	29 August 2008 to 29 August 2010	29 August 2015	—	—
					686	624

**Share options valued in terms of IFRS 2 as they were granted after 7 November 2002.*

The weighted average share price at the dates of exercise for share options exercised during the year was R63,78.

Estimated fair value of options granted after 7 November 2002:

Share option	Fair value per option R	Share option expense for the year Rm
R15,99	4,67	2,0
R17,30	4,95	0,2
R41,90	11,06	7,4
		9,6
Share options expensed in previous periods (refer to note 2)		6,7
Share option reserve at the end of the year		16,3

These fair values were calculated using a Binomial option pricing model. The inputs into the model were as follows:

	R15,99 Share option	R17,30 Share option	R41,90 Share option
Share price at issue (R)	15,99	17,30	41,90
Exercise price (R)	15,99	17,30	41,90
Expected volatility	25,14%	25,29%	25,25%
Expected option life	8 years	8 years	10 years
Expected dividend yield	5,93%	5,93%	5,67%
Risk-free interest rate	11,75%	10,32%	7,74%

Expected volatility was determined by calculating the historical volatility of Reunert's share price from 30 September 2002 to the issue date of each option. The share price movements prior to 30 September 2002 are considered to be "abnormal" in terms of being a reasonable reflection of the volatility going forward.

The model allowed for early exercises based on rational investor behaviour. A zero forfeiture rate has been used due to the strong performance of the Reunert share and a historic forfeiture rate of 0,9% per annum. This will only affect the timing of the share option expense as opposed to the total expense being recognised in the income statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
24. NON-DISTRIBUTABLE RESERVES				
Statutory and other reserves				
– At the beginning of the year	**2,5**	0,2	**2,5**	—
– Movement	**(1,7)**	2,3	**(2,5)**	2,5
	0,8	2,5	**—**	2,5
Capital redemption reserve	**2,9**	2,9	**0,3**	0,3
Share of associate company's accumulated profits				
– At the beginning of the year	**61,9**	51,9		
– Associate earnings transferred this year	**39,2**	10,0		
	101,1	61,9		
Total non-distributable reserves	**104,8**	67,3	**0,3**	2,8
25. LONG-TERM BORROWINGS				
Total long-term borrowing	**115,5**	130,0	**115,5**	130,0
Less: Short-term portion	**(15,2)**	(18,6)	**(15,2)**	(18,6)
	100,3	111,4	**100,3**	111,4
Repayment of loan by BEE partner	**14,5**	—	**14,5**	—
Total finance leases	**0,4**	0,9	**47,8**	—
Less: Short-term portion	**(0,2)**	(0,6)	**(0,2)**	—
	115,0	111,7	**162,4**	111,4

The group entered into an agreement with Powerhouse Utilities (Pty) Ltd ("Powerhouse"), whereby on 1 December 2004, 25,1% of the A shares of ATC (Pty) Ltd ("ATC") were sold to Powerhouse at a cost of R130 million. IFRS requires that this transaction is not accounted for as a sale, since the bank loan has not been fully paid by Powerhouse and conditions are attached to the unpaid portion, notwithstanding that the economic reality of this transaction is, in fact, a sale.

The long-term borrowing relates to funding provided by Nedbank Limited ("Nedbank") to Powerhouse for their purchase of 25,1% of ATC. The loan is guaranteed by Reunert and, in terms of current accounting practices for this transaction, is recognised on the Reunert balance sheet.

Repayment of the loan by the BEE partner represents a portion of a dividend paid by ATC to Powerhouse, which was used to repay portion of the loan from Nedbank to Powerhouse. In terms of current accounting practice for this transaction, this is to be reflected as a long-term liability on the Reunert balance sheet. When the significant risks and rewards of ownership in the equity of ATC are deemed to have passed to the BEE partner then this portion of the loan repaid by Powerhouse will be transferred to minority interest.

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
25. LONG-TERM BORROWINGS (continued)				
Amounts payable under finance leases:				
Total minimum lease payments	**0,4**	1,0	**89,6**	—
< 1 year	**0,2**	0,7	**5,2**	—
1 – 5 years	**0,2**	0,3	**25,0**	—
> 5 years	**—**	—	**59,4**	—
Less: Future finance charges	**—**	(0,1)	**(41,8)**	—
< 1 year	**—**	(0,1)	**(5,0)**	—
1 – 5 years	**—**	—	**(19,2)**	—
> 5 years	**—**	—	**(17,6)**	—
Present value of minimum lease payments	**0,4**	0,9	**47,8**	—
< 1 year	**0,2**	0,6	**0,2**	—
1 – 5 years	**0,2**	0,3	**5,8**	—
> 5 years	**—**	—	**41,8**	—

Reunert Limited has entered into a lease agreement with RC&C Finance Company (Pty) Ltd whereby the new Nashua building is leased over a period of 12 years at an interest rate of 10,5% per annum. Minimum lease payments escalate by 7,5% each year. Promissory notes have been issued by Reunert Limited in favour of RC&C Finance Company (Pty) Limited as security for the lease payments. The other finance leases are for minor equipment.

26. PROVISIONS

	Carrying amount at the beginning of the year Rm	Additional provisions created in the year Rm	Amounts used during the year Rm	Unused amounts reversed during the year Rm	Carrying amount at the end of the year Rm
Description of nature of obligation					
GROUP					
Contract completion	5,0	—	—	(1,6)	**3,4**
Unfunded pension obligations	1,4	0,3	—	—	**1,7**
Warranty	51,9	0,6	(1,7)	(12,7)	**38,1**
Other	2,6	2,1	(1,5)	—	**3,2**
	60,9	3,0	(3,2)	(14,3)	**46,4**
COMPANY					
Warranty	6,6	0,7	—	(5,5)	**1,8**
Other	2,6	2,1	(1,5)	—	**3,2**
	9,2	2,8	(1,5)	(5,5)	**5,0**

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these provisions. As such, it has been assumed that the provisions are short term in nature.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)
27. COMMITMENTS				
Expenditure on property, plant and equipment				
– Contracted	**56,2**	42,6	**27,5**	25,3
– Authorised not yet contracted	**52,0**	26,3	**32,8**	10,0
Total expenditure on property, plant and equipment	**108,2**	68,9	**60,3**	35,3
The above expenditure, to occur in 2007 and 2008 will be financed from existing group resources.				
Operating lease commitments in respect of land and buildings, motor vehicles and other assets				
< 1 year	**15,9**	22,5	**10,5**	12,2
1 – 5 years	**37,4**	27,5	**35,7**	11,9
> 5 years	**30,7**	—	**30,7**	—
	84,0	50,0	**76,9**	24,1
Land and buildings	**81,7**	48,2	**76,8**	24,1
Motor vehicles and other assets	**2,3**	1,8	**0,1**	—
Total operating lease commitments	**84,0**	50,0	**76,9**	24,1
28. CONTINGENT LIABILITIES				
Guarantees on behalf of third parties	**3,2**	3,7	**—**	—
Guarantees on behalf of group subsidiary companies			**25,0**	18,9
Sureties for staff loans	**—**	0,1	**—**	—
Warranties on debtors sold	**0,5**	1,8	**—**	—
Total contingent liabilities	**3,7**	5,6	**25,0**	18,9

29. DIRECTORS' REMUNERATION AND INTERESTS

Payable to the directors of the company by the company and its subsidiaries:

EXECUTIVE DIRECTORS

The directors' remuneration for the year ended 30 September 2006

	Salary R000	Bonus and performance related payments R000	Other benefits* R000	Retirement contributions R000	Medical contributions R000	Gains on options exercised R000	Total R000
G Pretorius	**2 173**	**3 203**	**315**	**461**	**20**	**9 411**	**15 583**
BP Gallagher	**1 187**	**1 725**	**139**	**254**	**15**	**3 585**	**6 905**
GJ Oosthuizen	**1 068**	**1 537**	**125**	**216**	**13**	**3 928**	**6 887**
DJ Rawlinson	**1 115**	**1 685**	**144**	**237**	**65**	**2 891**	**6 137**
	5 543	**8 150**	**723**	**1 168**	**113**	**19 815**	**35 512**

The directors' remuneration for the year ended 30 September 2005

	Salary R000	Bonus and performance related payments R000	Other benefits* R000	Retirement contributions R000	Medical contributions R000	Gains on options exercised R000	Total R000
G Pretorius	2 033	2 696	312	435	18	2 194	7 688
BP Gallagher	1 111	1 465	145	243	13	2 798	5 775
GJ Oosthuizen	1 001	1 294	125	204	13	3 492	6 129
DJ Rawlinson	1 053	1 431	154	223	52	2 444	5 357
	5 198	6 886	736	1 105	96	10 928	24 949

**Other benefits are made up of travel allowances and the benefits derived from share purchase trust loans.*

NON-EXECUTIVE DIRECTORS

The directors' remuneration for the year ended 30 September

	COMPANY	
	2006	2005
	Total paid for the year (all directors' and committee fees)	
	R000	R000
MJ Shaw	**370**	210
DE Cooper (resigned)	**—**	233
BP Connellan	**135**	120
KS Fuller	**155**	32
SD Jagoe	**175**	155
KJ Makwetla	**85**	80
KC Morolo	**85**	80
JC van der Horst	**120**	110
	1 125	1 020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

29. DIRECTORS' REMUNERATION AND INTERESTS (continued)

SHARE OPTIONS

EXECUTIVE DIRECTORS

	Balance of unexercised share options as at 1 October 2005	Number of share options allocated during the year	Number of options exercised during the year	Balance of unexercised share options as at 30 September 2006	Option price R	Date of allocation	Date from which exercisable
G Pretorius	33 400	—	(33 400)	—	14,10	1 February 2001	
	100 000	—	(100 000)*	—	15,80	26 September 2001	
	200 000	—	(66 600)	**133 400**	15,99	13 May 2003	13 May 2006
	120 000	—	—	**120 000**	41,90	29 August 2005	29 August 2008
BP Gallagher	16 800	—	(16 800)*	—	14,10	1 February 2001	
	23 400	—	(23 400)*	—	15,80	26 September 2001	
	100 000	—	(33 300)*	**66 700**	15,99	13 May 2003	13 May 2006
	50 000	—	—	**50 000**	41,90	29 August 2005	29 August 2008
GJ Oosthuizen	16 800	—	(16 800)*	—	14,10	1 February 2001	
	30 000	—	(30 000)*	—	15,80	26 September 2001	
	100 000	—	(33 300)*	**66 700**	15,99	13 May 2003	13 May 2006
	50 000	—	—	**50 000**	41,90	29 August 2005	29 August 2008
DJ Rawlinson	16 800	—	(16 800)*	—	14,10	1 February 2001	
	10 000	—	(10 000)*	—	15,80	26 September 2001	
	100 000	—	(33 300)*	**66 700**	15,99	13 May 2003	13 May 2006
	60 000	—	—	**60 000**	41,90	29 August 2005	29 August 2008
	1 027 200	—	(413 700)	**613 500**			

**The loans granted on the exercise of these options were not fully repaid by the year end. The shares are held as security for the loans.*

None of the directors' service contracts expressly provide for a notice period, and in the circumstances such service contracts are terminable on reasonable notice, which period will be less than one year.

A predetermined compensation on termination of service will be payable to the executive directors in line with circumstances which would ordinarily give rise to an obligation requiring an employer to pay severance pay in terms of the provisions of the Labour Relations Act, 1995 or the Basic Conditions of Employment Act, 1997. In such event, a severance package shall be equal to the multiple of the relevant individual's monthly remuneration, such multiple ranging between twelve months and thirty six months. However, the multiple is limited to the number of months that remains from the termination date to the date on which the relevant individual would have reached his normal retirement age. This payment is calculated by reference to the relevant individual's cash earnings plus the value of medical aid, pension contributions and pensionable service, group life and permanent health insurance benefits and the performance bonus earned by the employee in the preceding year. In addition, the relevant employee will be granted permission to exercise share options and to repay loans which may be due to a share purchase scheme.

30. RETIREMENT BENEFIT INFORMATION

In line with the group's policy to provide retirement benefits for its employees, 91% (2005: 95%) of the group's employees belong to various retirement schemes. Industrial legislation requires that certain employees be members of designated industry schemes. At year end 30% (2005: 32%) of the group's employees were members of such schemes, most notably the Engineering Industries' Pension Fund and Metal Industries' Provident Fund. The total employer contributions for the year to these funds amounted to R4,5 million (2005: R4 million).

26% (2005: 30%) of the group's total employees, are members of the Lincoln Wood Provident Fund or the Reunert Retirement Fund, which consists of both the Reunert Pension Fund and Reunert Provident Fund.

The Reunert Retirement Fund is a defined contribution plan, apart from death benefits that are paid by the Pension Fund, which is registered in terms of the Pension Funds Act, 1956. The fund was last reviewed by the actuary at 28 February 2003 and found to be in a sound financial position. The total employer contribution to this fund amounted to R22 million (2005: R21,1 million).

The Lincoln Wood Provident Fund is a defined benefit plan registered in terms of the Pension Funds Act, 1956.
The normal employer contributions to the fund amounted to R2,1 million (2005: R2,6 million).
The fund was actuarially valued in terms of the Pension Funds Second Amendments Act, 2001 at February 2005, at which date the fund was found to be in a deficit.

A further actuarial valuation was done in terms of IAS 19 and an unfunded pension obligation of R1,7 million at 30 September 2006 (2005: R1,4 million) has been provided for.

The remaining 35% (2005: 33%) of the group's total employees, who are not members of the abovementioned schemes, participate in other benefit plans, which consist of seven defined contribution plans. Six of these funds are subject to the Pension Funds Act, 1956, and the remaining fund is a defined contribution fund registered in Australia. The total employer contributions to these funds amounted to R32,1 million (2005: R29,1 million).

2% of the group's employees belong to defined benefit funds, most of whom belong to the Engineering Industries' Pension Fund, which is currently in surplus. More information about the Engineering Industries' Pension Fund could not be obtained.

Details relating to the group's defined benefit fund, which is not a designated industry scheme, are as follows:

Defined benefit plan

Under the scheme the employees are entitled to retirement benefits equal to their number of years' service multiplied by 2%, multiplied by their final year's salary on attainment of a retirement age of 63. No other post-retirement benefits are provided.

Amounts recognised in the income statement in respect of that scheme are as follows:

	2006 Rm	2005 Rm
Current service cost	**4,0**	3,2
Interest costs	**6,6**	7,8
Expected return on plan assets	**(7,3)**	(6,5)
Unrecognised net loss	**—**	0,2
Amount charged to income	**3,3**	4,7
The charge for the year has been included in other expenses.		
Actual return on plan assets	**(16,1)**	(15,6)
The amount included in the balance sheet arising from the group's obligation in respect of defined benefit retirement plans is as follows:		
Present value of funded obligations	**87,4**	74,4
Unrecognised actuarial gains	**10,2**	6,9
Fair value of plan assets	**(95,9)**	(79,9)
Unfunded pension obligations	**1,7**	1,4
At the beginning of the year	**1,4**	4,9
Amounts charged to income	**3,3**	4,7
Deemed contributions	**(3,0)**	(8,2)
At the end of the year	**1,7**	1,4

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

30. RETIREMENT BENEFIT INFORMATION (continued)

	2006 %	2005 %
Key assumptions used:		
Discount rate	**9,0**	8,5
Inflation rate	**5,8**	4,0
Expected return on plan assets	**10,0**	9,0
Expected rate of salary increases	**7,8**	6,5
Future pension increases	**3,8**	3,3

The next statutory valuation will be performed as at 28 February 2007.

	2006		2005	
	Total Rm	**Reunert share Rm**	Total Rm	Reunert share Rm
31. SUMMARISED FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATE COMPANIES				
INCOME STATEMENT				
Revenue	**3 210,3**	**1 284,1**	2 482,6	993,0
Profit after tax	**238,0**	**95,2**	197,8	79,2
Dividends	**140,0**	**56,0**	173,0	69,2
BALANCE SHEET				
Interest of shareholders	**314,9**	**126,0**	216,9	86,8
Long-term liabilities	**—**	**—**	43,4	17,4
Deferred taxation liabilities	**20,0**	**8,0**	—	—
Property, plant and equipment	**48,4**	**19,4**	53,0	21,2
Deferred taxation asset	**—**	**—**	49,7	19,9
Net current assets	**286,5**	**114,6**	157,6	63,0

32. SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES

The group has a 50% share in Lexshell 661 Investments (Pty) Ltd, which owns the right to lease the building, which will be occupied by Nashua Office Automation for the next 12 years, for a total period of 45 years.

The group is entitled to a proportionate share of the rental income received after the initial 12 years and bears a proportionate share of expenses.

The amounts included in the group's financial statements as a result of the proportionate consolidation of the joint venture round down to nil.

33. RELATED PARTY TRANSACTIONS

2006

		GROUP						
Counterparty	Relationship	Sales Rm	Purchases Rm	Bad debt expense Rm	Accounts receivable Rm	Overnight call loans Rm	Interest paid Rm	Treasury shares Rm
CAFCA Limited (Cafca)	ATC owns 72% of Cafca	**0,6**	**3,7**	**3,6**	**—**			
EADS Deutschland GmbH (EADS)	EADS owns 33% of Reutech Radar Systems	**9,8**	**1,8**	**—**	**0,2**			
Siemens Telecommunications (Pty) Limited (Siemens)	Reunert Ltd owns 40% of Siemens	**0,7**	**3,8**	**—**	**—**			
Rand Merchant Bank (RMB)	RMB owns 33% of the "B" shares of RC&C Finance Company					**400,0**	**4,0**	
ABSA	ABSA owns 33% of the "B" shares of RC&C Finance Company					**398,0**	**1,7**	
Nedbank	Nedbank owns 33% of the "B" shares of RC&C Finance Company					**400,0**	**19,9**	
Bargenel Investments Limited	100% owned subsidiary							**(282,0)**

2005

		GROUP						
Counterparty	Relationship	Sales Rm	Purchases Rm	Bad debt expense Rm	Accounts receivable Rm	Overnight call loans Rm	Interest paid Rm	Treasury shares Rm
CAFCA Limited (Cafca)	ATC owns 72% of Cafca	19,9	19,4	—	8,4			
EADS Deutschland GmbH (EADS)	EADS owns 33% of Reutech Radar Systems	17,4	—	—	6,6			
Siemens Telecommunications (Pty) Limited (Siemens)	Reunert Ltd owns 40% of Siemens	—	0,7	—	—			
Rand Merchant Bank (RMB)	RMB owns 33% of the "B" shares of RC&C Finance Company					272,0	3,8	
ABSA	ABSA owns 33% of the "B" shares of RC&C Finance Company					400,0	3,9	
Nedbank	Nedbank owns 33% of the "B" shares of RC&C Finance Company					212,0	11,7	
Bargenel Investments Limited	100% owned subsidiary							(282,0)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

33. RELATED PARTY TRANSACTIONS (continued)

The following related party transactions took place between Reunert Limited and its related parties:

	COMPANY						
Counterparty	Sales Rm	Purchases Rm	Lease payments made Rm	Lease payments received Rm	Administration fees paid Rm	Administration fees received Rm	Other paid/ (received) Rm
2006							
Subsidiaries of Reunert Limited	**168,9**	**43,3**	**0,6**	**9,4**	**434,4**	**6,5**	**0,1**
Siemens	**0,1**	**0,2**	**—**	**—**	**—**	**—**	**—**
2005							
Subsidiaries of Reunert Limited	60,9	49,5	0,5	8,1	202,0	4,3	—

Transactions with key management personnel (Rm):

	2006	2005
– Services rendered (cellphone contracts)	**0,1**	0,1
– Loans from key management personnel	**4,8**	5,1

Refer to note 2 for information on compensation of key management personnel.

	GROUP		COMPANY	
	2006 Rm	2005 Rm (Restated)	**2006 Rm**	2005 Rm (Restated)

34. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

The group is exposed to various risks at all times. These risks are managed in the following ways:

TREASURY RISK

All of the group's short-term borrowings or excess cash is directed through Reunert Finance Company Limited (RFCL), a wholly owned subsidiary of Reunert Limited, which is managed from the head office of the group.

The overnight call market is mainly used for short-term borrowings, with three to six-month borrowings used when deemed appropriate. Excess cash is deposited with RC&C Finance Company (Pty) Limited (RCCF) or with reputable financial institutions.

Derivative contracts are entered into to hedge interest rate risk only in RCCF.
The group has appointed a foreign currency management firm to manage its major currency exposures.
A mandate is agreed with the firm from time to time which then manages the exposure within this mandate.
Derivative contracts, other than forward exchange contracts, are not entered into to hedge currency risks.
The contract amounts of forward exchange contracts outstanding at the balance sheet date were:

	GROUP 2006 Rm	GROUP 2005 Rm (Restated)	COMPANY 2006 Rm	COMPANY 2005 Rm (Restated)
To pay	**567,8**	474,2	**438,9**	356,7

34. FINANCIAL INSTRUMENTS (continued)

Forward exchange contracts at 30 September 2006 and 2005 are summarised below:

		GROUP		
2006	Foreign amount million	Fair value Rm	Contract value Rm	Unrealised gains/(losses) Rm
Imports - trade				
USD	**33,6**	**260,9**	**235,4**	**25,5**
Euro	**19,1**	**189,2**	**175,7**	**13,5**
GBP	**0,8**	**11,0**	**10,0**	**1,0**
Yen	**1 261,3**	**83,6**	**78,6**	**5,0**
CHF	**506,4**	**44,9**	**43,6**	**1,3**
SEK	**0,7**	**0,7**	**0,7**	**—**
		590,3	**544,0**	**46,3**
Imports - capital				
Euro	**2,6**	**25,2**	**23,8**	**1,4**
		25,2	**23,8**	**1,4**
		615,5	**567,8**	**47,7**
	Rm			
Accounts receivable in foreign currencies	**41,7**			
Of which covered by forward exchange contracts	**—**			
Accounts payable in foreign currencies	**373,3**			
Of which covered by forward exchange contracts	**363,0**			

		GROUP		
2005	Foreign amount million	Fair value Rm	Contract value Rm	Unrealised gains/(losses) Rm
Imports - trade				
USD	35,1	225,2	231,1	(5,9)
Euro	14,7	115,5	120,1	(4,6)
GBP	0,5	5,8	6,1	(0,3)
Yen	1 532,0	87,6	92,0	(4,4)
CHF	0,2	0,9	0,9	—
		435,0	450,2	(15,2)
Imports - capital				
USD	0,1	0,9	0,9	—
Euro	2,8	22,3	23,1	(0,8)
		23,2	24,0	(0,8)
		458,2	474,2	(16,0)
	Rm			
Accounts receivable in foreign currencies	1,0			
Of which covered by forward exchange contracts	—			
Accounts payable in foreign currencies	288,7			
Of which covered by forward exchange contracts	274,4			

Forward exchange contracts at 30 September 2006 are summarised below:

		COMPANY		
2006	Foreign amount million	Fair value Rm	Contract value Rm	Unrealised gains/(losses) Rm
Imports - trade				
USD	**25,2**	**195,5**	**175,9**	**19,6**
Euro	**18,2**	**180,4**	**167,5**	**12,9**
GBP	**0,5**	**7,5**	**6,7**	**0,8**
Yen	**1 260,6**	**83,6**	**78,6**	**5,0**
CHF	**1,7**	**10,6**	**10,2**	**0,4**
		477,6	**438,9**	**38,7**
	Rm			
Accounts receivable in foreign currencies	**39,3**			
Of which covered by forward exchange contracts	**—**			
Accounts payable in foreign currencies	**339,2**			
Of which covered by forward exchange contracts	**330,4**			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

34. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

Credit risk relates to the group's and RCCF accounts receivable. The risk relating to the group's accounts receivable is managed through ongoing credit evaluations of the financial condition of all customers. The granting of credit is controlled by application and credit vetting procedures which are reviewed and updated on an ongoing basis. Where considered necessary, exports are covered by letters of credit. Use is also made of credit insurance where it is considered appropriate.

Where the recoverability of accounts receivable is considered doubtful, provision is made so that the carrying values reflect the estimated recoverable amount.

For RCCF, the financial assets which potentially subject the company to concentrations of credit risk consist principally of discounted deals and accounts receivable. Credit risk with respect to accounts receivable and discounted deals is limited due to the large number of corporate customers comprising the company's customer base and their distribution across different geographical areas. Accounts receivable are presented net of all the allowances for doubtful receivables.

Total cash and cash equivalents, investments, accounts receivable and derivative instruments (net market value of these contracts), by geographic region exposed to:	GROUP		COMPANY	
	2006 %	2005 %	**2006 %**	2005 %
South Africa	**94,5**	96,2	**88,6**	94,7
Rest of Africa	**2,1**	1,2	**6,6**	5,3
Europe	**1,6**	1,6	**1,2**	—
Asia	**0,4**	—	**2,3**	—
USA	**0,5**	0,8	**1,1**	—
Other	**0,9**	0,2	**0,2**	—
	100,0	100,0	**100,0**	100,0

INTEREST RATE RISK

RC&C FINANCE COMPANY LIMITED (RCCF)

Most of the company's debtors are subject to variable interest rates. The company borrows at variable interest rates, therefore, the margins built into the various loans and debtors tend to remain constant as the interest rates move up and down.

Most of the company's discounted deals are sold on a fixed interest rate basis. When deemed appropriate the company enters into interest rate swap agreements and takes out fixed rate loans to reduce the interest rate risk.

Details of the RCCF interest rate swaps are:

	2006 Contracts expiring in:			
R million	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
Contract value	**325**	**275**	**48**	**648**
Net derivative instrument in relation to expiring contract	**2,0**	**5,3**	**1,7**	**9,0**
Derivative asset	**2,0**	**5,3**	**1,7**	**9,0**
Derivative liability	**—**	**—**	**—**	**—**
Average fixed interest rate (%)	**7,54**	**7,88**	**8,11**	**7,73**

	2005 Contracts expiring in:			
R million	<1 year	1 – 5 years	> 5 years	Total
Contract value	—	550	50	600
Net derivative instrument in relation to expiring contract	—	(1,6)	(0,3)	(1,9)
Derivative asset	—	0,3	—	0,3
Derivative liability	—	(1,9)	(0,3)	(2,2)
Average fixed interest rate (%)	—	7,61	8,11	7,65

34. FINANCIAL INSTRUMENTS (continued)

The group's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are:

	GROUP				
2006	**Weighted average effective interest rate %**	**Floating interest rate Rm**	**Fixed interest rate Rm**	**Non-interest bearing Rm**	**Total Rm**
Assets					
Cash and cash equivalents	**7,0**	**969,3**	**—**	**—**	**969,3**
Accounts receivable (non-RCCF)	**—**	**—**	**—**	**1 338,8**	**1 338,8**
Accounts receivable (RCCF)	**13,5**	**434,3**	**969,5**	**—**	**1 403,8**
Other investments	**12,0**	**2,1**	**—**	**146,7**	**148,8**
		1 405,7	**969,5**	**1 485,5**	**3 860,7**
Liabilities					
Trade and other payables	**12,5**	**(51,0)**	**—**	**(1 521,3)**	**(1 572,3)**
Bank overdrafts and short-term portion of long-term borrowings	**8,6**	**(27,0)**	**—**	**—**	**(27,0)**
RCCF borrowings	**8,6**	**(1 187,9)**	**—**	**—**	**(1 187,9)**
Long-term borrowings	**9,0**	**(114,9)**	**(0,1)**	**—**	**(115,0)**
		(1 380,8)	**(0,1)**	**(1 521,3)**	**(2 902,2)**
Net financial assets / (liabilities)		**24,9**	**969,4**	**(35,8)**	**958,5**

	GROUP				
2005	Weighted average effective interest rate %	Floating interest rate Rm	Fixed interest rate Rm	Non-interest bearing Rm	Total Rm
Assets					
Cash and cash equivalents	6,5	769,9	14,5	—	784,4
Accounts receivable (non-RCCF)	—	—	—	970,5	970,5
Accounts receivable (RCCF)	13,8	216,4	811,8	—	1 028,2
Other investments	10,0	4,0	—	112,2	116,2
		990,3	826,3	1 082,7	2 899,3
Liabilities					
Trade and other payables		—	—	(1 168,8)	(1 168,8)
Bank overdrafts and short-term portion of long-term borrowings	8,3	(20,9)	—	—	(20,9)
RCCF borrowings	7,6	(266,8)	(600,0)	—	(866,8)
Long-term borrowings	8,4	(111,7)	—	—	(111,7)
		(399,4)	(600,0)	(1 168,8)	(2 168,2)
Net financial assets / (liabilities)		590,9	226,3	(86,1)	731,1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

34. FINANCIAL INSTRUMENTS (continued)

MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The maturity profile of financial instruments at 30 September is summarised below:

	GROUP			
	<1 year	1 – 5 years	>5 years	Total
2006	**Rm**	**Rm**	**Rm**	**Rm**
Cash and cash equivalents	**969,3**	**—**	**—**	**969,3**
Accounts receivable (non-RCCF)	**1 338,8**	**—**	**—**	**1 338,8**
Accounts receivable (RCCF)	**418,5**	**985,3**	**—**	**1 403,8**
Other financial assets	**146,7**	**2,1**	**—**	**148,8**
Trade and other payables	**(1 572,1)**	**(0,2)**	**—**	**(1 572,3)**
Bank overdrafts and short-term portion of long-term borrowings	**(27,0)**	**—**	**—**	**(27,0)**
RCCF borrowings	**(1 187,9)**	**—**	**—**	**(1 187,9)**
Long-term borrowings	**—**	**(91,0)**	**(24,0)**	**(115,0)**
Derivative Instruments				
Recognised transactions	**67,7**	**—**	**—**	**67,7**
Forward exchange contracts (Buy)	**47,7**	**—**	**—**	**47,7**
Interest rate swaps	**9,0**	**—**	**—**	**9,0**
Other derivative instruments	**11,0**	**—**	**—**	**11,0**

	GROUP			
	<1 year	1 – 5 years	>5 years	Total
2005	Rm	Rm	Rm	Rm
Cash and cash equivalents	784,4	—	—	784,4
Accounts receivable (non-RCCF)	970,0	0,5	—	970,5
Accounts receivable (RCCF)	302,2	726,0	—	1 028,2
Other financial assets	96,7	7,7	11,8	116,2
Trade and other payables	(1 168,3)	(0,5)	—	(1 168,8)
Bank overdrafts and short-term portion of long-term borrowings	(20,9)	—	—	(20,9)
RCCF borrowings	(866,8)	—	—	(866,8)
Long-term borrowings	—	(93,1)	(18,6)	(111,7)
Derivative Instruments				
Recognised transactions	(16,4)	—	—	(16,4)
Forward exchange contracts (Buy)	(16,0)	—	—	(16,0)
Interest rate swaps	(1,9)	—	—	(1,9)
Other derivative instruments	1,5	—	—	1,5

34. FINANCIAL INSTRUMENTS (continued)

	GROUP				COMPANY			
	2006		2005		2006		2005	
	Maximum permissible Rm	Actual Rm	Maximum permissible Rm	Actual Rm	Maximum permissible Rm	Actual Rm	Maximum permissible Rm	Actual Rm
LIQUIDITY RISK								
Adequate reserves, banking facilities and reserve borrowing facilities are maintained by continually monitoring forecast and actual cash flows.								
BORROWING CAPACITY								
The borrowings of the group are limited in terms of the company's articles of association.								
Long-term borrowings		**115,0**		111,7		**162,4**		111,4
Bank overdrafts and short-term portion of long-term borrowings		**27,0**		20,9		**16,0**		18,6
RC&C Finance Company debtors guarantee given by Reunert Limited		**60,3**		28,7		**60,3**		28,7
Contingent liabilities (refer to note 28)		**3,7**		5,6		**25,0**		18,9
	1 431,4	**206,0**	1 352,5	166,9	**612,3**	**263,7**	871,3	177,6

The long-term borrowing bears interest at 1,4% above the monthly JIBAR rate and are repayable in 14 six-monthly instalments which commenced on 1 December 2005. The loan may be settled early.

This loan relates to the funding provided by Nedbank to Powerhouse for their purchase of ATC shares (refer to note 2). The loan is guaranteed by Reunert and, in terms of current accounting practice, is recognised in the Reunert balance sheet.

The borrowings of RC & C Finance Company (Pty) Limited of R1 187,9 million (2005: R866,8 million) are not included in the above table. The details of the facilities covering these borrowings are set out in note 17. These borrowings are excluded from the group borrowing limits in terms of the articles of association.

FAIR VALUE OF FINANCIAL INSTRUMENTS	GROUP		COMPANY	
	2006	2005	2006	2005
Type of instrument	Carrying amount* Rm	Carrying amount* Rm (Restated)	Carrying amount* Rm	Carrying amount* Rm (Restated)
Cash and cash equivalents	**969,3**	784,4	**125,6**	145,8
Accounts receivable	**1 338,8**	970,5	**385,1**	252,6
RCCF accounts receivable	**1 403,8**	1 028,2		
Other investments	**148,8**	116,2	**181,3**	187,9
Accounts payable	**(1 572,3)**	(1 168,8)	**(624,4)**	(510,6)
Bank overdrafts and short-term portion of long-term borrowings	**(27,0)**	(20,9)	**(16,0)**	(18,6)
RCCF borrowings	**(1 187,9)**	(866,8)		
Long-term borrowings	**(115,0)**	(111,7)	**(162,4)**	(111,4)
Derivative instruments – Forward exchange contracts	**47,7**	(16,0)	**38,7**	(11,9)
– Interest rate swaps	**9,0**	(1,9)	**—**	—
– Other	**11,0**	1,5	**—**	—

**The fair value of the financial instruments is equal to the carrying amount.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

34. FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to determine fair values:

CASH AND CASH EQUIVALENTS

The carrying amounts approximate fair value because of the short-term nature of these instruments.

ACCOUNTS RECEIVABLE

The carrying amounts of rand denominated receivables approximate fair value because of the short-term nature of these instruments. The carrying amounts of foreign currency denominated receivables have been converted at the rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments. The carrying amount of the RCCF long-term accounts receivable and discounted deals approximate fair value because the rates inherent in the deals are market related, and are the same rates used to discount back to their carrying values.

OTHER INVESTMENTS

The fair value of the interest-bearing loans has been determined by discounting the future cash flows of these loans back to present values using current market related interest rates. The remainder of the investments are non-interest bearing. The fair value of these loans cannot be determined as they have no repayment terms. These loans and minor unlisted share investments are assumed to have a carrying value that approximates fair value.

ACCOUNTS PAYABLE

The carrying amounts of accounts payable denominated in rand approximate fair value because of the short-term nature of these liabilities. The carrying values of accounts payable denominated in foreign currencies have been converted at the rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments. The RCCF short-term borrowings approximate fair value because of their short-term nature.

FORWARD EXCHANGE CONTRACTS

Fair value represents the foreign currency value of the exchange contracts converted at the forward rate that could have been obtained at the year end on a similar contract to the same maturity date.

INTEREST RATE SWAPS

Fair value represents the net market value of equivalent instruments at balance sheet date.

GROUP AND COMPANY OPTIONS

Reunert Limited has the following financial options in terms of the Kgorong Investment Holdings (Pty) Limited ("Kgorong")/RDL Technologies (Pty) Limited ("RDL") and Powerhouse Utilities (Pty) Limited ("Powerhouse")/ATC (Pty) Limited ("ATC") Black Economic Empowerment (BEE) transactions.

Kgorong/RDL transaction:

Kgorong purchased a 10% share in RDL in 2000 and the purchase price has been paid in full.

Kgorong purchased a further 20% share in RDL in 2001. IFRS requires the reversal of the sale of the 20% portion, since the purchase consideration has not been fully paid for by Kgorong and conditions are attached to the unpaid portion, notwithstanding that the legal effect of this transaction is in fact a sale. The earnings attributable to this 20% are included in arriving at the earnings attributable to shareholders in Reunert Limited, that is no minority is recognised. When dividends are paid to Kgorong they are treated as an appropriation of profits.

The agreement with Kgorong contains certain conditions which result in options for Reunert:

1 – Should Kgorong either be liquidated or it defaults on the loan relating to the 20% purchase of shares in RDL, Kgorong will be deemed to have offered their 20% share in RDL to Reunert.

2 – Should there be a change in either shareholding or directors of Kgorong, that is change in effective control, Reunert has an option to call upon Kgorong to sell its 20% share in RDL within 90 days.

3 – In the event that Reunert sells its shares in RDL to a third party, Reunert shall have an irrevocable right to call upon Kgorong to sell all its shares (30%).

A fair value for these options cannot be reliably determined, since the equity instrument does not have a quoted market price in an active market and other methods of reasonably estimating the fair value are at this stage inappropriate or unworkable.

Powerhouse/ATC transaction:

Refer to note 2 for more information on the transaction.

The agreement with Powerhouse contains certain conditions which result in options for Reunert:

1 – Reunert has the right to acquire the long-term loan from Nedbank at an amount equal to the balance of capital outstanding together with other amounts that may be due to Nedbank in terms of the loan agreement.

2 – Upon the occurrence of certain events (for example, if Powerhouse ceases to be a black economic empowerment entity), Powerhouse will be deemed to have offered its equity for sale to Reutech Engineering Services (Pty) Limited ("RES"). The purchase consideration payable by RES is dependent on whether the loan between Powerhouse and Nedbank has been repaid in full or not. RES, therefore, has the option to acquire the shares Powerhouse holds in ATC under these circumstances.

A fair value for these options cannot be reliably determined, since the equity instrument does not have a quoted market price in an active market and other methods of reasonably estimating the fair value are at this stage inappropriate or unworkable.

35. UNCONSOLIDATED SUBSIDIARY

CAFCA LIMITED (Cafca)

The financial statements of Cafca, a company incorporated in Zimbabwe, have not been consolidated in the group financial statements as the directors believe there is a lack of control as defined in IAS 27 *Consolidated and Separate Financial Statements*, and the amounts involved are not material.

	%
Effective holding (held via ATC (Pty) Limited)	71,5
Attributable Reunert group holding	53,6
	Rm
Shares at cost	7,3
Less: Amount written off	(7,3)
Carrying value of investment	—

The abridged hyperinflationary accounted income statement for the year to June and the balance sheet as at 30 June are reflected below:

	2006 Z$m	2005* Z$m
INCOME STATEMENT		
Revenue	1 495 878	849 160
Profit / (loss) before interest and taxation	215 617	(76 015)
Interest paid	(135 658)	(46 042)
Profit on net monetary position	204 257	124 717
Profit before taxation	284 216	2 660
Taxation (charge) / credit	(52 634)	5 395
Net profit	231 582	8 055
Profit attributable to Reunert Limited shareholders (Rm)	8,9	0,3
BALANCE SHEET		
ASSETS		
Non-current assets		
Property, plant and equipment	464 315	560 071
	464 315	560 071
Current assets		
Inventory	321 877	270 778
Accounts receivable	536 311	228 814
Cash	16 673	7 976
	874 861	507 568
Total assets	1 339 176	1 067 639

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2006 continued

35. UNCONSOLIDATED SUBSIDIARY (continued)

	2006 Z$m	2005* Z$m
EQUITY AND LIABILITIES		
Share capital and reserves	**799 548**	571 887
Non-current liability		
Deferred tax liability	**118 768**	146 601
	118 768	146 601
Current liabilities		
Accounts payable	**420 860**	222 083
Net debt	**—**	127 068
	420 860	349 151
Total equity and liabilities	**1 339 176**	1 067 639

The auction rate at 30 June 2006 to the US$ was approximately Z$101 134 which approximates R1:Z$13 911 (2005: R1:Z$1 574).
The Zimbabwean inflation rate used to inflate the 2005 information to compare with 2006 is 1 184,7%.

** The 2005 information has been restated in terms of IAS 29 – Financial Reporting in Hyperinflationary Economies.*

36. ACQUISITION OF BUSINESSES

On 1 October 2005 the business of Royce Imaging Industries (Pty) Ltd was transferred to Royce Imaging Industries (division of Reunert Limited).

In March 2006 the assets and liabilities of Black Dot IT company were purchased for R2,1 million and combined into the business of Nashua Mobile (Pty) Ltd (subsidiary of Reunert Limited).

In March 2006 various assets of Dynatrac were purchased for R4,3 million and combined into the business of Acuo Technologies (division of Reunert Limited).

Net assets acquired	Black Dot IT Rm	Dynatrac Rm	Royce Imaging Rm	GROUP (Black Dot IT & Dynatrac) Rm	COMPANY (Dynatrac & Royce Imaging) Rm
Property, plant and equipment	0,2	0,1	2,6	**0,3**	**2,7**
Intangible assets	1,6	3,7	—	**5,3**	**3,7**
Goodwill	0,8	—	3,4	**0,8**	**3,4**
Inventory	—	0,4	7,6	**0,4**	**8,0**
Accounts receivable	1,3	0,1	10,3	**1,4**	**10,4**
Net cash	0,1	—	1,9	**0,1**	**1,9**
Payables and provisions	(1,9)	—	(4,1)	**(1,9)**	**(4,1)**
Intercompany loan	—	—	(13,4)	**—**	**(13,4)**
Cost of investment	2,1	4,3	8,3	**6,4**	**12,6**
Acquiree's loss since acquisition	(0,1)	(0,2)	(0,1)	**(0,3)**	**(0,3)**
Revenue of the acquiree for the full year ended 30 September 2006 as though the acquisition date had been 1 October 2005	13,3	1,5	45,9	**14,8**	**47,4**
Loss of the acquiree for the full year ended 30 September 2006 as though the acquisition date had been 1 October 2005	(0,1)	(0,2)	(0,1)	**(0,3)**	**(0,3)**

PRINCIPAL SUBSIDIARIES - ANNEXURE A

at 30 September 2006

	Issued capital	Effective percentage holding		Interest of holding company			
				Shares		Indebtedness	
	R (unless otherwise stated)	2006 %	2005 %	2006 Rm	2005 Rm	2006 Rm	2005 Rm
ELECTRICAL ENGINEERING							
Circuit Breaker Industries Limited	46	100	100	–	–	(3,0)	40,5
Heinemann Holdings Limited	35 000	100	100	16,4	16,4	–	–
Circuit Breaker Industries GmbH (incorporated in Germany)	€25 565	100	100	–	–	–	–
Circuit Breaker Industries Inc. (incorporated in USA)	$50 000	100	100	–	–	–	–
African Cables Limited	9 886 098	100	100	–	–	–	–
Afcab Holdings (Pty) Limited	4 000	100	100	67,7	67,7	64,8	64,8
ATC (Pty) Limited	751 197	74,9	74,9	130,0	130,0	–	–
Reutech Engineering Services (Pty) Limited	64 000	100	100	1,7	1,7	–	–
OFFICE SYSTEMS							
Nashua Limited	947 794	100	100	6,3	6,3	(14,6)	(12,3)
Kopano Copier Company (Pty) Limited	100	74	74	1,5	1,5	14,4	19,9
Royce Imaging Industries (Pty) Limited	100	100	100	–	–	(3,8)	13,4
RC&C Finance Company (Pty) Limited*	4 293	16*	16*	20,4	20,4	0,9	(4,6)
Nashua Connect (Pty) Limited	1 000	100	100	–	–	4,2	4,0
CONSUMER PRODUCTS AND SERVICES							
Nashua Mobile (Pty) Limited	9 741 983	100	100	267,8	267,8	3,1	–
Reunert Consumer and Commercial Holdings Limited	100	100	100	45,0	45,0	(54,1)	(43,1)
NPC (Electronics) Limited	33 000	100	100	0,2	0,2	(2,8)	–
NPC (Airconditioning) Limited	200 000	100	100	2,2	2,2	–	–
Pansolutions (Pty) Limited	100	100	100	–	–	(3,1)	–
Futronic (Pty) Limited	100	100	100	–	–	(0,3)	–
RC&C Manufacturing Company (Pty) Limited	100	100	100	–	–	(2,4)	(3,7)
RC&C (Parow Factory) Properties (Pty) Limited	2	100	100	0,5	0,5	–	–
Saco Systems Limited (incorporated in UK)	£16 556	100	100	–	–	2,6	1,8
Saco Systems (Pty) Limited	96 000	100	100	–	–	(2,0)	(0,1)
TELECOMMUNICATIONS							
Acuo Technologies (Pty) Limited	4 000	100	100	–	–	0,7	1,1
REUTECH							
Fuchs Electronics (Pty) Limited	50 000	100	100	–	–	–	–
RDI Communications (Pty) Limited	2	100	100	–	–	–	–
Reutech Defence Industries (Pty) Limited	600 000	100	100	0,3	0,3	0,4	–
RDL Technologies (Pty) Limited	2 000	70	70	–	–	–	–
Reutech Radar Systems (Pty) Limited	200	57	57	8,6	8,6	0,8	0,2
Reutech Limited	30 000 000	100	100	5,0	5,0	–	–
INVESTMENTS AND SERVICES							
Reunert Finance Company Limited	4 000 000	100	100	4,0	4,0	331,4	179,8
Bargenel Investments Limited	7	100	100	23,0	168,0	64,7	9,1
Reunert Management Services Limited	4 000	100	100	–	–	(0,1)	(0,1)
Sundry companies				5,0	5,0	(10,3)	(16,5)
				605,6	750,6	391,5	254,2
Owing by (net)				391,5	254,2		
Provision for losses				(116,5)	(127,8)		
Interest in subsidiaries				880,6	877,0		

Reunert Limited owns 16% (2005:16%) of the total share capital, but 100% of the "A" shares, which is the class of shares entitled to share in the dividends of the company.

SHARE OWNERSHIP ANALYSIS

	Ordinary shares 2006 %	Ordinary shares 2005 %
Major holdings through managers in excess of 5% (current and prior year)		
Old Mutual Asset Managers (SA)	**14,0**	11,7
Stanlib Asset Management (SA)	**7,5**	6,9
Polaris Capital (Pty) Limited (SA)	**5,2**	6,5
Investec Asset Management (SA)	**4,7**	16,2

	Ordinary shares		5,5% cumulative preference shares	
	Number of shareholders	% shareholding	Number of shareholders	% shareholding
Shareholder spread				
Public shareholders	18 076	73,6	54	85,0
Non-public shareholders	65	26,4	1	15,0
– Total directors	2	—		
– Reunert Share Purchase Trust	61	2,1		
– Bargenel Investments Limited*	1	9,8		
– Public Investment Commissioners (SA)	1	14,5		
– Old Sillery (Pty) Limited			1	15,0
	18 141	100,0	55	100,0

	Ordinary shares (millions)	%	5,5% cumulative preference shares (thousands)	%
Beneficial holdings in excess of 5% of issued share capital				
Public Investment Commissioners (SA)	28,2	14,5		
Bargenel Investments Limited *	19,1	9,8		
Old Sillery (Pty) Limited			52,5	15,0
G Boerstra			48,4	13,8
HF Richardson			31,9	9,1
DF Foster			24,5	7,0
R Glyn			21,8	6,2
J Fisher			19,9	5,7
JEG Wright			18,2	5,2

**Treasury shares (refer to note 23)*

SHAREHOLDERS' DIARY

REPORTING

Annual general meeting	6 February 2007
Financial year-end	30 September 2007
Announcement of interim results for 2007	18 May 2007
Announcement of final results for 2007	20 November 2007
Annual report posted by	21 December 2007

FINAL DIVIDENDS FOR 2006

Ordinary shares

Declared	Monday, 20 November 2006
Last date to trade (cum dividend)	Friday, 12 January 2007
First date of trading (ex dividend)	Monday, 15 January 2007
Record date	Friday, 19 January 2007
Payment date	Monday, 22 January 2007

Shareholders may not dematerialise or rematerialise their holdings of Reunert shares between Monday, 15 January 2007 and Friday, 19 January 2007, both days inclusive.

5,5% cumulative preference shares

Declared	29 December 2006
Payable	29 January 2007

Please note that the reporting dates are subject to change

CORPORATE ADMINISTRATION AND INFORMATION

REUNERT LIMITED

(Incorporated in the Republic of South Africa)
ISIN: ZAE000057428
Short name: REUNERT
JSE code: RLO
Currency: ZAR
Registration number: 1913/004355/06
Founded: 1888
Listed: 1948
Sector: Electronic & Electrical Equipment

BUSINESS ADDRESS AND REGISTERED OFFICE

Lincoln Wood Office Park
6 – 10 Woodlands Drive
Woodmead
Sandton
South Africa

POSTAL ADDRESS

PO Box 784391
Sandton 2146
South Africa

GROUP SECRETARY AND ADMINISTRATION

Reunert Management Services Limited
The address is the same as that of Reunert Limited

GE Field (55)
CA(SA)
Financial Director
Reunert Management Services Limited
e-mail: grahamf@reunert.co.za

JAF Simmonds (60)
ACIS, Hdip Tax Law (Wits)
Directly responsible for secretarial matters
e-mail: johns@reunert.co.za

Telephone: +27 11 517 9000
Telefax: +27 11 804 1391

SHARE TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg 2001
South Africa

POSTAL ADDRESS

PO Box 61051
Marshalltown 2107
South Africa

Telephone: +27 11 370 5000
Telefax: +27 11 688 5200
Website: www.computershare.com

AUDITORS

Deloitte & Touche
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
South Africa

Telephone: +27 11 806 5000
Telefax: +27 11 806 5003

SPONSOR

Rand Merchant Bank (A division of FirstRand Limited)

PRINCIPAL BANKERS

Nedbank Limited
Standard Corporate and Merchant Bank

INFORMATION AND INVESTOR RELATIONS

Carina de Klerk (45)
BA Comm
Communication and investor relations manager

Telephone: +27 11 517 9000
Telefax: +27 11 517 9035
e-mail: invest@reunert.co.za or carina@reunert.co.za
Website: www.reunert.com

CURRENCY CONVERSION TABLE

To assist foreign investors, the table below gives the approximate value of R1,00 against selected currencies at 30 September:

	2006	2005
US dollar	**0,1297**	0,1573
Pound sterling	**0,0695**	0,0893
Swiss franc	**0,1617**	0,2035
Japanese yen	**15,3350**	17,8200
Euro	**0,1021**	0,1309

CODE OF ETHICS

All employees of Reunert are bound by the principles of this code.

- Conduct yourself honourably and in the best interests of the company
- Abide by all laws and regulations
- Avoid all conflicts of interest between work and personal affairs
- Act in good faith, with integrity and honesty
- Foster an environment in which people are encouraged to be open
- Respect one another and act in a non-discriminatory manner
- Act in a socially responsible way
- Protect the environment and our natural resources.

BASTION GRAPHICS

REUNERT

(Incorporated in the Republic of South Africa)
(Registration number 1913/004355/06)
Share code: RLO ISIN: ZAE000057428
("Reunert" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninety-third annual general meeting of members of Reunert Limited will be held in the Reunert boardroom, Lincoln Wood Office Park, 6-10 Woodlands Drive, Woodmead on Tuesday, 6 February 2007 at 10:00 for the following purposes:

1. To receive and adopt the audited group annual financial statements for the year ended 30 September 2006.
2. To elect the following directors:
   2.1 Mr SD Jagoe who retires in terms of the company's articles of association and being eligible, offers himself for re-election.
   2.2 Mr KJ Makwetla who retires in terms of the company's articles of association and being eligible, offers himself for re-election.
   2.3 Mr GJ Oosthuizen who retires in terms of the company's articles of association and being eligible, offers himself for re-election.
   2.4 Mr MJ Shaw who retires in terms of the company's articles of association and being eligible, offers himself for re-election.

A brief curriculum vitae in respect of each director referred to above appears on pages 8 and 9 of the annual report.

3. To determine the remuneration of non-executive directors with effect from 1 October 2006 in accordance with the company's articles of association as follows:

	Current per annum	Proposed per annum
Chairman	R370 000	R393 000
Non-executive directors	R85 000	R91 000
Audit and risk committee chairman	R70 000	R75 000
Audit and risk committee member	R50 000	R53 000
Remuneration and nomination committee chairman	R40 000	R43 000
Remuneration and nomination committee member	R35 000	R38 000

4. **Ordinary resolution number 1**

   To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

   "That the Reunert 2006 Option Scheme ("the scheme") (a summary of the principal terms of the scheme is contained in Appendix 1 to the notice of annual general meeting dated 6 December 2006), be and is hereby approved and that the directors of Reunert Limited ("the company") be and are hereby authorised to take all such steps as may be necessary for the establishment and carrying into effect of the scheme, including the award of options to employees under the scheme, with an exercise price equal to the closing price of an ordinary share of the company on the JSE Limited on the trading day preceding the day on which the relevant award was made."

5. **Ordinary resolution number 2**

   To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

   "That 4 400 000 (four million four hundred thousand) of the unissued ordinary shares of 10 cents each in the authorised capital of the company be reserved to meet the requirements of the Reunert 1985 Share Option Scheme and the Reunert 1988 Share Purchase Scheme and that the directors be and they are hereby specifically authorised to allot and issue those shares in terms of the scheme for the purposes of the Reunert 1985 Share Option Scheme and the 1988 Share Purchase Scheme."

6. **Special resolution number 1**

   To consider and, if deemed fit, to pass, with or without modification, the following resolution as a special resolution:

   "That the company hereby approves, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973), as amended ("the Companies Act") the acquisitions by the company, and/or any subsidiary of the company, from time to time, of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited ("JSE"), when applicable, and provided that:

- the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior arrangement between the company and the counter party (reported trades are prohibited);
- this authority shall not extend beyond 15 (fifteen) months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date;
- any such repurchase be implemented on the open market of the JSE;
- at any point in time, the company only appoints one agent to effect any repurchase(s) on its behalf;
- the company or its subsidiaries are not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- a paid press release giving such details as may be required in terms of the Listings Requirements of the JSE be published when the company or its subsidiaries have cumulatively repurchased 3% (three per cent) of the shares in issue and for every 3% (three per cent) in aggregate of the initial number of that class acquired thereafter;
- the general repurchase(s) may not in the aggregate in any one financial year exceed 20% (twenty per cent) of the number of shares in the company's issued share capital at the beginning of the financial year provided that a subsidiary of the company may not hold at any one time more than 10% (ten per cent) of the number of issued shares of the company;
- in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the company;
- the sponsor to the company provides a letter on the adequacy of working capital in terms of section 2.14 of the JSE Listings Requirements prior to any repurchases being implemented on the open market of the JSE;
- after such repurchase the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the directors undertake that, for a period of 12 (twelve) months following the date of the notice of the annual general meeting or for the period of the general authority, whichever is the longer, they will not undertake any such repurchases unless:
  - the company and the group will, after payment for such maximum repurchases, be able to repay their debts in the ordinary course of business;
  - the company's and the group's assets, fairly valued according to Generally Accepted Accounting Practice and on a basis consistent with the last financial year of the company, will, after such payment, exceed their liabilities;
  - the company's and the group's ordinary share capital and reserves will, after such payment, be sufficient to continue operations; and
  - the company and the group will, after such payment, have sufficient working capital to continue operations.

Directors' responsibility statement

The directors, whose names are given on pages 8 and 9 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and by the Listings Requirements of the JSE.

The board has no immediate intention to use this authority to repurchase shares in the company. However, the board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The reason for and the effect of the special resolution is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company.

Additional disclosures

Other disclosures in terms of the JSE Listings Requirements:

The JSE Listings Requirements require the following disclosures, some of which are elsewhere in the annual report as set out below:

- Directors and management – pages 8 to 20;
- Major shareholders of Reunert – page 112;
- Directors' interests and securities – page 52 and note 29;
- Share capital of the company – note 23;
- Litigation statement – page 48; and
- Material change – page 48.

7. **Special resolution number 2**

To consider and, if deemed fit, to pass, with or without modification, the following resolution as a special resolution:

"That the company hereby approves, as a specific approval contemplated in terms of section 85(2) of the Companies Act, 1973, as amended, the Listings Requirements of the JSE Limited and article 29(a) of the company's articles of association, the acquisition by the company of 563 631 ordinary par value shares in the company's issued ordinary share capital from Bargenel Investments Limited, at a consideration per ordinary share equal to the closing market price of such share on the JSE Limited on the trading day immediately prior to the acquisition."

The reason for this special resolution is to obtain a specific approval in terms of section 85(2) of the Companies Act, 1973, as amended, for the acquisition by the company of 563 631 of its issued ordinary par value shares from Bargenel Investments Limited.

The effect of this special resolution is to enable the company, by way of a specific authority, to acquire 563 631 of its issued ordinary par value shares from Bargenel Investments Limited.

Note

Any shares acquired pursuant to the approval referred to above will be cancelled as issued shares and restored to the status of authorised shares forthwith.

No shares will be acquired pursuant to that authority if ordinary resolution number 3 is not passed.

8. **Ordinary resolution number 3**

To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That the sale by the company of all of the ordinary shares which it holds in the issued share capital of Bargenel Investments Limited to Rebatona Investment Holdings (Proprietary) Limited (2006/031544/07), upon the terms and subject to the conditions of the Sale of Shares Agreement dated 20 November 2006 between the company and Rebatona Investment Holdings (Proprietary) Limited (2006/031544/07), details of which are set out in the circular dated 13 December 2006 sent to ordinary shareholders of the company, be and is hereby approved."

This resolution requires the approval of no less than a 75% (seventy-five percent) majority of the votes cast by shareholders present in person or represented by proxy at the annual general meeting in accordance with the provisions of the JSE Listings Requirements. Accordingly, if that requisite majority is not obtained, this resolution will not be regarded as having taken effect unless the JSE Limited authorises otherwise.

9. **Ordinary resolution number 4**
To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That, subject to the passing and registration of special resolution 2, the directors of the company be and are hereby authorised, by way of a specific authority in terms of section 221 of the Companies Act, 1973, as amended, and the Listings Requirements of the JSE Limited, to allot and issue to the Reunert Staff Share Trust, as a specific issue for cash, a maximum of 600 000 ordinary shares in the authorised but unissued share capital of the company, at a subscription price per ordinary share of its par value, for purposes of the employee transaction, details of which are set out in the circular dated 13 December 2006 sent to shareholders of the company."

This resolution requires the approval of no less than a 75% (seventy-five percent) majority of the votes cast by ordinary shareholders present in person or represented by proxy at the annual general meeting in accordance with the provisions of the JSE Listings Requirements. Accordingly, if that requisite majority is not obtained, this resolution will not be regarded as having taken effect unless the JSE Limited authorises otherwise.

10. **Ordinary resolution number 5**
To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That any director or the secretary of the company be and is hereby authorised to sign all such documentation, take all such steps and do all such other things as may be necessary in order to give effect to special resolution 2 and ordinary resolutions 3 and 4 in accordance with, and subject to, the terms thereof."

Voting and proxies
A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith. Proxy forms must be forwarded to reach the share transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, Johannesburg) so as to be received by them not later than 24 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every Reunert ordinary shareholder shall have one vote for every share held in the company by such member.

A Reunert preference shareholder will be entitled to attend the annual general meeting and to vote on special resolution number 2 set out above. On a poll every Reunert preference shareholder who is present in person or by proxy at the annual general meeting shall have twenty votes for every Reunert preference share held or represented.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

By order of the board
Reunert Management Services Limited
Company Secretaries
Sandton
6 December 2006

Change of address and banking details
Shareholders are requested to notify any change of address or banking details to the share transfer secretaries.

APPENDIX 1

Summary of the principal terms of the Reunert 2006 Option Scheme and the Reunert Phantom Share Scheme

1. Reunert Limited ("the company") believes that it is in the interests of stakeholders to introduce two new long-term employee incentive schemes ("the new scheme"). This is required because of recent changes made to tax laws and international accounting standards. The introduction of the new scheme will take place in the following context:

    1.1 No further options will be issued in terms of the 1985 Reunert Share Option Scheme ("the existing scheme"). However, the existing scheme will remain in place until all the vested rights of participants in the existing scheme have been met.

    1.2 In future all options or notional options will be granted in terms of the new scheme.

    1.3 The new scheme will comprise the Reunert 2006 Option Scheme ("option scheme") and the Reunert Phantom Share Scheme ("phantom scheme"). This will provide the board with maximum flexibility to issue share-based incentives depending on circumstances prevailing at the time of issuing.

    1.4 The rules of the option scheme will be substantially similar to the existing scheme, except it is the intention of the company that shares already in issue shall be acquired pursuant to the exercise of an option under the option scheme, whereas the existing scheme only provided for the issuing of shares pursuant to the exercise of an option. The phantom scheme is cash settled and will therefore not provide for a participant receiving a loan once the right in terms of the phantom scheme vests. In other respects however, it will be substantially similar to the existing scheme. The aggregate number of ordinary shares which may be notionally relevant to the new scheme and the existing scheme will not exceed the maximum numbers of shares which apply to the existing scheme. The same principle applies to the maximum numbers of shares or notional shares which any individual participant may receive.

    1.5 A summary of the rules of the option scheme is set out in paragraphs 2 to 8 hereafter. A summary of the phantom scheme is reflected in paragraphs 9 to 14 hereafter:

Summary of the principal terms of the Reunert 2006 Option Scheme

2. The aggregate number of ordinary shares in the company ("the shares") which may be utilised for the option scheme or other company share-based schemes referred to in 1.4 above, will not exceed 15% of the issued ordinary share capital of the company. No employee is entitled to acquire in excess of 2 000 000 shares in the aggregate in terms of the option scheme and the other share-based company schemes referred to in 1.4 above.

3. In terms of the option scheme, the board, after consideration of nominations from an employer company within the Reunert group, will award options to acquire shares to participating employees. One third of the options awarded will vest three years after the date of an award to an employee, two thirds of the options awarded will vest four years after the date of the award, and the balance will vest five years after that date. The board shall have the power to vary these vesting periods, and the exercise period referred to in paragraph 4 below. Notwithstanding the vesting period outlined above, the unexercised options of a participating employee that retires, dies or whose employment terminates as a result of becoming disabled, shall be immediately exercisable.

4. After the options awarded to an employee have vested, that employee is entitled to exercise his/her options. The exercise price in respect of an option is the closing price of a share on the JSE on the trading day immediately prior to the day on which the option is awarded to the employee. The award of options does not entitle an employee to any rights in respect of the shares, until the shares are delivered to the employee upon the exercise of his/her options and payment of the strike price.

5. Options shall lapse and fall away ten years after the date of an award of such options to an employee. Options awarded to employees who leave the employ of the employer company within the Reunert group for any reason (save for death, retirement or disability) prior to the options vesting in accordance with the new scheme will lapse, subject to the discretion of the board. Options awarded to employees who die shall lapse five years after the death of the employee.

6. In the event that a participating employee intends to exercise options held by him/her and requires a loan for such purposes, the employer company shall make a loan to the employee, subject to approval thereof by the board. The amount of the loan shall be paid by the employer company to the trust which shall use the funds to acquire shares on behalf of the employee. Interest shall be charged on all loans. Repayment of the loan by the employee (including retired employees) may be made at any time provided that the loan is repaid in full within ten years after the date of the award to the employee. The board shall have the power to vary the repayment period of any loan, provided that the loan must be repaid within the ten-year period.

7. In the event of a reorganisation or a transaction that has an effect on the capital of the company, the board has the power to adjust the benefits due to an employee in order to ensure that neither the employee nor the company are prejudiced. No material aspect of the option scheme may be amended without the approval of the shareholders of the company. The new scheme shall terminate by resolution of the board.

Summary of the principal terms of the Reunert Phantom Share Scheme

8. In terms of the phantom scheme, the board having received nominations from employer companies shall select employees to participate in the phantom scheme and shall determine the extent of their participation. Participating employees are required to remain in the employ of their respective employer company within the Reunert group for a period of three years in order to benefit in terms of the phantom scheme.

9. Upon the expiry of the three-year period, the participating employee shall be entitled to receive a bonus calculated by multiplying the extent of his/her participation in the phantom scheme (expressed as a numeral) by the difference between the volume weighted average closing price of a share on the JSE over the 20 trading days immediately prior to expiry of that period, and the closing price of a share on the JSE on the trading day before the day on which the employee became a participant. The board shall have the discretion to allow an employee to receive his/her bonus prior to the expiry of the three-year period using the same formula with reference to the earlier receipt date. A participating employee shall not receive any shares under the phantom scheme.

10. Subject to the discretion of the board, a participating employee's rights under the phantom scheme shall lapse immediately should the employee leave the employ of the employer company within the Reunert group for any reason (save for death, retirement or as a result of disability) prior to the expiry of the three-year lock-in period. A participating employee that retires, dies or whose employment terminates as a result of becoming disabled, shall be entitled to receive his/her bonus immediately.

11. In the event of a reorganisation or a transaction that has an effect on the capital of the company, the board has the power to adjust the benefits due to an employee in order to ensure that neither the employee nor the company are prejudiced. The board has the power to amend the phantom scheme. The phantom scheme shall terminate by resolution of the board.

12. The phantom scheme is cash settled and will, therefore, not provide for a participant receiving a loan once the rights in terms of this phantom scheme vest.

(Incorporated in the Republic of South Africa)
(Registration number 1913/004355/06)
Share code: RLO ISIN: ZAE000057428
("Reunert" or "the Company")

PROXY FORM

Only to be completed by those shareholders who are:
- **holding Reunert ordinary shares or Reunert preference shares in certificated form; or**
- **are recorded on the electronic sub-register in "own name" dematerialised form.**

I/We (full names) ____________________

of (address) ____________________

being a shareholder/s of ________ ordinary shares in the company,
being a shareholder/s of ________ 5,5% cumulative preference shares
hereby appoint:

1. ____________________ or failing him/her
2. ____________________ or failing him/her
3. ____________________ or failing him/her

the chairman of the meeting as my/our proxy to attend, speak and on a poll to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held in the Reunert boardroom, Lincoln Wood Office Park, 6-10 Woodlands Drive, Woodmead, Sandton, on 6 February 2007 at 10:00 or at any adjournment thereof.

Part A – To be completed by ordinary shareholders

I/We desire to vote as follows:

	For	Against	Abstain
1. Adopt annual financial statements			
2. Election of directors:			
2.1 – Mr SD Jagoe			
2.2 – Mr KJ Makwetla			
2.3 – Mr GJ Oosthuizen			
2.4 – Mr MJ Shaw			
3. Directors' remuneration			
4. **Ordinary Resolution number 1:** Reunert 2006 Option Scheme			
5. **Ordinary Resolution number 2:** Control of authorised but unissued shares			
6. **Special Resolution number 1:** General authority to repurchase shares			
7. **Special Resolution number 2:** Acquisition by the company of 563 631 ordinary par value shares			
8. **Ordinary Resolution number 3:** Sale of shares of Bargenel Investments Limited to Rebatona Investment Holdings (Pty) Ltd			
9. **Ordinary Resolution number 4:** Specific authority in terms of section 221 of the Companies Act to issue 600 000 shares to Reunert Staff Share Trust			
10. **Ordinary Resolution number 5:** Director or secretary authorised to sign documentation to give effect to special resolution 2 and ordinary resolutions 3 and 4			

Part B – To be completed by preference shareholders

I/We desire to vote as follows:

	For	Against	Abstain
Special Resolution number 2: Acquisition by the company of 563 631 ordinary per value shares			

A member entitled to attend and vote at the annual general meeting may appoint one or more persons as his/her proxy to attend, speak or vote in his/her stead at the annual general meeting. A proxy need not be a member of the company.

Please see notes on the reverse side hereof for further instructions.

Signed this ____________ day of ____________ 20____

Signature ____________ Number of shares ____________

NOTES TO PROXY

1. A member entitled to attend and vote at the aforementioned meeting is entitled to appoint one or more proxies to attend, speak and upon a poll, vote in his/her stead or abstain from voting. The proxy need not be a member of the company.

2. To be valid this form of proxy must be completed and returned to Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001, Republic of South Africa, not later than 24 (twenty-four) hours (excluding Saturdays, Sundays and public holidays) prior to the meeting.

3. In case of a joint holding, the first-named only need sign.

4. A minor must be assisted by his/her guardian, unless proof of competency to sign has been recorded by the company.

5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).

7. If this form of proxy is returned without any indication of how the proxy should vote, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting.

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