# REUNERT

REUNERT LIMITED

# Contents

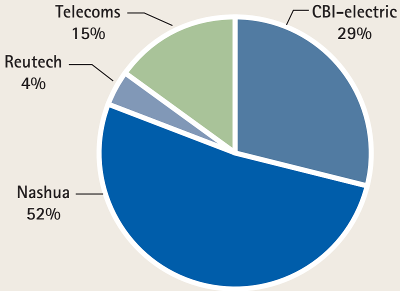


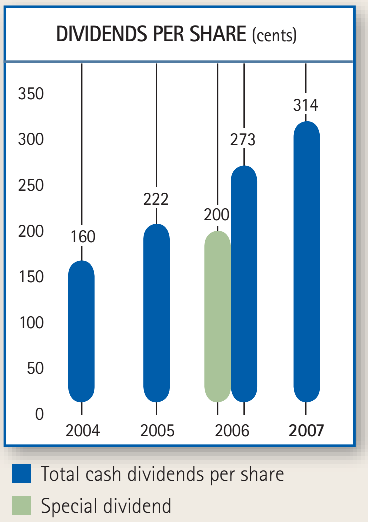
*Front cover picture: The acacia or thorn tree is commonly seen in Africa as is the windmill on page 16. Reunert is a proudly South African company supplying electrical engineering and electronic products and services.*


*This report has been printed on Avalon Matt environmentally friendly paper.*

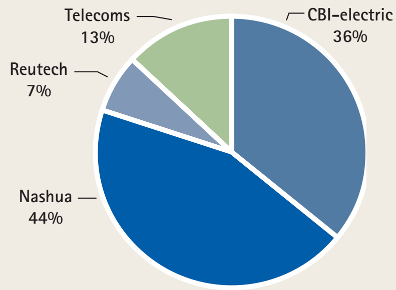
- Revenue up 16% to R9,6 billion
- Operating profit up 4% to R1,3 billion
- Operating margin down from 16% to 14%
- Associate profit up 56% to R148 million
- Normalised headline earnings up 15% to 570,3 cents per share
- Total cash dividend up 15% to 314 cents per share

% CONTRIBUTION TO REVENUE




% CONTRIBUTION TO OPERATING PROFIT



# 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.

**REUNERT**
REUNERT LIMITED

**CBI ELECTRIC**
- Energy cables
- Telecom cables
- Low voltage

**NASHUA**
- Office systems
- Mobile
- Electronics

**REUTECH**
- Radar systems
- Electronic fuses
- Radiocommunications
- Logistic support

**INVESTMENTS**
- NSN (40%)
- QuinceCapital(48%)

# Profile

## Our company

**Reunert is a leading South African company, listed on the JSE in the Industrial Goods & Services (electronic and electrical equipment) sector. Reunert manages a number of businesses focused on electronics and electrical engineering and regularly ranks among the country's top companies.**

Established in 1888 by pioneers Theodore Reunert and Otto Lenz, the group has played a major role in the South African economy for more than a century. Reunert & Lenz was first listed in the engineering sector of the JSE in 1948. In 1980 the company was acquired by Barlows and listed in the electronics sector three years later. Reunert was unbundled from Barlows in 1993 and completed a major restructuring in the late 1990s when various non-core or unprofitable businesses were sold or closed.

Reunert strives to achieve first or second position in its key markets through its brands CBI-Electric, Nashua and Reutech. The group's telecommunication interest is through a 40% stake in NSN. Reunert holds a 48% share in Quince, an asset-backed finance company that complements its Nashua business.

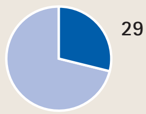
Reunert promotes a decentralised management style. While operating decisions are made by the business units, the Reunert executive team defines long-term strategic plans and investment decisions, and significant capital allocation is approved by the Reunert board.

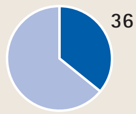
Reunert's revenue in 2007 from local and international markets exceeded R9,6 billion. The group has more than 6 500 employees, including many highly qualified and experienced engineers, technicians, research and development professionals and field support staff.

**Helmuth Fischer** Revenue R3,3 billion • Operating profit R554 million

| | | | |
|---|---|---|---|
| **DESCRIPTION OF BUSINESS** | **Energy cables**<br>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.<br>*ISO 9001 accreditation* | **Telecommunications cables**<br>Manufacturer and supplier of copper and optical fibre telecommunications cables.<br>The cables are used by public network operators, whilst a range of measurement, control, data and security cables are supplied to commerce and industry.<br>*ISO 9001 and OHSAS 18001 certification, UL Listing, EC Verification, Soncap (Nigeria)* | **Low-voltage products**<br>Designs and manufactures low-voltage switchgear and residual current devices for the protection of installations and equipment from overload and short circuit. Products include industrial control, automation equipment, wiring accessories and lightning protection.<br>*ISO 9001 and EN 29001 certification* |
| **MANAGING DIRECTOR** | Ernst Schutte | Koos Vorster | Chris Oliver |
| **OPERATIONAL PERFORMANCE** | Revenue up 38%<br>Operating profit up 21% | Revenue up 45%<br>Operating profit up 7% | Revenue up 8%<br>Operating profit down 21% |
| **No OF EMPLOYEES** | 755 | 657 | 1 999 |
| **NEW INITIATIVES DURING 2007** | • New product lines commissioned<br>  • ACSR<br>  • House wire<br>• Rod conversion upcaster installed | • Merged with Aberdare<br>• Significant growth on instrumentation cable | • Rationalised product line |

**REVENUE CONTRIBUTION %**



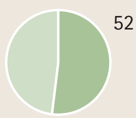



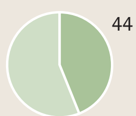

**OPERATING PROFIT CONTRIBUTION %**

Revenue R5,8 billion • Operating profit R675 million

| | | | |
|---|---|---|---|
| **DESCRIPTION OF BUSINESS** | **Office systems**<br>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.<br>*ISO 9002 accreditation* | **Telecommunications service provider**<br>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 690 000 contract subscribers. | **Distributor of electronics**<br>**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.<br>**Consumer electronics:** The exclusive importer and distributor of a wide range of Panasonic products manufactured by Matsushita. Also represents the Akai and Futronic brands in southern Africa. |
| **MANAGING DIRECTOR** | Chris Scoble | Mark Taylor | Martin Maddox |
| **SEGMENTAL ANALYSIS** | Office systems | Consumer products and services | |
| **KEY FINANCIAL PERFORMANCE** | Revenue R1,2 billion<br>Operating profit R307 million | Revenue R4,6 billion • Operating profit R368 million | |
| **OPERATIONAL PERFORMANCE** | Revenue down 1%<br>Operating profit down 3% | Revenue up18%<br>Operating profit up12% | Revenue down 1%<br>Operating profit down 49% |
| **No OF EMPLOYEES** | 419 | 767 | 933 |
| **NEW INITIATIVES DURING 2007** | • Acquired majority shareholding in Tshwane and Eastern Cape franchises<br>• Incorporated Acuo<br>• Nashua Finance incorporated under Quince effective 1 May 2007 | • Launched Nashua Insure<br>• Added 52 more retail outlets<br>• Created cell phone repair business together with Reutech | • Rebranded RC&C Holdings under Nashua stable<br>• Established Internet business<br>• Opened 3 electronics shops |

**REVENUE CONTRIBUTION %**



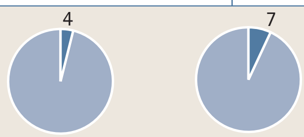

**OPERATING PROFIT CONTRIBUTION %**

Revenue R491 million • Operating profit R109 million

**Piet Smit**

| | Electronic fuses | Radio communications | Logistic support | Radar systems |
|---|---|---|---|---|
| **DESCRIPTION OF BUSINESS** | 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. | Supplier of all the VHF/UHF tactical communications equipment used in South Africa. | 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. | 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. |
| **No OF EMPLOYEES** | 448 | 124 | 295 | 101 |
| **NEW INITIATIVES DURING 2007** | • Created cell phone repair business together with Nashua Mobile | • Export orders airborne radios | | • Mining surveillance radars |

**REVENUE CONTRIBUTION %**




**OPERATING PROFIT CONTRIBUTION %**

## Investments

| | Telecommunications | Financial services |
|---|---|---|
| **DESCRIPTION OF BUSINESS** | 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. | RCCF, trading as Nashua Finance, is now a division of the newly created Quince. Quince provides asset-based financial solutions and is an initiative with PSG. |
| **REUNERT SHAREHOLDING %** | 40% | 48% |
| **No OF EMPLOYEES** | 736 | 36 |

# To all our shareholders...

Capital expenditure of R149 million was allocated mostly to improving efficiencies or adding new product lines. Working capital changes absorbed R439 million to fund the higher levels of activity.

**Dear shareholder,**

During the year to 30 September 2007, normalised headline earnings grew 15% per share to 570,3 cents per share. Revenue increased by 16% to R9,6 billion, but operating profit showed a modest increase of only 4% to R1,3 billion. The contribution from associates, mainly our 40% shareholding in NSN, rose by 56% to R148 million.

Having distributed R879 million by way of ordinary (R526 million) and special (R353 million) dividends, year-end cash was R483 million. Capital expenditure of R149 million was allocated mostly to improving efficiencies or adding new product lines. Working capital changes absorbed R439 million to fund the higher levels of activity.

We completed the strategic realignment of the group, initiated two years ago, with the creation of Nashua Electronics to house our consumer electronics activities. All our businesses will now be housed under the banners of CBI-electric, Nashua or Reutech complemented by our associate investments in telecommunications and financial services.

Our empowerment transaction with Peotona and the Rebatona Educational Trust was finalised in the first half of the year. It is a significant milestone in Reunert's history. Ms Thandi Orleyn has been appointed to the board and we welcome her as Peotona's representative.

## CBI-electric

Our electrical engineering business, CBI-electric – consisting of telecommunications cables, energy cables and low-voltage products – experienced mixed fortunes during the review period. Overall revenue increased by 29% to R3,3 billion. However, operating profit showed no real growth from R552 million last year to R554 million in 2007.

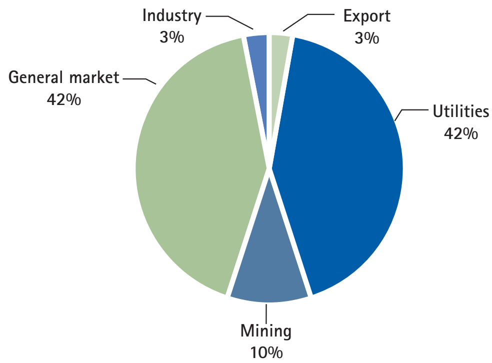
Effective 1 February 2007, we merged our telecommunications cable business with the same business of Aberdare, in the Altron group. Copper telecommunications and optic fibre cables are manufactured at our site in Brits, while instrumentation cables are manufactured at the Rosslyn site that belonged to Aberdare.

The merger significantly increased capacity, which stood us in good stead during the year. Demand from existing wire line operators increased, while new entrants like Neotel (the second network operator in South Africa) started to add volumes to the business. The mobile operators, Vodacom and MTN, announced plans to self-provide and started rolling out fibre optic networks on an experimental scale.

Industrial expansion in South Africa and the Middle East created a healthy demand for instrumentation cables. Capital invested will ensure we meet the requisite quality and delivery expectations.

*Chairman, Martin Shaw and chief executive, Gerrit Pretorius*

ENERGY CABLES REVENUE MIX




Telkom announced its intention to source copper cable from two suppliers signalling the end of our short-lived, single-supplier status. Given that the merger between ATC and Aberdare stemmed from two independent suppliers not being viable because of Telkom's erratic buying behaviour, the decision to again have more than one supplier is disappointing. From our point of view, the answer lies in developing markets outside Telkom, which is a priority.

The financial result of the merger was what we were anticipating. Revenue and operating profit increased by 45% and 7% respectively. We now have 37,5% of a viable business whereas before we had 75% of a business that was marginal. Despite having to part with 37,5% of the income, we are confident that telecommunications cables will enhance earnings in the 2008 financial year. Demand is expected to remain strong and efficiencies should increase as most of the disruptions of the merger are now behind us.

Energy cables, located in Vereeniging, south of Johannesburg, had the highest order intake in its history of over R2 billion. The high and expensive copper content further contributed to a strong rise in revenues. The average copper price increased by 37% to R54 364 per ton over the comparable prior period.

The programme, initiated two years ago to modernise the facility is nearing completion. Replacing old machines with new and much faster plant increased capacity by approximately 20%. The installation of new lines added an additional 10% to our high-voltage capacity.

During the year, we commissioned an upcasting facility enabling us to convert copper cathode into copper rod. We are no longer dependent upon a single supplier of copper rod but can, instead, now source copper cathode from multiple sources, a strategic necessity.

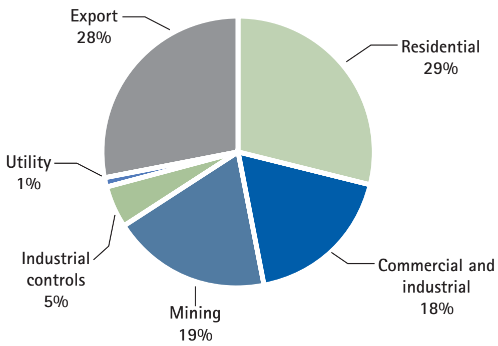
The order book is healthy and, in some instances, we have a full load for the next year. In these cases, we were careful to ensure we could pass variations in the copper price on to customers.

Margins remain good and should stay that way. Limited imports are entering South Africa and, provided severe overcapacity does not develop in the world, should remain at these levels. Our policy of providing value-added services further entrenches our position in the local market.

Various new product lines were added in the past year. Capacity was installed to deliver aluminium conductor steel reinforced overhead cables to Eskom and we secured a contract for five years. We are also starting to supply house wire to the general market. Both initiatives should contribute in the coming year.

Margins remain good and should stay that way. Limited imports are entering South Africa and, provided severe overcapacity does not develop in the world, should remain at these levels. Our policy of providing value-added services further entrenches our position in the local market.

LOW-VOLTAGE PRODUCTS
REVENUE MIX




Ideally, we would like to run our plants at maximum capacity all the time. To achieve that is very difficult. Care will be taken not to react to unsustainable spikes in demand while at the same time ensuring that customers are not disappointed and opportunities missed. To date we have managed to achieve that.

Revenue and operating profit increased by 38% and 21% respectively. Although industrial action affected financial performance that is behind us now and performance should improve.

Low voltage had a difficult year. Revenue increased by 8%, but operating profit declined by 21%.

Costs, mainly material, escalated while our ability to pass these increases on to customers was curtailed by a competitive marketplace.

To address this, we are increasing efficiency in the manufacturing process. Product lines are being streamlined by reducing both the number of products and variations. Procurement practices are being reviewed to drive costs down. We are confident that the results will be favourable.

In the South African market, especially on the residential side, Chinese imports presented CBI-electric with a pricing challenge. We have taken action to safeguard our strong position in the residential market and initial results are positive.

On the mining and industrial side, our position improved marginally. We decided to exit the local Eskom prepaid meter market given its non-existent margins while continuing to supply meters to other segments of the market.

We made good progress in building market share in motor control equipment and automation components. Wiring accessory sales continued on its growth path and increased by 31% albeit from a low base.

Export revenues improved by 6% and now constitute 28% of low voltage's turnover. Margins, understandably, were tight given the strong rand. This situation is likely to continue for the time being.

The performance of our Australian unit was disappointing and changes were made to the management structure to rectify the situation. Demand and margins in Australia are good, but our inability to get the product to customers cost us dearly. We are determined to guarantee timeous delivery.

Overall, we are confident CBI-electric will meet the challenges it faces. The scale of South Africa's proposed infrastructure programmes has attracted global attention giving Reunert significant opportunities. However, it will be naïve to expect an easy ride. We will only succeed if we have competitive or better facilities and products managed by capable people. Capital investment will be directed accordingly with R25 million planned for the new year, on top of R45 million in the review period.

## THE NASHUA GROUP

The Nashua brand represents the majority of our electronics businesses, comprising office automation, a cellular service provider and a distributor of consumer electronics and professional systems. Nashua had a challenging year. Revenues for the total Nashua group increased by 9% while operating profits showed a marginal decline of 2%.

The original Nashua office automation business, maintained volumes compared to the previous year. Margins came under pressure from the rapid weakening of the rand against the euro in the first half and our inability to pass increases on to customers in the short term. That situation has corrected itself and trading is back to normal.

In certain segments of the market, our products are not at the cutting edge. New product launches over the next 18 months will enhance our competitive position. This rebalancing of competitive positions is quite normal and to be expected from time-to-time.

| NASHUA MOBILE | September 07 | September 06 | Growth % past year |
|---|---|---|---|
| Contract connections for year | 151 285 | 194 832 | (22%) |
| 3G/HSDPA connections | 27 534 | 11 095 | 148% |
| Total connections | 178 819 | 205 927 | (13%) |
| Closing contract base | 693 432 | 576 820 | 20% |
| ARPU (average for period) | R443 | R485 | (8,6%) |
| Churn % | 10,67% | 10,51% | 1,5% |
| Net bad debts as % of turnover | 0,73% | 0,58% | 26% |
| Number of retail outlets | 142 | 90 | 58% |

During the year, we acquired controlling stakes in two major franchises. This process is ongoing and we hope to add at least two more franchises in 2008. This is in line with our stated intention to move closer to the end customer yet retaining individual entrepreneurial spirit.

Our objective remains simple: to increase total document volume. Over the past year, total document volume grew by 10%. The benefit of this approach was evident in the level of consumable sales. Consumables represented 21% of total revenue, an increase of 22% from a year ago.

Although still modest in size, Acuo increased revenues marginally. More importantly, this software integration business enabled Nashua to undertake projects and offer services it would not have been able to do without such a facility.

Nashua Electronics, the distributor of the Matsushita range of products in southern Africa, had a difficult year. Consumer electronics is a fiercely competitive business and Chinese and Korean products continue to flood the market.

Brand premium is limited to the upper end of the market. Acknowledged as the best, Panasonic products dominate the top end of the spectrum where we can still demand a small premium. Sales of digital still cameras have increased by more than 10%. Plasma and LCD television sales grew by 100%.

Despite constituting 63% of revenue, consumer items contributed less than 6% to profits. Our direct e-sales channel, nashuaelectronics.com, is up and running and we opened three Nashua Electronics specialist shops in Gauteng to facilitate this initiative. We recognised this as a long-term venture, firmly believing patience and diligence will be rewarded.

The systems side of the business made good progress in establishing itself as a recognised supplier of office and telecommunications equipment. Sales increased by 30% at acceptable margins.

We are one of a few select suppliers in South Africa that can almost fully equip an office building from air-conditioning to the telecommunications switch to the boardroom. This is an opportunity we have not fully exploited to date and certainly worthy of pursuit.

Nashua Mobile, the telecommunications services provider, had a strong year. The distribution system comprising direct corporate sales, the Nashua franchise channel, retail stores and direct outlets in major shopping malls proved its mettle. On average, 14 900 new customers were connected monthly.

Churn (customers switching networks) and bad debt go hand-in-hand. In keeping with the economic environment, both have increased. Churn levels were 10,7% compared to 10,5% a year ago. Overall, bad debts are still a low 0,7% of sales compared to 0,6% at the same time last year. Credit-vetting criteria have been tightened in anticipation of the scenario worsening.

The product offering is reviewed and expanded regularly. We are gradually transforming the traditional voice-based business into a one-stop-shop business that can satisfy all of our customers' telecommunications requirements. As such, voice (including voice over internet protocol), broadband (ADSL and wireless) and satellite-based products are available from Nashua Mobile.

The entry of more network operators into the South African market should ensure ongoing demand for least-cost routers. As long as price differences exist, which should be a given in a normal competitive environment, least-cost routers will be in demand. We are in the favourable position of being one of two independent licensed network providers of least-cost routing for all networks.

Recognising the value of the Nashua brand and the value of our high net-worth customer base, we launched Nashua Insure with Auto & General to offer short-term insurance products to our customers. Initial progress has been slow, but momentum is increasing as the campaign is rolled out.

| CAPITAL EXPENDITURE | Rm |
|---|---|
| CBi-Electric: energy cables | 49,6 |
| CBi-Electric: telecom cables | 5,5 |
| CBi-Electric: low voltage | 55,4 |
| Nashua office automation | 6,3 |
| Nashua Electronics | 4,0 |
| Nashua Mobile | 17,3 |
| Reutech | 9,4 |
| Group services | 1,5 |
| | 149,0 |

As levels of saturation in the handset business increase, the fight for customers intensifies. Customer retention remains our top priority. Customers have become more demanding and their insistence on more value places pressure on margins.

Providing data services is still relatively new and offers reasonable scope for growth. Unlike the voice business, data has been the subject of severe price competition among operators, which makes it less attractive. Nevertheless, there are opportunities to grow the non-voice side of the business.

## REUTECH

Reutech, our defence business, had an excellent year and contributed 7% to operating profit after improving from R30 million to R109 million. Revenue increased by 55% to R490 million.

A year ago, we placed Reutech on the market, but terminated our disposal efforts after receiving pedestrian offers.

Indications are that future demand from the South African National Defence Force for Reutech's products will ensure viability. Products developed over the past five years are now nearing the production phase and will soon contribute meaningfully.

Exports of airborne radios and electronic fuses remained brisk. We are confident that existing markets will provide a reasonable base going forward.

Our Stellenbosch radar business, RRS, developed a product that detects moving slope walls in open-pit mines. Given a premium on safety in mining, prospects for this type of product are excellent. To date we have supplied mining surveillance radars in South Africa, Australia and South America.

## ASSOCIATES

Our investments in Quince and NSN in their current form are both new.

Quince, our initiative with PSG into asset-backed financial services became effective on 1 May 2007. The business consists of our Nashua financing activity (formerly RCCF), ZS Rationale (a bridging financier) and Scripfin (lending against securities).

ZS Rationale and Scripfin are new businesses with good growth prospects. RCCF is an established business with a valuable customer base. With fast, efficient service, these businesses should be able to demand a premium with relatively low risk.

The book now exceeds R1,5 billion and we initiated a securitisation project to fund the book. This process should be completed shortly, ensuring access to sufficient funds for the immediate future.

As expected, the contribution from Quince was dilutive compared to the wholly owned RCCF. This may continue while Quince has excess capital but we expect that position to reverse in the new year.

NSN had a superb year. Operating profit increased by 50% to R532 million, while revenue grew by 33%. Order intake from all customers (cellular and wire-line operators in South Africa) was strong. Exports to neighbouring countries remained more or less constant.

During the year, Siemens AG merged its telecommunications business with the network operations of Nokia Oyj to form Nokia Siemens Networks effective 1 April 2007.

The South African economic environment is characterised by efforts to curb consumer spending on the one hand and promises to invest vast amounts on improving infrastructure on the other.

In world terms, Nokia Siemens Networks ranks with Ericsson and Alcatel-Lucent. Furthermore, Huawei from China is increasingly making its presence felt. Overall, this will be a very competitive environment with resulting pressure on margins.

Unlike Siemens AG, Nokia Siemens Networks is organised regionally. South Africa forms part of the sub-region managed from Dubai. This is a global business and we have to question our future involvement. We will be addressing that issue as we go forward.

## THE FUTURE

The South African economic environment is characterised by efforts to curb consumer spending on the one hand and promises to invest vast amounts on improving infrastructure on the other.

Rising interest rates, food and oil prices, coupled with the requirements of the National Credit Act to access finance, are definitely slowing consumer spending. The overall effect is to reduce demand, thus slowing growth. Margin pressure is inevitable.

On the fixed investment side, construction is booming with the exception of residential property. The Gautrain project is going ahead on schedule. Airport expansion and stadium construction projects are all underway. Eskom announced plans and, in certain cases, indeed issued tenders to increase capacity – so did Transnet. The mining industry, especially platinum, continues to expand.

We are well positioned to benefit from these developments. In particular, our low-voltage and cable businesses are well entrenched as suppliers and our electrical businesses have the products and capacity to meet increased demand.

On balance, we believe infrastructural investments will more than offset slower consumer spending, helping Reunert achieve real earnings growth.

We thank all our customers and staff for their support and loyalty. Equally, our strong and experienced board is a great asset.

**Martin Shaw**
Chairman

**Gerrit Pretorius**
Chief executive

Sandton
6 December 2007

**1. MJ Shaw** (69) CA(SA)*
- *Chairman, non-executive, independent director*
- *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** (67) CA(SA)*
- *Non-executive, independent director*
- *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** (67) CA(SA)*
- *Non-executive, independent director*
- *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 Rand Group in 1964 and managed a number of subsidiaries before being appointed as director of Barlows 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** (66)*
- *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 director of 24 Rivers Platinum and is chairman of Merafe Holdings (Pty) Limited. In his various capacities, Bobby has contributed extensively to black economic empowerment issues at government level.

**5. SD Jagoe** (56) BSc (Eng), MBA*
- *Non-executive, independent director*
- *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** (44) BSc Mech Eng, MEng*
- *Non-executive, independent director*
- *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** (63) BA, LLD*
- *Non-executive, independent director*
- *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 Limited.

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

**8. ND Orleyn** (51) BJuris, BProc LLB*
- *Non-executive director*
- *Director of companies*
- *Appointed to the board in 2007*
  *Born 13 January 1956*

Thandi is a director and shareholder of Peotona, an investment company owned and managed by four women – Cheryl Carolus, Wendy Lucas-Bull, Dolly Mokgatle and Thandi Orleyn. Thandi was a director of commercial law firm Routledge Modise until April 2006. She is also a mediator and arbitrator under the auspices of Tokiso Dispute Settlement and a member of the Competition Tribunal. She sits on the boards of the South African Reserve Bank, Toyota SA, Implats, Arcelor Mittal, Cricket SA and is also a trustee of Legal Resources Trust, Inanda Seminary Education Trust, Zenex Trust and Foundation, Shanduka Trust and De Beers Trust.

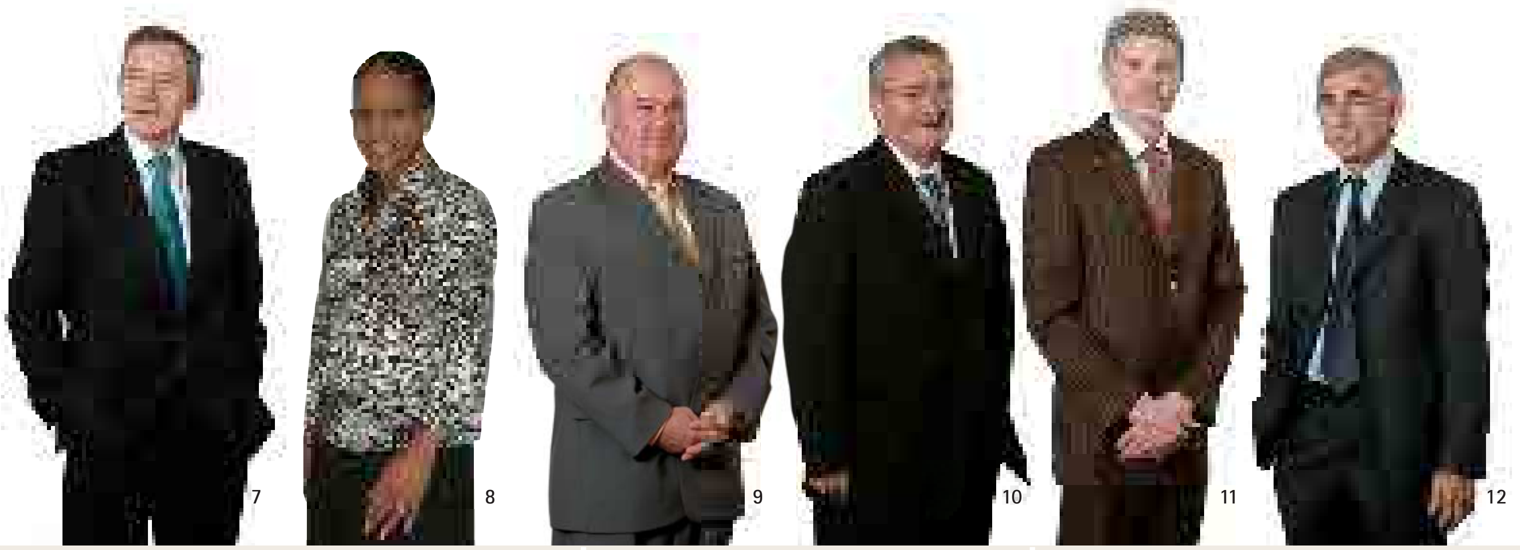
Thandi was attorney and regional director of the Legal Resources Centre, national director of the Independent Mediation Service of South Africa and national director of the CCMA from 1997 to 2002.

**9. G Pretorius** (59) BSc, BEng, LLB, PMD◆
- *Chief executive*
- *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.



7 8 9 10 11 12

**10. BP Gallagher** (57) BCom, CA(SA)◆
- Executive director
- 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 and chairman of Reunert Consumer and Commercial Holdings.

**11. GJ Oosthuizen** (53) Bluris, LLB◆
- Commercial director
- 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.

**12. DJ Rawlinson** (58) CA(SA)◆
- *Financial director*
- *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 in the electronics and electrical engineering industry for over 20 years, 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.

*Non-executive directors
◆Executive directors

**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

## HH Fischer

- *Chief executive officer: CBI-electric*
- *Dipl.-Ing, Dipl.-Wirtschaftsingenieur*
- *Born 13 September 1947 in Germany*
- *Appointed in 1984*

Helmuth attended 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 coordination and information systems.

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

From 1 January 2007 Helmuth has taken divisional responsibility of CBI-electric.

## 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.

## JA Vorster

- *Managing director: CBI-electric: Aberdare ATC 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 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 in October 2002 as managing director.

Following the merger of the ATC and Aberdare telecoms businesses in January 2007 in the new company CBI-electric Aberdare ATC Telecom Cables (Pty) Ltd, Koos was appointed MD of the new company.

## CGP Oliver

- *Managing director: CBI-electric: low voltage*
- *BSc (Eng) (Elec), MBL, Certificate of Competency*
- *Born 29 January 1957*
- *Appointed in 1998*

Chris started his career as an engineer in training with Eskom. He joined Armscor in 1986 as programme manager. He held the positions of divisional manager and executive manager at Denel Aviation.

Chris joined CBI-electric: low voltage in 1998 as product manager and subsequently held the position of divisional manager until his appointment to the CBI board in 2005.

In 2007 he was appointed managing director of CBI-electric: low voltage.

## 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 facsimile product manager. 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.

Four companies in the Nashua group report to Chris. These being Nashua Office Automation, Nashua Holdings, Royce Imaging and Nashua Kopano. He serves as a director of Nashua Mobile and Quince.

## M 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 South African cellular industry for the past eight years and has more than 20 years of experience in the information and communication technology 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.

## MCA Maddox

- *Group managing director: Nashua Electronics*
- *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 and executive member of the Consumer Electronics Association.

## PW Smit

- *Managing director: Reutech*
- *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 RRS and in December 2003 was appointed managing director of Reutech.

# Building and developing 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 the past 15 years, the Reunert group has concentrated on building and developing people – from our own employees to those involved in the group's corporate social investment programme.

## REUNERT COLLEGE

Recent statistics from the Department of Education confirm that the skills shortage in South Africa, particularly in engineering, has deteriorated further. Meaningful job creation remains an issue, especially since the education system is unable to produce enough students who have passed mathematics and science at secondary level. This is likely to be exacerbated by a curriculum change at secondary-school level in 2008, which inevitably will take time to settle down.

Having evaluated the needs of the group in 1992, and anticipating a shortage of technical skills, the Reunert College was established in 1993. The college provides specialised tuition to students from previously disadvantaged communities to improve their matriculation results for mathematics, science, English and accounting, and possible employment in Reunert companies. Since inception, approximately R20 million has been spent on the Reunert College.

A further 30 students should qualify in 2007, bringing the total number of graduates from the college to nearly 600. The number of bursaries awarded to students to attend tertiary institutions is approaching the 450 mark. Over the years, the pass rate at Reunert College has exceeded 99% and the number of distinctions achieved since 1993 is projected to pass 70 by the end of 2007. In terms of current planning, as many as 30 former students may be placed in either employment or advanced training programmes in the Reunert group in 2008, in addition to 70 former students already working in the group.

Underpinning the success of the college is a solutions-based approach which has evolved over many years. These factors include:

- a life skills course that enables students from townships to adapt to the business environment;
- providing ongoing mentorships based on international best practice;
- initiatives to ensure students understand the concept of competition;
- equipping students to manage their personal lives and respect business norms; and
- providing bursaries to attend tertiary institutions.

This all-embracing system – which includes a formal selection process, bridging education, vocational work at company premises, bursaries and mentoring – creates a total solution in which creating employment remains the first objective.

As part of the system, control mechanisms ensure that students are not only employed, but keep their jobs. For this reason, students are drawn close to their prospective employer from a very early stage. This creates loyalty which, together with a reasonable understanding of how to manage a career, has made it possible to reduce labour turnover considerably.

In 2006, an opportunity was identified to provide additional preparatory training to graduates or former students of the college. Marketing and sales training was given to 10 former students, who have all secured employment with Nashua office automation, Nashua Mobile and Nashua Electronics.

The demand for capable call-centre operators in the telecommunications industry has been identified as a significant opportunity for the college and will be pursued in 2008. As a result, a language laboratory has been established and will be tailored to fulfil call-centre requirements. A sound mathematics background, coupled with the ability to communicate with clients in an understandable way, will ensure a solid future for these students.

The empowerment transaction concluded with the Peotona group in 2007 is expected to offer significant benefits for the college. Some 70% of the shares relating to the Reunert BEE transaction have been placed in a trust set up specifically for the education and training of children in previously disadvantaged communities. It is envisaged that the college will be used as the vehicle to implement the goals of the Rebatona Education Trust. Members of Peotona are already playing a key role in the strategic direction and expansion of the college. Due to these efforts, the number of students attending Reunert College should increase in future.

Some 70% of the shares relating to the Reunert BEE transaction have been placed in a trust set up specifically for the education and training of children in previously disadvantaged communities. It is envisaged that the college will be used as the vehicle to implement the goals of the Rebatona Education Trust.

In a further development, the JSE is considering sponsoring 10 students in 2008. We hope the JSE's participation may expand as our aim ultimately is to get as many companies as possible either to support the college or to form similar institutions in future.

Apart 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. They are also largely responsible for adult basic education and training for employees. The high standard of skills development and training has been 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, 2 023 Reunert employees participated in group training programmes. Some 54% of these trainees are from previously disadvantaged backgrounds.

For a number of years, Reunert College has interacted with disadvantaged schools in the Boksburg and Alberton areas of Gauteng. Further training and education is provided to teachers, particularly those responsible for mathematics, science and English. During 2007, 130 teachers attended the programme.

The college's groundbreaking work 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 South Africa. She is also a member of the National Board for Further Education and Training, deputy chair of the committee for training and development at Business South Africa, and serves on the CHAMSA committee for training and development. In addition, she is a qualified level-one coach with the International Coach Federation.

### MENTORSHIPS

Introduced in 2003, the Reunert mentorship programme was again expanded in 2007, enabling more people 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 employees, and is instrumental in the development and promotion of existing employees. To date, 267 staff have participated in the programme and four employees in the group are currently receiving formal training as coaches under an internationally accredited programme. A member of the Reunert College successfully completed the intensive coach-training course in 2007. As part of a scientific and integrated approach, both mentors and protégés attend an initial training programme which is the framework for future development. To enable employees to effectively focus on their career goals, the programme concentrates on helping them to understand themselves and their relationships with others. The aim is to coach employees to understand effectiveness in a business context and to improve their skills continually.

As many of these staff members take part in accelerated development programmes, significant emphasis is given to achieving equity with integrity and understanding the correlation between work output and remuneration.

The subsequent achievements of staff who attended the programme are most encouraging, as is their renewed enthusiasm for career development. Equally important, the programme helps retain high levels of skills and enhances productivity and self-esteem.

Two employees identified as having senior executive potential attended a management development programme in 2007.

### OTHER TRAINING ACTIVITIES

During 2007, all Reunert companies submitted their training reports and workplace skills plans to the relevant sector education and training authorities (SETAs).

*Nhleakanipo Jiyane (left) received the 2007 Fellowship Award at Reunert College and Nomvula Letsoko (right) achieved honours as Dux Student for 2007 at the Boksburg College*

Training courses conducted during the review period spanned the following levels in the group:

| Occupational level | Total trained |
|---|---|
| Managers | 237 |
| Professionals | 136 |
| Technicians and associated professionals | 244 |
| Clerks | 262 |
| Services and sales | 785 |
| Skilled workers | 22 |
| Plant operators | 258 |
| Elementary occupations | 37 |
| Apprentices/trainees | 42 |
| Total number of employees trained – 2007 | 2 023 |

The national phone repair centre, a division of Fuchs Electronics, was established in 2007. This centre services and repairs handsets for cellular phone operators and service providers, creating 40 jobs. To ensure prompt and efficient service, a comprehensive in-house training programme was initiated, and technicians rapidly trained with the assistance of a major cell phone manufacturer.

Through its association with the Madibeng Business Forum, the Aberdare/ATC joint venture is actively participating in working groups to assist local authorities and the North-West government with service delivery. This includes services such as providing electricity, water, roads, transport and security. The company also helped the South African Police Services in training police inspectors to identify the different types of copper wire used in manufacturing telecommunications cables. This will hopefully help police reduce the large-scale theft of copper cable.

As a co-sponsor with Telkom, the Aberdare/ATC joint venture contributes R100 000 a year to the Centre for Optical Communication at the University of Johannesburg. In addition, the company has registered eight MERSETA-accredited courses in cable installation. Training is provided to telecommunications network operators such as Telkom, Vodacom, MTN as well as to small contractors from previously disadvantaged backgrounds. Most of these contractors are currently responsible for the installation and expansion of large telecommunications networks in South Africa.

Pansolutions has sponsored 10 students at the Central Johannesburg College. Students with an interest in marketing and electrical engineering, both key requirements in the Nashua Electronics group, were identified and will hopefully find jobs in the group in future.

Nashua Mobile has extended its employee training programme to ensure that its suppliers have the required product knowledge to trade successfully. The company provides extensive training in its external distribution channel, including training staff engaged by Nashua Mobile franchisees. For BEE partners, training is provided in basic stock management, procurement processes, customer interaction and cash management.

CBI-electric: African Cables has helped the Sedibeng East District Education Department in its programme for further education and training. Textbooks were donated to support training in mathematics, science and technology.

## BURSARIES

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

CBI-electric: African Cables has offered a bursary scheme for employees since 1982. In 1998, this was expanded to include students outside the company. The main objective is to assist children from previously disadvantaged communities. In the last 11 years, the scheme has granted 323 bursaries and, during 2007, 88% of bursaries were made available to children in disadvantaged communities. The company has also awarded six special bursaries to black students studying electrical engineering. Some R262 000 was made available during the 2007 academic year. The company also provides study assistance for staff which has enabled many employees to successfully apply for promotion.

ATC/Aberdare joint venture provided 45 bursaries to the children of employees from previously disadvantaged communities. In 2007, 10 bursaries were granted to children of former ATC employees who died from Aids-related diseases.

Nashua office automation assists staff in lower-income categories by paying for education fees at secondary and tertiary levels.

## TRANSFORMATION

**Employment equity**

All trading operations in the Reunert group maintain employment equity plans in terms of the Employment Equity Act of 1998. Most plans were formulated and are managed in conjunction with employee representatives of business units. The Reunert College serves as a primary source of employees from previously disadvantaged communities. Twelve former students were offered employment on either a permanent or temporary basis in 2007.

The group's approach to employment equity is part of an integrated plan to ensure a constant stream of entrants to the college and the retention of 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**

Following the conclusion of an empowerment transaction with members of Peotona in 2007, a rating agency has confirmed that the effective BBBEE shareholding in Reunert Limited is 23,1%. Reunert was credited with bonus points as 70% of the shares applicable to the BBBEE transaction were allocated to a trust established to further the educational and training needs of previously disadvantaged children.

An empowerment group holds 26% of the shares in Pansolutions.

Kgorong has sold its 30% stake in RDL to Reunert, but Powerhouse still holds a 25,1% share in ATC. Following the merger of ATC and Aberdare's telecommunication interests, Powerhouse's stake in the merged entity has reduced to approximately 12,5%. However, Aberdare also has an empowerment partner and, as a result, this could result in the BEE equity percentage of the merged entity being more than 30%. A BBBEE group holds 26% of the shares in Nashua Kopano and its two board members are the executive chairman and managing director.

Twenty-one of Nashua Mobile franchisees are currently 100% owned by previously disadvantaged individuals (see below).

Following the publication of the BBBEE codes in 2007, most companies in the Reunert group have submitted their BEE credentials to a rating agency for assessment. However, rating agents have been swamped by the demand to complete the rating process of many South African entities so the process is taking much longer than anticipated. An overall rating of Reunert will therefore only be possible once all subsidiaries have been evaluated.

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

From October 2005 to February 2007, Nashua Mobile has invested R809 000 in providing support for its 21 fully BEE-owned franchises. From a financial perspective, support was given for rental, shop-fitting and ad hoc miscellaneous items. As part of its enterprise development initiative, it has also helped previously disadvantaged individuals set up their own stores. Since 2005, R1,5 million has been provided for enterprise development. This includes rental as well as miscellaneous support. Aside from financial support, Nashua Mobile provides skills training, assistance with implementing and installing required systems as well as marketing and promotional support. For start-up businesses, shop owners attend a course before opening their stores, during which critical skills are transferred to enable them to independently manage the stores.

The small and medium-sized enterprises and one micro enterprise established by CBI-electric: African Cables have been running successfully for many years. Bogabane Engineering cc was established in January 2002 and produces turning work for the company as well as for a number of small engineering

> It is group policy not to discriminate against anyone who may be HIV positive and all employees who have tested positive are counselled.

companies in the Vaal Triangle. The company also conducts maintenance work and engraves embossing wheels. Atlehang Ma Africa specialises in batting the company's cable drums and continues to grow. Doocks Construction, which has been in business for many years, rewinds galvanised wire used in the company's production process and Xylo, which is responsible for the recovery of scrap metal generated during the company's production process, had another successful year. A micro enterprise established in 1999 is also starting to prosper. Initially, a former employee started a car-wash enterprise at the company's premises. She recently expanded her business into another company in Vereeniging.

**Aids and health services**

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

While the intervention by Reunert companies in respect of the Aids pandemic is ongoing, a number of subsidiaries have reported specific interventions during the review period. More than 50% of employees at the Aberdare/ATC joint venture participated in a voluntary Aids testing programme in 2007. Those identified as HIV positive are supported by their medical aid schemes or through programmes provided by the Department of Health.

Since October 2006, Nashua Mobile has contracted with a consulting company to provide an HIV/Aids assistance programme. A total of 93 education and awareness workshops were conducted across the country. A large number of staff elected to undergo voluntary testing and those who tested positive are on a management programme to help them cope with the disease.

Reunert appointed an independent company to conduct an analysis, based on available statistics, to determine the extent of HIV and Aids-related disease in the Reunert group. Results have shown that approximately 10% of Reunert's employees may be affected. In the medium term, it is not anticipated that the disease will have an effect on the performance of Reunert companies. Nevertheless, ongoing efforts are being made to reduce and, where possible, prevent the spread of the disease.

**Support to community projects**

Although the group mainly focuses its social investment on educating children, many Reunert 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. A summary of some of these social interventions is set out alongside.

| Reunert subsidiary | Beneficiary | Nature of investment |
|---|---|---|
| Nashua Mobile | Transformation Education and Awareness Foundation | Health, welfare and children issues – Illovo, Durban |
| | Transformation Education and Awareness Foundation | Fundraiser for campaign to stop violence against women |
| | Jeanne Webber House, Bloemfontein | Medical and other equipment for people with physical disabilities |
| | Heart of Healing Foundation, Western Cape | Upliftment of the poor in the Western Cape region |
| | Reagile School | Feeding and support scheme for children |
| | Norvalis House | Assisting homeless, illiterate and mentally disabled people – skills equipment and donation of mini bus |
| Aberdare/ATC joint venture | Ennis Thabong Farm School | Facilities, skills transfer and capacity building |
| | Tumelon Hospice in Madidi | Care for Aids patients |
| | Madibeng Centre for Research | Research on prevention of disease |
| Nashua office automation | Banakekeleni Hospice, Ubuhle Bezwe and Tembisa Crisis Centre | Food, cleaning materials, alleviating plight of abused women |
| | Soweto Hospice | Monetary assistance and crèche |
| CBI-electric: low voltage | Vita Nova, SA Guide Dogs for the Blind and St Vincent School for the Deaf | Donations to purchase basic necessities |
| Nashua Electronics | Twilight Centre, Cotlands, St George's Home Life Campus | Donation of products and consumables |

**Employee profile as at September 2007**

Total number of employees in South Africa

| | Male | | | | Female | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Occupational levels | African | Coloured | Indian | White | African | Coloured | Indian | White | **2007** | 2006 |
| Top management | 8 | 0 | 0 | 43 | 3 | 0 | 0 | 2 | **56** | 64 |
| Senior management | 7 | 2 | 6 | 105 | 1 | 1 | 1 | 12 | **135** | 140 |
| Professionally qualified, experienced specialists and middle management | 20 | 18 | 28 | 253 | 10 | 7 | 12 | 83 | **431** | 431 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 358 | 107 | 102 | 650 | 167 | 98 | 66 | 372 | **1 920** | 2 021 |
| Semiskilled and discretionary decision making | 723 | 105 | 53 | 172 | 214 | 137 | 39 | 149 | **1 592** | 1 280 |
| Unskilled and defined decision making | 352 | 16 | 0 | 4 | 1 100 | 25 | 1 | 5 | **1 503** | 1 529 |
| **Total permanent** | **1 468** | **248** | **189** | **1 227** | **1 495** | **268** | **119** | **623** | **5 637** | **5 465** |
| Contract workers | 147 | 21 | 16 | 31 | 61 | 25 | 8 | 16 | **325** | 371 |
| Temps | 124 | 38 | 8 | 19 | 54 | 134 | 8 | 22 | **407** | 252 |
| Trainees | 7 | 1 | 2 | 6 | 10 | 0 | 1 | 1 | **28** | 36 |
| **Total non-permanent** | **278** | **60** | **26** | **56** | **125** | **159** | **17** | **39** | **760** | **659** |
| **Total** | **1 746** | **308** | **215** | **1 283** | **1 620** | **427** | **136** | **662** | **6 397** | **6 124** |

Total number of employees in foreign countries

| Occupational levels | 2007 | 2006 |
|---|---|---|
| Top management | **2** | 0 |
| Senior management | **6** | 10 |
| Professionally qualified, experienced specialists and middle management | **17** | 9 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | **56** | 32 |
| Semiskilled and discretionary decision making | **1** | 99 |
| Unskilled and defined decision making | **44** | 0 |
| **Total permanent** | **126** | **150** |
| Contract workers | **0** | 1 |
| Temps | **0** | 1 |
| **Total non-permanent** | **0** | **2** |
| Total | **126** | 152 |
| Total number of employees in the group (South Africa and those employed in foreign countries) | **6 523** | 6 276 |

## 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 opportunities for existing Reunert staff who participate in the programme.

The group skills development forum meets four times a year and coordinates all the group activities. 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.

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

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

Succession plans are in place at all Reunert companies and candidates with the potential to replace key staff have been identified. Specifically, a successor for each general manager has been identified and, where appropriate, will receive further training. In addition, each Reunert company, with due regard to its own strategic direction and challenges, has identified additional skills that may become critical in future. Where a sufficient pool of talent is not already available, plans are in place to find or develop such talent. During 2007, a management development programme was conducted in association with the Gordon Institute of Business Management. The programme was designed to evaluate leadership potential, and enable future leaders to engage in case studies pertinent to strategic issues which may be facing the group.

Group companies continue to build on their sound relationships with trade unions, many of which have been in place since 1985. A wage dispute at the bargaining council for the engineering industry resulted in national industrial action, which affected Reunert companies in the CBI-electric group. The introduction of a new shift system at CBI-electric: African Cables, which regrettably coincided with this wage dispute, resulted in further industrial action at that company. The bargaining council has now concluded a three-year agreement and CBI-electric: African Cables has, in consultation with trade unions, resolved potential disputes regarding the shift system. Other than the engineering industry dispute, there were no major industrial relations incidents in the group 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 five medical schemes and employees are encouraged to select their own schemes. Where a company's administration cannot provide for multiple schemes, employees can still make their own administration arrangements to enable them to join alternative schemes.

A new investment strategy put in place 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 their individual retirement needs.

## ENVIRONMENTAL ISSUES

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

CBI-electric: African Cables complies with the ISO 14001 environment management system. As part of its risk policy, annual environmental objectives and targets are set and regularly monitored. The company has a system to reduce, recover and recycle waste materials.

The Nashua Electronics 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 on 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 optimal effectiveness of RDL's environmental management strategy. The company is introducing non-lead core solder wire in the manufacturing repair of circuit boards, and all solvents used are CFC free to reduce potential damage to the ozone layer.

RRS has adopted and 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

The Reunert 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 the King report, including the code of corporate practice and conduct, and motivates its staff to conduct business activities with integrity. The board is satisfied that the group, in all material respects, has complied with the provisions and the spirit of the King code and that the group is in compliance with all the required JSE codes. 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 12 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 12 and 13 of this report.

**Declaration of interests**

Several non-executive directors hold directorships in other listed companies. Full details of these directorships are listed on pages 12 and 13.

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

**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 chairs shareholder meetings, but has no executive or management responsibilities.

The board, on the recommendation of the nomination committee, appoints the chief executive. In addition, the board, on the recommendation of the remuneration committee, determines the duration of his appointment, terms of appointment and compensation.

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 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 board of directors has evaluated its own performance, including that of the chairman and the chief executive, this past year. Such an assessment will be completed periodically.

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 time as required. Members of senior management may be invited to attend board meetings to facilitate communication between executive management and non-executive board members.

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

| Date | Meeting | Apologies tendered |
|---|---|---|
| 6 February 2007 | Board & AGM | KC Morolo |
| 17 May 2007 | Board | – |
| 30 August 2007 | Board | KC Morolo |
| 20 November 2007 | 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.

Ms ND Orleyn, having been elected to the board during the year, is required to retire at the next annual general meeting but, being eligible, offers herself for re-election. Messrs BP Connellan, BP Gallagher and G Pretorius and Ms KC Morolo 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.

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 |
|---|---|---|
| 14 May 2007 | Regular | – |
| 12 October 2007 | Special | G Pretorius |
| 15 November 2007 | Regular | – |

**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 2007, 30 August 2007 and 20 November 2007, 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 base pay component increase for 2008 was capped at 8%.

The short-term incentive for executive management is based on economic value-added 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 that 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 value-added 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.

In keeping with current practice, a cash-based share purchase scheme and a share-price-linked incentive scheme were introduced during the 2007 financial year. This enables more employees to participate in long-term incentives, guard against excessive dilution and optimise tax planning.

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**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 2007, 30 August 2007 and 20 November 2007, 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 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 RMB as its sponsor. RMB's services include advising the board on the interpretation of, and compliance with, the listing requirements of the 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 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 those 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.

**Internal audit**

Instituted, comprehensive internal controls 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 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 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 in Building and Developing People. on pages 16 to 23.

**Environmental issues**

Systems and policies are in place to control or influence issues that can have an impact on the environment. To see more on how we address these issues go to page 23.

**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. Executive directors conduct one-on-one interviews during open periods, whilst executive management interacts with investors and shareholders through participative, open investor days.

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 group.

**Dealing in the company's shares and closed periods**

Employees are restricted from dealing either directly or indirectly in the company's shares based on privileged price-sensitive information before it is 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 year-end 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 and is displayed on the company website. All employees are required to adhere to this code.

# 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, Nashua Tshwane, Nashua Eastern Cape and RCCF/Quince (refer to note 36)), Consumer products and services (Nashua Mobile and Nashua Electronics (formerly RC&C Holdings)), Telecommunications (NSN (formerly Siemens Telecommunications and Acuo) and Reutech (Fuchs Electronics, RDI Communications, RDL and RRS)). The group overview on pages 4 and 5 gives details of the activities of each division.

The associate companies form part of the Office systems and Telecommunications segments.

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 COMPANIES*

| Rm | 2007 | % | 2006 | % | % change |
|---|---|---|---|---|---|
| **Electrical engineering**** | 3 315,1 | 29 | 2 573,7 | 27 | 29 |
| **Electronics** | | | | | |
| Office systems | 1 224,1 | 11 | 1 234,8 | 13 | (1) |
| Consumer products and services | 4 592,2 | 41 | 4 109,0 | 43 | 12 |
| Telecommunications | 1 712,9 | 15 | 1 285,7 | 14 | 33 |
| Reutech | 490,5 | 4 | 317,3 | 3 | 55 |
| Total Electronics | 8 019,7 | 71 | 6 946,8 | 73 | 15 |
| Total operations | 11 334,8 | 100 | 9 520,5 | 100 | 19 |
| Less: Reunert's attributable portion of associate companies' revenue | (1 760,4) | | (1 284,1) | | |
| Revenue as reported per the income statement | 9 574,4 | | 8 236,4 | | 16 |

*Inter-segment revenue is immaterial and has not been disclosed.

**Revenue includes an amount of R96,3 million for inventory sold at book value by ATC (Pty) Limited to CBI-electric Aberdare ATC Telecom Cables (Pty) Limited.

## OPERATING PROFIT INCLUDING ASSOCIATE COMPANIES

| Rm | 2007 | % | 2006 | % | % change |
|---|---|---|---|---|---|
| **Electrical engineering** | **553,9** | **36** | 552,1 | 39 | – |
| **Electronics** | | | | | |
| Office systems | **306,5** | **20** | 314,1 | 22 | (2) |
| Consumer products and services | **368,2** | **24** | 374,5 | 27 | (2) |
| Telecommunications | **211,2** | **13** | 142,9 | 10 | 48 |
| Reutech | **109,2** | **7** | 30,4 | 2 | 259 |
| Total Electronics | **995,1** | **64** | 861,9 | 61 | 15 |
| Total operations | **1 549,0** | **100** | 1 414,0 | 100 | 10 |
| Less: Reunert's attributable portion of associate companies' net operating profit | **(230,3)** | | (141,3) | | |
| Operating profit as reported in the income statement | **1 318,7** | | 1 272,7 | | 4 |

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

| Rm | 2007 | 2006 |
|---|---|---|
| **Electrical engineering** | **1 690,3** | 1 325,2 |
| **Electronics** | | |
| Office systems | **1 863,4** | 1 839,3 |
| Consumer products and services | **1 362,9** | 1 241,2 |
| Telecommunications | **544,0** | 978,3 |
| Reutech | **223,9** | 109,8 |
| Total Electronics | **3 994,2** | 4 168,6 |
| Total operations | **5 684,5** | 5 493,8 |
| Less: Reunert's attributable portion of associate companies' assets | **(1 409,2)** | (872,8) |
| Total assets (excluding cash and cash equivalents and deferred taxation assets) as reported per the balance sheet | **4 275,3** | 4 621,0 |

## TRADE AND OTHER PAYABLES, DERIVATIVE LIABILITIES AND PROVISIONS, INCLUDING ASSOCIATE COMPANIES

| Rm | 2007 | 2006 |
|---|---|---|
| **Electrical engineering** | **465,0** | 441,2 |
| **Electronics** | | |
| Office systems | **303,5** | 359,6 |
| Consumer products and services | **889,3** | 958,7 |
| Telecommunications | **373,3** | 722,7 |
| Reutech | **137,7** | 125,6 |
| Total Electronics | **1 703,8** | 2 166,6 |
| Total operations | **2 168,8** | 2 607,8 |
| Less: Reunert's attributable portion of associate companies' liabilities | **(393,3)** | (721,9) |
| Trade and other payables, derivative liabilities and provisions as reported per the balance sheet | **1 775,5** | 1 885,9 |

## CAPITAL EXPENDITURE EXCLUDING ASSOCIATE COMPANIES

| Rm | 2007 | 2006 |
|---|---|---|
| **Electrical engineering** | **111,3** | 99,8 |
| **Electronics** | | |
| Office systems | **6,5** | 60,1 |
| Consumer products and services | **21,5** | 30,3 |
| Telecommunications | **0,2** | 0,1 |
| Reutech | **9,5** | 4,0 |
| Total Electronics | **37,7** | 94,5 |
| Capital expenditure as reported | **149,0** | 194,3 |

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

| Rm | 2007 | 2006 |
|---|---|---|
| **Electrical engineering** | **41,4** | 36,9 |
| **Electronics** | | |
| Office systems | **7,5** | 5,0 |
| Consumer products and services | **21,0** | 17,1 |
| Telecommunications | **0,7** | – |
| Reutech | **5,3** | 4,2 |
| Total Electronics | **34,5** | 26,3 |
| Depreciation and impairment of property, plant and equipment and amortisation of intangible assets as reported | **75,9** | 63,2 |

## NUMBER OF EMPLOYEES EXCLUDING ASSOCIATE COMPANIES

| | 2007 | 2006 |
|---|---|---|
| **Electrical engineering** | **3 411** | 3 295 |
| **Electronics** | | |
| Office systems | **419** | 400 |
| Consumer products and services | **1 700** | 1 781 |
| Telecommunications | **25** | 30 |
| Reutech | **968** | 770 |
| Total Electronics | **3 112** | 2 981 |
| Number of employees as reported | **6 523** | 6 276 |

| | 2007 Rm | 2006 Rm | 2005* Rm | 2004** Rm | 2003** Rm |
|---|---|---|---|---|---|
| **CONSOLIDATED BALANCE SHEETS** | | | | | |
| **ASSETS** | | | | | |
| Property, plant and equipment | **565,7** | 455,4 | 328,4 | 196,2 | 213,7 |
| Intangible assets | **13,0** | 11,9 | 7,9 | – | – |
| Goodwill | **372,8** | 326,8 | 329,0 | 324,8 | 306,9 |
| Investments and loans | **727,9** | 148,8 | 116,2 | 109,9 | 20,8 |
| RCCF accounts receivable | **–** | 1 403,8 | 1 028,2 | 528,5*** | 1 220,0 |
| Deferred taxation assets | **37,9** | 59,1 | 37,5 | 56,2 | 33,1 |
| Cash and cash equivalents | **530,6** | 969,3 | 784,4 | 451,3 | 484,8 |
| Other current assets | **2 595,9** | 2 274,3 | 1 565,8 | 1 420,6 | 1 358,5 |
| Total assets | **4 843,8** | 5 649,4 | 4 197,4 | 3 087,5 | 3 637,8 |
| **EQUITY AND LIABILITIES** | | | | | |
| Ordinary and preference equity holders of Reunert | **2 469,0** | 1 680,9 | 1 561,7 | 983,1 | 1 156,5 |
| Minority interest | **14,4** | 38,2 | 43,0 | 39,7 | 121,2 |
| Total equity | **2 483,4** | 1 719,1 | 1 604,7 | 1 022,8 | 1 277,7 |
| Deferred taxation liabilities | **115,8** | 141,6 | 81,7 | 44,3 | 63,8 |
| Long-term borrowings | **278,8** | 115,0 | 111,7 | – | – |
| RCCF short-term borrowings | **–** | 1 187,9 | 866,8 | 314,1*** | 900,7 |
| Current liabilities | **1 965,8** | 2 485,8 | 1 532,5 | 1 706,3 | 1 395,6 |
| Total equity and liabilities | **4 843,8** | 5 649,4 | 4 197,4 | 3 087,5 | 3 637,8 |
| **CONSOLIDATED INCOME STATEMENTS** | | | | | |
| Revenue | **9 574,4** | 8 236,4 | 7 012,0 | 6 247,3 | 6 103,9 |
| Operating profit | **1 318,7** | 1 272,7 | 917,3 | 700,5 | 607,7 |
| Net interest and dividends received | **54,8** | 64,9 | 50,1 | 65,1 | 45,2 |
| Profit before abnormal items | **1 373,5** | 1 337,6 | 967,4 | 765,6 | 652,9 |
| Abnormal items | **(447,6)** | 1,6 | 3,9 | 6,0 | – |
| Profit before taxation | **925,9** | 1 339,2 | 971,3 | 771,6 | 652,9 |
| Taxation | **(427,4)** | (500,5) | (326,5) | (309,0) | (224,4) |
| Profit after taxation | **498,5** | 838,7 | 644,8 | 462,6 | 428,5 |
| Share of associate companies' profits/(losses) | **148,4** | 95,2 | 79,2 | 66,8 | (82,6) |
| Profit for the year | **646,9** | 933,9 | 724,0 | 529,4 | 345,9 |
| Profit for the year attributable to: | | | | | |
| Minority interest | **7,6** | 11,1 | 10,7 | 51,0 | 50,5 |
| Equity holders of Reunert | **639,3** | 922,8 | 713,3 | 478,4 | 295,4 |
| | **646,9** | 933,9 | 724,0 | 529,4 | 345,9 |
| Headline earnings attributable to equity holders of Reunert | **481,3** | 918,6 | 708,1 | 526,9 | 345,6 |

| | 2007 Rm | 2006 Rm | 2005* Rm | 2004** Rm | 2003** Rm |
|---|---|---|---|---|---|
| **CONSOLIDATED CASH FLOW STATEMENTS** | | | | | |
| EBITDA | **1 393,0** | 1 335,9 | 967,2 | 811,9 | 712,3 |
| Changes in working capital | **(439,0)** | (252,8) | (101,3) | 113,0 | 210,5 |
| Cash generated from operations excluding changes in RCCF receivables | **954,0** | 1 083,1 | 865,9 | 924,9 | 922,8 |
| Net interest and dividends received | **200,8** | 120,9 | 119,3 | 65,1 | 45,2 |
| Taxation paid | **(568,6)** | (347,4) | (364,9) | (313,5) | (178,7) |
| Ordinary dividends paid | **(879,3)** | (464,2) | (308,3) | (268,1) | (258,4) |
| Share buy back | **–** | – | – | (476,6) | – |
| Other (net) | **23,7** | (4,3) | 29,3 | (5,8) | (2,8) |
| Net cash flows from operating activities excluding changes in RCCF receivables | **(269,4)** | 388,1 | 341,3 | (74,0) | 528,1 |
| Net cash flows from investing activities | **1 008,6** | (185,7) | (48,5) | (250,1) | (102,8) |
| Net cash flows from financing activities | **274,5** | 27,0 | 156,1 | 18,7 | (17,5) |
| Net cash generated/(utilised) (before RCCF receivables) | **1 013,7** | 229,4 | 448,9 | (305,4) | 407,8 |
| (Increase)/decrease in RCCF receivables | **(300,7)******** | (375,6) | (499,7) | 691,5*** | (269,8) |
| Net cash generated/(utilised) | **713,0** | (146,2) | (50,8) | 386,1 | 138,0 |

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

***The 2003 and 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 RCCF debtors book.*

*****Increase in RCCF receivables up to the date of transfer.*

| | 2007 Rm | % | 2006 Rm | % | % change 2007 over 2006 |
|---|---|---|---|---|---|
| Revenue | 9 574,4 | | 8 236,4 | | 16 |
| Paid to suppliers for materials and services | 7 337,0 | | 5 677,5 | | 29 |
| Value added | 2 237,4 | | 2 558,9 | | (13) |
| Income from investments and associates | 260,4 | | 195,1 | | 33 |
| **TOTAL WEALTH CREATED** | 2 497,8 | | 2 754,0 | | (9) |
| **DISTRIBUTED AS FOLLOWS:** | | | | | |
| **EMPLOYEES** | | | | | |
| Remuneration and service benefits | 916,5 | | 797,1 | | |
| Add PAYE collected on behalf of government | 168,1 | | 160,3 | | |
| Gross remuneration and service benefits | 1 084,6 | 44 | 957,4 | 35 | 13 |
| **PROVIDERS OF CAPITAL** | | | | | |
| Dividends to Reunert shareholders | 468,3 | 19 | 798,3* | 29 | (41) |
| Dividends economically attributable to BEE partners (as defined in note 10.3) | 15,8 | 1 | 40,7 | 1 | (61) |
| Dividends to outside shareholders in subsidiaries | 4,5 | – | 15,9 | 1 | (72) |
| Interest paid on borrowings | 57,2 | 2 | 34,9 | 1 | 64 |
| | 545,8 | 22 | 889,8 | 32 | (39) |
| **PAYMENTS TO GOVERNMENT** | | | | | |
| Taxation on profits and dividends | 427,4 | | 500,5 | | |
| VAT, customs duties and other taxes | 207,4 | | 264,0 | | |
| | 634,8 | 25 | 764,5 | 28 | (17) |
| **RETAINED IN THE GROUP TO DEVELOP FUTURE GROWTH** | | | | | |
| Amortisation of intangible assets and depreciation | 74,3 | 3 | 63,2 | 2 | 18 |
| Accumulated profit | 158,3 | 6 | 79,1 | 3 | 100 |
| | 232,6 | 9 | 142,3 | 5 | 63 |
| **TOTAL WEALTH DISTRIBUTED** | 2 497,8 | 100 | 2 754,0 | 100 | (9) |

** The 2006 dividends include a special dividend declared of R390,7 million*

| | 2007 | 2006 | 2005** | 2004*** | 2003*** |
|---|---|---|---|---|---|
| **SHARES** | | | | | |
| Number of ordinary shares on which earnings per share is calculated (million) | **176,7** | 175,1 | 173,4 | 189,9 | 188,3 |
| Net asset value per share (cents) | **1 390** | 953 | 896 | 572 | 612 |
| Headline earnings per share (cents) | **272,4** | 524,6 | 408,4 | 277,5 | 183,5 |
| Normalised headline earnings per share (cents) | **570,3** | 495,3 | 380,2* | 277,5 | 183,5 |
| Basic earnings per share (cents) | **361,7** | 527,0 | 411,4 | 251,9 | 156,9 |
| Dividends per share (cents) – normal | **314,0** | 273,0 | 222,0 | 160,0 | 120,0 |
| – special | | 200,0 | | | |
| Dividend cover (times) | **1,8** | 1,8 | 1,7 | 1,7 | 1,5 |
| Cashflow per share (cents) | **345,0** | 486,7 | 374,6 | 353,2 | 417,7 |
| Ordinary shares in issue (million) (net of treasury shares) | **177,7** | 176,3 | 174,4 | 171,8 | 188,8 |
| Number of transactions – JSE | **70 848** | 46 549 | 20 938 | 13 452 | 11 308 |
| Number of shares traded (million) | **176,3** | 138,2 | 92,7 | 94,9 | 76,4 |
| Value of shares traded (R million) | **13 549,1** | 8 519,7 | 3 473,0 | 2 129,5 | 1 380,4 |
| Number of shares traded as a percentage of gross issued shares | **89,9** | 70,7 | 47,9 | 49,7 | 37,1 |
| Market price per share (cents) | | | | | |
| – year-end | **6 700** | 6 814 | 4 230 | 2 790 | 1 710 |
| – highest | **8 800** | 7 745 | 4 400 | 2 900 | 2 230 |
| – lowest | **6 325** | 4 185 | 2 600 | 1 695 | 1 560 |
| Earnings yield (%) | **8,5** | 7,3 | 9,0 | 10,0 | 10,7 |
| Dividend yield (%) | **4,7** | 4,0 | 5,2 | 5,7 | 7,0 |
| Price : Earnings ratio (times) | **11,7** | 13,8 | 11,1 | 10,1 | 9,3 |
| Market capitalisation (net of treasury shares)(R million) | **11 904** | 12 012 | 7 376 | 4 792 | 3 228 |
| JSE actuaries' electronics sector index at 30 September | **13 886** | 11 644 | 7 851 | 5 328 | 3 852 |
| **OTHER** | | | | | |
| Number of employees | **6 523** | 6 276 | 5 320 | 5 169 | 4 918 |
| Revenue per employee (R'000) | **1 468** | 1 312 | 1 318 | 1 209 | 1 241 |
| Operating profit per employee (R'000) | **202** | 203 | 172 | 136 | 124 |
| Wealth created per employee (R'000) | **383** | 439 | 405 | 409 | 335 |
| Employment cost per employee (R'000) | **166** | 153 | 161 | 149 | 142 |

| | 2007 | 2006 | 2005** | 2004*** | 2003*** |
|---|---|---|---|---|---|
| **PROFITABILITY, ASSET MANAGEMENT, LIQUIDITY AND LEVERAGE** | | | | | |
| EBITDA as a percentage of revenue | **14,5** | 16,2 | 13,8 | 13,0 | 11,7 |
| Operating margin (%) | **13,8** | 15,5 | 13,1 | 11,2 | 10,0 |
| Net asset turn (times) | **5,4** | 8,0 | 7,7 | 7,6 | 6,8 |
| Return on ordinary shareholders' funds (%) | **48,6** | 53,5 | 49,8 | 49,3 | 31,0 |
| Return on net operating assets (%) | **102,1** | 131,9 | 108,9 | 99,6 | 63,5 |
| Return on net operating assets excluding investments in associates (%) | **86,9** | 136,8 | 110,9 | 96,7 | 78,4 |
| Taxation (excluding STC on the special dividend in 2006 and the share buy back in 2004) as a percentage of profit before taxation (excluding abnormal items) | **32,2** | 34,2 | 33,8 | 36,4 | 34,4 |
| Total liabilities to total shareholders' funds (%) | **90,9** | 225,4 | 160,8 | 197,5 | 179,8 |
| Net borrowings to total shareholders' funds (%) | **–** | 14,6 | 6,6 | 3,2 | 32,8 |
| Current ratio | **1,7** | 1,5 | 1,8 | 1,3 | 1,6 |
| Interest cover (times) | **25,6** | 38,1 | 42,0 | 69,4 | 12,1 |

**The 2005 normalised headline earnings per share have been restated to take account of effect of the R24,1 million cost of the equity instrument offered to Powerhouse in 2005 to take up 25,1% of ATC (Pty) Ltd's shares.*

***The 2005 statistics were restated in the 2006 annual report to take account of the effect of adopting IFRS on 1 October 2004 and SAICA Circular 9/06.*

****The 2003 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

**Cash flow per share**
Cash flow from operating activities before dividends paid, divided by the weighted average number of shares in issue during the year.

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

**Dividend cover**
Normalised headline earnings per share divided by dividends per share.

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

**Earnings yield**
Normalised headline earnings per share divided by market price per share at year-end.

**EBITDA**
Earnings (operating profit) before interest, taxation, depreciation and amortisation of intangible assets.

**Headline earnings per share**
Attributable earnings adjusted for attributable value of items in terms of SAICA circular 08/2007, divided by the weighted average number of ordinary shares in issue during the year.

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

**Net assets**
Total assets less non-interest-bearing debt, excluding RCCF borrowings.

**Net asset turn**
Revenue divided by average net operating assets.

**Net borrowings**
Total borrowings net of cash and cash equivalents.

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

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

**Net worth per share**
Ordinary shareholders' funds divided by shares in issue at year-end.

**Normalised headline earnings per share**
Attributable headline earnings adjusted for the interest in profit that is economically attributable to BEE partners and other items included in profit that are directly associated with BEE transactions divided by the weighted average number of ordinary shares in issue during the year.

**Operating margin**
Operating profit divided by revenue.

**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.

**Return on ordinary shareholders' funds**
Normalised headline earnings divided by average ordinary shareholders' funds.

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

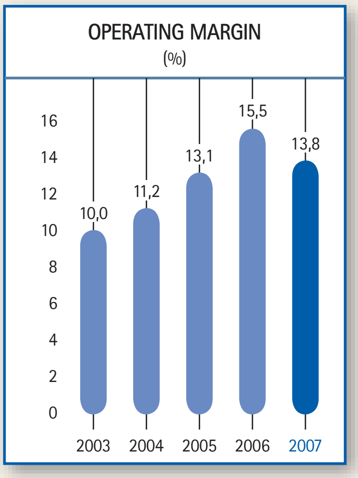
**Total borrowings**
Interest-bearing debt.

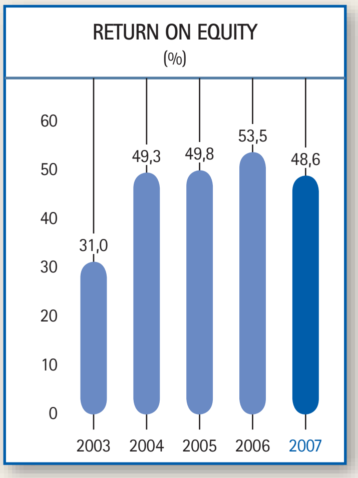
**Total liabilities**
Total liabilities excluding deferred taxation.

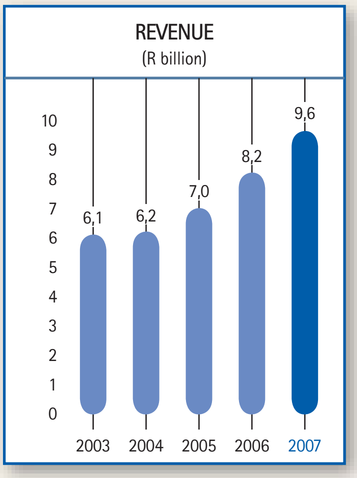
# Abbreviations

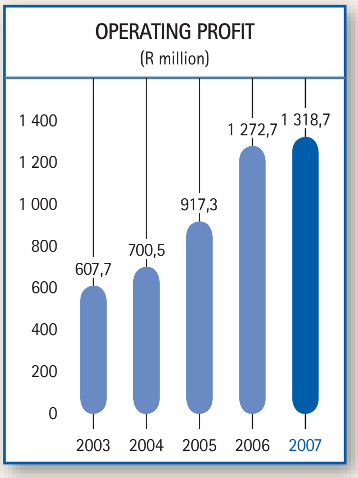
| Full name | Abbreviation |
|---|---|
| Aberdare Cables (Pty) Limited | Aberdare |
| Acuo Technologies (Pty) Limited | Acuo |
| ATC (Pty) Limited | ATC |
| Bargenel Investments Limited | Bargenel |
| Barloworld Limited | Barlows |
| Broad-Based Black Economic Empowerment | BBBEE |
| Black Economic Empowerment | BEE |
| Cafca Limited | CAFCA |
| CBI-electric Aberdare ATC Telecom Cables (Pty) Limited | Aberdare/ATC joint venture |
| JSE Limited | the JSE |
| Kgorong Investment Holdings (Pty) Limited | Kgorong |
| Kopano Copiers (Pty) Limited | Nashua Kopano |
| Nashua Mobile (Pty) Limited | Nashua Mobile |
| Nokia Siemens Networks SA (Pty) Limited | NSN |
| Pansolutions (Pty) Limited | Pansolutions |
| Peotona Group Holdings (Pty) Limited | Peotona |
| Powerhouse Utilities (Pty) Limited | Powerhouse |
| PSG Group Limited | PSG |
| Quince Capital Holdings (Pty) Limited | Quince |
| Rand Merchant Bank (A division of FirstRand Bank Limited) | RMB |
| RC&C Finance Company (Pty) Limited | RCCF |
| RDL Technologies (Pty) Limited | RDL |
| Reunert Finance Company Limited | RFCL |
| Reunert Limited | Reunert |
| Reunert Management Services Limited | RMS |
| Reutech Engineering Services (Pty) Limited | RES |
| Reutech Radar Systems (Pty) Limited | RRS |
| The group's defence businesses | Reutech |

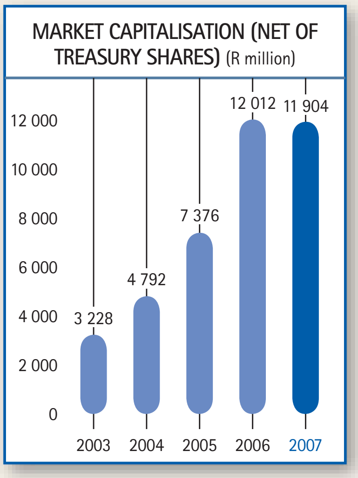
# Financial highlights

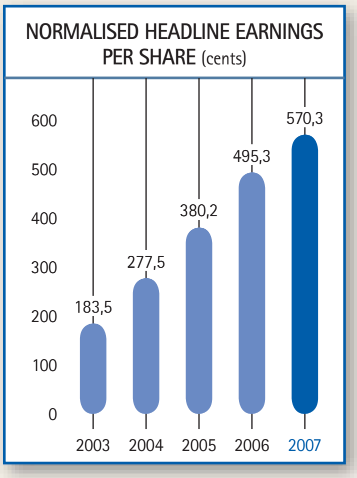


# Annual financial statements

## Contents

# FINANCIAL *statements directors' responsibility*

*for the year ended 30 September 2007*

**RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS**

The directors of Reunert 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 and section 7 d.11 of the Listings Requirements of the JSE, the directors, whose names are given on pages 12 and 13 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 affairs or financial position of Reunert and its subsidiaries since the date of this annual report.

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 42 to 92 were approved by the board of directors on 6 December 2007 and are signed on its behalf by:

**MJ SHAW**
Chairman

**G PRETORIUS**
Chief Executive

# SECRETARIES' *certification*

*for the year ended 30 September 2007*

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 2007 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 2007

**Deloitte.**

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Audit – Johannesburg
Buildings 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton
Docex 10 Johannesburg

Tel: +27 (0)11 806 5000
Fax: +27 (0)11 806 5111
www.deloitte.com

**TO THE MEMBERS OF REUNERT LIMITED**

We have audited the accompanying company and group annual financial statements of Reunert Limited, which comprise the balance sheet as at 30 September 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 42 to 92 and the segmental analysis set out on pages 29 to 33.

**Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

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

**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 2007, and of its financial performance and its 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 2007

## AUTHORISED AND ISSUED CAPITAL

The authorised capital of the company remained unchanged. During the year 26 800 (2006: 160 800) ordinary shares were issued at R5,45 per share, 95 200 (2006: 741 100) at R14,10 per share, 110 400 (2006: 467 100) at R15,80 per share, 66 600 (2006: 66 600) at R17,30 per share, 502 200 (2006: 446 060) at R15,99 per share, 20 400 (2006: 33 300) at R17,70 per share and 30 000 (2006: 0) at R41,90 per share. Options exercised in terms of the Reunert 1985 Share Option Scheme accounted for this increase.

530 900 shares were issued at the nominal value of R0,10 per share in terms of the employee transaction whereby South African employees of Reunert, its subsidiaries, RCCF and RRS who do not otherwise benefit from any existing employee share incentive scheme acquired 100 shares each. 563 631 shares previously owned by Bargenel were bought back and cancelled. Both of these transactions were communicated to shareholders in the circular dated 13 December 2006 and were approved at the annual general meeting on 6 February 2007.

## REVIEW OF OPERATIONS AND RESULTS

The attributable profit for the year in relation to the prior year was adversely affected by the abnormal items incurred in the current year, as detailed in note 5 to the annual financial statements.

The performance of the divisions and the group's results are reviewed on pages 4 and 5 and the segmental analysis is set out on pages 29 to 33.

## DIVIDENDS

An interim ordinary dividend No 162 of 73 cents (2006: No 160 of 63 cents) per share was declared on 17 May 2007, and a final ordinary dividend No 163 of 241 cents (2006: No 161 of 210 cents) per share was declared on 20 November 2007.

A total distribution of 314 cents (2006: 473 cents) per ordinary share was declared relating to the 2007 financial year.

An interim 5,5% cumulative preference dividend No 44 was declared on 18 June 2007 and a final dividend No 45 will be declared on 31 December 2007.

## SUBSIDIARY COMPANIES

During the year a major change took place in ATC which is more fully dealt with in note 35 to the annual financial statements on page 90.

Reunert sold its investment in the ordinary shares of Bargenel during the year (refer note 36).

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: Bargenel Investments Ltd adopted new memorandum and articles of association and reorganised and increased its authorised share capital. CBI-electric Telecommunication Cables (Pty) Ltd changed its name to CBI-electric Aberdare ATC Telecom Cables (Pty) Ltd and adopted new articles of association. Interpine Properties (Pty) Ltd changed its name to Nashua Holdings (Pty) Ltd. Nashua Connect (Pty) Ltd changed its name to Nashua Holdings (Pty) Ltd and then back to Nashua Connect (Pty) Ltd. Nashua Mobile (Pty) Ltd changed its articles of association. RC&C Holdings Ltd changed its name to Nashua Electronics Ltd. Full details of these resolutions may be viewed at the company's registered office.

## DIRECTORATE AND COMPANY SECRETARY

Ms ND Orleyn, having been elected to the board of directors during the year, is required to retire at the next annual general meeting but, being eligible, offers herself for re-election. Ms KC Morolo and Messrs BP Connellan, BP Gallagher and G Pretorius 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 2007 and to the date of this report, are set out on pages 12 and 13.

The name and address of the company secretaries are set out on page 95.

## INTERESTS OF DIRECTORS

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

| | Direct beneficial | |
|---|---|---|
| | **2007** | 2006 |
| BP Connellan | **30 523** | 30 523 |
| KS Fuller | **–** | – |
| BP Gallagher | **298 313** | 346 709 |
| SD Jagoe | **–** | – |
| KJ Makwetla | **–** | – |
| KC Morolo | **–** | – |
| GJ Oosthuizen | **33 300** | 198 664 |
| ND Orleyn | **–** | – |
| G Pretorius | **66 600** | 378 720 |
| DJ Rawlinson | **325 120** | 395 820 |
| MJ Shaw | **–** | – |
| JC van der Horst | **–** | – |
| | **753 856** | 1 350 436 |

| | Indirect beneficial | |
|---|---|---|
| | **2007** | 2006 |
| BP Connellan | **9 000** | 9 000 |
| KS Fuller | **–** | – |
| BP Gallagher | **–** | – |
| SD Jagoe | **18 000** | 18 000 |
| KJ Makwetla | **–** | – |
| KC Morolo | **–** | – |
| GJ Oosthuizen | **–** | – |
| ND Orleyn | **–** | – |
| G Pretorius | **–** | – |
| DJ Rawlinson | **–** | – |
| MJ Shaw | **–** | – |
| JC van der Horst | **–** | – |
| | **27 000** | 27 000 |

These holdings have remained unchanged up to 6 December 2007.

Executive directors of the company held unexercised options to subscribe for 447 000 (2006: 613 500) ordinary shares in terms of the Reunert 1985 Share Option Scheme. These options are due to expire as follows:

- 167 000 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 to the annual financial statements.

## SUBSEQUENT EVENTS

The directors are not aware of any matters or circumstances arising between the end of the financial year and the date of these financial statements which materially affect the financial position or results of the company or the group.

## ATTRIBUTABLE INTEREST

The attributable interest of the company in the profits and losses of its consolidated subsidiaries for the year ended 30 September 2007 is:

| | **2007 Rm** | 2006 Rm |
|---|---|---|
| In the aggregate net income | **704,1** | 570,7 |
| In the aggregate net losses | **(18,3)** | (5,1) |
| | **685,8** | 565,6 |

## GOING CONCERN

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

The consolidated financial statements, comprising Reunert, 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.

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

| Standards and Interpretations | | Effective for annual periods beginning on or after |
|---|---|---|
| Amendment to IAS 1 | – Presentation of Financial Statements | 1 January 2009 |
| Amendment to IAS 23 | – Borrowing costs | 1 January 2009 |
| IFRS 7 | – Financial Instruments: Disclosures | 1 January 2007 |
| IFRS 8 | – Segmental Reporting | 1 January 2009 |
| IFRIC 10 | – Interim Financial Reporting and Impairments | 1 November 2006 |
| IFRIC 11 | IFRS 2 – Group and Treasury Share Transactions (this has been early adopted). | 1 March 2007 |
| IFRIC 12 | – Service Concession Arrangements | 1 January 2008 |
| IFRIC 13 | – Customer Loyalty Programmes | 1 July 2008 |
| IFRIC 14 | IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction. | 1 January 2008 |
| AC502 | – Substantively Enacted Tax Rates and Tax Laws | 1 January 2007 |

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 presented in South African rand, which is the currency in which the majority of the group's transactions are denominated. The consolidated financial statements have been prepared on the going concern and historical cost bases under IFRS, except for certain financial instruments which are stated at fair value.

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.

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 that 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 by all group entities to all periods presented in these consolidated financial statements, except for the change in accounting policy relating to retained earnings of NSN (formerly Siemens Telecommunications) (refer to note 9 to the annual financial statements).

**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. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The operating results of subsidiaries are included from the date that control commences to the date that 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.

Losses of an associate in excess of the group's interest in that associate are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

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, which is defined as 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 a joint venture, only that portion of the gain attributable to the other venturers is recognised.

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**

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 represents amounts arising on acquisition of subsidiaries and joint ventures, and is the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities. 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 (CGUs) 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".

**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.

**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 such indication exists, the asset's recoverable amount is estimated. For goodwill, 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 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.

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 CGU to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its 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 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, and are measured at the lower of the 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. Cost is determined on the first-in, first-out basis and includes direct material costs together with appropriate allocations of labour and overheads based on normal operating capacity.

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 on the 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.

**Deferred taxation**

Deferred tax is provided using the balance sheet liability method, providing for all temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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 received.

**REVENUE**

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, there is no continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the enterprise, and the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

Revenue from the rendering of services is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the enterprise, the stage of completion at the balance sheet date can be measured reliably, and the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

When the outcome of a construction contract can be estimated reliably, 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 reliably estimated, 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). The Reunert group's and company's 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.

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 dependent 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 employee's services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary levels.

**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 grant date. 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.

### 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 and is considered at least annually. The discounted cash flow method is used, taking into account future expected cash flows, market conditions and the expected useful lives of the assets.

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 2007*

| | Notes | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|---|
| **REVENUE** | 1 | 9 574,4 | 8 236,4 | 2 615,6 | 2 610,6 |
| **COST OF SALES** | | (6 763,1) | (5 647,9) | (1 696,5) | (1 540,1) |
| **GROSS PROFIT** | | 2 811,3 | 2 588,5 | 919,1 | 1 070,5 |
| Other income | | 52,4 | 72,9 | 4,5 | 9,2 |
| Other expenses | | (1 545,0) | (1 388,7) | (566,2) | (638,0) |
| **OPERATING PROFIT BEFORE INTEREST, DIVIDENDS AND ABNORMAL ITEMS** | 2 | 1 318,7 | 1 272,7 | 357,4 | 441,7 |
| Interest and dividends received | 3 | 112,0 | 99,8 | 1 771,6 | 399,0 |
| Interest paid | 4 | (57,2) | (34,9) | (19,0) | (19,6) |
| **PROFIT BEFORE ABNORMAL ITEMS** | | 1 373,5 | 1 337,6 | 2 110,0 | 821,1 |
| Abnormal items | 5 | (447,6) | 1,6 | (188,6) | 12,8 |
| **PROFIT BEFORE TAXATION** | | 925,9 | 1 339,2 | 1 921,4 | 833,9 |
| Taxation | 6 | (427,4) | (500,5) | (160,9) | (224,7) |
| **PROFIT AFTER TAXATION** | | 498,5 | 838,7 | 1 760,5 | 609,2 |
| Share of associate companies' profits | 15 | 148,4 | 95,2 | | |
| **PROFIT FOR THE YEAR** | | 646,9 | 933,9 | 1 760,5 | 609,2 |
| **PROFIT FOR THE YEAR ATTRIBUTABLE TO:** | | | | | |
| Minority interest | | 7,6 | 11,1 | | |
| Equity holders of Reunert | | 639,3 | 922,8 | 1 760,5 | 609,2 |
| | | 646,9 | 933,9 | 1 760,5 | 609,2 |
| **BASIC EARNINGS PER SHARE (CENTS)** | 7 | 361,7 | 527,0 | | |
| **DILUTED BASIC EARNINGS PER SHARE (CENTS)** | 7 | 356,5 | 522,4 | | |
| **CASH DIVIDEND DECLARED AND PAID PER SHARE (CENTS)** | | | | | |
| – Interim | 8 | 73,0 | 63,0 | | |
| **CASH DIVIDENDS DECLARED PER SHARE (CENTS)** | | | | | |
| – Final | 8 | 241,0 | 210,0 | | |
| – Special | 8 | – | 200,0 | | |
| **TOTAL CASH DIVIDENDS DECLARED PER SHARE (CENTS)** | | 314,0 | 473,0 | | |

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 11 | **565,7** | 455,4 | **216,8** | 204,0 |
| Intangible assets | 12 | **13,0** | 11,9 | **9,2** | 8,2 |
| Goodwill | 13 | **372,8** | 326,8 | **–** | 13,8 |
| Interest in subsidiaries | 14 | | | **1 480,1** | 880,6 |
| Interest in associates | 15 | **400,3** | 126,0 | **533,5** | 158,5 |
| Other investments and loans | 16 | **327,6** | 22,8 | **85,4** | 22,8 |
| RCCF accounts receivable | 17 | **–** | 985,3 | | |
| Deferred taxation assets | 18 | **37,9** | 59,1 | **–** | – |
| | | **1 717,3** | 1 987,3 | **2 325,0** | 1 287,9 |
| **CURRENT ASSETS** | | | | | |
| Derivative assets | 33 | **3,9** | 67,7 | **–** | 38,7 |
| Inventory and contracts in progress | 19 | **879,8** | 809,0 | **395,1** | 410,1 |
| RCCF accounts receivable | 17 | **–** | 418,5 | | |
| Accounts receivable | 20 | **1 712,2** | 1 395,0 | **358,6** | 443,6 |
| Non-current assets held for sale | 21 | **–** | 2,6 | **–** | – |
| Taxation | | **–** | – | **14,3** | – |
| Cash and cash equivalents | 22 | **530,6** | 969,3 | **322,1** | 125,6 |
| | | **3 126,5** | 3 662,1 | **1 090,1** | 1 018,0 |
| **TOTAL ASSETS** | | **4 843,8** | 5 649,4 | **3 415,1** | 2 305,9 |
| **EQUITY AND LIABILITIES** | | | | | |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital and premium | 23 | **90,8** | 76,9 | **90,8** | 76,9 |
| Share-based payment reserves | 23 | **649,9** | 40,4 | **625,8** | 16,3 |
| Treasury shares | 23 | **(276,1)** | (282,0) | | |
| Non-distributable reserves | 24 | **7,3** | 3,7 | **0,3** | 0,3 |
| Retained earnings | | **1 997,1** | 1 841,9 | **2 057,3** | 896,9 |
| Equity attributable to equity holders of Reunert | | **2 469,0** | 1 680,9 | **2 774,2** | 990,4 |
| Minority interest | | **14,4** | 38,2 | | |
| **TOTAL EQUITY** | | **2 483,4** | 1 719,1 | **2 774,2** | 990,4 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Deferred taxation liabilities | 18 | **115,8** | 141,6 | **45,2** | 32,1 |
| Long-term borrowings | 25 | **278,8** | 115,0 | **69,3** | 162,4 |
| | | **394,6** | 256,6 | **114,5** | 194,5 |
| **CURRENT LIABILITIES** | | | | | |
| Derivative liabilities | 33 | **9,0** | – | **5,8** | – |
| Bank overdrafts and short-term portion of long-term borrowings | | **178,2** | 27,0 | **0,6** | 16,0 |
| RCCF short-term borrowings | | **–** | 1 187,9 | | |
| Shareholders for dividends | | **–** | 390,7 | **–** | 390,7 |
| Provisions | 26 | **59,2** | 46,4 | **8,7** | 5,0 |
| Trade and other payables | | **1 707,3** | 1 839,5 | **511,3** | 648,3 |
| Taxation | | **12,1** | 182,2 | **–** | 61,0 |
| | | **1 965,8** | 3 673,7 | **526,4** | 1 121,0 |
| **TOTAL EQUITY AND LIABILITIES** | | **4 843,8** | 5 649,4 | **3 415,1** | 2 305,9 |

# CASH FLOW *statements*

*for the year ended 30 September 2007*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash generated from operations before working capital changes | A | **1 416,7** | 1 331,6 | **398,8** | 474,7 |
| Increase in net working capital | | **(739,7)** | (628,4) | **(12,4)** | (191,4) |
| Movement in RCCF accounts receivable up to the date of transfer | | **(300,7)** | (375,6) | | |
| Working capital changes | B | **(439,0)** | (252,8) | **(12,4)** | (191,4) |
| Cash generated from operations | | **677,0** | 703,2 | **386,4** | 283,3 |
| Interest received | | **104,3** | 92,9 | **47,4** | 56,8 |
| Interest paid | | **(57,2)** | (34,9) | **(19,0)** | (19,6) |
| Dividends received (including from associate) | | **153,7** | 62,9 | **1 724,2** | 342,2 |
| Taxation paid | C | **(568,6)** | (347,4) | **(223,1)** | (192,0) |
| Net cash inflow from operating activities available to pay dividends | | **309,2** | 476,7 | **1 915,9** | 470,7 |
| Dividends paid (including to outside shareholders in subsidiaries) | D | **(879,3)** | (464,2) | **(990,8)** | (452,0) |
| Net cash (outflow)/inflow from operating activities | | **(570,1)** | 12,5 | **925,1** | 18,7 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Investments to maintain operating capacity | | **(299,1)** | (45,3) | **(96,1)** | 123,0 |
| – Repayment of non-current loans | | **5,8** | 2,0 | **5,8** | 2,0 |
| – Non-current loans granted | | **(310,7)** | (4,5) | **(68,5)** | (4,5) |
| - Replacement of property, plant and equipment | | **(62,1)** | (60,2) | **(34,7)** | (32,8) |
| – Proceeds on disposal of property, plant and equipment, intangible assets, investments and other capital items | | **67,9** | 17,4 | **1,3** | 158,3 |
| Investments to increase operating capacity | | **1 307,7** | (140,4) | **(1 089,7)** | (87,1) |
| – Expansion of property, plant and equipment | | **(79,5)** | (132,0) | **(10,0)** | (75,8) |
| – Additions of intangible assets | | **(7,4)** | (2,1) | **(5,8)** | (0,6) |
| – Increase in investments | | **(375,0)** | – | **(1 487,4)** | – |
| – Proceeds on disposal of subsidiaries and businesses | E | **1 881,4** | – | **449,3** | – |
| – Acquisition of subsidiaries and businesses | F | **(111,8)** | (6,3) | **(35,8)** | (10,7) |
| Net cash inflow/(outflow) from investing activities | | **1 008,6** | (185,7) | **(1 185,8)** | 35,9 |

| | Notes | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Funds provided by equity holders of Reunert | | **19,9** | 27,5 | **14,0** | 27,5 |
| Long-term borrowings – raised | | **370,4** | 14,6 | **7,8** | 62,7 |
| – repaid | | **(115,8)** | (15,1) | **(115,7)** | (14,9) |
| Net loans to subsidiaries | | | | **551,7** | (150,7) |
| Net cash inflow/(outflow) from financing activities | | **274,5** | 27,0 | **457,8** | (75,4) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **713,0** | (146,2) | **197,1** | (20,8) |
| **NET (BORROWINGS)/CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **(230,2)** | (84,0) | **125,0** | 145,8 |
| **NET CASH AND CASH EQUIVALENTS/(BORROWINGS) AT END OF YEAR*** | | **482,8** | (230,2) | **322,1** | 125,0 |
| *** NET CASH AND CASH EQUIVALENTS/(BORROWINGS) ARE MADE UP OF:** | | | | | |
| Cash and cash equivalents | | **530,6** | 969,3 | **322,1** | 125,6 |
| Bank overdrafts | | **(47,8)** | (11,6) | **–** | (0,6) |
| Net cash resources of the group/company excluding RCCF | | **482,8** | 957,7 | **322,1** | 125,0 |
| RCCF short-term borrowings | | **–** | (1 187,9) | | |
| Net cash and cash equivalents/(borrowings) | | **482,8** | (230,2) | **322,1** | 125,0 |
| Net cash flows from operating activities before dividends paid and excluding movements in RCCF accounts receivable | | **609,9** | 852,3 | | |
| Operating cash flow per share (cents) | | **345,0** | 486,7 | | |

# NOTES TO THE CASH FLOW *statements*

*for the year ended 30 September 2007*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **A.** | **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES** | | | | |
| | Profit before taxation | **925,9** | 1 339,2 | **1 921,4** | 833,9 |
| | Adjusted for: | | | | |
| | – Net interest received | **(47,1)** | (58,0) | **(28,4)** | (37,2) |
| | – Dividends received | **(7,7)** | (6,9) | **(1 724,2)** | (342,2) |
| | – Depreciation of property, plant and equipment | **68,0** | 59,9 | **24,8** | 24,7 |
| | – Amortisation of intangible assets | **6,3** | 3,3 | **3,7** | 1,3 |
| | – Negative goodwill | **(1,1)** | – | **–** | – |
| | – Impairment of goodwill | **0,8** | 3,4 | **–** | 3,4 |
| | – Net (surplus)/loss on disposal of property, plant and equipment | **(0,5)** | (2,6) | **0,7** | 0,3 |
| | – Net surplus on disposal of intangible assets | **(0,2)** | – | **–** | – |
| | – Other abnormal items | **(34,5)** | – | **(1,7)** | (11,2) |
| | – Surplus on disposal of businesses | **(118,1)** | (5,0) | **(366,3)** | (5,0) |
| | – Share option expense | **609,6** | 9,6 | **565,2** | 9,6 |
| | – Impairment of intangible assets | **1,7** | – | **–** | – |
| | – Other non-cash movements | **13,6** | (11,3) | **3,6** | (2,9) |
| | **Cash generated from operations before working capital changes** | **1 416,7** | 1 331,6 | **398,8** | 474,7 |
| **B.** | **WORKING CAPITAL CHANGES** | | | | |
| | – Inventory and contracts in progress | **(66,1)** | (247,6) | **3,5** | (64,8) |
| | – Accounts receivable, derivative assets and non-current assets held for sale | **(240,3)** | (456,4) | **86,1** | (185,5) |
| | – Trade and other payables and derivative liabilities | **(132,6)** | 451,2 | **(102,0)** | 58,9 |
| | **Working capital changes** | **(439,0)** | (252,8) | **(12,4)** | (191,4) |
| **C.** | **RECONCILIATION OF TAXATION PAID TO THE AMOUNTS DISCLOSED IN THE INCOME STATEMENT AS FOLLOWS:** | | | | |
| | – Net amounts unpaid at beginning of year | **(182,2)** | (67,5) | **(61,0)** | (50,0) |
| | – Current taxation per the income statement | **(400,8)** | (461,8) | **(147,8)** | (203,0) |
| | – Translation reserve | **0,3** | (0,3) | **–** | – |
| | – Taxation provisions of subsidiaries purchased | **(0,3)** | – | | |
| | – Taxation provisions of subsidiaries sold | **2,3** | – | | |
| | – Net amounts unpaid at end of year | **12,1** | 182,2 | **(14,3)** | 61,0 |
| | **Cash amounts paid** | **(568,6)** | (347,4) | **(223,1)** | (192,0) |
| **D.** | **RECONCILIATION OF CASH DIVIDENDS PAID TO THE AMOUNTS DISCLOSED IN THE STATEMENTS OF CHANGES IN EQUITY AS FOLLOWS:** | | | | |
| | – Dividends unpaid at the beginning of year | **(390,7)** | – | **(390,7)** | – |
| | – Dividends per the statement of changes in equity | **(484,1)** | (839,0) | **(600,1)** | (842,7) |
| | – Dividends paid to outside shareholders in subsidiaries | **(4,5)** | (15,9) | **–** | – |
| | – Net amounts unpaid at end of year | **–** | 390,7 | **–** | 390,7 |
| | **Cash amounts paid** | **(879,3)** | (464,2) | **(990,8)** | (452,0) |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **E. ANALYSIS OF TRANSFER/DISPOSAL OF SUBSIDIARIES AND BUSINESSES:** | | | | |
| Inventory | **–** | – | **11,5** | – |
| Accounts receivable | **1 704,5** | – | **37,6** | – |
| Trade and other payables and provisions | **(5,8)** | – | **(29,6)** | – |
| Taxation | **(2,3)** | – | **–** | – |
| Property, plant and equipment | **1,2** | – | **5,2** | – |
| Intangible assets | **–** | – | **1,1** | – |
| Deferred taxation | **(41,4)** | – | **–** | – |
| Investments in subsidiaries | **–** | – | **43,4** | – |
| Existing goodwill | **–** | – | **13,8** | – |
| Attributable portion of goodwill arising in Quince on this transaction | **107,1** | – | **–** | – |
| Surplus on transfer/disposal | **118,1** | – | **389,3** | – |
| Loss on disposal | **–** | – | **(23,0)** | – |
| Short-term borrowings | **(1 575,1)** | – | **–** | – |
| Cash on hand | **68,7** | – | **2,2** | – |
| **Amounts received in cash** | **375,0** | – | **451,5** | – |
| **Net short-term borrowings/(cash) on hand at time of transfer/disposal** | **1 506,4** | – | **(2,2)** | – |
| **Net cash received** | **1 881,4** | – | **449,3** | – |
| **F. ANALYSIS OF ACQUISITION OF SUBSIDIARIES AND BUSINESSES:** | | | | |
| Inventory | **(4,7)** | (0,5) | **–** | (8,0) |
| Accounts receivable | **(12,9)** | (1,4) | **–** | (10,4) |
| Trade and other payables and provisions | **14,5** | 1,9 | **–** | 4,1 |
| Taxation | **0,3** | – | **–** | – |
| Property, plant and equipment | **(69,1)** | (0,3) | **–** | (2,7) |
| Intangible assets | **(1,6)** | (5,2) | **–** | (3,7) |
| Deferred taxation | **10,2** | – | **–** | – |
| Net cash on hand at time of the acquisition | **(8,2)** | (0,1) | **–** | (1,9) |
| Long-term liabilities | **24,1** | – | **–** | – |
| Goodwill on previous acquisitions | **(25,2)** | (0,8) | **–** | (3,4) |
| Intercompany loan | | | **–** | 13,4 |
| Outside shareholders' interest | **(26,9)** | – | **–** | – |
| Goodwill on acquisitions | **(20,5)** | – | **–** | – |
| Shares purchased in existing subsidiaries | **–** | – | **(35,8)** | – |
| **Cost of investment** | **(120,0)** | (6,4) | **(35,8)** | (12,6) |
| **Net cash on hand at time of the acquisition** | **8,2** | 0,1 | **–** | 1,9 |
| **Net cash paid** | **(111,8)** | (6,3) | **(35,8)** | (10,7) |

# STATEMENTS *of changes in equity*

*for the year ended 30 September 2007*

**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 Rm | Minority interest Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 30 September 2005 as previously reported** | | 49,4 | 30,8 | (282,0) | 67,3 | 1 696,2 | 1 561,7 | 43,0 | 1 604,7 |
| Share of associate company's retained earnings transferred from non-distributable reserves | 9, 24 | | | | (61,9) | 61,9 | – | | – |
| **Restated balance at 30 September 2005** | | 49,4 | 30,8 | (282,0) | 5,4 | 1 758,1 | 1 561,7 | 43,0 | 1 604,7 |
| 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 restated | | | | | – | – | – | | – |
| Movement on reserves as previously reported | | | | | 39,2 | (39,2) | – | | – |
| Share of associate company's retained earnings transferred from non-distributable reserves | 9, 24 | | | | (39,2) | 39,2 | – | | – |
| Share-based payment expense | 23 | | 9,6 | | | | 9,6 | | 9,6 |
| Dividends declared | 8 | | | | | (798,3) | (798,3) | (15,9) | (814,2) |
| Dividends declared to BEE partners | 10.3 | | | | | (40,7) | (40,7) | | (40,7) |
| Issue of shares – share capital | 23 | 0,2 | | | | | 0,2 | | 0,2 |
| – share premium | 23 | 27,3 | | | | | 27,3 | | 27,3 |
| **Restated balance at 30 September 2006** | | 76,9 | 40,4 | (282,0) | 3,7 | 1 841,9 | 1 680,9 | 38,2 | 1 719,1 |
| Reunert share of equity accounted associate's actuarially valued surplus of medical aid provision | | | | | 3,9 | | 3,9 | | 3,9 |
| Translation reserve reversing | 24 | | | | (0,3) | | (0,3) | | (0,3) |
| **Net income recognised directly in equity** | | – | – | – | 3,6 | – | 3,6 | – | 3,6 |
| Profit for the year | | | | | | 639,3 | 639,3 | 7,6 | 646,9 |
| **Total recognised income and expense for the year** | | – | – | – | 3,6 | 639,3 | 642,9 | 7,6 | 650,5 |
| Share-based payment expense | 2, 5, 23 | | 607,4 | | | | 607,4 | | 607,4 |
| Contribution from Reunert to employees of joint ventures and associates in terms of a broad based scheme encompassing group employees | 23 | | 2,1 | | | | 2,1 | | 2,1 |
| Dividends declared | 8 | | | | | (462,5) | (462,5) | (4,5) | (467,0) |
| Dividends declared to BEE partners | 10.3 | | | | | (15,8) | (15,8) | | (15,8) |
| Issue of shares – share capital | 23 | 0,2 | | | | | 0,2 | | 0,2 |
| – share premium | 23 | 13,8 | | | | | 13,8 | | 13,8 |
| Shares cancelled in terms of the buy back of a portion of the treasury shares held by a subsidiary | 23 | | | | | | | | |
| – Capital portion | | (0,1) | | 0,1 | | | – | | – |
| – Dividend portion paid out of retained earnings | 8 | | | 5,8 | | (5,8) | – | | – |
| Minority interest reduced | | | | | | | | (26,6) | (26,6) |
| Minority interest introduced | | | | | | | | (0,3) | (0,3) |
| **Balance at 30 September 2007** | | **90,8** | **649,9** | **(276,1)** | **7,3** | **1 997,1** | **2 469,0** | **14,4** | **2 483,4** |

**COMPANY**

| | Notes | Share capital Rm | Share-based payment reserves Rm | Non distribu-table reserves Rm | Retained earnings Rm | Total Rm |
|---|---|---|---|---|---|---|
| **Balance at 30 September 2005 as previously reported** | | 49,4 | 6,7 | 2,8 | 1 130,4 | 1 189,3 |
| Fair value adjustments previously taken to reserves now reversed | 24 | | | (2,5) | | (2,5) |
| **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 | 8 | | | | (842,7) | (842,7) |
| Issue of shares – share capital | 23 | 0,2 | | | | 0,2 |
| – share premium | 23 | 27,3 | | | | 27,3 |
| **Balance at 30 September 2006** | | 76,9 | 16,3 | 0,3 | 896,9 | 990,4 |
| Net profit for the year | | | | | 1 760,5 | 1 760,5 |
| **Total recognised income and expense for the year** | | – | – | – | 1 760,5 | 1 760,5 |
| Share-based payment expense | 23 | | 565,2 | | | 565,2 |
| Dividends declared | 8 | | | | (554,1) | (554,1) |
| Issue of shares – share capital | 23 | 0,2 | 44,3 | | | 44,5 |
| – share premium | 23 | 13,8 | | | | 13,8 |
| Shares cancelled in terms of the buy back of a portion of the treasury shares held by a subsidiary | 23 | | | | | |
| – Capital portion | | (0,1) | | | | (0,1) |
| – Dividend portion paid out of retained earnings | 8 | | | | (46,0) | (46,0) |
| **Balance at 30 September 2007** | | **90,8** | **625,8** | **0,3** | **2 057,3** | **2 774,2** |

| | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|
| **1. REVENUE** | | | | |
| Revenue excludes revenue of associate companies and includes export revenue of R619,0 million (2006: R481,6 million) and interest received by RCCF up to the date of transfer of R129,0 million (2006: R172,6 million). | | | | |
| **2. OPERATING PROFIT** | | | | |
| **Operating profit is stated after:** | | | | |
| Administration, management and other fees | **34,3** | 37,7 | **23,1** | 29,5 |
| Auditors' remuneration: | | | | |
| Audit fees | **9,2** | 10,2 | **3,9** | 5,1 |
| Other fees | **2,1** | 2,5 | **0,8** | 1,6 |
| Expenses | **0,1** | 0,1 | **–** | – |
| | **11,4** | 12,8 | **4,7** | 6,7 |
| Depreciation: | | | | |
| Buildings | **4,8** | 3,4 | **3,0** | 0,7 |
| Plant and equipment | **58,5** | 51,6 | **19,8** | 21,2 |
| Vehicles | **4,7** | 4,9 | **2,0** | 2,8 |
| | **68,0** | 59,9 | **24,8** | 24,7 |
| Amortisation: | | | | |
| Intangible assets | **6,3** | 3,3 | **3,7** | 1,3 |
| Impairment of intangible assets | **1,6** | – | **–** | – |
| Impairments in respect of the group relating to goodwill of R0,8 million (R3,4 million) have been included in abnormal items (refer to note 5). | | | | |
| Bad debt expense | **16,2** | 12,5 | **0,5** | 2,4 |
| Rental income from investment properties (included in revenue) | **(1,4)** | (4,5) | **–** | – |
| Direct operating expenses arising from investment properties that generated rental income | **1,8** | 2,3 | **–** | – |
| Direct operating expenses arising from investment properties that did not generate rental income | **–** | 0,2 | **–** | 0,2 |
| Net realised (losses)/gains on currency exchange differences | **(40,9)** | 3,5 | **(34,9)** | (4,6) |
| Net unrealised (losses)/gains on currency exchange differences | **(5,0)** | – | **6,1** | (20,9) |
| Net realised (losses)/gains on fair value adjustments to derivative instruments | **(66,0)** | 62,1 | **(24,1)** | 14,3 |
| Net unrealised gains on fair value adjustments to derivative instruments | **11,0** | 67,7 | **4,6** | 38,7 |
| | **(100,9)** | 133,3 | **(48,3)** | 27,5 |
| Income from subsidiaries: | | | | |
| Fees | | | **6,6** | 5,7 |
| Rental (included in revenue) | | | **7,6** | 6,9 |
| | | | **14,2** | 12,6 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **2. OPERATING PROFIT (continued)** | | | | |
| Operating lease charges: | | | | |
| Land and buildings | **25,9** | 26,3 | **10,2** | 12,4 |
| Vehicles and other | **1,7** | 0,9 | **0,5** | 0,6 |
| | **27,6** | 27,2 | **10,7** | 13,0 |
| Research and development expenditure: | | | | |
| Financed by revenue from customers | **24,0** | 17,4 | **–** | – |
| Not financed by revenue from customers | **46,7** | 43,9 | **35,5** | 35,0 |
| | **70,7** | 61,3 | **35,5** | 35,0 |
| Net surplus/(loss) on disposal of plant and equipment and intangible assets | **35,2** | 2,6 | **(0,7)** | (0,3) |
| Government grants | **1,0** | 0,5 | **0,3** | – |
| Staff costs: | | | | |
| Salaries and wages | **951,3** | 852,0 | **–** | – |
| Pension fund contributions | **13,2** | 7,8 | **–** | – |
| Provident fund contributions | **62,6** | 52,9 | **–** | – |
| Other staff costs | **57,5** | 44,7 | **–** | – |
| | **1 084,6** | 957,4 | **–** | – |
| Share-based payment expense in respect of the group's share option scheme (refer to note 23). | **8,6** | 9,6 | **8,6** | 9,6 |
| Compensation of key management personnel | | | | |
| The remuneration paid to directors and other key management personnel of Reunert during the year was as follows: | | | | |
| Short-term benefits | **36,9** | 32,5 | **–** | 1,1 |
| Post-employment benefits | **2,8** | 2,5 | | |
| Share-based payments | **31,5** | 18,0 | | |
| | **71,2** | 53,0 | **–** | 1,1 |
| The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. | | | | |
| Write-down of inventory | **8,0** | 1,6 | **8,0** | 1,6 |
| **3. INTEREST AND DIVIDENDS RECEIVED** | | | | |
| Dividends received: | | | | |
| – Unlisted subsidiaries | | | **1 570,5** | 279,3 |
| – Unlisted associate | | | **146,0** | 56,0 |
| – Other | **7,7** | 6,9 | **7,7** | 6,9 |
| Interest received: | | | | |
| – Subsidiaries | | | **26,6** | 37,7 |
| – From RCCF up to date of transfer | **43,5** | 57,2 | | |
| – Other | **60,8** | 35,7 | **20,8** | 19,1 |
| | **112,0** | 99,8 | **1 771,6** | 399,0 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **4. INTEREST PAID** | | | | |
| Subsidiaries | | | **1,3** | 4,8 |
| Long-term borrowings | **16,1** | 10,6 | **12,6** | 12,7 |
| Short-term loans and bank overdrafts | **41,1** | 24,3 | **5,1** | 2,1 |
| | **57,2** | 34,9 | **19,0** | 19,6 |
| Interest paid by RCCF | **71,2** | 75,3 | | |
| **5. ABNORMAL ITEMS** | | | | |
| Net surplus on dilution in and disposal of businesses | **118,1** | 5,0 | **366,3** | 5,0 |
| Surplus on sale of non-current assets to the ATC/Aberdare joint venture | **34,5** | – | **–** | – |
| Equity instrument granted to BEE partners to take up shares in Reunert (refer to note 23) | **(556,6)** | – | **(556,6)** | – |
| Reversal of provision for losses in subsidiaries | | | **1,7** | 11,2 |
| Impairment of goodwill | **(0,8)** | (3,4) | **–** | (3,4) |
| Impairment of intangible assets | **(1,7)** | – | **–** | – |
| Negative goodwill taken to profit in terms of IFRS 3 (refer to note 13) | **1,1** | – | **–** | – |
| Share-based payment expense in terms of broad based scheme to group employees (refer to note 23) | **(42,2)** | – | **–** | – |
| Gross abnormal items | **(447,6)** | 1,6 | **(188,6)** | 12,8 |
| Taxation | **14,7** | – | **–** | – |
| Minority interest | **0,2** | – | | |
| Net abnormal items after minority interest | **(432,7)** | 1,6 | **(188,6)** | 12,8 |
| **6. TAXATION** | | | | |
| South African normal taxation: | | | | |
| – Current | **350,6** | 356,8 | **117,4** | 128,3 |
| – Prior | **0,3** | 0,6 | **(0,6)** | (0,2) |
| Deferred taxation: | | | | |
| – Current (refer to note 18) | **17,9** | 31,4 | **(1,3)** | 17,1 |
| – Prior (refer to note 18) | **8,7** | 7,3 | **14,4** | 4,6 |
| STC | | | | |
| – Current | **48,1** | 99,3 | **31,0** | 74,9 |
| | **425,6** | 495,4 | **160,9** | 224,7 |
| Foreign normal taxation: | | | | |
| Current | **1,8** | 5,1 | **–** | – |
| | **427,4** | 500,5 | **160,9** | 224,7 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **6. TAXATION (continued)** | | | | |
| Reconciliation of rate of taxation | **%** | % | **%** | % |
| Effective rate of taxation | **46,2** | 37,4 | **8,4** | 26,9 |
| Movement in rate of taxation due to: | | | | |
| – Dividends received | **0,2** | 0,1 | **26,0** | 11,9 |
| – Disallowable expenses | **(11,2)** | (0,7) | **(3,1)** | (0,3) |
| – Secondary Tax on Companies | **(5,2)** | (7,4) | **(1,6)** | (9,0) |
| – Capital gains tax | **(0,1)** | – | **–** | – |
| – Adjustments from prior year | **(1,0)** | (0,6) | **(0,7)** | (0,5) |
| – Temporary differences not recognised | **(0,4)** | (0,1) | **–** | – |
| – Tax losses utilised not recognised previously | **0,7** | 0,1 | **–** | – |
| – Foreign tax rate differential | **–** | 0,2 | **–** | – |
| – Tax losses not recognised | **(0,2)** | – | **–** | – |
| 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 R27,0 million (2006: R30,4 million).

The company has a capital gains tax loss of R26,5 million (2006: R21,6 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 | | COMPANY | |
|---|---|---|---|---|
| **7. NUMBER OF SHARES USED TO CALCULATE EARNINGS PER SHARE** | | | | |
| Weighted average number of shares in issue used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares) | **176,7** | 175,1 | | |
| Adjusted by the dilutive effect of: | | | | |
| – Unexercised share options granted (millions of shares) | **1,5** | 1,5 | | |
| – The notional unencumbered Reunert shares held by Bargenel (millions of shares)* | **1,1** | – | | |
| Weighted average number of shares used to determine diluted basic, diluted headline and normalised diluted headline earnings per share (millions of shares) | **179,3** | 176,6 | | |

*The notional unencumbered Reunert shares represent the number of the 18,5 million treasury shares held by Bargenel that could be settled out of the year end equity of Bargenel (being the 18,5 million shares multiplied by the Reunert ordinary share price at the end of the year (R67,00), less the disposal value per share, as defined in the circular to shareholders dated 13 December 2006, dealing with this transaction, net of the upfront discount of 10% (R60,13)).

| | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|
| **8. CASH DIVIDENDS** | | | | |
| Ordinary dividends paid: | | | | |
| Final 2006 – 210 cents per share (2005: 170 cents per share) | **410,9** | 329,3 | **410,9** | 329,3 |
| Interim 2007 – 73 cents per share (2006: 63 cents per share) | **142,7** | 122,7 | **142,7** | 122,7 |
| Special 2007 – nil (2006: 200 cents per share) | **–** | 390,7 | **–** | 390,7 |
| Underaccrued portion of special dividend | **0,5** | – | **0,5** | – |
| Dividend portion of treasury shares bought back and cancelled | **5,8** | – | **46,0** | – |
| Attributable to Reunert shares held by a subsidiary | **(91,6)** | (44,4) | | |
| | **468,3** | 798,3 | **600,1** | 842,7 |
| Final ordinary dividend declared: | | | | |
| 241 cents per share (2006: 210 cents per share) | **472,8** | 410,2 | **472,8** | 410,2 |
| Attributable to Reunert shares held by a subsidiary | **(44,6)** | (40,0) | | |
| | **428,2** | 370,2 | **472,8** | 410,2 |

**9. CHANGE IN ACCOUNTING POLICY**

Share of associate's retained earnings

The group's share of the NSN retained earnings was previously transferred to a non-distributable reserve. This policy has been changed and the effect on the prior years' retained earnings and non-distributable reserves has been shown in the statements of changes in equity.

| | Notes | GROUP 2007 | GROUP 2006 |
|---|---|---|---|
| **10. HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS** | | | |
| **HEADLINE EARNINGS PER SHARE (CENTS)** | 10.1 | 272,4 | 524,6 |
| **DILUTED HEADLINE EARNINGS PER SHARE (CENTS)** | 10.1 | 268,4 | 520,0 |
| **NORMALISED HEADLINE EARNINGS PER SHARE (CENTS)** | 10.2 | 570,3 | 495,3 |
| **NORMALISED DILUTED HEADLINE EARNINGS PER SHARE (CENTS)** | 10.2 | 562,0 | 490,9 |
| | | **Rm** | Rm |
| **10.1 HEADLINE EARNINGS** | | | |
| Headline earnings are determined by eliminating the effect of the following items in attributable earnings: | | | |
| Profit attributable to equity holders of Reunert – IAS 33 basic earnings | | **639,3** | 922,8 |
| Adjusted for: | | **(151,9)** | (4,2) |
| Net surplus on dilution in and disposal of business | | **(118,1)** | (5,0) |
| Surplus on disposal of property, plant and equipment and intangible assets | | **(35,2)** | (2,6) |
| Net impairments | | **1,4** | 3,4 |
| Taxation effect of adjustments | | **(6,1)** | – |
| Minority effect of adjustments (nil due to rounding) | | **–** | – |
| Headline earnings attributable to equity holders of Reunert | | **481,3** | 918,6 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **10. HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS (continued)** | | | | |
| **10.2 NORMALISED HEADLINE EARNINGS** | | | | |
| Normalised headline earnings are determined by eliminating the effect of the following items in attributable headline earnings: | | | | |
| Headline earnings attributable to equity holders of Reunert (basic and diluted) | **481,3** | 918,6 | | |
| Adjusted for: | **599,9** | – | | |
| BEE expense – share-based payment | **556,6** | – | | |
| Share-based payment expense in terms of broad based scheme to group employees | **42,2** | – | | |
| BEE share of headline and normalised headline earnings adjustments | **8,2** | – | | |
| Contribution by Reunert to employees of joint venture and associate | **2,1** | – | | |
| Minority effect of adjustments | **(0,1)** | – | | |
| Taxation effect of adjustments | **(9,1)** | – | | |
| | **1 081,2** | 918,6 | | |
| Interest in profit that is economically attributable to BEE partners (refer to note 10.3) | **(73,5)** | (51,4) | | |
| Normalised headline earnings attributable to equity holders of Reunert (basic and diluted) | **1 007,7** | 867,2 | | |

**10.3 BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS**

The BEE deal of Reunert was approved by shareholders on 6 February 2007. Due to the sale of Bargenel to the BEE partners, the shareholders of Peotona and the Rebatona Educational Trust, a share-based payment expense (IFRS 2) of R557 million has been recognised. The sale of Bargenel, which holds 18,5 million shares in Reunert was done at a 10% discount on the Reunert share price. This expense differs from the amount disclosed in the circular to shareholders issued on 13 December 2006 largely as a result of the movement in the Reunert share price up to the date of the approval of this transaction. IFRS requires that this disposal is not accounted for as a sale, since the preference shares issued by Bargenel to Reunert, financing the purchase of Bargenel, have not been fully repaid and conditions are attached to the unpaid portion, notwithstanding that the reality of this transaction is, in fact, a sale.

All employees in the Reunert group who did not participate in any other share incentive scheme were awarded 100 Reunert shares each which will be held in trust for a period of five years. The employees will only be able to sell the shares after five years, but have full rights to receive all dividends declared during the five-year period. The resultant expense to the Reunert group has been raised on the difference between the fair value of a Reunert share on 6 February 2007 (R83,90) and its cost price of 10 cents each. A deferred tax asset has been raised as a result of the future tax deduction.

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.

| | GROUP | |
|---|---|---|
| | **2007 Rm** | 2006 Rm |
| The effect of this has been to not recognise the following: | | |
| Interest in current year profit that is economically attributable to BEE partners (refer to note 10.2) | **73,5** | 51,4 |
| Balance sheet interest that is economically attributable to BEE partners | **161,8** | 106,3 |

| | | GROUP | | | COMPANY | |
|---|---|---|---|---|---|---|
| | Cost Rm | Accumulated depreciation and impairments Rm | Net book value Rm | Cost Rm | Accumulated depreciation and impairments Rm | Net book value Rm |
| **11. PROPERTY, PLANT AND EQUIPMENT** | | | | | | |
| **2007** | | | | | | |
| Freehold land – investment | **22,9** | | **22,9** | **3,3** | | **3,3** |
| – owner-occupied | **22,1** | | **22,1** | **16,0** | | **16,0** |
| Freehold buildings – investment | **8,4** | **0,4** | **8,0** | **0,4** | | **0,4** |
| – owner-occupied | **89,5** | **13,8** | **75,7** | **35,6** | **8,2** | **27,4** |
| Leasehold buildings – owner-occupied | **58,8** | **8,2** | **50,6** | **48,3** | **3,4** | **44,9** |
| Plant and equipment | **838,9** | **470,1** | **368,8** | **300,2** | **182,2** | **118,0** |
| Vehicles | **36,8** | **19,2** | **17,6** | **13,0** | **6,2** | **6,8** |
| | **1 077,4** | **511,7** | **565,7** | **416,8** | **200,0** | **216,8** |
| 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 | 57,6 | 4,4 | 53,2 | 48,3 | 1,2 | 47,1 |
| Plant and equipment | 775,6 | 483,9 | 291,7 | 274,7 | 173,2 | 101,5 |
| 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 |

| | Land | | Buildings | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Investment Rm | Owner-occupied Rm | Investment Rm | Owner-occupied Rm | Plant and equipment Rm | Vehicles Rm | **2007 Total Rm** | 2006 Total Rm |
| **MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – GROUP** | | | | | | | | |
| Net book value at beginning of the year | 7,6 | 21,4 | 8,1 | 111,4 | 291,7 | 15,2 | **455,4** | 328,4 |
| Acquisition of businesses | 15,0 | 3,0 | – | 19,9 | 30,6 | 0,6 | **69,1** | 0,3 |
| Additions | 0,3 | – | – | 3,9 | 129,9 | 7,5 | **141,6** | 192,2 |
| Disposals of businesses | – | – | – | – | (1,2) | – | **(1,2)** | – |
| Disposals | – | (2,3) | – | (4,2) | (23,7) | (1,0) | **(31,2)** | (3,0) |
| Classified as held for sale | – | – | – | – | – | – | **–** | (2,6) |
| | 22,9 | 22,1 | 8,1 | 131,0 | 427,3 | 22,3 | **633,7** | 515,3 |
| Depreciation | | | – | (4,8) | (58,5) | (4,7) | **(68,0)** | (59,9) |
| Net book value at end of the year | 22,9 | 22,1 | 8,1 | 126,2 | 368,8 | 17,6 | **565,7** | 455,4 |

| | Land Investment Rm | Land Owner-occupied Rm | Buildings Investment Rm | Buildings Owner-occupied Rm | Plant and equipment Rm | Vehicles Rm | **2007 Total Rm** | 2006 Total Rm |
|---|---|---|---|---|---|---|---|---|
| **11. PROPERTY, PLANT AND EQUIPMENT (continued)** | | | | | | | | |
| **MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – COMPANY** | | | | | | | | |
| Net book value at beginning of the year | 3,3 | 16,0 | 0,4 | 74,5 | 101,5 | 8,3 | **204,0** | 120,0 |
| Acquisition of businesses | – | – | – | – | – | – | **–** | 2,7 |
| Additions | – | – | – | 0,8 | 41,0 | 2,9 | **44,7** | 108,6 |
| Disposals of businesses | – | – | – | – | (3,3) | (1,9) | **(5,2)** | – |
| Disposals | – | – | – | – | (1,4) | (0,5) | **(1,9)** | (2,6) |
| | 3,3 | 16,0 | 0,4 | 75,3 | 137,8 | 8,8 | **241,6** | 228,7 |
| Depreciation | | | | (3,0) | (19,8) | (2,0) | **(24,8)** | (24,7) |
| Net book value at end of the year | 3,3 | 16,0 | 0,4 | 72,3 | 118,0 | 6,8 | **216,8** | 204,0 |

**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 R61,6 million (2006 : R48,9 million).
   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 to 50 years |
| Plant | 5 to 33,3 years |
| Office equipment | 5 to 20 years |
| Computer equipment | 3,3 to 10 years |
| Furniture | 5 to 20 years |
| Vehicles | 3 to 12 years |

4. The insurable value of the group's property, plant and equipment as at 30 September 2007 amounted to R3,5 billion (2006: R3,0 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.

| | GROUP **2007 Rm** | GROUP 2006 Rm | COMPANY **2007 Rm** | COMPANY 2006 Rm |
|---|---|---|---|---|
| 5. Operating leases receivable | | | | |
| Total future minimum lease payments receivable for all non-cancellable leases on land and buildings | | | | |
| < 1 year | **–** | 0,6 | **4,7** | 4,7 |
| 1 – 5 years | **–** | 0,7 | **11,8** | 16,5 |
| | **–** | 1,3 | **16,5** | 21,2 |
| Gross carrying amount of assets leased under operating leases | **–** | 8,9 | **26,3** | 26,0 |
| Accumulated depreciation | **–** | – | **(1,4)** | (1,2) |

| | 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** | | | | | | |
| **2007** | | | | | | |
| Computer software | **36,9** | **29,4** | **7,5** | **10,7** | **5,9** | **4,8** |
| Customer list, restraint of trade and order book | **10,5** | **5,0** | **5,5** | **5,0** | **0,6** | **4,4** |
| | **47,4** | **34,4** | **13,0** | **15,7** | **6,5** | **9,2** |
| 2006 | | | | | | |
| Computer software | 32,6 | 26,7 | 5,9 | 6,3 | 3,0 | 3,3 |
| Customer list, restraint of trade and order book | 7,4 | 1,4 | 6,0 | 5,9 | 1,0 | 4,9 |
| | 40,0 | 28,1 | 11,9 | 12,2 | 4,0 | 8,2 |

| | Computer software Rm | Customer list, restraint of trade and order book Rm | **2007 Total Rm** | 2006 Total Rm |
|---|---|---|---|---|
| **MOVEMENT IN INTANGIBLE ASSETS – GROUP** | | | | |
| Net book value at beginning of the year | 5,9 | 6,0 | **11,9** | 7,9 |
| Acquisition of businesses | – | 1,6 | **1,6** | 5,2 |
| Additions | 6,0 | 1,4 | **7,4** | 2,1 |
| Disposals of businesses | – | – | **–** | – |
| | 11,9 | 9,0 | **20,9** | 15,2 |
| Amortisation | (4,4) | (1,9) | **(6,3)** | (3,3) |
| Impairment | – | (1,6) | **(1,6)** | – |
| Net book value at end of the year | 7,5 | 5,5 | **13,0** | 11,9 |
| **MOVEMENT IN INTANGIBLE ASSETS – COMPANY** | | | | |
| Net book value at beginning of the year | 3,3 | 4,9 | **8,2** | 5,2 |
| Acquisition of businesses | – | – | **–** | 3,7 |
| Additions | 4,4 | 1,4 | **5,8** | 0,6 |
| Disposals of businesses | – | (1,1) | **(1,1)** | – |
| | 7,7 | 5,2 | **12,9** | 9,5 |
| Amortisation | (2,9) | (0,8) | **(3,7)** | (1,3) |
| Net book value at end of the year | 4,8 | 4,4 | **9,2** | 8,2 |

**NOTE:**

Useful lives for the following categories:

| | |
|---|---|
| Computer software | 3 – 10 years |
| Customer list | 4 years |
| Restraint of trade | 2 years |
| Order book | 1 year |

| | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|
| **13. GOODWILL** | | | | |
| Carrying value at the beginning of the year | **326,8** | 329,0 | **13,8** | 13,5 |
| Acquisition of businesses, associates and subsidiaries | **45,7** | 1,2 | **–** | 3,7 |
| Disposal of businesses | **–** | – | **(13,8)** | – |
| Negative goodwill taken to profit in terms of IFRS 3 (refer to note 5) | **1,1** | – | **–** | – |
| Impairments | **(0,8)** | (3,4) | **–** | (3,4) |
| Carrying value at the end of the year | **372,8** | 326,8 | **–** | 13,8 |
| Goodwill | **377,0** | 330,2 | **–** | 17,2 |
| Accumulated impairments | **(4,2)** | (3,4) | **–** | (3,4) |
| | **372,8** | 326,8 | **–** | 13,8 |
| Carrying value attributable to: | | | | |
| – Associates | **94,6** | 94,6 | **–** | – |
| – Joint ventures | **10,7** | – | **–** | – |
| – Subsidiaries | **252,8** | 217,5 | **–** | – |
| – Other businesses | **14,7** | 14,7 | **–** | 13,8 |
| | **372,8** | 326,8 | **–** | 13,8 |

The recoverable amounts of the CGUs are determined from fair value less costs to sell. 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.

| | GROUP NSN | GROUP Nashua Mobile | GROUP CBI electric: African Cables |
|---|---|---|---|
| Carrying amount of goodwill allocated to the CGU (Rm) | 94,6 | 158,2 | 59,3 |
| Pre-tax discount rates | 14,6% | 14,6% | 14,6% |
| Sustainable growth rates | 7,0% | 7,0% | 7,0% |

The balance of goodwill of R60,7 million (2006: R14,7 million) has been allocated to other CGUs, none of which is considered significant in relation to total goodwill.

| | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|
| **14. INTEREST IN SUBSIDIARIES** | | |
| (Refer to Annexure A) | | |
| Shares at cost less impairments | **1 767,6** | 605,6 |
| Amounts owing by subsidiaries | **310,1** | 488,0 |
| Provision for losses | **(127,3)** | (116,5) |
| | **1 950,4** | 977,1 |
| Amounts owing to subsidiaries | **(470,3)** | (96,5) |
| | **1 480,1** | 880,6 |

| | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|
| **15. INTEREST IN ASSOCIATES** | | | | |
| Shares at cost | **533,5** | 158,5 | **533,5** | 158,5 |
| Less: Transfer to goodwill on consolidation | **(133,6)** | (133,6) | | |
| Attributable interest in retained earnings | **103,5** | 101,1 | | |
| Retained earnings at beginning of the year | **101,1** | 61,9 | | |
| Profit after tax and abnormal items | **148,4** | 95,2 | | |
| Dividends | **(146,0)** | (56,0) | | |
| Surplus on dilution of Reunert's investment in associate | **1,1** | – | | |
| Attributable share of actuarially valued surplus of medical aid provision | **3,9** | – | | |
| Attributable share of goodwill arising on acquisition of business purchased from Reunert | **(108,1)** | – | | |
| Total interest in associate companies | **400,3** | 126,0 | **533,5** | 158,5 |
| Directors' valuation – unlisted associate companies – NSN | **520,0** | 520,0 | **520,0** | 520,0 |
| – Quince | **388,0** | – | **388,0** | – |

The directors' valuation is performed twice a year and is based on an earnings multiple.

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

GROUP

| Details of investments | Place of incorporation | Number of shares held 2007 | Number of shares held 2006 | Percentage interest 2007 % | Percentage interest 2006 % |
|---|---|---|---|---|---|
| **ASSOCIATE COMPANIES** | | | | | |
| NSN (supplier of fixed and mobile voice and data networks) | RSA | **56 000** | 56 000 | **40** | 40 |
| Quince (provider of asset backed financing) | RSA | **37 500 000** | | **48** | |
| Electric Products International (Pty) Limited (marketing body for electrical cables and other electrical products) | RSA | **2 400** | 2 400 | **24** | 24 |

| | Year end | Carrying value 2007 Rm | Carrying value 2006 Rm |
|---|---|---|---|
| **ASSOCIATE COMPANIES** | | | |
| NSN | 30 September | **119,7** | 126,0 |
| Quince | 30 September | **280,6** | |
| Electric Products International (Pty) Limited | 30 September | **–*** | –* |
| | | **400,3** | 126,0 |

**Nil due to rounding*

| | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|
| **16. OTHER INVESTMENTS AND LOANS** | | | | |
| Reunert 1988 Share Purchase Trust loans – held at cost | **13,9** | 19,7 | **13,9** | 19,7 |
| Other loans – held at cost | **40,6** | 2,8 | **40,6** | 2,8 |
| Other unlisted investments – at cost | **7,0** | 0,3 | **0,3** | 0,3 |
| Long-term accounts receivable | **266,1** | | **30,6** | |
| Total investments and loans | **327,6** | 22,8 | **85,4** | 22,8 |
| Directors' valuation – other unlisted investments | **7,0** | 0,3 | **0,3** | 0,3 |

**Loans granted by Reunert 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 2007 Rm | COMPANY 2006 Rm |
|---|---|---|
| Value of loans granted during the year to all scheme participants | **5,3** | 11,8 |
| Loans to the scheme include loans to Reunert executive directors: | | |
| – Balance at the beginning of the year | **3,8** | 1,0 |
| – Advanced during the year | **2,7** | 4,1 |
| – Repaid during the year | **(5,0)** | (1,3) |
| Balance at the end of the year | **1,5** | 3,8 |

| | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|
| **17. RCCF ACCOUNTS RECEIVABLE** | | | | |
| Discounted deals: | | | | |
| Collectable within one year | | 367,7 | | |
| Collectable after one year | | 975,6 | | |
| | | 1 343,3 | | |
| Accounts receivable: | | | | |
| Collectable within one year | | 50,8 | | |
| Collectable after one year | | 9,7 | | |
| | | 60,5 | | |
| | | 1 403,8 | | |

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

RCCF was sold to Quince with effect from 1 May 2007.

Quince is now an equity accounted associate of Reunert (refer to notes 15 and 31).

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **18. DEFERRED TAXATION ASSETS/LIABILITIES** | | | | |
| **MOVEMENT OF GROUP DEFERRED TAXATION** | | | | |
| Balance at the beginning of the year | **(82,5)** | (44,2) | **(32,1)** | (10,8) |
| Current year charge (refer to note 6) | **(17,9)** | (31,4) | **1,3** | (17,1) |
| Reversed from equity | **–** | 0,4 | **–** | 0,4 |
| Adjustment for prior years (refer to note 6) | **(8,7)** | (7,3) | **(14,4)** | (4,6) |
| Subsidiaries acquired | **(10,2)** | – | **–** | – |
| Subsidiaries sold | **41,4** | – | **–** | – |
| | **(77,9)** | (82,5) | **(45,2)** | (32,1) |
| Deferred taxation liabilities | **115,8** | 141,6 | **45,2** | 32,1 |
| Deferred taxation assets | **37,9** | 59,1 | **–** | – |
| **ANALYSIS OF DEFERRED TAXATION** | | | | |
| Capital allowances | **(54,6)** | (77,2) | **(16,1)** | (14,7) |
| Provisions and accruals | **(11,6)** | (9,2) | **(29,5)** | (17,6) |
| Advance income offset by allowed future expenditure | **5,1** | 18,7 | **0,7** | 0,4 |
| Effect of tax losses | **(9,4)** | (7,4) | **–** | – |
| Other (net) | **(7,4)** | (7,4) | **(0,3)** | (0,2) |
| | **(77,9)** | (82,5) | **(45,2)** | (32,1) |
| **19. INVENTORY AND CONTRACTS IN PROGRESS** | | | | |
| Raw materials and components | **167,2** | 171,4 | **72,9** | 68,1 |
| Finished goods | **201,3** | 235,6 | **51,5** | 45,1 |
| Merchandise | **293,7** | 302,8 | **269,4** | 295,1 |
| Consumable stores | **3,4** | 2,7 | **1,0** | 0,8 |
| Contracts and other work-in-progress | **214,2** | 96,5 | **0,3** | 1,0 |
| | **879,8** | 809,0 | **395,1** | 410,1 |
| The value of inventory has been determined on the following bases: | | | | |
| First-in, first-out | **518,7** | 527,5 | **382,6** | 397,9 |
| Average | **93,8** | 87,9 | **–** | 1,8 |
| Net realisable value | **3,8** | 2,3 | **1,7** | 2,3 |
| Standard cost | **263,5** | 191,3 | **10,8** | 8,1 |
| | **879,8** | 809,0 | **395,1** | 410,1 |
| Write-down of inventory recognised in the income statement | **8,0** | 1,6 | **8,0** | 1,6 |
| Reversal of write-down of inventory from previous years | **–** | (0,2) | **–** | – |
| **20. ACCOUNTS RECEIVABLE** | | | | |
| Trade receivables | **1 311,0** | 1 111,1 | **312,6** | 372,1 |
| Contract receivables | **68,0** | 54,3 | **–** | 2,5 |
| Retention receivables | **4,2** | 4,2 | **–** | – |
| Claims, prepayments and other receivables | **329,0** | 225,4 | **46,0** | 69,0 |
| | **1 712,2** | 1 395,0 | **358,6** | 443,6 |

Trade receivables to the value of R169,7 million (2006: R93,6 million) have been ceded as security for liabilities.

| | Number of shares 2007 | Number of shares 2006 | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|---|---|
| **21. NON-CURRENT ASSETS HELD FOR SALE** | | | | | | |
| The majority of the Elandsfontein property owned by Reumech Management Services (Pty) Ltd disclosed in 2006 as a non-current asset held for sale was sold during 2007. | | | | | | |
| Property, plant & equipment | | | **–** | 2,6 | **–** | – |
| **22. CASH AND CASH EQUIVALENTS** | | | | | | |
| Bank balances and cash | | | **430,6** | 869,3 | **222,1** | 25,6 |
| Redeemable preference shares | | | **100,0** | 100,0 | **100,0** | 100,0 |
| | | | **530,6** | 969,3 | **322,1** | 125,6 |
| **23. SHARE CAPITAL AND PREMIUM** | | | | | | |
| **AUTHORISED SHARE CAPITAL** | | | | | | |
| 235 000 000 ordinary shares of 10 cents each | | | **23,5** | 23,5 | **23,5** | 23,5 |
| 350 000 5,5% cumulative preference shares of R2 each | | | **0,7** | 0,7 | **0,7** | 0,7 |
| 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** | | | | | | |
| Ordinary shares of 10 cents each | | | | | | |
| At the beginning of the year | **195 354 676** | 193 439 716 | | | | |
| Shares issued during the year in terms of Reunert share option scheme (refer to note 2) | **851 600** | 1 914 960 | | | | |
| Shares issued during the year to the employee share trust in terms of a broad based scheme encompassing group employees (refer to note 5) | **530 900** | – | | | | |
| Treasury shares bought back from Bargenel and cancelled | **(563 631)** | – | | | | |
| At the end of the year | **196 173 545** | 195 354 676 | **19,6** | 19,5 | **19,6** | 19,5 |
| 350 000 5,5% cumulative preference shares of R2 each | | | **0,7** | 0,7 | **0,7** | 0,7 |
| | | | **20,3** | 20,2 | **20,3** | 20,2 |
| **SHARE PREMIUM** | | | | | | |
| At the beginning of the year | | | **56,7** | 29,4 | **56,7** | 29,4 |
| Arising on the issue of ordinary shares | | | **13,8** | 27,3 | **13,8** | 27,3 |
| At the end of the year | | | **70,5** | 56,7 | **70,5** | 56,7 |
| Total issued share capital and premium | | | **90,8** | 76,9 | **90,8** | 76,9 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **23. SHARE CAPITAL AND PREMIUM (continued)** | | | | |
| **SHARE-BASED PAYMENT RESERVES** | | | | |
| **Arising from IFRS 2** | | | | |
| At the beginning of the year | **40,4** | 30,8 | **16,3** | 6,7 |
| Share option reserve arising on the expensing of executive share options (refer to note 2) | **8,6** | 9,6 | **8,6** | 9,6 |
| Reserve arising on expensing shares issued in terms of a broad based scheme encompassing group employees (refer to note 5) | **42,2** | – | **44,3** | – |
| Share option reserve arising on the expensing of option granted to BEE partners to take up shares in Reunert (refer to note 5) | **556,6** | – | **556,6** | – |
| Contribution by Reunert to employees of joint ventures and associate companies | **2,1** | – | **–** | – |
| At the end of the year | **649,9** | 40,4 | **625,8** | 16,3 |
| **TREASURY SHARES** | | | | |
| Reunert shares bought back and held by Bargenel 18 500 000 (2006: 19 063 631) | **(276,1)** | (282,0) | | |

| | COMPANY | |
|---|---|---|
| | **Number of shares 2007** | Number of shares 2006 |
| **UNISSUED ORDINARY SHARES** | | |
| Total shares reserved to meet the requirements of The Reunert 1985 Share Option Scheme and The Reunert 1988 Share Purchase Scheme | **4 400 000** | 12 000 000 |
| The directors have general authority over these shares until the next annual general meeting. | | |

## 23. SHARE CAPITAL AND PREMIUM (continued)

**The Reunert 1985 Share Option Scheme**

Options to take up Reunert 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 10 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 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) |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| Exercise price | | | | | | |
| R5,45 | **27** | **–** | **(27)** | **–** | **–** | **146** |
| R14,10 | **157** | **–** | **(95)** | **–** | **62** | **1 342** |
| R15,80 | **234** | **–** | **(110)** | **–** | **124** | **1 744** |
| R17,70 | **64** | **–** | **(21)** | **–** | **43** | **361** |
| R15,99 | **1 277** | **–** | **(503)** | **(43)** | **731** | **8 030** |
| R17,30 | **133** | **–** | **(66)** | **–** | **67** | **1 152** |
| R41,90 | **2 410** | **–** | **(30)** | **(45)** | **2 335** | **1 257** |
| | **4 302** | **–** | **(852)** | **(88)** | **3 362** | **14 032** |
| 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 |

The weighted average share price at the dates of exercise for share options exercised during the year was R76,68.

Estimated fair value of options granted after 7 November 2002:

| Share option | Fair value per option R | Total option value Rm | Share options expensed in previous periods Rm | Share option expense for the year Rm | Share options to be expensed in future periods Rm |
|---|---|---|---|---|---|
| R15,99 | 4,67 | 8,9 | 7,5 | 1,1 | 0,3 |
| R17,30 | 4,95 | 1,0 | 0,8 | 0,1 | 0,1 |
| R41,90 | 11,06 | 28,2 | 8,0 | 7,4 | 12,8 |
| | | 38,1 | 16,3 | 8,6 | 13,2 |

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 exercise 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.

| | GROUP 2007 Rm | GROUP 2006 Rm | COMPANY 2007 Rm | COMPANY 2006 Rm |
|---|---|---|---|---|
| **24. NON-DISTRIBUTABLE RESERVES** | | | | |
| Statutory and other reserves | | | | |
| – At the beginning of the year | **0,8** | 2,5 | **–** | 2,5 |
| – Movement | **3,6** | (1,7) | **–** | (2,5) |
| At the end of the year | **4,4** | 0,8 | **–** | – |
| Capital redemption reserve | **2,9** | 2,9 | **0,3** | 0,3 |
| Share of associate companies' retained earnings | | | | |
| – At the beginning of the year | | 61,9 | | |
| – Share of associate companies' retained earnings at the beginning of the year transferred to retained earnings (refer to note 9) | | (61,9) | | |
| – Transfer from retained earnings – as previously reported | | 39,2 | | |
| – Transfer from retained earnings transferred back to retained earnings (refer to note 9) | | (39,2) | | |
| At the end of the year | **–** | – | | |
| Total non-distributable reserves | **7,3** | 3,7 | **0,3** | 0,3 |
| **25. LONG-TERM BORROWINGS** | | | | |
| Total long-term borrowing | **386,7** | 115,5 | **–** | 115,5 |
| Less: Short-term portion | **(130,2)** | (15,2) | **–** | (15,2) |
| | **256,5** | 100,3 | **–** | 100,3 |
| Loan repaid by BEE partner* | **22,3** | 14,5 | **22,3** | 14,5 |
| Total finance leases | **0,2** | 0,4 | **47,6** | 47,8 |
| Less: Short-term portion | **(0,2)** | (0,2) | **(0,6)** | (0,2) |
| | **278,8** | 115,0 | **69,3** | 162,4 |

The long-term borrowings in the current year are an obligation to RCCF, which is now owned by Quince, an equity accounted associate.

Various operations in the group dealing in office equipment discounted debtors with RCCF on the basis that the risk of bad debts is carried by the Reunert operations. In terms of current accounting practice, these debtors cannot be derecognised by the Reunert operations, accordingly the long-term portion of the debtors is included in long-term accounts receivable (refer to note 16), the short-term portion in accounts receivable and the outstanding balance of cash received from RCCF in long-term borrowings.

The group entered into an agreement with Powerhouse whereby on 1 December 2004, 25,1% of the A shares of 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 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 in the prior year related to funding provided by Nedbank Limited (Nedbank) to Powerhouse for their purchase of 25,1% of the A shares of ATC. The loan was guaranteed by Reunert and in terms of current accounting practice for this transaction, was recognised on the Reunert balance sheet. The Nedbank loan was repaid by Reunert on 1 June 2007, with the effect that the loan is now payable by Powerhouse to Reunert and is disclosed as an investment in subsidiary.

*Loan repaid by the BEE partner represents a portion of the dividends paid by ATC to Powerhouse, which was used to repay portion of the loan. In terms of current accounting practice, 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, this portion of the loan repaid by Powerhouse will be transferred to minority interest.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **25. LONG-TERM BORROWINGS (continued)** | | | | |
| Amounts payable under finance leases | | | | |
| Total minimum lease payments | **0,1** | 0,4 | **84,4** | 89,6 |
| < 1 year | **0,1** | 0,2 | **5,6** | 5,2 |
| 1 - 5 years | **–** | 0,2 | **26,8** | 25,0 |
| > 5 years | **–** | – | **52,0** | 59,4 |
| Less: Future finance charges | **–** | – | **(36,8)** | (41,8) |
| < 1 year | **–** | – | **(5,0)** | (5,0) |
| 1 - 5 years | **–** | – | **(18,4)** | (19,2) |
| > 5 years | **–** | – | **(13,4)** | (17,6) |
| Present value of minimum lease payments | **0,1** | 0,4 | **47,6** | 47,8 |
| < 1 year | **0,1** | 0,2 | **0,6** | 0,2 |
| 1 – 5 years | **–** | 0,2 | **8,4** | 5,8 |
| > 5 years | **–** | – | **38,6** | 41,8 |

Reunert has entered into a lease agreement with RCCF whereby the new Nashua building is leased over a period of 12 years at an interest rate of 10,5% per annum. On 1 September 2007 this lease agreement was taken over by a wholly owned Reunert subsidiary, RFCL.

Minimum lease payments escalate by 7,5% each year. Promissory notes have been issued by Reunert in favour of RFCL as security for the lease payments. The other finance leases are for minor equipment.

**26. PROVISIONS**

| Description of nature of obligation | Carrying amounts at the beginning of the year Rm | Additional provisions created in the year Rm | Amounts utilised during the year Rm | Unutilised amounts reversed during the year Rm | Carrying amounts at the end of the year Rm |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| Contract completion | 3,4 | – | – | (3,4) | – |
| Unfunded pension obligations | 1,7 | – | – | (0,1) | 1,6 |
| Warranty | 38,1 | 4,3 | (0,2) | (2,7) | 39,5 |
| Other | 3,2 | 15,0 | (0,1) | – | 18,1 |
| | 46,4 | 19,3 | (0,3) | (6,2) | 59,2 |
| **COMPANY** | | | | | |
| Warranty | 1,8 | – | (0,2) | (1,0) | 0,6 |
| Other | 3,2 | 5,0 | (0,1) | – | 8,1 |
| | 5,0 | 5,0 | (0,3) | (1,0) | 8,7 |

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there are no fixed terms of repayment relating to the warranty provisions. It has been assumed that the provisions are short term in nature.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| **27. COMMITMENTS** | | | | |
| Expenditure on property, plant and equipment | | | | |
| – Contracted | **54,5** | 56,2 | **38,1** | 27,5 |
| – Authorised not yet contracted | **25,7** | 52,0 | **14,5** | 32,8 |
| Total expenditure on property, plant and equipment | **80,2** | 108,2 | **52,6** | 60,3 |
| The above expenditure, to occur in 2008 and 2009 will be financed from existing group resources. | | | | |
| Operating lease commitments in respect of land and buildings, motor vehicles and other assets | | | | |
| < 1 year | 24,6 | 15,9 | 11,0 | 10,5 |
| 1 – 5 years | 68,3 | 37,4 | 51,1 | 35,7 |
| > 5 years | 4,2 | 30,7 | 4,2 | 30,7 |
| Total operating lease commitments | 97,1 | 84,0 | 66,3 | 76,9 |
| Comprising | | | | |
| Land and buildings | 95,5 | 81,7 | 66,3 | 76,8 |
| Motor vehicles and other assets | 1,6 | 2,3 | – | 0,1 |
| Total operating lease commitments | 97,1 | 84,0 | 66,3 | 76,9 |
| **28. CONTINGENT LIABILITIES** | | | | |
| Guarantees on behalf of third parties | – | 3,2 | – | – |
| Guarantees on behalf of subsidiary companies | | | 15,8 | 25,0 |
| Warranties on debtors sold | – | 0,5 | – | – |
| Total contingent liabilities | – | 3,7 | 15,8 | 25,0 |

**29. DIRECTORS' REMUNERATION AND INTERESTS**

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

**EXECUTIVE DIRECTORS**

| | Salary R'000 | Bonus and performance related payments R'000 | Other benefits* R'000 | Retirement contributions R'000 | Medical contributions R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| G Pretorius | **2 327** | **3 773** | **312** | **489** | **16** | **6 917** |
| BP Gallagher | **1 267** | **1 693** | **139** | **272** | **16** | **3 387** |
| GJ Oosthuizen | **1 138** | **1 508** | **125** | **229** | **16** | **3 016** |
| DJ Rawlinson | **1 206** | **1 653** | **144** | **251** | **53** | **3 307** |
| | **5 938** | **8 627** | **720** | **1 241** | **101** | **16 627** |
| 2006 | | | | | | |
| G Pretorius | 2 173 | 3 203 | 315 | 461 | 20 | 6 172 |
| BP Gallagher | 1 187 | 1 725 | 139 | 254 | 15 | 3 320 |
| GJ Oosthuizen | 1 068 | 1 537 | 125 | 216 | 13 | 2 959 |
| DJ Rawlinson | 1 115 | 1 685 | 144 | 237 | 65 | 3 246 |
| | 5 543 | 8 150 | 723 | 1 168 | 113 | 15 697 |

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

## 29. DIRECTORS' REMUNERATION AND INTERESTS (continued)

### NON EXECUTIVE DIRECTORS

| | COMPANY | |
|---|---|---|
| | **2007** | 2006 |
| | **Total paid for the year (all directors' and committee fees)** | |
| | **R'000** | R'000 |
| MJ Shaw | **393** | 370 |
| BP Connellan | **144** | 135 |
| KS Fuller | **166** | 155 |
| SD Jagoe | **187** | 175 |
| KJ Makwetla | **91** | 85 |
| KC Morolo | **91** | 85 |
| ND Orleyn (appointed 23 May 2007) | **33** | |
| JC van der Horst | **129** | 120 |
| | **1 234** | 1 125 |

### SHARE OPTIONS

### EXECUTIVE DIRECTORS

| | Balance of unexercised share options as at 1 October 2006 | Number of options exercised during the year | Balance of unexercised share options as at 30 September 2007 | Option price R | Market price on date of exercise R | Date exercised | Gain on date of exercise R'000 | Date of allocation | Date from which exercisable |
|---|---|---|---|---|---|---|---|---|---|
| G Pretorius | 133 400 | (66 600) | **66 800** | 15,99 | 74,00 | 11/6/2007 | 3 863 | 13/5/2003 | 13/5/2006 |
| | 120 000 | – | **120 000** | 41,90 | – | | – | 29/8/2005 | 29/8/2008 |
| BP Gallagher | 66 700 | (33 300)* | **33 400** | 15,99 | 74,00 | 11/6/2007 | 1 932 | 13/5/2003 | 13/5/2006 |
| | 50 000 | – | **50 000** | 41,90 | – | | – | 29/8/2005 | 29/8/2008 |
| GJ Oosthuizen | 66 700 | (33 300)* | **33 400** | 15,99 | 74,00 | 11/6/2007 | 1 932 | 13/5/2003 | 13/5/2006 |
| | 50 000 | – | **50 000** | 41,90 | – | | – | 29/8/2005 | 29/8/2008 |
| DJ Rawlinson | 66 700 | (33 300)* | **33 400** | 15,99 | 74,00 | 11/6/2007 | 1 932 | 13/5/2003 | 13/5/2006 |
| | 60 000 | – | **60 000** | 41,90 | – | | – | 29/8/2005 | 29/8/2008 |
| | 613 500 | (166 500) | **447 000** | | | | 9 659 | | |

**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.*

No new options were allocated during the current year.

None of the directors' service contracts expressly provides 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 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 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 to its employees, 89% (2006: 91%) 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 29% (2006: 30%) 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 R8,4 million (2006: R4,5 million).

37% (2006: 26%) 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 R35,7 million (2006: R22 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 R2,4 million (2006: R2,1 million).

The fund was actuarially valued in terms of the Pension Funds Second Amendments Act, 2001 at February 2007, 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 R1,6 million at 30 September 2007 (2006: R1,7 million) has been provided for.

The remaining 23% (2006: 35%) of the group's total employees, who are not members of the abovementioned schemes, participate in other benefit plans, which consist of 11 defined contribution plans. Eight of these funds are subject to the Pension Funds Act, 1956, and the remaining three funds are defined contribution funds registered in Australia, USA and Germany respectively. The total employer contributions to these funds amounted to R29,3 million (2006: R32,1 million).

1,7 % 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:

| | **2007 Rm** | 2006 Rm |
|---|---|---|
| Current service cost | **4,3** | 4,0 |
| Interest costs | **8,2** | 6,6 |
| Expected return on plan assets | **(9,7)** | (7,3) |
| Amount charged to income | **2,8** | 3,3 |
| The charge for the year has been included in other expenses. | | |
| Actual return on plan assets | **(26,6)** | (16,1) |
| 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 | **95,9** | 87,4 |
| Unrecognised actuarial gains | **23,8** | 10,2 |
| Fair value of plan assets | **(118,1)** | (95,9) |
| Unfunded pension obligations | **1,6** | 1,7 |
| Analysed as follows | | |
| At the beginning of the year | **1,7** | 1,4 |
| Amounts charged to income | **2,8** | 3,3 |
| Deemed contributions | **(2,9)** | (3,0) |
| At the end of the year | **1,6** | 1,7 |

## 30. RETIREMENT BENEFIT INFORMATION (continued)

| | 2007 % | 2006 % |
|---|---|---|
| Key assumptions used: | | |
| Discount rate | **8,3** | 9,0 |
| Inflation rate | **4,8** | 5,8 |
| Expected return on plan assets | **9,8** | 10,0 |
| Expected rate of salary increases | **8,0** | 7,8 |
| Future pension increases | **3,1** | 3,8 |

The next statutory valuation will be performed as at 28 February 2008.

## 31. SUMMARISED FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATE COMPANIES AND JOINT VENTURES

| | ASSOCIATES | | | | JOINT VENTURES | | | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | | 2006 | | **2007** | | 2006 | |
| | **Total Rm** | **Reunert share Rm** | Total Rm | Reunert share Rm | **Total Rm** | **Reunert share Rm** | Total Rm | Reunert share Rm |
| **INCOME STATEMENT** | | | | | | | | |
| Revenue | **4 379,0** | **1 760,4** | 3 210,3 | 1 284,1 | **699,9** | **350,0** | – | – |
| Profit after taxation | **365,6** | **148,4** | 238,0 | 95,2 | **48,8** | **24,4** | – | – |
| Dividends | **365,0** | **146,0** | 140,0 | 56,0 | **–** | **–** | – | – |
| **BALANCE SHEET** | | | | | | | | |
| Non-current assets | **2 164,6** | **1 032,5** | 48,4 | 19,4 | **282,6** | **141,3** | – | – |
| Current assets (excluding cash) | **929,3** | **376,7** | 2 133,5 | 853,4 | **307,8** | **153,9** | – | – |
| Cash and cash equivalents | **374,1** | **156,9** | 3,3 | 1,3 | **52,7** | **26,4** | – | – |
| Current liabilities | **2 251,6** | **1 010,7** | 1 804,8 | 721,9 | **219,8** | **109,9** | – | – |
| Non-current liabilities | **107,2** | **46,9** | 65,5 | 26,2 | **124,5** | **62,3** | – | – |
| Equity | **1 109,2** | **508,5** | 314,9 | 126,0 | **298,8** | **149,4** | – | – |

| | Reunert controlled interest | |
|---|---|---|
| | **2007 %** | 2006 % |
| **ASSOCIATE COMPANIES** | | |
| NSN | **40,0** | 40,0 |
| Quince | **48,0** | |
| **JOINT VENTURES** | | |
| Lexshell 661 Investments (Pty) Ltd | **50,0** | 50,0 |
| Aberdare/ATC joint venture | **50,0** | |

## 32. RELATED PARTY TRANSACTIONS

GROUP

| Counter-party | Relationship | Sales Rm | Purchases Rm | Bad debt expense Rm | Accounts receivable Rm | Accounts payable Rm | Long-term borrow-ings Rm | Overnight call loans Rm | Short-term borrow-ings Rm | Other expenses Rm | Net interest paid/ (received) Rm | Treasury shares Rm |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2007** | | | | | | | | | | | | |
| CAFCA | ATC owns 72% of CAFCA | | **7,2** | | | **0,7** | | | | | | |
| EADS Deutschland GmbH (EADS) | EADS owned 36,5% of RRS | | **4,3** | | | | | | | | | |
| NSN | Reunert Ltd owns 40% of NSN | | **0,9** | | | | | | | | | |
| Quince | Reunert owns 48% of Quince | **88,1** | | | **2,1** | **18,7** | **382,9** | | **130,2** | | **1,3** | |
| RMB | RMB owned 33% of the "B" shares of RCCF | | | | | | | | | | **10,1** | |
| ABSA | ABSA owned 33% of the "B" shares of RCCF | | | | | | | | | | **10,8** | |
| Nedbank | Nedbank owned 33% of the "B" shares of RCCF | | | | | | | | | | **16,7** | |
| Bargenel | Owns 18,5 million Reunert shares | | | | | | | | | | | **276,1** |
| Aberdere/ATC joint venture | A joint venture | **96,3** | | | | | | | | | | |
| **2006** | | | | | | | | | | | | |
| CAFCA | ATC owns 72% of CAFCA | 0,6 | 3,7 | 3,6 | | | | | | | | |
| EADS | EADS owned 33% of RRS | 9,8 | 1,8 | | 0,2 | | | | | | | |
| NSN (was Siemens Telecommunications (Pty) Ltd in 2006) | Reunert owns 40% of NSN | 0,7 | 3,8 | | | | | | | | | |
| RMB | RMB owned 33% of the "B" shares of RCCF | | | | | | | 400,0 | | | 4,0 | |
| ABSA | ABSA owned 33% of the "B" shares of RCCF | | | | | | | 398,0 | | | 1,7 | |
| Nedbank | Nedbank owned 33% of the "B" shares of RCCF | | | | | | | 400,0 | | | 19,9 | |
| Bargenel | 100% owned subsidiary | | | | | | | | | | | 282,0 |

COMPANY

| Counter-party | Sales Rm | Purchases Rm | Lease payments made Rm | Lease payments received Rm | Administration fees paid Rm | Administration fees received Rm | Other paid/ (received) Rm |
|---|---|---|---|---|---|---|---|
| **2007** | | | | | | | |
| Subsidiaries of Reunert | **290,5** | **70,6** | **0,3** | **–** | **377,2** | **6,6** | **(1,9)** |
| Quince | **–** | **–** | **5,0** | **–** | **–** | **–** | **–** |
| **2006** | | | | | | | |
| Subsidiaries of Reunert | 168,9 | 43,3 | 0,6 | 9,4 | 434,4 | 6,5 | 0,1 |
| NSN | 0,1 | 0,2 | - | - | - | - | - |

| Transactions with key management personnel | 2007 Rm | 2006 Rm |
|---|---|---|
| – Payments to a post-employment benefit plan | **2,7** | – |
| – Services rendered (cellphone contracts) | **0,2** | 0,1 |
| – Loans from key management personnel | **12,6** | 4,8 |

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

## 33. 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 RFCL, 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 only with reputable banks and is spread over more than one bank to reduce exposures to any one institution.

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 | | COMPANY | |
|---|---|---|---|---|
| | **2007 Rm** | 2006 Rm | **2007 Rm** | 2006 Rm |
| Payable | **483,3** | 567,8 | **389,6** | 438,9 |

Forward exchange contracts at 30 September 2007 and 2006 are summarised below:

| | GROUP | | | |
|---|---|---|---|---|
| **2007** | Foreign amount million | Fair value Rm | Contract value Rm | Unrealised losses Rm |
| **Imports – trade** | | | | |
| USD | **26,1** | **181,3** | **187,9** | **(6,6)** |
| Euro | **15,0** | **148,7** | **149,5** | **(0,8)** |
| GBP | **1,1** | **16,3** | **16,8** | **(0,5)** |
| Yen | **1 818,3** | **111,1** | **111,8** | **(0,7)** |
| CHF | **1,5** | **9,1** | **9,4** | **(0,3)** |
| | | **466,5** | **475,4** | **(8,9)** |
| **Imports – capital** | | | | |
| Euro | **0,8** | **7,8** | **7,9** | **(0,1)** |
| | | **474,3** | **483,3** | **(9,0)** |
| | | | | **Rm** |
| Accounts receivable in foreign currencies | | | | **68,3** |
| Of which covered by forward exchange contracts | | | | **–** |
| Accounts payable in foreign currencies | | | | **375,9** |
| Of which covered by forward exchange contracts | | | | **364,2** |
| **2006** | | | | Unrealised gains 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 |
| | | 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 |

**33. FINANCIAL INSTRUMENTS (continued)**

Forward exchange contracts at 30 September 2007 and 2006 are summarised below:

| | COMPANY | | | |
|---|---|---|---|---|
| **2007** | Foreign amount million | Fair value Rm | Contract value Rm | Unrealised losses Rm |
| **Imports – trade** | | | | |
| USD | **19,2** | **133,9** | **138,1** | **(4,2)** |
| Euro | **13,0** | **128,5** | **129,2** | **(0,7)** |
| GBP | **0,2** | **2,9** | **2,9** | |
| Yen | **1 818,3** | **111,1** | **111,8** | **(0,7)** |
| CHF | **1,3** | **7,5** | **7,7** | **(0,2)** |
| | | **383,9** | **389,7** | **(5,8)** |

| | Rm |
|---|---|
| Accounts receivable in foreign currencies | **54,5** |
| Of which covered by forward exchange contracts | **–** |
| Accounts payable in foreign currencies | **313,1** |
| Of which covered by forward exchange contracts | **303,0** |

| **2006** | | | | Unrealised gains 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 |

**CREDIT RISK**

Credit risk relates to the group's 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. Where considered appropriate, credit insurance is also used.

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

Total cash and cash equivalents, investments, accounts receivable and derivative instruments (net market value of these contracts), by geographic region exposed to:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2007 %** | 2006 % | **2007 %** | 2006 % |
| South Africa | **90,9** | 94,5 | **97,7** | 88,6 |
| Rest of Africa | **1,9** | 2,1 | **1,0** | 6,6 |
| Europe | **5,1** | 1,6 | **0,6** | 1,2 |
| Australasia | **1,4** | 0,4 | **0,4** | 2,3 |
| USA | **0,4** | 0,5 | **0,2** | 1,1 |
| Other | **0,3** | 0,9 | **0,1** | 0,2 |
| | **100,0** | 100,0 | **100,0** | 100,0 |

**33. FINANCIAL INSTRUMENTS (continued)**

**INTEREST RATE RISK**

| Details of the interest rate swaps are: GROUP | 2007 Contracts expiring in: | | | |
|---|---|---|---|---|
| **Rm** | **<1 year** | **1 – 5 years** | **> 5 years** | **Total** |
| Contract value | **–** | **–** | **48** | **48** |
| Derivative asset in relation to expiring contract | **–** | **–** | **2,2** | **2,2** |
| Average fixed interest rate (%) | | | **10,5** | **10,5** |

The 2006 interest rate swaps related to RCCF which is now owned by Quince, an equity accounted associate.

Most of the company's debtors were subject to variable interest rates. The company borrowed at variable interest rates, therefore, the margins built into the various loans and debtors tended to remain constant as the interest rates moved up and down.

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

| GROUP | 2006 Contracts expiring in: | | | |
|---|---|---|---|---|
| **Rm** | <1 year | 1 – 5 years | > 5 years | Total |
| Contract value | 325 | 275 | 48 | 648 |
| Derivative asset in relation to expiring contract | 2,0 | 5,3 | 1,7 | 9,0 |
| Average fixed interest rate (%) | 7,54 | 7,88 | 8,11 | 7,73 |

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

**GROUP**

| | Weighted average effective interest rate % | Floating interest rate Rm | Fixed interest rate Rm | Non-interest bearing Rm | Total Rm |
|---|---|---|---|---|---|
| **2007** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | **9,2** | **522,8** | **–** | **7,8** | **530,6** |
| Accounts receivable | **11,3** | **237,6** | **188,8** | **1 489,4** | **1 915,8** |
| Other investments | **11,6** | **62,2** | **–** | **430,2** | **492,4** |
| | | **822,6** | **188,8** | **1927,4** | **2 938,8** |
| **Liabilities** | | | | | |
| Trade and other payables | **9,4** | **(12,6)** | **–** | **(1 470,0)** | **(1 482,6)** |
| Bank overdrafts and short-term portion of long-term borrowings | **13,1** | **(65,1)** | **(88,0)** | **(25,1)** | **(178,2)** |
| Long-term borrowings | **13,9** | **(121,6)** | **(100,8)** | **(56,4)** | **(278,8)** |
| | | **(199,3)** | **(188,8)** | **(1 551,5)** | **(1 939,6)** |
| Net financial assets | | **623,3** | **–** | **375,9** | **999,2** |
| 2006 | | | | | |
| **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 |

**33. FINANCIAL INSTRUMENTS (continued)**

**MATURITY PROFILE OF FINANCIAL INSTRUMENTS**

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

| | GROUP | | | |
|---|---|---|---|---|
| | <1 year Rm | 1 – 5 years Rm | >5 years Rm | Total Rm |
| **2007** | | | | |
| Cash and cash equivalents | 530,6 | – | – | 530,6 |
| Accounts receivable | 1 710,6 | 205,2 | – | 1 915,8 |
| Other financial assets | 449,4 | 36,3 | 6,7 | 492,4 |
| Trade and other payables | (1 482,6) | – | – | (1 482,6) |
| Bank overdrafts and short-term portion of long-term borrowings | (178,2) | – | – | (178,2) |
| Long-term borrowings | – | (142,1) | (136,7) | (278,8) |
| Derivative instruments | | | | |
| Recognised transactions | (7,3) | – | 2,2 | (5,1) |
| Forward exchange contracts | (9,0) | – | – | (9,0) |
| Interest rate swaps | – | – | 2,2 | 2,2 |
| Other derivative instruments | 1,7 | – | – | 1,7 |
| **2006** | | | | |
| 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 | 47,7 | – | – | 47,7 |
| Interest rate swaps | 9,0 | – | – | 9,0 |
| Other derivative instruments | 11,0 | – | – | 11,0 |

**33. FINANCIAL INSTRUMENTS (continued)**

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | | 2006 | | **2007** | | 2006 | |
| | **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 | | **278,8** | | 115,0 | | **69,3** | | 162,4 |
| Bank overdrafts and short-term portion of long-term borrowings | | **178,2** | | 27,0 | | **0,6** | | 16,0 |
| RCCF debtors guarantee given by Reunert | | **–** | | 60,3 | | **–** | | 60,3 |
| Contingent liabilities (refer to note 28) | | **–** | | 3,7 | | **15,8** | | 25,0 |
| | **2 133,1** | **457,0** | 1 431,4 | 206,0 | **2 346,6** | **85,7** | 612,3 | 263,7 |

**2007**

The long-term borrowings are the amounts due to RCCF relating to discounted debtors (refer note 25).

**2006**

The long-term borrowings bear 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 earlier.

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

The borrowings of RCCF of R nil million (2006: R1 187,9 million) are not included in the above table. These borrowings were excluded from the group borrowing limits in terms of the articles of association.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

**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 approximated 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 is 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.

## 33. FINANCIAL INSTRUMENTS (continued)

### 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 approximated 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

**Powerhouse/ATC transaction:**
Refer to note 25 for more information on this transaction.

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

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 RES (a wholly owned subsidiary of Reunert). The purchase consideration payable by RES is dependent on whether the loan between Powerhouse and Reunert 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 this option 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.

**Quince:**
The implementation agreement between Reunert Group, PSG and the Trustees of Kalander Trust contains the following option:

There is a put option exercisable by Reunert whereby if RCCF meets various targets (as defined in the agreement), Reunert may require the other shareholders to buy Reunert out of Quince at a pre-determined price of R375,0 million.

This option is exercisable for a period of five years from the effective date (1/12/2006).

As the business of Quince is continuously improving, this option has a negligible value. If the business performance declines, this option will have value.

**Pansolutions:**
Reunert has issued a derivative instrument to the BEE partner to buy back the shares in Pansolutions at 26% of net asset value. The value of this instrument will only become evident when Pansolutions starts to make profits. When the company starts to earn profits, in terms of IFRS 7 Reunert will have to raise an entry to debit expense and credit liability with 26% of the increase in the net asset value of Pansolutions.

## 34. UNCONSOLIDATED SUBSIDIARY

### 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 to the group.

| | % |
|---|---|
| Effective holding (held via ATC) | 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:

| | 2007 Z$m | 2006* Z$m |
|---|---|---|
| **INCOME STATEMENT** | | |
| Revenue | 437 571 | 79 565 |
| Profit before interest and taxation | 47 090 | 4 451 |
| Interest (paid)/received | (97 905) | 90 |
| Profit on net monetary position | 157 926 | 16 935 |
| Profit before taxation | 107 111 | 21 476 |
| Taxation charge | (67 782) | (3 494) |
| Net profit | 39 329 | 17 982 |
| Profit attributable to Reunert shareholders (Rm) | 1,0 | 0,5 |
| **BALANCE SHEET** | | |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 39 711 | 36 073 |
| | 39 711 | 36 073 |
| **Current assets** | | |
| Inventory | 152 712 | 25 007 |
| Accounts receivable | 56 783 | 41 666 |
| Cash | 7 041 | 1 295 |
| | 216 536 | 67 968 |
| **Total assets** | 256 247 | 104 041 |
| **EQUITY AND LIABILITIES** | | |
| Share capital and reserves | 101 466 | 62 117 |
| | 101 466 | 62 117 |
| **Non-current liability** | | |
| Deferred tax liability | 48 968 | 9 227 |
| | 48 968 | 9 227 |
| **Current liabilities** | | |
| Accounts payable | 100 998 | 32 697 |
| Short-term borrowings | 4 815 | – |
| | 105 813 | 32 697 |
| **Total equity and liabilities** | 256 247 | 104 041 |

The auction rate at 30 June 2007 to the US$ was approximately Z$ 2 924 which approximated R1:Z$ 20 144 (2006: R1:Z$13 911).

The Zimbabwean inflation rate used to inflate the 2006 information to compare with 2007 is 7 669%.

**The 2006 information has been restated in terms of IAS 29 - Financial Reporting in Hyperinflationary Economies.*

## 35. ACQUISITION OF BUSINESSES

**ATC/Aberdare Joint Venture**

A new joint venture, CBI-electric Aberdare ATC Telecom Cables (Pty) Ltd, was formed between the telecom cable divisions of ATC and Aberdare, each holding a 50% share in the joint venture. ATC contributed all its property, plant and equipment (PPE) (R114 million) and intangible assets (R9 million) to the value of R123 million. Aberdare also contributed PPE (R106 million), intangible assets (R3 million) and cash (R14 million) to the value of R123 million. The balance sheet and income statement of the joint venture have been proportionately consolidated from the effective date (1 February 2007).

**Acquisition of Nashua Franchises**

With effect from 1 April 2007 Nashua Holdings Limited (Nashua) purchased 51% of the Eastern Cape Nashua franchise (Algoa Office Automation (Pty) Ltd), including the property from which it operates (Circular Drive Properties (Pty) Ltd). Nashua provided R11,8 million of loan finance to the other shareholders. The business was acquired with R10,7 million of existing goodwill and negative goodwill of R0,2 million arose on acquisition. In addition, effective from 1 June 2007, Nashua acquired 51% of the Tshwane franchise (Classic Number Trading 80 (Pty) Ltd). Existing goodwill of R14,5 million was already in the business and a further R0,7 million arose on acquisition. Nashua has provided loan finance of R10,8 million to the other shareholders.

**Acquisition of Kgorong's shares in RRS**

With effect from 1 November 2006 Kgorong's 10% shareholding in RRS was bought in proportion to their existing shareholding by Reunert and EADS. The effect was that Reunert bought an extra 6,5% of RRS's shares, taking its holding to 63,5% and EADS bought another 3,5%, resulting in it owning 36,5% of RRS. Reunert's investment cost R2,3 million, and resulted in negative goodwill of R0,9 million.

**Acquisition of EADS's shares in RRS**

With effect from 1 July 2007, Reunert bought the 36,5% shareholding EADS owned in RRS for R31,5 million, making it a 100% owned subsidiary. This gave rise to goodwill of R10,2 million.

**Acquisition of Kgorong's shares in RDL**

On 31 March 2007 Reunert bought Kgorong's 30% shareholding in RDL for the balance of the loan financing Kgorong's purchase of 20% of RDL.

| | A | B | C | D | E | (A to E) | (D + E) |
|---|---|---|---|---|---|---|---|
| **Net assets acquired** | **Aberdare Rm** | **Nashua Tshwane Rm** | **Nashua Eastern Cape Rm** | **RRS Rm** | **RDL Rm** | **Group Rm** | **Company Rm** |
| Property, plant and equipment | 53,2 | 0,7 | 15,2 | – | – | 69,1 | – |
| Intangible assets | 1,6 | – | – | – | – | 1,6 | – |
| Goodwill | 10,7 | 15,2 | 10,5 | 9,3 | – | 45,7 | 9,3 |
| Inventory | – | 3,6 | 1,1 | – | – | 4,7 | – |
| Accounts receivable | – | 10,0 | 2,9 | – | – | 12,9 | – |
| Net cash | 6,8 | – | 1,4 | – | – | 8,2 | – |
| Payables and provisions | – | (9,0) | (5,5) | – | – | (14,5) | – |
| Long-term loans | – | (10,9) | (13,2) | – | – | (24,1) | – |
| Taxation | – | – | (0,3) | – | – | (0,3) | – |
| Deferred tax | (10,7) | 0,5 | – | – | – | (10,2) | – |
| Outside shareholders' interest | – | 0,7 | (0,3) | 24,5 | 2,0 | 26,9 | 26,5 |
| Cost of investment | 61,6 | 10,8 | 11,8 | 33,8 | 2,0 | 120,0 | 35,8 |
| Profit since acquisition | – | 3,2 | 0,4 | – | – | 3,6 | – |
| Revenue for the full year ended 30 September 2007 as though the acquisition date had been 1 October 2006 | – | 77,2 | 31,4 | – | – | 108,6 | – |
| Profit for the full year ended 30 September 2007 as though the acquisition date had been 1 October 2006 | – | 1,9 | 1,0 | – | – | 2,9 | – |

## 36. TRANSFER/DISPOSAL OF BUSINESSES

**RCCF**

With effect from 1 May 2007 RCCF became a wholly owned subsidiary of Quince. In terms of the deal Reunert sold the entire share capital of RCCF to Quince, a then wholly owned subsidiary of Reunert, at a value of R375 million in exchange for additional shares in Quince. Quince then issued further shares to PSG and individuals for cash which diluted the Reunert shareholding to 48%. Reunert had guaranteed the net asset value of RCCF at the date of sale. There was a shortfall and Reunert paid R5,2 million to make up the difference. This transaction has resulted in Reunert recognising a profit on dilution of its shareholding in Quince of R349,4 million and the group recognising a profit of R118,1 million. Quince is now regarded as an associate company and its results have been equity accounted for in Reunert's group results. Quince has been granted a bridging bank loan facility amounting to R1,4 billion and is finalising a securitisation facility of R5 billion. The bridging facility will lapse once the securitisation has been completed. Reunert has provided a guarantee to the bank for the bridging finance.

**Pansolutions**

On 1 October 2006 Reunert sold 26% of its shares in Pansolutions to a BEE partner for R260, being 26% of the net asset value at that time. Reunert still owns 74% of the shares. Immediately thereafter Reunert sold the net assets and the business of Pansolutions to Pansolutions (Pty) Ltd for R67,8 million, which Reunert lent to Pansolutions. Reunert realised a surplus of R39,9 million on the transaction.

**Saco a division of Reunert Ltd (Saco)**

On 1 January 2007 the net assets and business of Saco were transferred out of Reunert to RDL at net asset value.

**Bargenel (refer to note 5)**

Reunert sold its investment in the ordinary shares of Bargenel to Rebatona Investment Holdings (Pty) Ltd (Rebatona) for R100. Reunert made a loss on this sale of R23,0 million. Rebatona is 70% held by the Rebatona Education Trust and 30% by the family trusts of the founding members of Peotona. As explained in the circular posted to shareholders on 13 December 2006, since Reunert retains control of Bargenel, Bargenel will be consolidated in the Reunert results until the preference shares financing the transaction have been repaid.

| | A | B | C | D | E | F | (A) | (B to F) |
|---|---|---|---|---|---|---|---|---|
| **Net assets transferred/ disposed** | **RCCF Rm** | **Pansolutions Rm** | **Saco Rm** | **Additional funds introduced RCCF Rm** | **Disposal of RCCF Rm** | **Bargenel Rm** | **Group Rm** | **Company Rm** |
| Property, plant and equipment | (1,2) | (3,4) | (1,8) | – | – | – | (1,2) | (5,2) |
| Intangible assets | – | – | (1,1) | – | – | – | – | (1,1) |
| Existing goodwill | – | (13,8) | – | – | – | – | – | (13,8) |
| Inventory | – | (9,6) | (1,9) | – | – | – | – | (11,5) |
| Accounts receivable | (1 704,5) | (28,4) | (9,2) | – | – | – | (1 704,5) | (37,6) |
| Net cash | (68,7) | – | (2,2) | – | – | – | (68,7) | (2,2) |
| Payables and provisions | 5,8 | 27,3 | 2,3 | – | – | – | 5,8 | 29,6 |
| Short term borrowings | 1 575,1 | – | – | – | – | – | 1 575,1 | – |
| Taxation | 2,3 | – | – | – | – | – | 2,3 | – |
| Deferred tax | 41,4 | – | – | – | – | – | 41,4 | – |
| Investment in subsidiaries | – | – | – | 5,2 | (25,6) | (23,0) | – | (43,4) |
| Attributable portion of goodwill arising in Quince on this transaction | (107,1) | – | – | – | – | – | (107,1) | – |
| Surplus on dilution/disposal | (118,1) | (39,9) | – | – | (349,4) | – | (118,1) | (389,3) |
| Loss on diposal | – | – | – | – | – | 23,0 | – | 23,0 |
| Transfer value/proceeds (received)/paid on disposal | (375,0) | (67,8) | (13,9) | 5,2 | (375,0) | – | (375,0) | (451,5) |

# PRINCIPAL SUBSIDIARIES – *Annexure A*

*at 30 September 2007*

| | Issued capital R (unless otherwise stated) | Effective percentage holding 2007 % | 2006 % | Interest of holding company Shares 2007 Rm | Shares 2006 Rm | Indebtedness 2007 Rm | Indebtedness 2006 Rm |
|---|---|---|---|---|---|---|---|
| **ELECTRICAL ENGINEERING** | | | | | | | |
| Circuit Breaker Industries Limited | 46 | **100** | 100 | **–** | – | **–** | (3,0) |
| Heinemann Holdings Limited | 35 000 | **100** | 100 | **16,4** | 16,4 | **14,7** | – |
| 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 | **57,2** | – |
| CBI-electric Aberdare ATC Telecom Cables (Pty) Limited | 378 | **37,5** | 100 | **–** | – | **77,9** | – |
| **OFFICE SYSTEMS** | | | | | | | |
| Nashua Limited | 947 794 | **100** | 100 | **6,3** | 6,3 | **(14,3)** | (14,6) |
| Kopano Copier Company (Pty) Limited | 100 | **74** | 74 | **1,5** | 1,5 | **15,0** | 14,4 |
| Royce Imaging Industries (Pty) Limited | 100 | **100** | 100 | **–** | – | **(2,0)** | (3,8) |
| RC&C Finance Company (Pty) Limited* | | | 16* | **–** | 20,4 | **–** | 0,9 |
| Nashua Connect (Pty) Limited | 1 000 | **100** | 100 | **–** | – | **4,4** | 4,2 |
| Nashua Holdings (Pty) Limited | 2 000 | **100** | 100 | **–** | – | **17,9** | (0,3) |
| Classic Number Trading 80 (Pty) Limited | 100 | **51** | – | **–** | – | **–** | – |
| Algoa Office Automation (Pty) Limited | 200 | **51** | – | **–** | – | **1,8** | – |
| Circular Drive Property (Pty) Limited | 200 | **51** | – | **–** | – | **–** | – |
| **CONSUMER PRODUCTS AND SERVICES** | | | | | | | |
| Nashua Mobile (Pty) Limited | 9 741 983 | **100** | 100 | **267,8** | 267,8 | **3,2** | 3,1 |
| Nashua Electronics Limited | 100 | **100** | 100 | **45,0** | 45,0 | **(22,5)** | (54,1) |
| NPC (Electronics) Limited | 33 000 | **100** | 100 | **0,2** | 0,2 | **(3,9)** | (2,8) |
| NPC (Airconditioning) Limited | 200 000 | **100** | 100 | **2,2** | 2,2 | **(0,5)** | – |
| Pansolutions (Pty) Limited | 1 000 | **74** | 100 | **–** | – | **0,4** | (3,1) |
| Futronic (Pty) Limited | 100 | **100** | 100 | **–** | – | **(0,3)** | (0,3) |
| RC&C Manufacturing Company (Pty) Limited | 100 | **100** | 100 | **–** | – | **(5,6)** | (2,4) |
| 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** | 2,6 |
| Saco Systems (Pty) Limited | 96 000 | **100** | 100 | **–** | – | **0,1** | (2,0) |
| **TELECOMMUNICATIONS** | | | | | | | |
| Acuo Technologies (Pty) Limited | 4 000 | **100** | 100 | **–** | – | **8,4** | 0,7 |
| **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** | 0,4 |
| RDL Technologies (Pty) Limited | 2 000 | **100** | 70 | **14,6** | – | **10,1** | – |
| Reutech Radar Systems (Pty) Limited | 200 | **100** | 57 | **42,5** | 8,6 | **0,4** | 0,8 |
| 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 | **(381,1)** | 331,4 |
| Bargenel Investments Limited | | ** | 100 | **1 112,4** | 23,0 | **–** | 64,7 |
| Reunert Management Services Limited | 4 000 | **100** | 100 | **–** | – | **(0,1)** | (0,1) |
| Sundry companies | | | | **5,0** | 5,0 | **(9,2)** | (10,0) |
| Investment in terms of a broad based share-based payment transaction encompassing group employees*** | | | | **44,5** | – | **–** | – |
| | | | | **1 767,6** | 605,6 | **(160,2)** | 391,5 |
| Owing by (net) | | | | **(160,2)** | 391,5 | | |
| Provision for losses | | | | **(127,3)** | (116,5) | | |
| Interest in subsidiaries | | | | **1 480,1** | 880,6 | | |

*In 2006 Reunert owned 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.*

***Reunert owns Bargenel's entire issued cumulative "A" preference shares (1 112 405 shares of R0,01 each, issued at a premium of R999,99 per share). Reunert sold its investment in Bargenel's ordinary shares during the year (refer to note 5 of the notes to annual financial statements).*

****In terms of IFRIC 11 – "Group and Treasury Share Transactions", the share premium of R83,80 per share on the 530 900 shares issued (refer to note 23 of the notes to the annual financial statements and the directors' report) has been allocated to Reunert's investment in subsidiaries.*

| | Ordinary shares | |
|---|---|---|
| | **2007 %** | 2006 % |
| **Major holdings through managers in excess of 5% (current and prior year)** | | |
| Old Mutual Asset Managers (SA) | **12,3** | 14,0 |
| Public Investment Commissioners (SA) | **10,1** | – |
| Polaris Capital (Pty) Ltd (SA) | **5,9** | 5,2 |
| Stanlib Asset Management (SA) | **4,7** | 7,5 |

| | Ordinary shares | | 5,5% cumulative preference shares | |
|---|---|---|---|---|
| | Number of shareholders | % shareholding | Number of shareholders | % shareholding |
| **Shareholder spread** | | | | |
| Public shareholders | 22 222 | 78,9 | 51 | 71,2 |
| Non-public shareholders | 5 375 | 21,1 | 2 | 28,8 |
| – Total directors | 1 | – | | |
| – Reunert Share Purchase Trust | 63 | 1,3 | | |
| – Reunert Staff Share Trust | 5 309 | 0,3 | | |
| – Bargenel* | 1 | 9,4 | | |
| – Public Investment Commissioners (SA) | 1 | 10,1 | | |
| – Old Sillery (Pty) Ltd | | | 1 | 15,0 |
| – G Boerstra | | | 1 | 13,8 |
| | 27 597 | 100,0 | 53 | 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) | 19,8 | 10,1 | | |
| Bargenel* | 18,5 | 9,4 | | |
| Old Sillery (Pty) Limited | | | 52,5 | 15,0 |
| G Boerstra | | | 48,4 | 13,8 |
| Agulhas Nominees (Pty) Ltd | | | 34,8 | 9,9 |
| HF Richardson | | | 31,9 | 9,1 |
| DF Foster | | | 24,5 | 7,0 |
| J Fisher | | | 19,9 | 5,7 |
| JEG Wright | | | 18,2 | 5,2 |

**Treasury shares (refer to note 23)*

# SHAREHOLDERS' *diary*

*for the year ended 30 September 2007*

**REPORTING**

| | |
|---|---|
| Annual general meeting | 5 February 2008 |
| Financial year-end | 30 September 2008 |
| Announcement of interim results for 2008 | 14 May 2008 |
| Announcement of final results for 2008 | 26 November 2008 |
| Annual report posted by | 24 December 2008 |

**FINAL DIVIDENDS FOR 2007**

*Ordinary shares*

| | |
|---|---|
| Declared | Tuesday, 20 November 2007 |
| Last date to trade (cum dividend) | Friday, 11 January 2008 |
| First date of trading (ex dividend) | Monday, 14 January 2008 |
| Record date | Friday, 18 January 2008 |
| Payment date | Monday, 21 January 2008 |

Shareholders may not dematerialise or rematerialise their holdings of Reunert shares between Monday, 14 January 2008 and Friday, 18 January 2008, both days inclusive.

*5,5% cumulative preference shares*

| | |
|---|---|
| Declared | 28 December 2007<br>30 June 2008 |
| Payable | 31 January 2008<br>31 July 2008 |

Please note that the reporting dates are subject to change

**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 2191
Sandton
South Africa

**POSTAL ADDRESS**
PO Box 784391
Sandton 2146
South Africa

**GROUP SECRETARY AND ADMINISTRATION**
Reunert Management Services Limited
Lincoln Wood Office Park
6 –10 Woodlands Drive
Woodmead 2191
Sandton
South Africa

GE Field (56)
CA(SA)
Financial Director
Reunert Management Services Limited
e-mail: grahamf@reunert.co.za

JAF Simmonds (61)
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 2191
South Africa

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

**SPONSOR**
Rand Merchant Bank (A division of FirstRand Bank Limited)

**PRINCIPAL BANKERS**
Nedbank Limited
Standard Corporate and Merchant Bank

**INFORMATION AND INVESTOR RELATIONS**
Carina de Klerk (46)
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

# CURRENCY *conversion table*

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

| | **2007** | 2006 |
|---|---|---|
| US dollar | **0,1452** | 0,1297 |
| Pound sterling | **0,0710** | 0,0695 |
| Swiss franc | **0,1696** | 0,1617 |
| Japanese yen | **16,6900** | 15,3350 |
| Euro | **0,1020** | 0,1021 |

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

Notice is hereby given that the ninety-fourth annual general meeting of shareholders of Reunert Limited will be held in the Reunert boardroom, Lincoln Wood Office Park, 6 – 10 Woodlands Drive, Woodmead on Tuesday, 5 February 2008 at 09:30 for the following purposes:

**1.** To receive and adopt the audited group annual financial statements for the year ended 30 September 2007.

**2.** To elect the following directors:

2.1 Ms ND Orleyn who was appointed a non-executive director on 23 May 2007 is required to retire in terms of the company's articles of association and being eligible, offers herself for re-election.

2.2 Mr BP Connellan who retires in terms of the company's articles of association and being eligible, offers himself for re-election.

2.3 Mr BP Gallagher who retires in terms of the company's articles of association and being eligible, offers himself for re-election.

2.4 Mr G Pretorius who retires in terms of the company's articles of association and being eligible, offers himself for re-election.

2.5 Ms KC Morolo who retires in terms of the company's articles of association and being eligible, offers herself for re-election.

A brief curriculum vitae in respect of each director referred to above appears on pages 12 and 13 of the annual report.

**3.** To determine the remuneration of non-executive directors with effect from 1 October 2007 in accordance with the company's articles of association as follows:

| | **Current per annum** | **Proposed per annum** |
|---|---|---|
| Chairman | R393 000 | R425 000 |
| Non-executive directors | R91 000 | R98 000 |
| Audit and risk committee chairman | R75 000 | R90 000 |
| Audit and risk committee member | R53 000 | R64 000 |
| Remuneration and nomination committee chairman | R43 000 | R47 000 |
| Remuneration and nomination committee member | R38 000 | R41 000 |

**4. ORDINARY RESOLUTION NO. 1**

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

"That 3 400 000 (three 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."

**5. SPECIAL RESOLUTION NO. 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 unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;
- 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 percent) of the shares in issue and for every 3% (three percent) 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 percent) 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 percent) 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 percent) 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 2.12 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 repurchase, they will not undertake any such repurchases unless:
  - the company and the group will, after payment for such repurchase, be able to repay their debts in the ordinary course of business;
  - the company's and the group's assets, fairly valued according to International Financial Reporting Standards and on a basis consistent with the last financial year of the company, will, after payment for such repurchase, exceed the liabilities of the company and the group;
  - the company's and the group's share capital and reserves will, after payment for such repurchase, be adequate for ordinary business purposes; and
  - the working capital of the company and the group will, after payment for such repurchase, be adequate for ordinary business purposes.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The directors, whose names are given on pages 12 and 13 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 of which this notice forms part as set out below:

| | |
|---|---|
| • Directors and management | pages 12 and 15; |
| • Major shareholders of Reunert | page 93; |
| • Directors' interests and securities | page 43 and note 29; |
| • Share capital of the company | note 23; |
| • Litigation statement | page 40; and |
| • Material change | page 40. |

**VOTING AND PROXIES**

A shareholder 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 shareholder of the company. For the convenience of registered shareholders 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 shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

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 2007

**CHANGE OF ADDRESS AND BANKING DETAILS**

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

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

Only to be completed by those shareholders who are:
– holding Reunert ordinary 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, 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 5 February 2008 at 09:30 or at any adjournment thereof.

I/We desire to vote as follows:

| | For* | Against* | Abstain* |
|---|---|---|---|
| **1. Adopt annual financial statements** | | | |
| **2. Election of Directors:**<br>2.1 – Ms ND Orleyn | | | |
| 2.2 – Mr BP Connellan | | | |
| 2.3 – Mr BP Gallagher | | | |
| 2.4 – Mr G Pretorius | | | |
| 2.5 – Ms KC Morolo | | | |
| **3. Directors' remuneration** | | | |
| **4. Ordinary Resolution No 1**<br>Control of authorised but unissued shares | | | |
| **5. Special Resolution No 1**<br>General authority to repurchase shares | | | |

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

Signed this ______________________ day of ______________________ 20 ______

Signature ______________________ Number of shares ______________________

# NOTES *to the proxy*

1. A shareholder 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 shareholder 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.

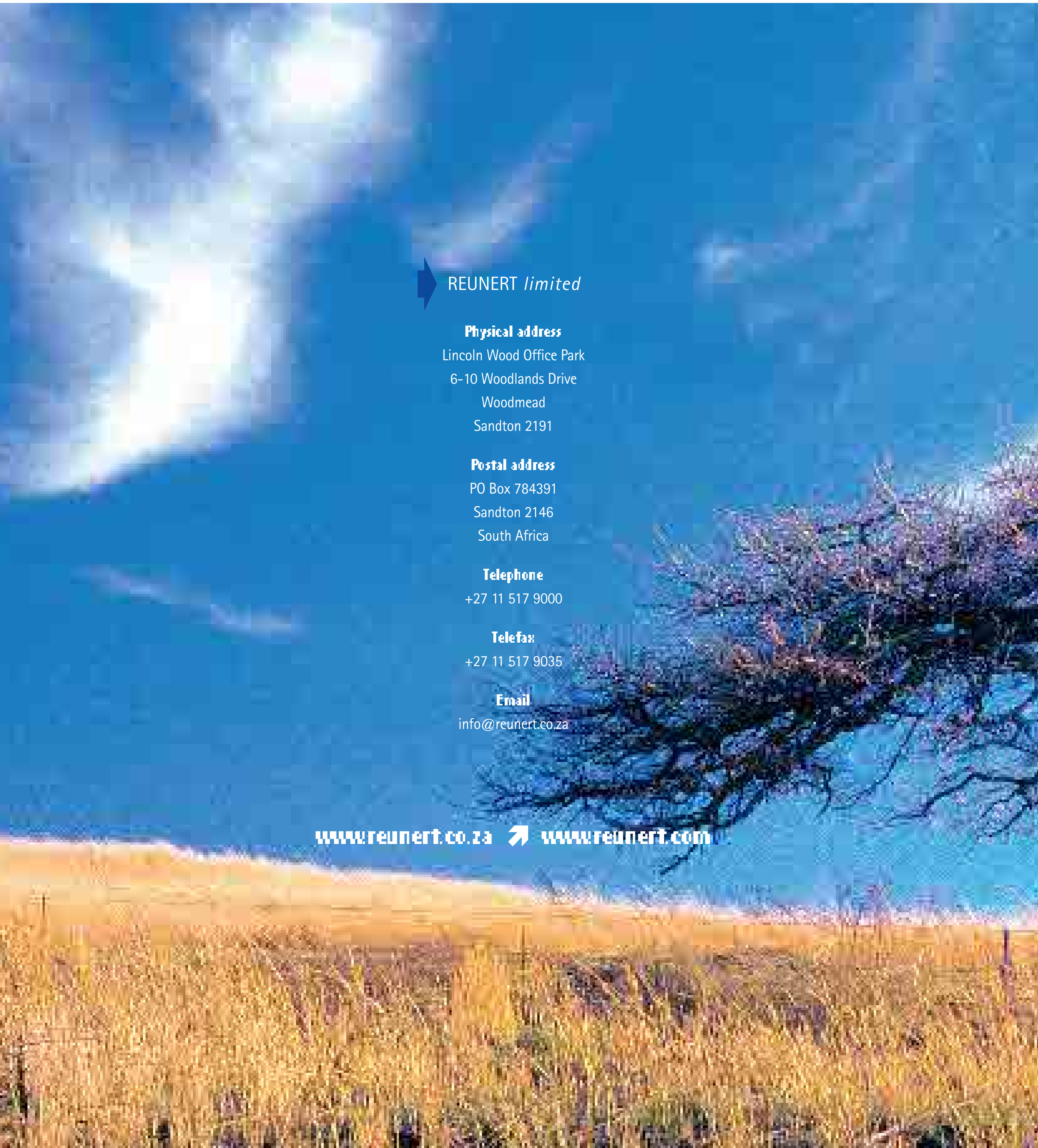
5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.

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.

# Code of ethics

- 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



REUNERT *limited*


**Physical address**
Lincoln Wood Office Park
6-10 Woodlands Drive
Woodmead
Sandton 2191

**Postal address**
PO Box 784391
Sandton 2146
South Africa

**Telephone**
+27 11 517 9000

**Telefax**
+27 11 517 9035

**Email**
info@reunert.co.za


www.reunert.co.za www.reunert.com