# REUNERT

REUNERT LIMITED

ANNUAL REPORT 2008

# Group profile

REUNERT
REUNERT LIMITED

Reunert is a leading South African company, listed on the JSE in the industrial goods and 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 promotes a decentralised management style. While operating decisions are made by the business units, the Reunert executive team defines and monitors long-term strategic plans and investment decisions. Significant capital allocation is approved by the Reunert board.

Reunert's revenue in 2008 from local and international markets exceeded R10,9 billion. The group has over 7 000 employees, including many highly qualified and experienced engineers, technicians, research and development professionals and field support staff.

## Abbreviations

| Abbreviation | Full name |
|---|---|
| Aberdare | Aberdare Cables (Pty) Limited |
| Acuo | Acuo Technologies (Pty) Limited |
| ATC | ATC (Pty) Limited |
| Bargenel | Bargenel Investments Limited |
| Barlows | Barloworld Limited |
| BBBEE | Broad-based black economic empowerment |
| BEE | Black economic empowerment |
| CAFCA | Cafca Limited |
| JSE | JSE Limited |
| Kgorong | Kgorong Investment Holdings (Pty) Limited |
| Moeller | Moeller-Electric (Pty) Limited |
| Nashua Holdings | Nashua Holdings (Pty) Limited |
| Nashua Kopano | Kopano Copiers (Pty) Limited |
| Nashua Mobile | Nashua Mobile (Pty) Limited |
| NSN group | Nokia Siemens Networks Group |
| NSN | Nokia Siemens Networks SA (Pty) Limited |
| PanSolutions | Pansolutions (Pty) Limited |

| Abbreviation | Full name |
|---|---|
| Peotona | Peotona Group Holdings (Pty) Limited |
| Powerhouse | Powerhouse Utilities (Pty) Limited |
| PSG | PSG Group Limited |
| Quince | Quince Capital Holdings (Pty) Limited |
| RCCF | RC&C Finance Company (Pty) Limited |
| RDL | Reutech Solutions (Pty) Limited |
| RES | Reutech Engineering Services (Pty) Limited |
| RFCL | Reunert Finance Company Limited |
| RMB | Rand Merchant Bank (A division of FirstRand Bank Limited) |
| RMS | Reunert Management Services Limited |
| RRS | Reutech Radar Systems (Pty) Limited |
| Reunert | Reunert Limited |
| Reutech | The group's defence businesses |
| SANDF | South African National Defence Force |
| Telecom Cables | CBI-Electric Aberdare ATC Telecom Cables (Pty) Limited |
| tr | Trillion (US notation) |

# Key facts and contents

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

## AT A GLANCE

Established in 1888 by pioneers Theodore Reunert and Otto Lenz

Listed on the JSE Limited on 1 January 1948

Corporate headquarters in Woodmead, Sandton, South Africa

International operations in Australia, Germany, USA

7 196 employees

Chairman: Martin Shaw

Group chief executive: Gerrit Pretorius

Group finance director: David Rawlinson

Three operational segments:
- Electrical Engineering
- Electronics
- Defence

Investments: 40% interest in NSN

Effective broad-based black economic empowerment shareholding is 23%

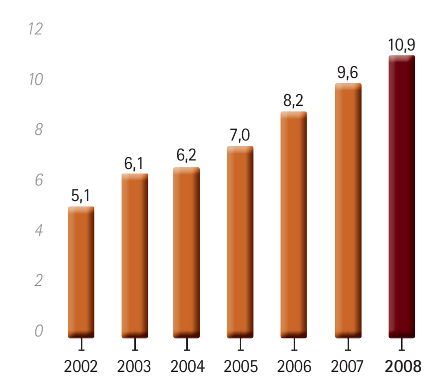
# Financial highlights

## Vision

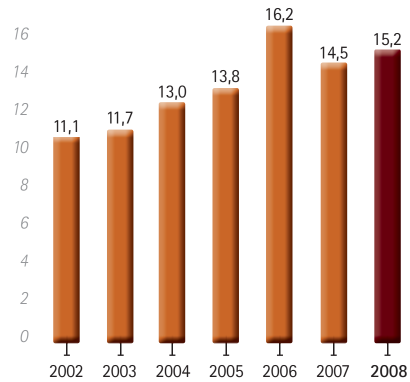
**Reunert will manage businesses in the electronics and electrical engineering sectors, supplying value-added products, systems and solutions to local and international growth markets.**

**Each of these businesses will remain capable of meeting the group's objectives for sustainable growth and earnings.**

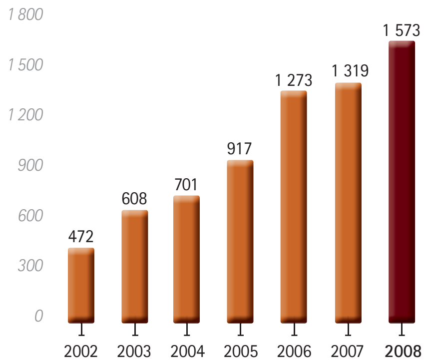
### Rbn: Revenue



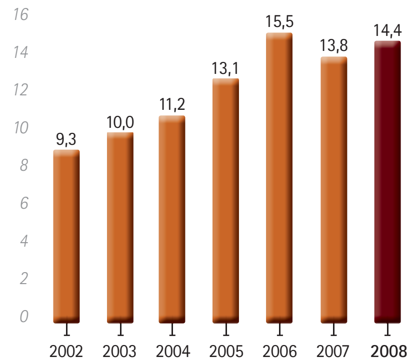

### %: EBITDA as a percentage of revenue



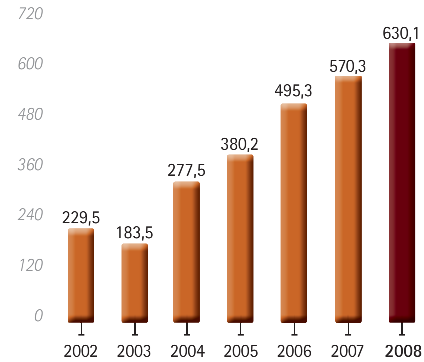

### Rm: Operating profit



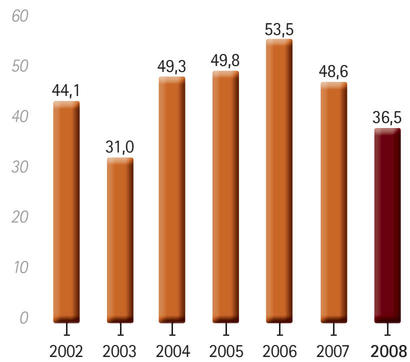

### %: Operating margin




### Cents: Normalised headline earnings per share




### %: Return on equity



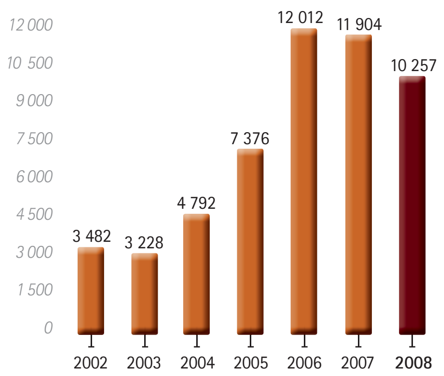
## Financial calendar

Financial year-end: 30 September
Annual general meeting: 4 February 2009

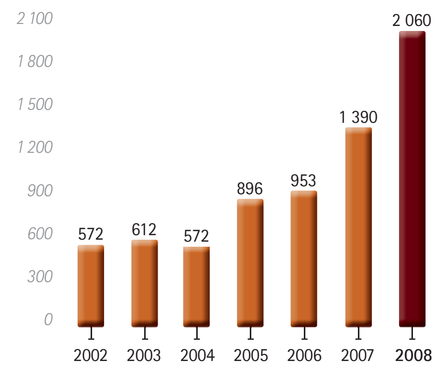
## Cash dividend to shareholders

Payment date for the 2008 year: 19 January 2009
Date trading commences ex-dividend: 12 January 2009
Dates are subject to change.

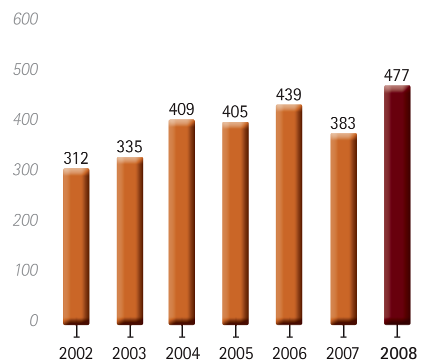
**Rm:** Market capitalisation (net of treasury shares)




**Cents:** Net asset value per share




**R'000:** Wealth created per employee




## Revenue up 14% to R10,9 billion

## Operating profit up 19% to R1,6 billion

## Marginal improvement in operating margin

## Normalised headline earnings up 10% to 630 cents per share

## Total cash dividend up 2% to 319 cents per share

## 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

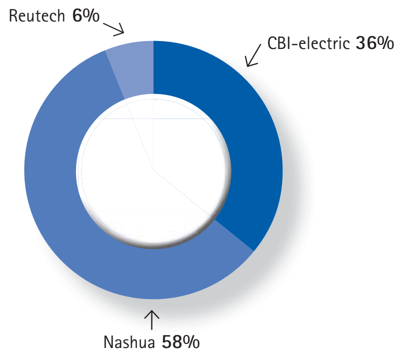
REUNERT

REUNERT LIMITED

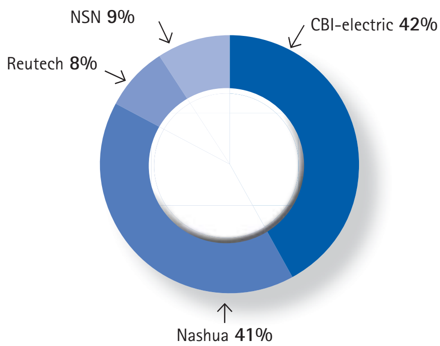
| CBI-ELECTRIC | NASHUA | REUTECH | INVESTMENTS |
|---|---|---|---|
| Energy cables | Office systems | Precision products | NSN (40%) |
| Telecom cables | Mobile | Communications | |
| Low voltage | Electronics | Radar systems | |
| | | Solutions | |

# Segmental overview

%: Contribution to revenue




%: Contribution to operating profit




## CBI-ELECTRIC

Revenue R4 billion
Operating profit R675 million

## NASHUA

Revenue R6,4 billion
Operating profit R653 million

## REUTECH

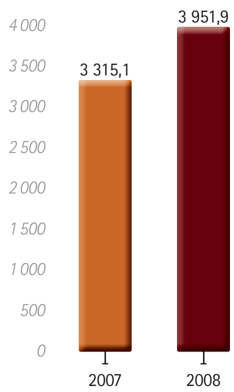
Revenue R622 million
Operating profit R137 million

# Group at a glance

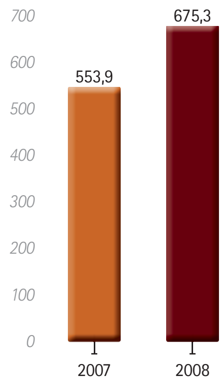
## CBI-ELECTRIC

### Revenue and operating profit

**Rm: Revenue**




**Rm: Operating profit**




CBI electric african cables

*Managing director:* Ernst Schutte

CBI electric aberdare atc telecom cables

*Managing director:* Koos Vorster

CBI electric low voltage

*Managing director:* Chris Oliver

### Description of business

### Energy cables

Designs, manufactures, installs and maintains a comprehensive range of electric power cables. Main users include Eskom, local municipalities and major players in the industrial, mining and manufacturing sectors as well as general electrical contractors.

*ISO 9001 accreditation*

*ISO 14001 accreditation*

*ISO 18001 accreditation*

### Telecommunications cables

Manufacturer and supplier of copper and optical fibre telecommunications cables.
The cables are used by public network operators, whilst a range of measurement, control, data and security cables are supplied to commerce and industry.

*ISO 9001 and OHSAS 18001 certification, UL listing, EC verification, Soncap (Nigeria)*

### Low voltage

Supplies and manufactures low voltage distribution-, protection- and control equipment. Products include miniature circuit breakers, moulded case circuit breakers, residual current devices, circuit breakers for equipment, wiring accessories, surge protection, and industrial control and automation equipment. Products destined for export markets hold safety approvals from Europe, Germany, Russia, Ukraine, China, Japan, Canada and the United States of America. Export markets are served by subsidiaries in Germany, Australia and the United States of America.

*ISO 9001 and EN 29001 certification*

### Medium voltage

The supply to the local market of:
- miniature substations
- pole distribution transformers
- medium voltage metal-clad switchgear
- power transformers
- high-voltage switchgear
- complete outdoor substations up to 132 kV

All products comply with local standards.

### Operational performance

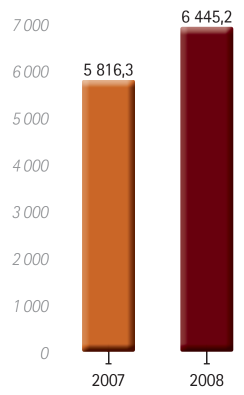
| Energy cables | Telecommunications cables | Low voltage |
|---|---|---|
| Revenue up 43% | Revenue down 19% | Revenue up 19% |
| Operating profit up 18% | Operating profit down 18% | Operating profit up 45% |

### Employees

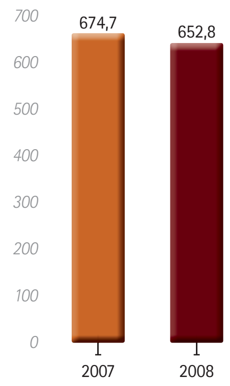
| Energy cables | Telecommunications cables | Low voltage |
|---|---|---|
| 810 | 689 | 2 306 |

# NASHUA

Rm: Revenue




Rm: Operating profit




*Managing director:* Graham Rhodes

## Office systems

A leading supplier of office multifunctional devices in southern Africa. Products are sourced from Ricoh, the world's leading manufacturer of office automation equipment and branded Nashua. Nashua has a well-established network of 56 franchises in South Africa, Namibia, Swaziland, Lesotho, Botswana, Zimbabwe and Zambia.

*ISO 9002 accreditation*

## Finance

RCCF trading as Nashua Finance and Quince Asset Rentals, provides asset-based financial solutions. Since 1 June 2008, the company is wholly owned by Reunert.

Revenue up 12%

Operating profit down 12%

748

*Managing director:* Chris Scoble

## Telecommunications services provider

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 660 000 contract subscribers.

Revenue up 15%

Operating profit up 8%

818

*Managing director:* Martin Maddox

## Electronics distributor

**Business systems:** Imports, markets and distributes business system products under the Panasonic, PanSolutions and Nashua brands. Product categories include office automation, IT, telecommunications, security systems, broadcast systems, presentation systems and air-conditioning.

**Consumer electronics:** The exclusive importer and distributor of a wide range of Panasonic products manufactured by Matsushita and Futronic products in southern Africa.

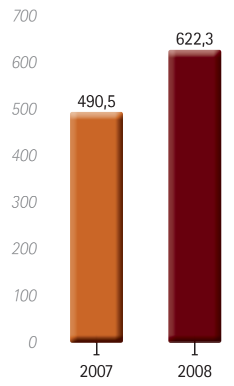
Revenue down 3%

Operating profit down 16%

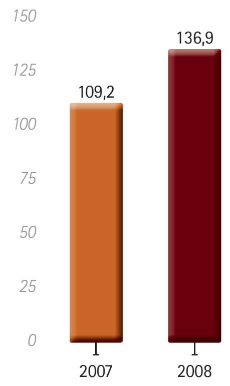
830

# REUTECH

**Rm:** Revenue




**Rm:** Operating profit




REUTECH COMMUNICATIONS

*Managing director:* Martin de Beer

## Communications

Located at Pinetown in KwaZulu-Natal, Reutech Communications specialises in technologically advanced tactical VHF/UHF communication systems for the defence environment. Products and services supplied are:

- Tactical airborne VHF/UHF radios
- Mobile/static ground-based VHF/UHF radios
- Tactical ground-based VHF/UHF radios
- System integration and support

Reutech Communications has been a strategic supplier for communication products to the SANDF for more than 40 years. The company is an approved supplier to many international customers.

*ISO 9001: 2000 accredited via BVC*

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REUTECH PRECISION PRODUCTS

*Managing director:* Mike Tucker

## Precision products

Precision Products is based at Alberton in Gauteng, also known as "Fuchs Electronics". The company designs and manufactures the internationally recognised range of Fuchs electronic fuses and related defence products for artillery, mortar, naval and aircraft weapons applications. Capabilities include electronic and precision mechanical design, and high volume production of electromechanical assemblies. Reutech owns the intellectual property of all products produced. More than 95% of the company's revenue is generated from export sales.

This division undertakes cellular handset repairs for Nokia.

*ISO 9001: 2000 accredited*

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REUTECH RADAR SYSTEMS

*Managing director:* James Verster

## Radar systems

Develops and manufactures ground and naval search and tracking radar systems and subsystems for the SANDF, as well as customers in the export market. Significant contracts include the supply of sensors and software for the country's Ground Based Air Defence System programme, tracking sensors for the Valour-class frigates and more recently, helicopter management radar for the Royal Norwegian Navy.

Mining radar sensor systems used in open-cast mining operations are also supplied internationally.

*Holds certified registration as an SABS ISO 9001: 2000 company*

125

REUTECH SOLUTIONS

*Managing director:* Selwyn Newnes

## Solutions

Solutions is a systems engineering and logistic support company. The company provides a full "cradle-to-grave" spectrum of services on electronic equipment to the SANDF, governmental agencies, global system for mobile service providers and clients in the mining industry. Such electronic equipment and services includes telecommunications, satellite, radar, fare management equipment for transportation services and resource and asset management. It also manufactures and supplies the Rogue remote controlled weapons platform which is used for vehicle and vessel application, to the SANDF and international clients. Solutions is based at Midrand and has support facilities throughout South Africa.

*ISO 9001: 2000 accredited and a quality system has been implemented at its facilities throughout the country*

298

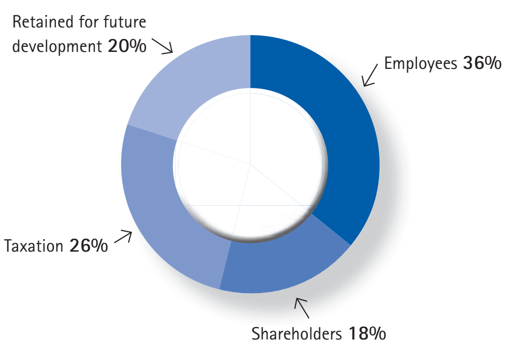
Revenue up 27%

Operating profit up 25%

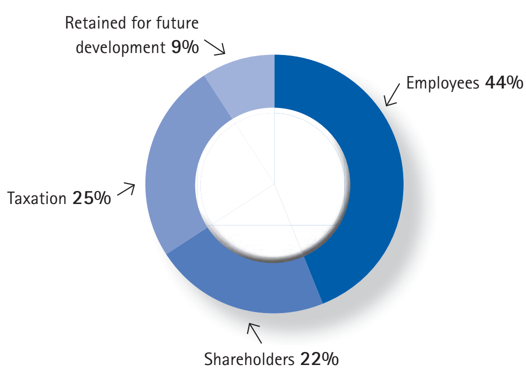
# Value added statement

| | 2008 Rm | % | 2007 Rm | % | % change 2008 over 2007 |
|---|---|---|---|---|---|
| Revenue | 10 921,1 | | 9 574,4 | | 14 |
| Paid to suppliers for materials and services | 7 606,6 | | 7 337,0 | | 4 |
| Value added | 3 314,5 | 97 | 2 237,4 | 90 | 48 |
| Income from investments and associates | 119,6 | 3 | 260,4 | 10 | (54) |
| TOTAL WEALTH CREATED | 3 434,1 | 100 | 2 497,8 | 100 | 37 |
| DISTRIBUTED AS FOLLOWS: | | | | | |
| EMPLOYEES | | | | | |
| Remuneration and service benefits | 1 053,3 | | 916,5 | | |
| Add PAYE collected on behalf of government | 181,6 | | 168,1 | | |
| Gross remuneration and service benefits | 1 234,9 | 36 | 1 084,6 | 44 | 14 |
| PROVIDERS OF CAPITAL | | | | | |
| Dividends to Reunert shareholders | 567,2 | 17 | 468,3 | 19 | 21 |
| Dividends economically attributable to BEE partners (as defined in note 9.3 to the annual financial statements) | – | – | 15,8 | 1 | |
| Dividends to outside shareholders in subsidiaries | 1,8 | – | 4,5 | – | (60) |
| Interest paid on borrowings | 43,2 | 1 | 57,2 | 2 | (24) |
| | 612,2 | 18 | 545,8 | 22 | 12 |
| PAYMENTS TO GOVERNMENT | | | | | |
| Taxation on profits and dividends | 486,8 | | 427,4 | | |
| VAT, customs duties and other taxes | 418,9 | | 207,4 | | |
| | 905,7 | 26 | 634,8 | 25 | 43 |
| RETAINED IN THE GROUP TO DEVELOP FUTURE GROWTH | | | | | |
| Amortisation of intangible assets and depreciation | 86,6 | 3 | 74,3 | 3 | 17 |
| Accumulated profit | 594,7 | 17 | 158,3 | 6 | 276 |
| | 681,3 | 20 | 232,6 | 9 | 193 |
| TOTAL WEALTH DISTRIBUTED | 3 434,1 | 100 | 2 497,8 | 100 | 37 |

2008




2007



Martin Shaw – Chairman

Gerrit Pretorius – Chief executive

**Reunert's diversified nature and the quality of its businesses enabled it to increase operating profit and revenue for the eighth consecutive year.**

## DEAR SHAREHOLDERS

The past year can be described, at best, as volatile. This volatility saw higher interest rates, fluctuating currency exchange rates, extreme commodity prices and erratic equity markets. In the latter half of the year, the fear of a systematic banking collapse, with the inevitable associated recessionary worries, gripped the world. Reunert has not escaped this environment and, since February 2008, bad debts have been increasing markedly, indicating the severe levels of financial stress being experienced by the public.

Nonetheless, Reunert's diversified nature and the quality of its businesses enabled it to increase operating profit and revenue for the eighth consecutive year. Normalised headline earnings grew by 10% to 630,1 cents per share. Cash generation was strong and debt, excluding the finance book, was non-existent. Net cash resources at the end of the period, excluding RCCF, were R782 million. Operating margin, excluding the commission income received from our 40% investment in NSN, decreased marginally from 13,8% to 13,1%. EBITDA as a percentage of revenue increased from 14,5% to 15,2%, mainly because the NSN commission is now included in other income and operating profit. Previously Reunert's share of NSN income was reflected as income from associates.

A final cash dividend of 241 cents per share has been declared, which together with the interim cash dividend of 78 cents per share makes a total distribution of 319 cents per share (2007: 314 cents).

The electrical group, **CBI-electric,** had a good year. Revenue increased by 19% to R3,95 billion, while operating profit grew from R554 million to R675 million, an increase of 22%. Both the low-voltage and energy cables businesses experienced buoyant market conditions. Our cautious approach to increasing capacity, in the light of recent developments, certainly proved to be appropriate.

Continued emphasis on quality and efficiency was evidenced by good margins. The **low-voltage business** in particular benefited from strong exports and operating profit improved by 45%. Towards the latter part of the financial year low voltage sold more products outside South Africa than within its borders. The Australian operation, under new management, has been turned around and should start contributing meaningfully shortly.

The acquisition of the Moeller business strengthened our position in the motor control market. By bolting-on businesses in related areas of activity, the low-voltage business has, over a period of 10 years, turned into a supplier of a diverse range of products in the electrical engineering field as opposed to being a supplier of residential circuit breakers only.

Cheap imports, especially from China, have been successfully countered for the time being. After some bad experiences, industry, mining and the public are more safety-conscious, insisting on reliability rather than compromising personal safety.

**The energy cable business** had an excellent year and for most of the year, capacity was stretched in order to cope with demand. Despite the high copper price, users had a seemingly insatiable demand for a wide range of energy cable. The increase in sales boosted margins, resulting in a record-breaking performance improving revenue by 43% and operating profit by 18%.

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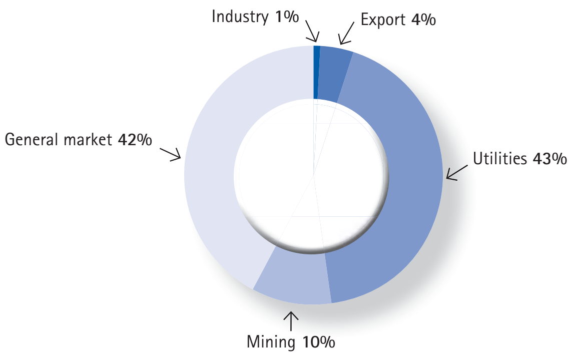
**Energy cables: Market mix as % revenue**




Towards the latter part of the year demand softened noticeably, while the copper price collapsed in line with most other commodity prices. The rapid weakening of the rand will tend to keep the rand copper price more stable.

Capital investment in our factories will continue as planned. During the past year R31 million was spent at the factory in Vereeniging and we intend to invest a further R25 million in the 2009 financial year.

**Telecommunications cables,** in our joint-venture company, had a subdued year due to Telkom buying less copper cable than previously. Revenue decreased by 19% and operating profit declined by 18%. Sales of fibre cable picked up and this trend is expected to continue. Capital is being invested to increase capacity for instrumentation cable, which is experiencing strong domestic and foreign demand.

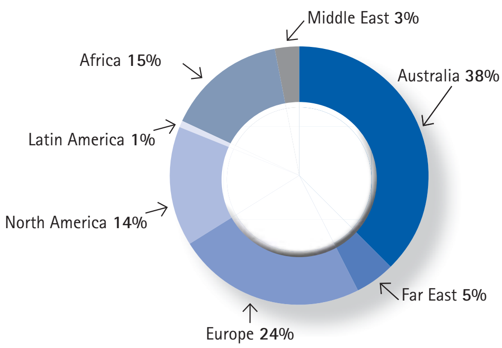
From being predominantly a supplier to Telkom this business is now earning less than 40% of revenues from this source. Exports, specifically instrumentation and fibre cable, are expected to continue growing offsetting the decline in demand from Telkom. Neotel, MTN and Vodacom are all buying fibre-optic cable and escalating quantities are being ordered. The relocation of fibre-optic manufacturing capacity from Port Elizabeth to Brits was completed.

At this stage it is difficult to gauge what impact global economic conditions will have upon infrastructure development in South Africa although early signs indicate that revenue in CBI-electric may decline.

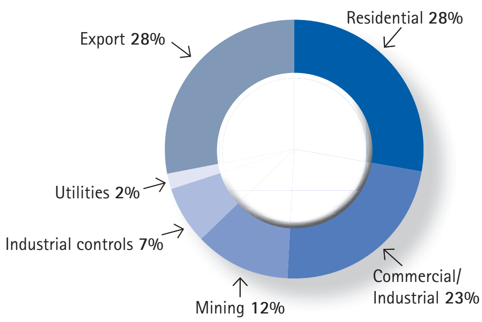
The **Nashua** group, being more directly exposed to the consumer, had a tough second half year. Revenue grew by 11% to R6,4 billion for the year, but operating profit declined by 3% to R653 million. Bad debts have become an issue, emphasising the need to concentrate on quality rather than the number of deals.

In **office automation**, Nashua increased volume sales as well as operating profit. More than 40% of total volume sold was via outlets in which we hold the majority interest. This is in line with our stated goal of moving closer to the end-user. We have acquired a 51% interest in the Nashua West Rand franchise this year.

**Low voltage: Export sales by region**




**Low voltage: Product mix %**



**Nashua Mobile had a very successful year in terms of business volume, growing revenue by 15%. Operating profit increased by 8%. Churn, however, is becoming a major concern especially since it is mostly debt-related.**

The product offering in the middle range of multifunction machines was not ideal. Sourcing in euro further affected our competitive position. Recent relative yen strength should improve our position significantly. Total document volume, driving consumable sales, continues to grow. Printing, as opposed to copying, is gaining and receiving our full attention.

**RCCF,** trading as **Nashua Finance** and **Quince Asset Rentals,** had an eventful year. Following the subprime crisis and the subsequent curtailment of securitisation, the venture we had with PSG had to be undone. This became effective on 31 May 2008. Limited funds of R700 million was raised securitising a portion of the book and Reunert used its balance sheet to provide the additional funding to finance the balance of the book which totalled R2 billion at year-end. This is a temporary measure and action is under way to obtain external funding in due course. The business is sound and provides a valuable service to our operations. Bad debts, though higher than in the past, are still within acceptable levels.

**Nashua Mobile** had a very successful year in terms of business volume, growing revenue by 15%. Operating profit increased by 8%. Churn, however, is becoming a major concern especially since it is mostly debt-related. The risk of signing up marginal customers could increase because the market is saturated at the higher-end. We are guarding against the tendency to convert prepaid customers to contract customers as this approach could turn out to be very costly.

Sustainable service levels are a concern. High-spending subscribers are entitled to the best service. We are aware of that and every effort is being made to correct service levels and return the focus to our deserving clientele.

Average monthly revenue per user is still at an industry high and remained more or less constant, increasing from R443 to R472 per user. We will increasingly focus on retaining quality customers.

**Nashua Electronics,** distributing mainly Panasonic products, had a tough year. The range of consumer electronic products is not price competitive in the South African market – especially with consumers tightening their belts. Firm management ensured a breakeven position which is a commendable performance in that industry. However, the business model needs to be improved.

**Reutech** lived up to our expectations, contributing in excess of R130 million to operating profit. **Precision products**, with its range of Fuchs fuses, did particularly well and secured orders stretching well into the 2010 financial year.

The **communications** business, with its VHF/UHF radios, continues to benefit from long-standing local and international relationships. Exports are brisk and will continue to grow.

| NASHUA MOBILE | September 2008 | September 2007 | Growth % past year |
|---|---|---|---|
| Contract connections for year | **132 210** | 151 285 | (13) |
| 3G/HSDPA connections | **28 782** | 27 534 | 5 |
| Total connections | **160 992** | 178 819 | (10) |
| Closing contract base | **663 787** | 693 432 | (4) |
| ARPU (average for period) | **472** | 443 | 7 |
| Churn % | **12,8** | 10,7 | 20 |
| Net bad debts as % of turnover | **1,34** | 0,73 | 84 |
| Number of retail outlets | **152** | 142 | 7 |

The Department of Communication is in the process of converting the country's analogue television to digital format. The **radar systems** business in Stellenbosch developed a set-top-box product that hopefully will add to meaningful participation in the migration to digital television broadcasting. This market is conservatively valued at R7 billion spread over a four- to five-year period.

Our mining surveillance radar systems gained a strong foothold in most of the major mining groups, locally as well as overseas. The market is big; our product superior and positive results should drive higher sales.

Our defence arm is strong, well positioned in focused areas and engaged in long-term funded development programmes that will ensure future revenue streams. The percentage contribution from this division to Reunert is expected to grow.

**NSN** is beginning to see the benefit of the Nokia Siemens merger in telecommunications. Revenue in the business remained more or less the same and is not expected to change dramatically in the medium term because of the high market share NSN already enjoys. Sales are expected to remain high as Telkom, Vodacom and Neotel upgrade or expand their networks.

## Acknowledgements >

We are pleased to welcome Messrs Thabang Motsohi and Trevor Munday who joined the board as independent non-executive directors on 1 June 2008. They both bring a wealth of experience from which we can benefit.

Thank you to our shareholders and customers for their continued support, to our directors; senior executives and staff for their dedication and effort, and our suppliers and all other related parties for services rendered.

## Prospects >

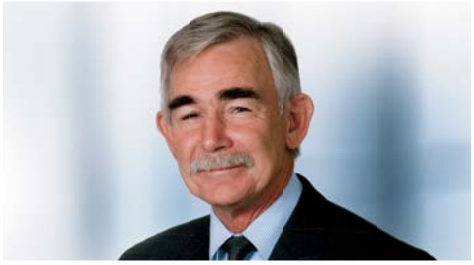
The global financial crisis has placed a premium on strong cash flows and liquidity. Lower levels of economic activity are expected in a deteriorating global and domestic macro-economic environment. Although South Africa has so far been relatively sheltered from the worldwide turmoil, inflation is well above government targets, whilst interest rates are at a level last seen in the nineties.

Given this environment, it is difficult to predict with any certainty what the impact will be in the 2009 financial year. The dividend cover has been increased to two and may well have to be further increased in the future given the uncertain economic and liquidity landscape.

**Martin Shaw**
Chairman

**Gerrit Pretorius**
Chief executive

Sandton
5 December 2008



David Rawlinson – Financial director

## OPERATING PERFORMANCE

Revenue and operating profit increased for the eighth year in a row. The group experienced more favourable economic conditions in the electrical and defence operations, whereas slower conditions in consumer spending, due to high interest rates, adversely affected the electronics operations.

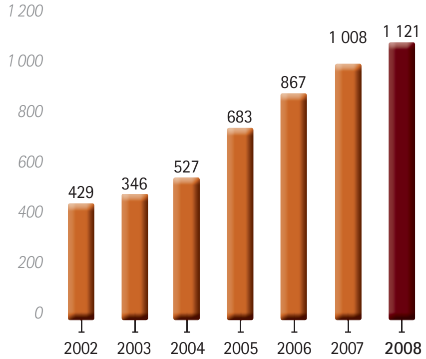
### Normalised headline earnings >

The group has disclosed normalised headline earnings per share for a number of years to provide shareholders and other users of the financial statements with the group's sustainable earnings. These numbers are comparable with prior years.

The first adjustment is a charge of R38,5 million in 2008 and R73,5 million in 2007 for the BEE minority shareholders' interest in the group's cable operations. In terms of IFRS, the BEE minority interest may not be recognised as long as there are amounts owing by the BEE shareholders on the transaction.

The remaining adjustment of Rnil (2008) and R600 million (2007) is the reversal of the charge for the Reunert BEE equity deal finalised in 2007.

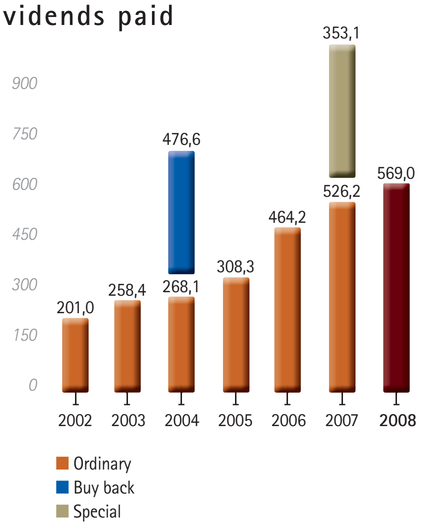
**Rm: Normalised headline earnings**



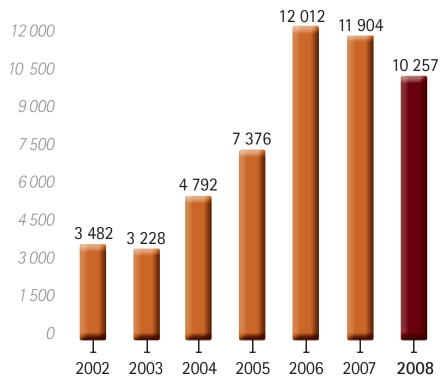

### Dividends >

In spite of the sustainable earnings, growth and generous dividends paid by the group, the market capitalisation of Reunert over the last three years has not shown growth. Shareholders have been partially compensated by the high dividend paid by the group which has historically been in excess of 50% of earnings.

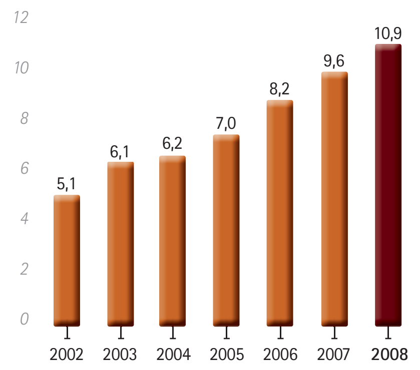
**Rm: Dividends paid**



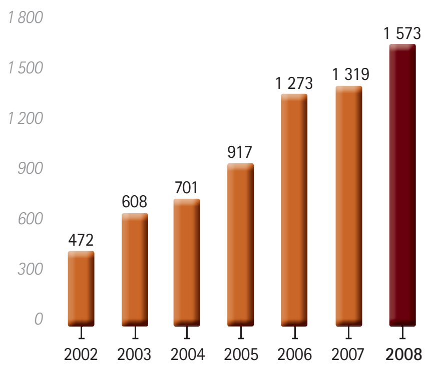

**Rm: Market capitalisation (net of treasury shares)**



## Rbn: Revenue




## Rm: Operating profit

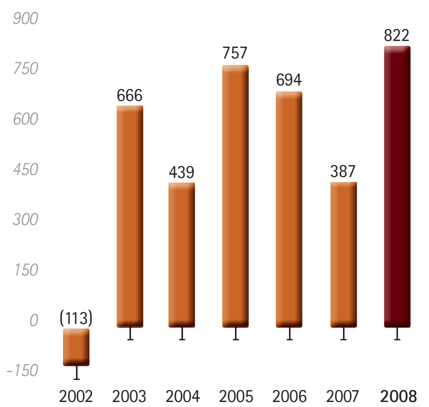



## Cash flows >

**Cash flows excluding dividends and share buy-backs**

Reunert's profit growth is underpinned by strong cash flows after lower cash flows in 2007 due to working capital requirements. Cash generations have been restored to historic levels.

## Rm: Cash flows




The cash flows for RCCF have been excluded from the cash flow figures as finance is raised on the rental debtor's book. The group's exposure in the past has been limited, but the global financial crisis has resulted in the funders requiring Reunert to underwrite certain of the borrowings.

| | 2008 |
|---|---|
| RCCF accounts receivable | 1 964,5 |
| RCCF long-term borrowings | 699,9 |
| RCCF short-term borrowings | 1 164,4 |
| Cash | (82,0) |
| Total RCCF borrowings | 1 782,3 |

The difference between the rental accounts receivable and the borrowing is the equity in the finance company. In 2007, RCCF was equity accounted and is now consolidated as a wholly-owned subsidiary. The shares not held by the group were acquired in May 2008, when the venture with PSG was reversed.

## Risk issues >

**Global financial crisis**

The global financial crisis has placed a premium on strong cash flows and liquidity. A general situation of distrust exists in the financial markets with lenders applying stricter lending criteria and carefully reviewing existing lines of credit. Financing will also be at less favourable rates and no doubt will be further compromised with downgrades from global ratings agencies.

**Exchange rates**

The second half of the financial year and the period subsequent to year-end, have seen great volatility in the value of the rand. The currency has weakened sharply, especially in the last two months with acceleration in global risk aversion significantly enhancing the value of the US dollar against most currencies, and in particular emerging markets. To date the rand has lost more than 30% of its value to the US dollar in 2008, reaching its lowest levels in seven years.

On a positive note, South Africa has largely been protected from the global financial crisis, mainly due to exchange controls. To protect the group from exchange rate volatility, imports are covered by means of forward exchange contracts. Significant exports are covered on an individual basis. Exports at R791,3 million, representing 7,3% of revenue, increased by 27,8% from exports in 2007, at R619,0 million.

Furthermore the group has well established procurement and distribution channels which are less susceptible to short-term oscillations.

With a weaker rand in 2009, focus must be to grow international market share. The Reutech division has large existing export orders and successful delivery of these will have a profound effect on profitability and liquidity.

**Commodities**

Lower levels of economic activity are expected in a deteriorating global and domestic macro-economic environment, placing downward pressure on commodity prices.

The CBI-electric plants use copper as a main component in product manufacturing and this commodity has a material effect on the price of production. Copper hedges are used to protect the group from short-term price fluctuations.

To enhance sustainable production, our copper and component supplier base has been expanded. Various site improvements to security and controls have been implemented to combat theft and shrinkage/wastage.

**Business cycle**

At the time of writing this report South Africa has, to a certain degree, been sheltered from the global turmoil. Inflation has risen to well above targeted levels, whilst interest rates have consistently risen and are currently at a level last seen in the nineties. Consumers in all segments are exposed to high levels of debt with a marked increase in late or defaulting payments. A weak currency would also delay possible rate cuts which are currently foreseen in early 2009.

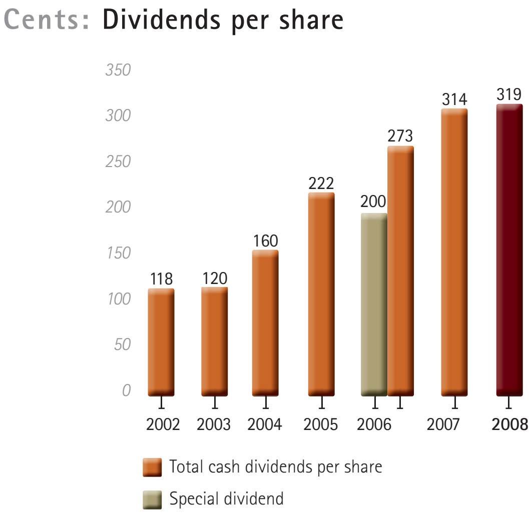
A major concern is South Africa's large current account deficit, which was at over 7% of GDP for 2007, with no sign of improvement in 2008. This is at its highest level since 1971. Growth forecast for the current year is between 3% and 4%, down from the average of over 5% for the previous four years. Further pressure on emerging markets could easily have a further negative impact and a shift to a possibility of recession.

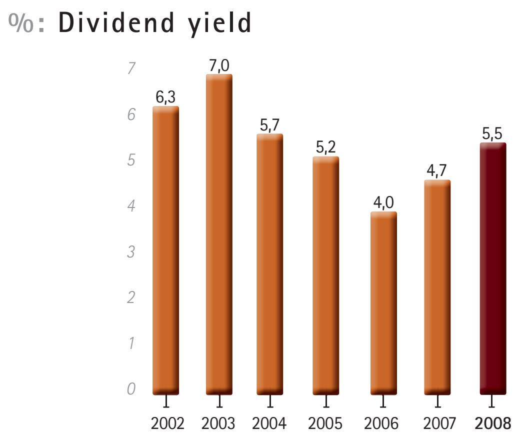
With enhanced credit policies, risk management procedures and innovative products and offerings, the group aims to limit its exposure to the downturn.

## Corporate activity >

Reunert acquisitions in the financial year amounted to R484 million and include the following businesses:

| | |
|---|---|
| RCCF/Quince Capital | Shareholding increased from 47% to 100% |
| Nashua West Rand Franchise | Acquired 51% |
| Moeller | CBI-electric acquired 100% of the business and net assets of Moeller |
| ATC | Acquired 15% from Powerhouse to increase holding in ATC to 89,9% |




## Capex >

The following capital expenditure was incurred in respect of property, plant and equipment:

| | 2008 Rm | 2007 Rm |
|---|---|---|
| Expansion | **72,8** | 86,9 |
| Replacement | **44,3** | 62,1 |
| | **117,1** | 149,0 |

## Shareholders' statistics >

Reunert shares continued to trade actively on the JSE during the past year. Fund managers and investors still have an active interest in the group, mainly due to its exposure to the infrastructure spending through its electrical operations. Approximately 130 million shares were traded in over 67 000 transactions. The total value of shares traded amounted to R8 billion resulting in over 78% of the market capitalisation of the company being traded during the year.

The majority of shares are held by pension funds, unit trusts and mutual funds. On 26 September 2008 the offshore shareholding was just under 11%.

## NSN >

Because of a change of ownership internationally of our associate company NSN, a revised shareholder agreement was concluded. The income from the investment arises out of commission on sales which has been included in other income and operating profit.

Operating profit increased by 10% before including the income from NSN.

The income from associates now excludes the equity accounted income from NSN.

## The year ahead >

Reunert has large market shares in most of the markets in which it operates. Growth over the last number of years has mostly been organic with smaller 'bolt on' acquisitions which have added product or distribution to existing operations.

With the economic environment deteriorating, opportunities for meeting the group's investment criteria could increase. Sellers will be more realistic in their price expectations. Cash balances are increasing and, excluding RCCF assets and borrowings, the balance sheet is ungeared. The group is in a favourable position to consider a sizeable deal.

Reunert will continue to control costs and improve working capital during these uncertain economic times.

**David Rawlinson**
Financial director

Sandton
5 December 2008

# Corporate governance

## Approach to governance >

The Reunert board of directors and group management are firmly committed to sound corporate governance. Reunert subscribes to a set of values that amongst others foster integrity, respect, honesty and openness. The ethos of the group includes personal accountability and individual empowerment. In line with this, the board and management endorse the principles of fairness, responsibility, accountability and transparency as set out in the King Report on Corporate Governance in South Africa of March 2002 (King code).

Reunert strives to comply fully with the recommendations of this report, including the code of corporate practice and conduct, and motivates its staff to conduct business activities with integrity. The 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 13 directors with the majority being independent non-executive 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.

There are four executive directors. The majority of the non-executive directors are deemed independent irrespective of the time they have served on this board. The board has three black non-executive directors of whom one is a woman. Ms Thandi Orleyn represents the group's black economic empowerment partner, Peotona.

Brief résumés for each director appear on pages 22 and 23 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 22 and 23.

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 and 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 and terms of this 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 one individual has unfettered powers of decision-making.

Directors are jointly accountable for decisions of the board. Directors have a legal obligation to act in the best interests of the company and the group, to act with due care in discharging their duties as directors, to avoid conflicts of interest with the company and the group, but, to declare any conflicts that may arise 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, last 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.

The board meets quarterly and at any additional times that may be required. Members of senior management can be invited to attend board meetings to facilitate communication between executive management and non-executive board members.

During the past year, the board met on the following dates:

| Date | Meeting | Apologies tendered |
|---|---|---|
| 5 February 2008 | Board & AGM | KJ Makwetla |
| 13 May 2008 | Board | – |
| 28 August 2008 | Board | – |
| 24 November 2008 | 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.

Messrs TJ Motsohi and TS Munday, having been elected to the board during the year, are required to retire at the next annual general meeting, but being eligible, offer themselves for re-election. Messrs KS Fuller, DJ Rawlinson and Dr JC van der Horst retire by rotation at the next annual general meeting. The nomination committee, at its meeting held on 24 November 2008, has recommended that they be re-elected and they have offered themselves for re-election. The chairman, Mr Martin Shaw, has reached the usual retirement age of 70. However, at the request of the board, Mr Shaw has made himself available to be re-elected at the annual general meeting for another year.

Details of remuneration, fees or other benefits earned by directors in the past year are given in note 28 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 subcommittees: 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 and SD Jagoe.

Messrs G Pretorius and DJ Rawlinson resigned from the audit and risk committee on 25 August 2008, in line with the requirements of the Corporate Laws Amendment Act, No 24 of 2006 (promulgated on 14 December 2007) which provides that an audit committee must consist only of independent non-executive directors. The chief executive and financial director attend these meetings by invitation.

The audit and risk committee, chaired by an independent non-executive director and, effective 25 August 2008, comprises only independent non-executive directors. The committee meets at least twice a year and 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.

The audit and risk committee has satisfied itself of the appropriateness of the expertise and experience of the financial director.

The audit and risk committee has the responsibility to manage key financial and operating control risks, and has assisted the board in the following matters:

- implementing quality corporate governance policies;
- assessing the effectiveness of systems of internal control and acting on any identified areas of concern;
- monitoring the financial reporting cycle;
- recommending the appointment of an independent registered auditor;
- determining the terms of engagement and approving fees for external audit and non-audit work appointments;
- supervision of the effective operation of the internal audit function;
- overseeing the operation of the risk management function that incorporates insurance, security, occupational health and safety, and environmental issues.

During the year, the following meetings took place:

| Date | Apologies tendered |
|---|---|
| 14 May 2008 | – |
| 1 October 2008 | – |
| 20 November 2008 | – |

## Remuneration committee >

SD Jagoe (chairman), TS Munday, MJ Shaw and 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:

| Date | Apologies tendered |
|---|---|
| 14 January 2008 | – |
| 5 February 2008 | – |
| 28 August 2008 | – |
| 1 October 2008 | – |
| 24 November 2008 | – |

Mr Munday was appointed to this committee at the meeting in August and attended his first meeting in October.

### 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. 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% and for 2009 it was capped at 10%.

The short-term incentive for executive management in operating divisions 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.

## Nomination committee >

MJ Shaw (chairman), SD Jagoe, TS Munday and 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 the following dates, all with full attendance. Mr TS Munday was elected to the committee effective 24 November 2008.

| Date | Apologies tendered |
|---|---|
| 5 February 2008 | – |
| 28 August 2008 | – |
| 24 November 2008 | – |

## Group executive and risk management committee >

G Pretorius (chairman), BP Gallagher, GJ Oosthuizen and 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 the sustainability report on pages 26 to 34.

## Environmental issues >

Systems and policies are in place to control or influence issues that may have an impact on the environment. To see more on how we address these issues go to pages 33 and 34.

## 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 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 on the basis of 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 page 4 and is displayed on the company website. All employees are required to adhere to this code.

# Board of directors








## Non-executive directors

**1. MJ Shaw** 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, PPC Limited, Standard Bank Group Limited and Standard Bank of SA Limited.

**2. BP Connellan** 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 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 and Sasol 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.

**3. KS Fuller** 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 chartered accountant in June 1963, he transferred to the Johannesburg office in 1964.

He 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 both the Deloitte & Touche Pension & Provident Funds.

**4. SD Jagoe** 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 26 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.

**5. KJ Makwetla** Social Work Diploma, PMD (Harvard)

*Non-executive, independent director*

*Appointed to the board in 2000*

*Born 14 September 1941*

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

He served as chairman of Limpopo Economic Development Enterprises,1995 – 2006; and served on the boards of Lebowa Platinum and Potgietersrus Platinum. He was chairman of The Joburg Property Company; 2000 – 2005 and from 2004 – 2007 served as director of SAPOA. He was also chairman of Clear Channel Merafe from 2003 – 2007.

Bobby is director of 24 Rivers Platinum and is chairman of Merafe Holdings (Pty) Limited. He is on the boards of African Renaissance Holdings, African Renaissance Aviation Corporation and Marine Bulk Carriers. In his various capacities, Bobby has contributed extensively to black economic empowerment issues at both NAFCOC and government level.

**6. TJ Motsohi** BSc

*Non-executive, independent director*

*Strategy consultant*

*Appointed to the board from1 June 2008*

*Born 9 November 1947*

Thabang is a strategy consultant and has consulted to major corporate clients such as DBSA, SA Port Operations, StatsSA, City of Tshwane, FFC, Nozala and Transnet for the past eight years.

Thabang spent 13 years at executive level in the Civil Aviation Directorate in Lesotho. During this period he was elected vice-president of the African Civil Aviation Commission for the East African region for three years. He joined Transnet in 1994 and was promoted to the position of transformation strategist at Transnet Group as general manager in 1997 and to chief executive of PX in 1998, a position which he held until January 2000.

Thabang has attended executive management programmes at London Business School, University of Singapore and the Harvard Business School.

**7. TS Munday** BCom

*Non-executive, independent director*

*Director of companies*

*Appointed to the board from 1 June 2008*

*Born 12 September 1949*

Trevor spent his formative years from 1971 in a wide-ranging number of roles in financial and commercial management positions both in southern Africa and Europe. In the late 1980s he was appointed finance and commercial director of AECI Explosives and Chemicals Limited. In 1990 he was appointed managing director of Dulux Paints and in the period 1996 to 2000 managing director of Polifin Limited. In 2001 Trevor was appointed executive director and chief financial officer of Sasol Limited with responsibility also for corporate affairs and various other portfolios. Two years later he also assumed global responsibility for Sasol's chemical businesses. In 2005 and 2006 he was

# Executive directors







deputy chief executive of Sasol Limited. At the end of 2006 he retired from executive roles and in 2007 became a non-executive director of various companies.

He serves as a board member of Absa Group Limited, Absa Bank Limited, Sasol Synfuels International (Pty) Limited, Sasol Petroleum International (Pty) Limited and Sasol Polymers and Sasol Nitro – both trading as divisions of Sasol Chemical Industries (Pty) Limited.

**8. ND Orleyn** 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, ArcelorMittal, 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. JC van der Horst** 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. He currently serves on the boards of Assore Limited and Wooltru Limited.

## Executive directors

**10. G Pretorius** 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.

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.

**11. BP Gallagher** BCom

*Executive director*

*Appointed to the board in 1993*

*Born 5 March 1950*

After completing his articles at Deloitte and Touche, Pat qualified as a chartered accountant.

Pat joined the Barlow Rand Group 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.

**12. GJ Oosthuizen** BJuris, 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 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 and legal affairs.

**13. DJ Rawlinson** 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.

## Committees

### Audit and risk committee

KS Fuller *(chairman)*, BP Connellan, SD Jagoe. G Pretorius and DJ Rawlinson resigned from the committee on 25 August 2008.

### Remuneration committee

SD Jagoe *(chairman)*, TS Munday, MJ Shaw and JC van der Horst.

### Nomination committee

MJ Shaw *(chairman)*, SD Jagoe, TS Munday and JC van der Horst.

### Group executive and risk management committee

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

# Senior management

## CBI-electric






**1. HH Fischer** Dipl-Ing, Dipl-Wirtschaftsingenieur
*Chief executive officer: CBI-electric*
*Director of companies*
*Appointed in 1984*
*Born 13 September 1947 in Germany*

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) Limited (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. On 1 January 2007 Helmuth was appointed chief executive of CBI-electric.

**2. PW Smit** MEng, MBA
*Chief operating officer: CBI-electric*
*With Reunert group since 1987*
*Born 12 December 1961*

Piet joined the group in the radar division in Stellenbosch as a development engineer in 1987. Studying part-time, he obtained an MEng degree from the University of Stellenbosch and, by 1994, an MBA from the University of Cape Town.

In 1999 he was appointed as managing director of Reutech Radar Systems and in December 2003 was appointed managing director of Reutech. On 1 August 2008, Piet assumed responsibility as chief operating officer for CBI-electric.

**3. CE Schutte** BSc (Eng)(Elec) Certificate of Competency
*Managing director: CBI-electric: African Cables*
*Appointed June 1999*
*Born 13 July 1949*

Ernst started his career as a pupil engineer at the then Union Steel Corporation of SA Limited'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) Limited, EPI (Pty) Limited, Transvaal Copper Rod Company and Usko Limited.

**4. JA Vorster** BCom, CIS, MBL
*Managing director: CBI-electric: Aberdare ATC telecom cables*
*First employed by ATC in 1971*
*Born 28 May 1949*

Koos started his career as assistant accountant at Standard Telephones and Cables (Pty) Limited (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) Limited 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) Limited, Koos was appointed managing director.

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

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.

NASHUA

REUTECH

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**6. GH Rhodes** BCom, CA(SA)

*Managing Director: Nashua Office Automation*

*Appointed 1981*

*Born 12 November 1954*

Graham completed his high school studies at Glenwood High School, followed by his Bachelor of Commerce and Chartered Accountancy degrees through the University of Natal Durban Campus. He passed the Board examination in 1980.

He joined Barlows Tractor Division in 1981 and has enjoyed a number of job promotions and transfers around the country. In 1988 he was transferred to Nashua as financial manager, becoming financial director in 1991, and general manager in 2005.

He was appointed managing director of Nashua Office Automation on 1 October 2008.

**7. CN Scoble** BBusSci

*Managing director: Nashua Mobile*

*Appointed 1 August 1996*

*Born 26 January 1961*

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. He was appointed managing director of Nashua Office Automation in 1996 and on 1 October 2008 became managing director of Nashua Mobile.

**8. MCA Maddox** BA Econ (Hons) (Victoria University of Manchester, UK); Snr Exec Prog I & II (Wits); Snr Exec Prog III (Harvard); Advanced Marketing (UCT/Wits)

*Group managing director: Nashua Electronics*

*Appointed in 1983*

*Born 17 June 1961, Manchester, UK*

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 vice-chairman of the Consumer Electronics Association.

**9. DP van der Bijl** MSc (Elec Eng) Wits, MSc (Aerospace) Cranfield UK

*Chief operating officer: Reutech*

*Appointed 17 July 2008*

*Born 31 March 1956*

Peter started his career at Denel (Kentron) in 1979 working on the design of missiles and progressed via various management positions to spending eight years in export marketing. Between 2000 and 2005, he was marketing director for the French design company GECI , based in Paris after which he joined African Defence Systems (a Thales subsidiary in South Africa) as GM of the Land and Joint business.

## BUILDING AND DEVELOPING PEOPLE

The group's focus on building and developing people remained unchanged during the 2008 financial year. It is a core value of the group and it extends to both our own employees and to the group's corporate social investment programme.

### Reunert College >

Amidst growing concerns that South Africa's education system is not delivering students who are capable of entering the South African economy, indications are that the curriculum changes which are in the process of being introduced will be difficult to implement. The shortage of suitably qualified students who passed mathematics and science at secondary school level remains a serious concern for the future of our society. We are hopeful, nevertheless, that the problem is receiving serious attention as a skills shortage no doubt will have serious consequences for job creation and for ensuring a stable and successful society.

Having anticipated that a skills shortage was looming, in particular the technical skills required to compete in local and overseas markets, 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 and/or other companies that are sponsors of Reunert College. To date almost R25 million has been spent to promote employment through the education system provided by the college.

A record intake of 84 students was achieved in 2008 bringing the total number of students who have attended the college since inception to almost 700. The number of individual bursaries awarded to former college students to enable them to attend tertiary education will be reaching 400 by December 2008. It is encouraging that we have, over the last few years, been able to find gainful employment for those who may not have received bursaries. This we believe could be ascribed to the high standard of tuition which students enjoy at the college. Last year the group was able to absorb more than 20 students who did not have a tertiary education and it is expected that we may be able to place another 25 students in 2009.

Most of the students who have completed their tertiary education through bursaries received from the college are currently employed as engineers, technicians, accountants and marketing executives.

This year an alumni society for former college students was formed, and the first function was attended by more than 100 previous students who are all employed, many in senior positions. The aim of this society is to inspire others and to demonstrate the enormous potential available in the townships of South Africa.

The college provides a solution-based education process which is aimed at ensuring that all participants will be able to secure employment. This approach has evolved over many years and is characterised by a number of key success factors that assist in achieving the ultimate goal of being successfully employed. These factors include:

- A life skills course that enables students from townships to adapt to a business environment;
- Providing ongoing coaching and mentorship 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/coaching – creates a total solution of which creating employment remains the most important objective.

As part of our approach, control mechanisms are in place to ensure that students are not only employed, but keep their jobs. For this reason, students are drawn close to their prospective employer from an 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 2007 a pilot project was undertaken to train young black sales people with the view of placing them in the Reunert group. This initiative has resulted in the Reunert Sales Academy. Of the 2007 intake of 12 candidates, only one person was not ultimately employed in the group. However, the candidate was successfully placed at another company. A total of 14 individuals were enrolled for the programme in 2008.

This programme is aimed at assisting those who were not able to receive a bursary from the college but, nevertheless, have the aptitude and profile for successfully entering the sales environment. A number of tests were developed to identify these individuals.

In 2008 Nashua Mobile engaged 14 college matriculants as potential call-centre operators. A basic language laboratory was established at the college to assist the students to communicate effectively with customers. This skill, together with the sound mathematics and science background provided for by the college, has resulted in Nashua Mobile being able to employ all the students.

It is planned that a further 20 students will join Nashua Mobile in early 2009. Discussions are currently under way with Panasonic Business Systems that may hopefully result in their participation in a programme to fulfil recruitment needs in 2009.

The ongoing support of our BEE partner, Peotona, has stood the college in good stead. Their commitment to the college and sound understanding of the college methodology and underlying values, has enabled Peotona to attract a number of sponsors who are currently sponsoring students at the college. This year Standard Bank sponsored 40 students and indications are that they will sponsor another 40 in 2009. It is anticipated that the bank, together with Reunert, will provide bursary facilities for deserving students who will complete their studies at the college in 2009. The JSE sponsored five students this year and we are hopeful that their sponsorship will continue during 2009. We have concluded an agreement with the Zenex Foundation, who have agreed to sponsor 15 students annually, for a period of three years commencing in 2009.

It is possible for matriculants to write an exam under the previous curriculum in June/July 2009 and, for this reason the college identified the opportunity to have an early intake of 17 students in October 2008. Exams will be written in June/July 2009.

Since 2000 the Reunert College staff has invested their own time in a service-training intervention named WeGo that is held on a monthly basis at the college. Teachers from surrounding townships are invited to participate in training sessions in mathematics, science, accounting and English. This assisted them to foster even better relations with surrounding township residents and also to improve the quality of students who may apply for enrolment at the college.

This year the college assisted schools in the East Rand who were experiencing delays in the supply of paper. Through the intervention of Nashua Office Automation, the college was able to supply the schools with paper at a reduced price and within a short period of time.

The principals in the surrounding township schools participate in a principals forum, which is held every two months at the Reunert College. Altogether 19 township schools are currently taking part in the initiative. We are encouraged by the strong cooperation which exists between all the role players, as we believe this is a crucial prerequisite for meaningfully improving the schooling system in a short period of time. The strength of this relationship is illustrated by the 701 applications for the 2009 academic year that the college has received almost six months before applications are normally due. All the applicants have indicated a desire to study mathematics.

In our experience, most students are interested in studying mathematics and, provided they receive the correct tuition, their progress in general has been remarkable.

Apart from playing an important role in the Reunert employment equity programme, college staff are required to control, implement and monitor skills in the group. They are also largely responsible for adult basic education and employee training. A 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, Reunert employees participate in a group training programme – it is estimated that 62% of these trainees are from previously disadvantaged backgrounds.

The college's ground-breaking work continues to be recognised by the National Board for Further Education and Training as well as the South African Qualifications Authority. Also the college principal, Marina Gunter, is serving a third term on the National Skills Authority, 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 for Business South Africa, and serves on the CHAMSA Committee for Training and Development. In addition, she is a professional certified coach, mentor, assessor and trainer with the International Coach Federation. There are only nine such individuals in South Africa.

## Coaching and mentorship >

The Reunert coaching and mentorship programme was introduced in 2003, to enable staff to benefit from the structured coaching from experienced employees.

The programme is aimed at the retention and development of high-performing staff, and particularly to attract and attain 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, 284 staff participated in the programme, of which a significant number have already attended follow-up sessions.

This year the Reunert Core Coaches initiative was launched, producing 19 coaches who will be deployed in a number of Reunert companies. They will be trained to qualify to a stage one international qualification. This will enable the group to accelerate the programme and to ensure that regular follow-up takes place. As part of a scientific and integrated approach, both mentors and protégés attend an initial training programme which provides the framework for future career and personal development. Not only does the programme assist employees to focus on career goals, but it assists participants also to understand themselves and their relationship with others. This process causes employees to become more effective in the business environment, whilst at the same time assisting them to improve the enjoyment of their personal lives.

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 output and remuneration. Achievement of staff who attended the programme continues to be most encouraging.

## Other training activities >

During 2008, all Reunert companies submitted their training reports and workplace skills plans to the relevant Sector Education and Training Authorities (SETA).

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

| Occupational level | Total trained |
|---|---|
| Managers | 281 |
| Professionals | 223 |
| Technicians and associated professionals | 287 |
| Clerks | 381 |
| Services and sales | 656 |
| Skilled workers | 42 |
| Plant operators | 998 |
| Elementary occupations | 2 |
| Apprentices/trainees | 57 |
| Total number of employees trained – 2008 | 2 927 |

Telecom Cables introduced a rejuvenation and upskilling programme at their Brits plant in 2006. Since then, 150 well-educated, but unemployed, black youths were employed as operators. These individuals are earmarked for development and promotion into technical, managerial and administrative positions. At least 148 of these operators were, during 2008, enrolled on specific training courses to give effect to the company's strategy. At least 14 operators were promoted in 2008 and 20 are enrolled for further tertiary studies through the company's education assistance programme. All operators are currently being assessed with the view to recognising their previous learning experience to attain an appropriate qualification. Where necessary, further training is provided.

CBI-electric: low voltage received an award for their outstanding contribution to development training from the MERSETA (The SETA for Manufacturing, Engineering and Related Services) during September 2008. The company cooperates with the MERSETA in government's initiative to increase the number of tradesmen through the Accelerated Artisan Training Programme. Low voltage has indentured three black apprentices to assist the pilot project, and two fitters and turners and one electrician are currently undergoing 12 months' practical training, which will condense a three-year apprenticeship into an 18-month training period. The first group of apprentices is expected to be writing exams and conducting trade tests in February 2009, and the results will determine whether the programme will be expanded. The CBI-electric: low-voltage technical internship programme will end in December 2008, enabling the company to employ two engineers on a permanent basis.

CBI-electric: african cables introduced jointing and termination unit standards in 2008. These were registered with the South African Qualifications Authority.

The purpose of this qualification is to recognise the skills and knowledge required to terminate joint, upgrade and install medium voltage cables. The learning material was subsequently developed and the first 15 trainee jointers are currently enrolled on this programme running until July 2009.

The rapid expansion of Nashua Mobile's distribution system has necessitated the introduction of a fast, high-quality and standardised training system to ensure that customer service is maintained at the highest possible level. The company is currently introducing a learning management system which will standardise training activities throughout the distribution system. The system is expected to improve the company's ability to market its products and services, to speed up training delivery and to enable real-time assessment of improvements achieved. In addition, it will enable the company to reduce the training time required for new entrants and to simplify the training process throughout the Nashua Mobile group. The company has introduced a structured management development programme and career pathing for its entire staff, which will assist in attracting and retaining key skills.

Reutech Radar Systems (RRS) is a major contributor to the University of Stellenbosch's Sunstep initiative. The Sunstep programme provides equipment and training to 25 science educators in 25 new schools over a three-day period on an annual basis. In 2007, an estimated 9 400 learners across all nine provinces were reached through this project. The course focuses on the assembling and understanding of electronic kits, soldering skills and preparing science teachers to understand the electronics module that was added to the new science curriculum in the country. Teachers are taught how to set up their own test and exam papers by using the material provided by Sunstep. In addition, the educators are trained to set up circuits by using crocodile clips. In 2009 the educators will be able to order electronic kits and to independently conduct workshops with learners as well as to transfer skills and knowledge to the learners.

RRS strongly supports the technology and human resources for industry programming (THRIP) which support research and technology development as an initiative to stimulate the South African industry. This brings together the best of South African researchers, academics and industry leaders in funding partnerships that enable participants to improve the quality of their products, services and people. RRS, in conjunction with the universities of Cape Town and Stellenbosch, has been involved in THRIP for the last 12 years. An amount of R500 000 per annum is invested in the project.

Panasonic Business Systems conducted a comprehensive management and skills assessment during 2008. This has resulted in the improvement of recruitments, induction and skills development practices. The company has introduced a management development programme, which will focus on business and sales management skills. This 12-month programme, which has both an academic and practical component, includes a Harvard Business School online module.

## Bursaries >

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

Telecom Cables provided 60 bursaries for the children of employees from previously disadvantaged communities. The company has an annual commitment to grant such bursaries to a maximum amount of R600 000. A former bursary holder was recently appointed in the company's finance department and this year a black female environmental specialist, conducted her practical training at the company.

Since 1997, Nashua Office Automation has provided a scholastic assistance programme to those employees who are unable to afford the escalating costs associated with school fees. Nashua pays a percentage of tuition fees for either primary or secondary schools.

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 company has granted 343 bursaries and during 2008, 20 new bursaries were granted including eight to engineering students and five to students who are studying accounting. During the 2008 academic year an amount of R350 000 was made available for bursary purposes.

## Transformation >

**Employment equity**

All training operations in the Reunert group maintain an employment equity plan in terms of the Employment Equity Act of 1998. These plans were formulated and are managed in conjunction with employer representatives of business units. The Reunert College serves as a primary source of employees from previously disadvantaged communities. A total of 22 former students were offered employment on either a permanent or a temporary basis in 2008.

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 and coaching programme. These activities emphasise the development of 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 broad-based black economic empowerment (BBBEE) shareholding in Reunert 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. A total of 31 Nashua Mobile franchisees are currently 100% owned by previously disadvantaged individuals.

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 agencies remain 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 >

During the period October 2007 to September 2008, Nashua Mobile has established another 10 fully BEE-owned franchises at a cost of R2,5 million to the company. This has increased the total number of BEE franchises to 31. From a financial perspective, support was given for rental, shopfitting and ad hoc miscellaneous items.

Nashua Mobile also established the Permaculture food garden at the Reagile Primary School in Winnie Mandela Park in April 2008. The Permaculture food garden is managed by nine mothers whose children attend the Reagile Primary School. Besides preparing meals for more than 400 children every day as part of a feeding scheme, the mothers of the schoolchildren have started to generate additional income from surplus garden produce, which they sell to the local community. In this manner, fresh fruit, herbs and vegetables are made available to the community.

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 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 starting to prosper. Initially, a former employee started a car-wash enterprise at the company's premises. She recently expanded into another company in Vereeniging.

## Aids >

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.

A number of subsidiaries have reported specific interventions during the review period. More than 70% of employees at Telecom Cables participated in a voluntary Aids-testing programme in 2008. In the 2007 financial year, 50% of employees participated. Those identified as HIV positive are supported by their medical aid schemes or through programmes provided by the Department of Health.

CBI-electric: african cables makes use of three videos during the induction of new employees. On a regular basis, health information is disseminated to ensure that existing staff are familiar with all relevant issues pertaining to the pandemic. Contraceptives are also made available, free of charge.

Since October 2006, Nashua Mobile has contracted with a consulting company to provide an HIV/Aids assistance programme. In total, 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.

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 below:

| Reunert subsidiary | Beneficiary | Nature of investment |
|---|---|---|
| Nashua Mobile | Reagile Primary School in Midrand | Fully equipped classrooms built at the school, a feeding scheme for 400 people in operation for four years. A total of 320 000 meals has been served in this period. A fully equipped kitchen was donated to the school, including cooking utensils and cleaning equipment |
| | Safehaven Clinic at Winnie Mandela Park | Safehaven Clinic with running water and electricity, providing medical treatment and therapy to child victims of parental abuse |
| | Novalis House | Assisting homeless, illiterate and mentally disabled people – skills and equipment provided |
| Telecom Cables | Ennis Thabong Farm School | Facilities, skills transfer and capacity building |
| | Meerhof School | Provides financial support to a school for disabled children. Individual employees in CBI-electric also contributed |
| | Madibeng Centre for Research | Research on prevention of disease |
| | Tumelon Hospice in Madidi | Care of Aids patients |
| | Brits Local Council | CBI-electric staff serve on electricity, water infrastructure, transport, economic development, Aids and disaster management committees to assist the council |
| | Paul Mthimunye Bursary Fund | Contribute to a fund for deserving black students in Mpumalanga |
| Nashua Office Automation | Banakekeleni Hospice, Ubuhle Bezwe and Tembisa Crisis Centre | Food, cleaning materials |
| | Ubuhle Bezwe and Tembisa Crisis Centre | Alleviating plight of abused women |
| | Epworth | Home for destitute children |
| | Fountain of Love | Home for abandoned HIV positive children |
| | Abangani e Mkosini | Home for abandoned children |
| | Chris Hani Baragwanath cerebral palsy unit | Groceries and other supplies |
| CBI-electric: african cables | At least 22 projects for the previously disadvantaged | Annual spent R550 000 |

## Employee profile as at September 2008 >

**Total number of employees in South Africa**

| | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| Occupational levels | African | Coloured | Indian | White | African | Coloured | Indian | White | 2008 |
| Top management | 6 | – | 3 | 44 | 5 | – | – | 3 | **61** |
| Senior management | 9 | 4 | 6 | 110 | 3 | 1 | 3 | 22 | **158** |
| Professionally qualified, experienced specialists and middle management | 23 | 26 | 30 | 344 | 15 | 6 | 14 | 135 | **593** |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 383 | 100 | 100 | 642 | 133 | 86 | 56 | 340 | **1 840** |
| Semi-skilled and discretionary decision making | 821 | 99 | 64 | 187 | 256 | 95 | 39 | 194 | **1 755** |
| Unskilled and defined decision-making | 357 | 12 | 1 | 3 | 1 365 | 22 | 2 | 11 | **1 773** |
| **Total permanent** | **1 599** | **241** | **204** | **1 330** | **1 777** | **210** | **114** | **705** | **6 180** |
| Contract workers | 67 | 9 | 11 | 50 | 26 | 34 | 5 | 13 | **215** |
| Temporary | 152 | 33 | 3 | 11 | 147 | 182 | 8 | 31 | **567** |
| Trainees | 7 | 1 | 2 | 4 | 1 | 1 | 1 | – | **17** |
| **Total non-permanent** | **226** | **43** | **16** | **65** | **174** | **217** | **14** | **44** | **799** |
| **Total** | **1 825** | **284** | **220** | **1 395** | **1 951** | **427** | **128** | **749** | **6 979** |

**Total number of employees in foreign countries**

| **Occupational levels** | |
|---|---|
| Top management | **4** |
| Senior management | **12** |
| Professionally qualified, experienced specialists and middle management | **21** |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | **19** |
| Semi-skilled and discretionary decision-making | **161** |
| Unskilled and defined decision-making | **0** |
| **Total permanent** | **217** |
| Contract workers | **0** |
| Temporary | **0** |
| **Total non-permanent** | **0** |
| Total | **217** |
| Total number of employees in the group (South Africa and those employed in foreign countries) | **7 196** |

## 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, are discussed at this forum. All Reunert companies have contributed substantially to this strategy.

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

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, identifies on an annual basis 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.

Group companies continue to build on their sound relationships with trade unions, many of which have been in place since 1985. During 2008, there were no major industrial relations incidents in the group.

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 userfriendly, sophisticated planning tool which enables them to make own investment choices based on their individual retirement needs.

## ENVIRONMENTAL REPORT

The nature of the Reunert businesses are such that they are unlikely to pose any significant environmental risk.

Nevertheless, most Reunert companies have systems and policies in place, governing activities, products and services that they control and influence that could have an impact on the environment.

CBI-electric: african cables complies with the ISO 14001 Environment Management System. As part of an annual environmental assessment, objectives and targets are set and monitored regularly. The company has a system in place to reduce, recover and recycle waste material. This year, a full report on environmental risks and physical stresses was commissioned at the company's Vereeniging factory. The potential risk areas which were accessed, included exposure to lead, the presence of hazardous chemical substances, gas and vapours, possible physical stress caused by illumination, noise and heat and the presence of dust and stack emissions. The report showed that the exposure to these potential hazards was generally within acceptable levels. Steps have been taken to eliminate all potential hazards in areas or activities that did not comply with acceptable standards.

In 2008 CBI-electric: african cables engaged consultants to do an ergonomics assessment and a survey evaluation of equipment design and the layout of the workplace to maximise productivity, reducing potential injury, and eliminating potential operator fatigue and discomfort. The assessment included the evaluation of spaces which may be confined, conditions that may be too hot or humid, the handling of heavy materials, and spinal stress which could be caused by lack of back support or vibrations in the workplace. A number of interventions, which are all aimed at improving working conditions, are in the process of being implemented.

CBI-electric: low voltage has a comprehensive environmental policy in place to regulate the receiving, storage and use of hazardous material, the use of personal protective equipment, and the disposal and control of hazardous material. In addition, a full-time occupational health sister is on site, working in conjunction with appointed first-aiders. Emergency showers and material safety data sheets are available in the clinic and in all departments handling hazardous material. Biological monitoring of employees who come into contact with hazardous material is conducted on a regular basis. An industrial effluent analysis report is conducted by the Ekurhuleni municipality on a monthly basis, and any deficiencies which may be reported by the municipality are corrected immediately.

Telecom Cables has an integrated risk system that encompasses quality, environment, health and safety and all other risk factors. The company is ISO 9000: 2000 listed and has embarked on a process to list as an ISO 14001 company. All environmental factors are reviewed by the company on a regular basis.

The company conducts a comprehensive safety, health and environmental review every second year. In 2007 the survey extended to potential noise pollution, illumination, ventilation and heat stress, dust and volatile organic compounds. In addition, surveys were conducted on the potential presence of copper dust and thinners in certain areas. The result of the 2007 survey showed that the exposure to hazardous material was within the relevant occupational limits and, where minor problems were identified, these have been attended to.

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 circuit boards manufactured for CBI-electric: low voltage.

Reutech Solutions (RDL) is ISO 9001 accredited and has adopted the SANS 14001:2005 environmental management system. This system is maintained and regularly improved to optimise the effectiveness of RDL's environmental management strategy. The company has introduced non-lead core solder wire in the manufacturing of circuit boards; all solvents used are CFC-free to reduce potential damage to the ozone layer.

RRS has adopted and implemented a radio-frequency radiation-free 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 electro magnetic fields.

Nashua Mobile launched a programme in 2007 to donate R10 to the environmental organisation Foods and Trees for Africa, with every subscriber requesting electronic billing rather than receiving paper-based monthly statements. Trees will be planted in the communities where Nashua Mobile conducts business, especially in disadvantaged areas. More than 41 000 trees in 195 communities were planted during 2007. Nashua employees were given the opportunity to support a carbon footprint project when each employee was given a tree to plant in their own gardens.

In plants where water is used, recycling facilities are in place to minimise wastage, and to ensure that minimal pollution occurs.

All group companies comply with relevant legal requirements in respect of health and safety matters.

# Segmental analysis

## BUSINESS AND GEOGRAPHIC SEGMENTS

**Business segments**

The group is currently organised into four segments:

**CBI-electric** comprising CBI-electric: low voltage, CBI-electric: energy cables and CBI-electric: telecom cables, **Nashua** comprising Nashua Office Automation, Nashua Mobile, Nashua Electronics and RCCF (refer to note 34), **NSN** and **Reutech** comprising Reutech Precision Products, Reutech Communications, Reutech Solutions and Reutech Radar Systems.

The group overview on pages 6 to 8 gives details of the activities of each division.

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 Australia, Germany and the United States of America. It is, therefore, not considered meaningful to disclose information on geographic segments according to location of operation.

## REVENUE INCLUDING ASSOCIATE COMPANIES*

| | 2008 Rm | % | 2007 Rm | % | % change |
|---|---|---|---|---|---|
| CBI-electric** | **3 951,9** | **36** | 3 315,1 | 29 | 19 |
| Nashua | **6 445,2** | **58** | 5 816,3 | 52 | 11 |
| NSN*** | **–** | **–** | 1 712,9 | 15 | |
| Reutech | **622,3** | **6** | 490,5 | 4 | 27 |
| Total operations | **11 019,4** | **100** | 11 334,8 | 100 | (3) |
| Less: Reunert's attributable portion of associate companies' revenue | **(98,3)** | | (1 760,4) | | |
| Revenue as reported per the income statement | **10 921,1** | | 9 574,4 | | 14 |

**Intersegment revenue is immaterial and has not been disclosed.*

***2007 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.*

****Revenue excludes commission received attributable to the investment in NSN (refer to note 2). Revenue of NSN in 2008 is not included due to the change in accounting treatment of the investment in NSN (refer to note 15).*

## OPERATING PROFIT INCLUDING ASSOCIATE COMPANIES

| | 2008 Rm | % | 2007 Rm | % | % change |
|---|---|---|---|---|---|
| CBI-electric | **675,3** | **42** | 553,9 | 36 | 22 |
| Nashua | **652,8** | **41** | 674,7 | 44 | (3) |
| NSN* | **139,0** | **9** | 211,2 | 13 | (34) |
| Reutech | **136,9** | **8** | 109,2 | 7 | 25 |
| Total operations | **1 604,0** | **100** | 1 549,0 | 100 | 4 |
| Less: Reunert's attributable portion of associate companies' net operating profit | **(31,4)** | | (230,3) | | |
| Operating profit as reported in the income statement | **1 572,6** | | 1 318,7 | | 19 |

**Operating profit in 2008 represents commission received, whereas the 2007 figure represents 40% of the NSN operating profit (refer to notes 2, 14 and 15).*

### TOTAL ASSETS* (INCLUDING ASSOCIATE COMPANIES)

| | 2008 Rm | 2007 Rm |
|---|---|---|
| CBI-electric | **2 187,2** | 1 690,3 |
| Nashua | **4 266,6** | 3 231,6 |
| NSN** | **–** | 538,7 |
| Reutech | **313,2** | 259,2 |
| Total operations | **6 767,0** | 5 719,8 |
| Less: Reunert's attributable portion of associate companies' assets | **–** | (1 409,2) |
| Total assets* as reported per the balance sheet | **6 767,0** | 4 310,6 |

*Total assets exclude deferred taxation assets, cash and cash equivalents and RCCF bank balances and cash.*
**NSN not included due to the change in accounting treatment (refer to note 15).*

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

| | 2008 Rm | 2007 Rm |
|---|---|---|
| CBI-electric | **560,0** | 465,0 |
| Nashua | **1 102,4** | 1 191,7 |
| NSN * | **–** | 372,5 |
| Reutech | **133,8** | 174,9 |
| Total operations | **1 796,2** | 2 204,1 |
| Less: Reunert's attributable portion of associate companies' liabilities | **–** | (393,3) |
| Trade and other payables, derivative liabilities and provisions as reported per the balance sheet | **1 796,2** | 1 810,8 |

*NSN not included due to the change in accounting treatment (refer to note 15).*

### CAPITAL EXPENDITURE EXCLUDING ASSOCIATE COMPANIES

| | 2008 Rm | 2007 Rm |
|---|---|---|
| CBI-electric | **76,9** | 111,3 |
| Nashua | **22,8** | 28,2 |
| Reutech | **17,4** | 9,5 |
| Capital expenditure as reported | **117,1** | 149,0 |

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

| | **2008 Rm** | 2007 Rm |
|---|---|---|
| CBI-electric | **45,1** | 41,4 |
| Nashua | **33,2** | 29,0 |
| Reutech | **8,3** | 5,5 |
| Depreciation and impairment of property, plant and equipment and amortisation of intangible assets as reported | **86,6** | 75,9 |

## NUMBER OF EMPLOYEES EXCLUDING ASSOCIATE COMPANIES

| | **2008** | 2007 |
|---|---|---|
| CBI-electric | **3 805** | 3 411 |
| Nashua | **2 396** | 2 144 |
| Reutech | **995** | 968 |
| Number of employees as reported | **7 196** | 6 523 |

# Seven year review

| | 2008 Rm | 2007 Rm | 2006 Rm | 2005* Rm | 2004** Rm | 2003** Rm | 2002** Rm |
|---|---|---|---|---|---|---|---|
| **CONDENSED BALANCE SHEETS** | | | | | | | |
| **ASSETS** | | | | | | | |
| Property, plant and equipment | **569,6** | 565,7 | 455,4 | 328,4 | 196,2 | 213,7 | 157,1 |
| Intangible assets | **21,7** | 13,0 | 11,9 | 7,9 | – | – | – |
| Goodwill | **415,3** | 372,8 | 326,8 | 329,0 | 324,8 | 306,9 | 360,0 |
| Investments and loans | **865,3** | 727,9 | 148,8 | 116,2 | 109,9 | 20,8 | 151,6 |
| RCCF accounts receivable | **1 957,0** | – | 1 403,8 | 1 028,2 | 528,5† | 1 220,0 | 953,9 |
| Deferred taxation assets | **32,0** | 37,9 | 59,1 | 37,5 | 56,2 | 33,1 | 25,9 |
| Cash and cash equivalents | **794,6** | 530,6 | 969,3 | 784,4 | 451,3 | 484,8 | 283,5 |
| RCCF bank balances and cash | **82,0** | – | – | – | – | – | – |
| Other current assets# | **2 938,1** | 2 631,2 | 2 284,7 | 1 570,9 | 1 422,9 | 1 367,9 | 1 401,5 |
| Total assets | **7 675,6** | 4 879,1 | 5 659,8 | 4 202,5 | 3 089,8 | 3 647,2 | 3 333,5 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| Ordinary and preference equity holders of Reunert | **3 675,4** | 2 469,0 | 1 680,9 | 1 561,7 | 983,1 | 1 156,5 | 1 071,1 |
| Minority interest | **20,7** | 14,4 | 38,2 | 43,0 | 39,7 | 121,2 | 103,5 |
| Total equity | **3 696,1** | 2 483,4 | 1 719,1 | 1 604,7 | 1 022,8 | 1 277,7 | 1 174,6 |
| Deferred taxation liabilities | **208,2** | 115,8 | 141,6 | 81,7 | 44,3 | 63,8 | 45,9 |
| Long-term borrowings | **12,8** | 278,8 | 115,0 | 111,7 | – | – | – |
| RCCF long-term borrowings | **699,9** | – | – | – | – | – | – |
| RCCF short-term borrowings | **1 164,4** | – | 1 187,9 | 866,8 | 314,1† | 900,7 | 838,0 |
| Current liabilities# | **1 894,2** | 2 001,1 | 2 496,2 | 1 537,6 | 1 708,6 | 1 405,0 | 1 275,0 |
| Total equity and liabilities | **7 675,6** | 4 879,1 | 5 659,8 | 4 202,5 | 3 089,8 | 3 647,2 | 3 333,5 |
| **CONDENSED INCOME STATEMENTS** | | | | | | | |
| Revenue | **10 921,1** | 9 574,4 | 8 236,4 | 7 012,0 | 6 247,3 | 6 103,9 | 5 062,9 |
| Operating profit | **1 572,6** | 1 318,7 | 1 272,7 | 917,3 | 700,5 | 607,7 | 472,1 |
| Net interest and dividends received | **60,3** | 54,8 | 64,9 | 50,1 | 65,1 | 45,2 | 36,5 |
| Profit before abnormal items | **1 632,9** | 1 373,5 | 1 337,6 | 967,4 | 765,6 | 652,9 | 508,6 |
| Abnormal items | **1,5** | (447,6) | 1,6 | 3,9 | 6,0 | – | (18,7) |
| Profit before taxation | **1 634,4** | 925,9 | 1 339,2 | 971,3 | 771,6 | 652,9 | 489,9 |
| Taxation | **(486,8)** | (427,4) | (500,5) | (326,5) | (309,0) | (224,4) | (177,3) |
| Profit after taxation | **1 147,6** | 498,5 | 838,7 | 644,8 | 462,6 | 428,5 | 312,6 |
| Share of associate companies' profits/(losses) | **16,1** | 148,4 | 95,2 | 79,2 | 66,8 | (82,6) | 89,6 |
| Profit for the year | **1 163,7** | 646,9 | 933,9 | 724,0 | 529,4 | 345,9 | 402,2 |
| Profit for the year attributable to: | | | | | | | |
| Minority interest | **7,1** | 7,6 | 11,1 | 10,7 | 51,0 | 50,5 | 31,6 |
| Equity holders of Reunert | **1 156,6** | 639,3 | 922,8 | 713,3 | 478,4 | 295,4 | 370,6 |
| | **1 163,7** | 646,9 | 933,9 | 724,0 | 529,4 | 345,9 | 402,2 |
| Headline earnings attributable to equity holders of Reunert | **1 159,8** | 481,3 | 918,6 | 708,1 | 526,9 | 345,6 | 429,3 |

| | 2008 Rm | 2007 Rm | 2006 Rm | 2005* Rm | 2004** Rm | 2003** Rm | 2002** Rm |
|---|---|---|---|---|---|---|---|
| **CONDENSED CASH FLOW STATEMENTS** | | | | | | | |
| EBITDA | **1 659,2** | 1 393,0 | 1 335,9 | 967,2 | 811,9 | 712,3 | 559,7 |
| Changes in working capital | **(295,2)** | (439,0) | (252,8) | (101,3) | 113,0 | 210,5 | (157,2) |
| Cash generated from operations excluding changes in RCCF receivables | **1 364,0** | 954,0 | 1 083,1 | 865,9 | 924,9 | 922,8 | 402,5 |
| Net interest and dividends received | **147,2** | 200,8 | 120,9 | 119,3 | 65,1 | 45,2 | 144,9 |
| Taxation paid | **(410,8)** | (568,6) | (347,4) | (364,9) | (313,5) | (178,7) | (209,0) |
| Dividends paid | **(569,0)** | (879,3) | (464,2) | (308,3) | (268,1) | (258,4) | (201,0) |
| Share buy back | **–** | – | – | – | (476,6) | – | – |
| Other (net) | **19,4** | 23,7 | (4,3) | 29,3 | (5,8) | (2,8) | 12,5 |
| Net cash flows from operating activities excluding changes in RCCF receivables | **550,8** | (269,4) | 388,1 | 341,3 | (74,0) | 528,1 | 149,9 |
| Net cash flows from investing activities | **(921,3)** | 1 008,6 | (185,7) | (48,5) | (250,1) | (102,8) | (466,3) |
| Net cash flows from financing activities | **(380,3)** | 274,5 | 27,0 | 156,1 | 18,7 | (17,5) | 2,2 |
| Net cash (utilised)/generated (before RCCF receivables) | **(750,8)** | 1 013,7 | 229,4 | 448,9 | (305,4) | 407,8 | (314,2) |
| (Increase)/decrease in RCCF receivables | **(32,5)°** | (300,7)° | (375,6) | (499,7) | 691,5† | (269,8) | (208,8) |
| Net cash (utilised)/generated | **(783,3)** | 713,0 | (146,2) | (50,8) | 386,1 | 138,0 | (523,0) |

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

*†In December 2003, R1 255,5 million was received on the sale of the RCCF debtors book.*

*°Increase in RCCF receivables while it was a consolidated subsidiary (refer to note 34).*

*#In the prior years inventory items were shown net of advance payments received from customers. These utilised advanced payments are now disclosed in current liabilities.*

# Summary of statistics

| | 2008 | 2007 | 2006 | 2005** | 2004† | 2003† | 2002† |
|---|---|---|---|---|---|---|---|
| SHARES | | | | | | | |
| Number of ordinary shares on which earnings per share is calculated (million) | **177,9** | 176,7 | 175,1 | 173,4 | 189,9 | 188,3 | 187,0 |
| Net worth per share (cents) | **2 060** | 1 390 | 953 | 896 | 572 | 612 | 572 |
| Headline earnings per share (cents) | **651,9** | 272,4 | 524,6 | 408,4 | 277,5 | 183,5 | 229,5 |
| Normalised headline earnings per share (cents) | **630,1** | 570,3 | 495,3 | 380,2 | 277,5 | 183,5 | 229,5 |
| Basic earnings per share (cents) | **650,1** | 361,7 | 527,0 | 411,4 | 251,9 | 156,9 | 198,1 |
| Dividends per share (cents) – normal | **319,0** | 314,0 | 273,0 | 222,0 | 160,0 | 120,0 | 118,0 |
| – special | | | 200,0 | | | | |
| Dividend cover (times) | **2,0** | 1,8 | 1,8 | 1,7 | 1,7 | 1,5 | 1,9 |
| Cashflow per share (cents) | **629,5** | 345,0 | 486,7 | 374,6 | 353,2 | 417,7 | 187,7 |
| Ordinary shares in issue (million) (net of treasury shares) | **178,4** | 177,7 | 176,3 | 174,4 | 171,8 | 188,8 | 187,3 |
| Number of transactions – JSE | **67 690** | 70 848 | 46 549 | 20 938 | 13 452 | 11 308 | 12 765 |
| Number of shares traded (million) | **129,8** | 176,3 | 138,2 | 92,7 | 94,9 | 76,4 | 76,4 |
| Value of shares traded (Rm) | **8 019,9** | 13 549,1 | 8 519,7 | 3 473,0 | 2 129,5 | 1 380,4 | 1 438,2 |
| Number of shares traded as a percentage of gross issued shares | **65,9** | 89,9 | 70,7 | 47,9 | 49,7 | 37,1 | 37,4 |
| Market price per share (cents) | | | | | | | |
| – year-end | **5 749** | 6 700 | 6 814 | 4 230 | 2 790 | 1 710 | 1 860 |
| – highest | **8 049** | 8 800 | 7 745 | 4 400 | 2 900 | 2 230 | 2 220 |
| – lowest | **4 528** | 6 325 | 4 185 | 2 600 | 1 695 | 1 560 | 1 610 |
| Earnings yield (%) | **11,0** | 8,5 | 7,3 | 9,0 | 10,0 | 10,7 | 12,3 |
| Dividend yield (%) | **5,5** | 4,7 | 4,0 | 5,2 | 5,7 | 7,0 | 6,3 |
| Price : Earnings ratio (times) | **9,1** | 11,7 | 13,8 | 11,1 | 10,1 | 9,3 | 8,1 |
| Market capitalisation (net of treasury shares) (Rm) | **10 257** | 11 904 | 12 012 | 7 376 | 4 792 | 3 228 | 3 482 |
| JSE actuaries' electronics sector index at 30 September | **10 705** | 13 886 | 11 644 | 7 851 | 5 328 | 3 852 | 3 887 |
| OTHER | | | | | | | |
| Number of employees | **7 196** | 6 523 | 6 276 | 5 320 | 5 169 | 4 918 | 4 318 |
| Revenue per employee (R'000) | **1 518** | 1 468 | 1 312 | 1 318 | 1 209 | 1 241 | 1 173 |
| Operating profit per employee (R'000) | **219** | 202 | 203 | 172 | 136 | 124 | 109 |
| Wealth created per employee (R'000) | **477** | 383 | 439 | 405 | 409 | 335 | 312 |
| Employment cost per employee (R'000) | **172** | 166 | 153 | 161 | 149 | 142 | 130 |

| | 2008 | 2007 | 2006 | 2005** | 2004† | 2003† | 2002† |
|---|---|---|---|---|---|---|---|
| **PROFITABILITY, ASSET MANAGEMENT, LIQUIDITY AND LEVERAGE** | | | | | | | |
| EBITDA as a percentage of revenue# | **15,2** | 14,5 | 16,2 | 13,8 | 13,0 | 11,7 | 11,1 |
| Operating margin (%)# | **14,4** | 13,8 | 15,5 | 13,1 | 11,2 | 10,0 | 9,3 |
| Net asset turn (times) (including RCCF) | **3,4** | 5,4 | 8,0 | 7,7 | 7,6 | 6,8 | 5,9 |
| Net asset turn (times) (excluding RCCF) | **4,0** | 5,7 | 9,7 | 9,7 | 11,2 | 8,9 | 8,6 |
| Normalised return on ordinary shareholders' funds (%) | **36,5** | 48,6 | 53,5 | 49,8 | 49,3 | 31,0 | 44,1 |
| Return on net operating assets (%) | **50,1** | 82,4 | 131,9 | 108,9 | 99,6 | 63,5 | 70,0 |
| Return on net operating assets excluding investments in associates (%) | **52,9** | 86,9 | 136,8 | 110,9 | 96,7 | 78,4 | 71,5 |
| Taxation as a percentage of profit before taxation$ | **29,8** | 32,2 | 34,2 | 33,8 | 36,4 | 34,4 | 34,9 |
| Total liabilities to total shareholders' funds (%)° | **102,6** | 92,3 | 226,0 | 161,1 | 197,8 | 180,5 | 179,9 |
| Net borrowings to total shareholders' funds (%)§ | **27,6** | 0,0 | 21,5 | 13,8 | 3,2 | 32,8 | 47,4 |
| Current ratio (excluding RCCF)° | **2,0** | 1,7 | 1,1 | 1,4 | 1,1 | 1,3 | 1,3 |
| Current ratio (including RCCF) | **1,5** | 1,7 | 1,0 | 1,1 | 1,1 | 1,0 | 1,0 |
| Interest cover (times) | **36,8** | 25,6 | 38,1 | 42,0 | 69,4 | 12,1 | 25,5 |

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

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

*°These ratios have been restated in 2002 to 2007 to take account of the reallocation of the advance payments from inventory and contracts in progress to trade and other payables. (Refer to note 18.)*

*#The 2008 percentages have been increased by 1,3% each as a result of the NSN commission now disclosed in operating income, whereas income from NSN was previously disclosed as income from associates.*

*$The STC on a special dividend in 2006 and the share buy back in 2004 has been excluded in this calculation as well as abnormal items.*

*§There were no net borrowings in 2007 mainly due to Quince being equity accounted.*

# Definitions

### Average net operating assets
The average net operating assets is calculated by taking the average of the opening and closing balances of each year.

### Average ordinary shareholders funds
The average ordinary shareholders funds is calculated by taking the average of the opening and closing balances of each year.

### Cash flow per share
Cash flow from operating activities, excluding the movement in RCCF accounts receivable, before dividends paid, divided by the weighted average number of shares in issue during the year, net of treasury shares.

### Current ratio (excluding RCCF)
Current assets, excluding RCCF accounts receivable, divided by short-term non-interest-bearing debt which excludes RCCF short-term borrowings.

### Current ratio (including RCCF)
Current assets, divided by short-term non-interest-bearing debt and RCCF short-term borrowings.

### Dividend cover
Normalised headline earnings per share divided by dividend per share.

### Dividend yield
Dividend 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 of treasury shares.

### Net asset turn (excluding RCCF)
Revenue divided by average net operating assets (excluding RCCF).

### Net asset turn (including RCCF)
Revenue divided by average net operating assets (including RCCF).

### 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 (excluding RCCF)
Total assets, excluding long-term and short-term RCCF accounts receivable, cash and cash equivalents and RCCF bank balances and cash less current liabilities, excluding bank overdrafts and short-term portion of long-term borrowings and RCCF short-term borrowings.

### Net operating assets (including RCCF)
Total assets, excluding cash and cash equivalents, less current liabilities, excluding bank overdrafts and short-term portion of long-term borrowings.

### Net worth per share
Ordinary shareholders' funds divided by shares in issue at year-end, net of treasury shares.

### Normalised headline earnings per share
Attributable headline earnings adjusted for the interest in profit that is economically attributable to BEE partners which, in terms of IFRS, is not charged as a minority interest in the income statement, 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.

### Normalised 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 non-current assets.

### Total borrowings
Interest-bearing debt.

### Total liabilities
Total liabilities excluding deferred taxation.

### Weighted average number of ordinary shares
The weighted average number of ordinary shares is the number of ordinary shares in issue at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year, multiplied by the number of days that the shares are issued as a proportion of the total number of days in the year.

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

Contents

# Directors' responsibility > for the year ended 30 September 2008

**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, 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 22 and 23 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 annual financial statements appearing on pages 46 to 109 were approved by the board of directors on 5 December 2008 and are signed on its behalf by:

**M J SHAW**
*Chairman*

**G PRETORIUS**
*Chief Executive*

# Secretaries' certification > for the year ended 30 September 2008

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 2008 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*
5 December 2008

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TO THE MEMBERS OF REUNERT LIMITED

We have audited the accompanying company and group annual financial statements of Reunert Limited, which comprise the directors' report, the balance sheets as at 30 September 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 46 to 109 and the segmental analysis set out on pages 35 to 37.

**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.

**Auditors' 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 2008, and of their financial performance and their 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*
5 December 2008

**AUTHORISED AND ISSUED CAPITAL**

The authorised capital of the company remained unchanged. During the year, nil (2007: 26 800) ordinary shares were issued at R5,45 per share, 10 000 (2007: 95 200) at R14,10 per share, 40 200 (2007: 110 400) at R15,80 per share, 66 800 (2007: 66 600) at R17,30 per share, 454 040 (2007:502 200) at R15,99 per share, 23 000 (2007: 20 400) at R17,70 per share and 154 600 (2007: 30 000) at R41,90 per share. Options exercised in terms of the Reunert 1985 Share Option Scheme accounted for this increase.

**REVIEW OF OPERATIONS AND RESULTS**

The performance of the divisions and the group's results are reviewed on pages 6 to 8 and the segmental analysis is set out on pages 35 to 37.

**DIVIDENDS**

An interim ordinary dividend No 164 of 78 cents (2007: No 162 of 73 cents) per share was declared on 13 May 2008, and a final ordinary dividend No 165 of 241 cents (2007: No 163 of 241) cents per share was declared on 24 November 2008.

A total distribution of 319 cents (2007: 314 cents) per ordinary share was declared relating to the 2008 financial year.

An interim 5,5% cumulative preference dividend No 46 was declared on 2 July 2008 and a final dividend No 47 will be declared on 31 December 2008.

**SUBSIDIARY COMPANIES**

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

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

**SPECIAL RESOLUTIONS OF SUBSIDIARIES**

During this financial year the following special resolutions were passed by subsidiaries of Reunert: ATC (Pty) Limited changed its articles of association. Nashua Electronics Limited changed its name to Pansolutions Holdings Limited. RDL Technologies (Pty) Limited changed its name to Reutech Solutions (Pty) Limited. RDI Communications (Pty) Limited changed its name to Reutech Communications (Pty) Limited. Fuchs Electronics (Pty) Limited changed its name to Reutech Precision Products (Pty) Limited. Full details of these resolutions may be viewed at the company's registered office.

**DIRECTORATE AND COMPANY SECRETARY**

Mr MJ Shaw has reached the usual retirement age of 70. However, at the request of the board, Mr Shaw has made himself available to be re-elected at the annual general meeting for another year. Messrs TJ Motsohi and TS Munday, having been appointed to the board of directors during the year, are required to retire at the next annual general meeting but, being eligible, offer themselves for re-election. Messrs KS Fuller, DJ Rawlinson and Dr JC van der Horst retire by rotation at the forthcoming annual general meeting and all offer themselves for re-election. Ms KC Morolo resigned during the year.

The names of the directors in office at 30 September 2008 and to the date of this report, are set out on pages 22 and 23.

The name and address of the company's secretary are set out on page 116.

## 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 | | Indirect beneficial | | Held by associates | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| BP Connellan | **30 523** | 30 523 | **9 000** | 9 000 | **–** | – |
| KS Fuller | **–** | – | **–** | – | **–** | – |
| BP Gallagher | **331 713** | 298 313 | **–** | – | **–** | – |
| SD Jagoe | **–** | – | **–** | 18 000 | **–** | – |
| KJ Makwetla | **–** | – | **–** | – | **150** | – |
| KC Morolo | **–** | – | **–** | – | **–** | – |
| TJ Motsohi | **–** | – | **–** | – | **–** | – |
| TS Munday | **–** | – | **–** | – | **–** | – |
| GJ Oosthuizen | **66 700** | 33 300 | **–** | – | **–** | – |
| ND Orleyn | **–** | – | **–** | – | **–** | – |
| G Pretorius | **133 400** | 66 600 | **–** | – | **–** | – |
| DJ Rawlinson | **358 520** | 325 120 | **–** | – | **–** | – |
| MJ Shaw | **–** | – | **–** | – | **–** | – |
| JC van der Horst | **–** | – | **–** | – | **–** | – |
| | **920 856** | 753 856 | **9 000** | 27 000 | **150** | – |

These holdings have remained unchanged up to 5 December 2008.

Executive directors of the company held unexercised options to subscribe for 280 000 (2007: 447 000) ordinary shares in terms of the Reunert 1985 Share Option Scheme. These options are due to expire on 29 August 2015.

Executive directors of the company held unexercised options to subscribe for 250 000 (2007: nil) ordinary shares in terms of the Reunert 2006 Share Option Scheme. These options are due to expire as follows:
- 125 000 on 13 December 2017
- 125 000 on 18 February 2018.

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 21 of 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 group.

## ATTRIBUTABLE INTEREST

The attributable interest of the company in the profits and losses of its consolidated subsidiaries for the year ended 30 September 2008 is:

| | **2008 Rm** | 2007 Rm |
|---|---|---|
| In the aggregate net income | **760,1** | 704,1 |
| In the aggregate net losses | **(36,7)** | (18,3) |
| | **723,4** | 685,8 |

## 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.

## ACCOUNTING POLICIES

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.

During the current financial year, the group has adopted IFRS 7 – *Financial Instruments: Disclosures* which is effective from 1 October 2007, and the consequential amendments to IAS 1 – *Presentation of Financial Statements*.

The impact of the adoption of IFRS 7 has been to expand the disclosures regarding the group's financial instruments.

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

| Standards and interpretations | | Details of amendment | Effective for annual periods beginning on or after |
|---|---|---|---|
| IFRS 1 – | First time Adoption of International Financial Reporting Standards | Measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time | 1 January 2009 |
| IFRS 2 – | Share-based Payment | Amendments to vesting conditions and cancellations | 1 January 2009 |
| IFRS 3 – | Business Combinations | Amendments to accounting for business combinations | 1 July 2009 |
| IFRS 5 – | Non-current Assets Held for Sale and Discontinued Operations | Plan to sell the controlling interest in a subsidiary | 1 July 2009 |
| IFRS 7 – | Financial Instruments: Disclosures | Presentation of finance costs | 1 January 2009 |
| IFRS 8 – | Operating Segments | New standard on segment reporting | 1 January 2009 |
| IAS 1 – | Presentation of Financial Statements | Amendments to structure of financial statements<br>Current/non-current classification of derivatives | 1 January 2009 |
| IAS 8 – | Accounting Policies, Changes in Accounting Estimates and Errors | Status of implementation guidance | 1 January 2009 |
| IAS 10 – | Events after the Reporting Period | Dividends declared after the end of the reporting period | 1 January 2009 |
| IAS 16 – | Property, Plant and Equipment | Recoverable amount<br>Sale of assets held for rental | 1 January 2009 |
| IAS 18 – | Revenue | Costs of originating a loan | 1 January 2009 |
| IAS 19 – | Employee Benefits | Curtailments and negative past service costs<br>Plan administration costs<br>Replacement of term 'fall due'<br>Guidance on contingent liabilities | 1 January 2009 |
| IAS 20 – | Accounting for Government Grants and Disclosure of Government Assistance | Government loans with a below-market rate of interest<br>Consistency of terminology with other IFRSs | 1 January 2009 |
| IAS 23 – | Borrowing Costs | Amendment requiring capitalisation model only<br>Components of borrowing costs | 1 January 2009 |
| IAS 27 – | Consolidated and Separate Financial Statements | Amendment dealing with measurement of the cost of investments when adopting IFRS for the first time<br>Consequential amendments from changes to business combinations<br>Measurement of subsidiary held for sale in separate financial statements | 1 July 2009 |

| Standards and interpretations | | Details of amendment | Effective for annual periods beginning on or after |
|---|---|---|---|
| IAS 28 – | Investments in Associates | Consequential amendments from changes to business combinations<br>Required disclosures when investments in associates are accounted for at fair value through profit or loss<br>Impairment of investment in associate | 1 January 2009 |
| IAS 29 – | Financial Reporting in Hyperinflationary Economies | Description of measurement basis in financial statements<br>Consistency of terminology with other IFRSs | 1 January 2009 |
| IAS 31 – | Interests in Joint Ventures | Consequential amendments from changes to business combinations<br>Required disclosures when interest in jointly controlled entities are accounted for at fair value through profit or loss | 1 January 2009 |
| IAS 32 – | Financial Instruments: Presentation | Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities | 1 January 2009 |
| IAS 34 – | Interim Financial Reporting | Earnings per share disclosures in interim financial reports | 1 January 2009 |
| IAS 36 – | Impairment of Assets | Disclosure of estimates used to determine recoverable amount | 1 January 2009 |
| IAS 38 – | Intangible Assets | Advertising and promotional activities<br>Unit of production method of amortisation | 1 January 2009 |
| IAS 39 – | Financial Instruments: Recognition and Measurement | Reclassification of derivatives into or out of the classification at "fair value through profit or loss"<br>Designation and documenting hedges at the segment level<br>Applicable effective interest rate on cessation of fair value hedge accounting | 1 January 2009 |
| IAS 39 – | Financial Instruments: Recognition and Measurement | Clarifies hedge accounting issues:<br>– Inflation in a financial hedged item<br>– A one-sided risk in a hedged item | 1 July 2009 |
| IAS 40 – | Investment Property | Property under construction or development for future use as investment property<br>Consistency of terminology with IAS 8<br>Investment property held under lease | 1 January 2009 |
| IFRIC 12 – | Service Concession Arrangements | Interpretation | 1 January 2008 |
| IFRIC 13 – | Customer Loyalty Programmes | Interpretation | 1 July 2008 |
| IFRIC 14 – | IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | Interpretation | 1 January 2008 |

The impact of the adoption of the above standards and interpretations has not yet been determined.

## BASIS OF PREPARATION

The consolidated financial statements are presented in 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 or fair value bases under IFRS.

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 these policies.

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.

## 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 or 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 and 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.

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.

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 in accounting for intragroup transactions.

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 acquired, 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.

In the case of associates, 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 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.

## 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 or losses arising from changes in fair value are recognised in the income statement for the period. For available-for-sale investments, gains or 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 fair value of 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 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 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 goods, 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 asset 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 is raised.

The cost of the asset is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets in order to reduce the cost of the asset to its residual value.

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 differences 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 assets, commission except from financial assets classified as available-for-sale and interest earned in the group's financing operations and excludes value added tax (VAT).

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership 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 by the cellular service provider are disclosed at the amounts charged to subscribers.

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.

**OTHER INCOME**

Included in other income is commission income from financial assets classified as available-for-sale which is dependent on the occurrence of sales on which the commission is payable.

**DIVIDENDS**

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

**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 or losses arising from the settlement of such transactions are recognised in the income statement on a net basis unless the gains or 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 foreign operations that are consolidated into the group financial statements are translated into rand as follows:

- Assets and liabilities at rates of exchange ruling at the group's financial year-end; and
- Income, expenditure and cash flow items at the 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 a consolidated foreign operation, the proportionate share of the related cumulative gains or 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**

**Financial assets**

The group classifies its financial assets into the following categories:

- at fair value through profit or loss (at FVTPL)
- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial asset

The above classification is dependent on the purpose and nature for which the financial assets have been acquired. Management determines the classification of its financial assets at the time of the initial recognition and re-evaluates such designation at least annually.

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, receivables, trade payables, borrowings and derivative instruments.

Financial assets are recognised on transaction date when the group becomes party to the contract and obtains rights to receive economic benefits, and derecognises these financial assets when these rights no longer exist, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity. A financial asset is partially derecognised when the company is only entitled to a proportionate share of the future cash flows.

Financial assets are initially measured at cost, including transaction costs on transaction date except for items carried at fair value through profit or loss. Regular way purchases and sales of financial assets are accounted for at settlement date.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL where the financial asset is either held-for-trading or designated as such upon initial recognition. Financial assets at FVTPL are stated at fair value, which initially equates cost, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement includes any dividend or interest earned on the financial asset.

The group classifies derivative instruments as held-for-trading if it is a derivative that is not a designated and effective hedging instrument.

**Held-to-maturity investments**

Held-to-maturity investments are financial instruments with fixed or determinable payments and fixed maturity dates that the group has the positive intention and ability to hold to maturity. Held-to-maturity investments are recorded at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

**Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment.

**Available-for-sale financial assets**

Unlisted shares held by the group are classified as available-for-sale financial assets. On initial recognition, and subsequently at the balance sheet date, the available-for-sale assets are stated at fair value. Any unrealised gains or losses arising from the changes in fair value of available-for-sale financial assets are recognised directly in equity. Where the investment is disposed of, the cumulative unrealised gain or loss previously recognised in equity is included in profit or loss for the period.

The fair values of financial assets are based on discounted cash flow models. Equity investments for which fair values cannot be measured reliably are recognised at cost less any impairment.

Premiums or discounts arising from the difference between the fair value of the financial asset and the amount receivable at maturity date are charged to the income statement based on the effective interest rate method.

At each balance sheet date, financial assets, other than those at FVTPL, are assessed for indicators of impairment. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

In the case of available-for-sale financial assets, a substantial or prolonged decrease in the fair value of the asset below its cost is considered an indicator of impairment. If any such evidence of impairment exists, the cumulative gain or loss that was previously recognised in equity is reversed and charged to the income statement. Impairment losses previously charged to the income statement are not subsequently reversed in the income statement. A change in the fair value of available-for-sale financial assets subsequent to the recognition of an impairment loss is recognised directly in equity.

**Derecognition**
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire.

**Cash and cash equivalents**
Cash and cash equivalents are stated at carrying value which is deemed to be 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. An impairment is recognised when there is evidence that the group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is charged to the income statement.

**Derivative instruments**
The group is exposed to market risks from changes in interest rates, commodity prices, price risk and foreign exchange rates. The group uses forward exchange contracts, commodity hedges, options and interest rate instruments to hedge its exposure to fluctuations in foreign exchange rates, commodity prices, price risk and interest rates. 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 at the date the derivative contract is entered into and are subsequently stated at fair value at each balance sheet date. The resulting gains or losses are charged to the income statement.

**Embedded derivatives**
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value, with change in fair value recognised in profit or loss.

**Hedge accounting**
The group's criteria for a derivative instrument to be designated as a hedging instrument require that:
- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- there is adequate documentation of the hedging relationship at the inception of the hedge; and
- for cash flow hedges, the forecasted transaction that is the subject of the hedge must be highly probable.

**Fair value hedges**
Changes in the fair value of derivatives are recorded in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

When forward exchange contracts are entered into as fair value hedges, all gains and losses on such contracts are charged to the income statement.

**Cash flow hedges**
The effective portion of the changes in the fair value of derivatives is deferred in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss, and is included in the "other income" or "expenses" line of the income statement.

The effective portion of the gain or loss on the hedging instrument previously recognised in equity, is subsequently removed and included in profit or loss, in the same period or periods during which the hedged item affects profit or loss.

When a forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised in profit or loss.

**Financial liabilities and equity instruments issued by the group**
Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual terms of the arrangement.

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.

**Equity instruments**
An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the group are recorded as the proceeds received net of any direct issue costs.

**Financial guarantee contract**
A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are measured initially at their fair values and are subsequently measured at the higher of:
- the amount of the obligation under the contract; and
- the amount initially recognised less, where appropriate, cumulative amortisation.

**Financial liabilities**
Financial liabilities are either classified as:
- financial liabilities at fair value through profit or loss (at FVTPL); or
- other financial liabilities

**Financial liabilities at FVTPL**
Financial liabilities are classified as at FVTPL where the financial liability is either held-for-trading or it is designated as such upon initial recognition.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

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.

**Other financial liabilities**

Other financial liabilities, including interest-bearing bank loans and overdrafts, are initially recorded at the proceeds received, net of direct issue costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Trade and other payables are stated at their nominal value.

**Derecognition**

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% 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 has 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 significant judgements, estimates and assumptions:

### 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 25.

### 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 12.

### 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 29 to the annual financial statements.

### Deferred tax on fair value of available-for-sale financial asset

In management's opinion the group's available-for-sale financial asset will be realised through a sale. As a result, the capital gains tax rate has been used to determine the deferred tax liability resulting from the fair valuation of the asset.

# Income statements > for the year ended 30 September 2008

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **REVENUE** | 1 | **10 921,1** | 9 574,4 | **2 879,1** | 2 615,6 |
| **COST OF SALES** | | **(7 915,4)** | (6 763,1) | **(1 845,9)** | (1 696,5) |
| **GROSS PROFIT** | | **3 005,7** | 2 811,3 | **1 033,2** | 919,1 |
| Other income | | **172,0** | 52,4 | **138,7** | 4,5 |
| Other expenses | | **(1 605,1)** | (1 545,0) | **(569,1)** | (566,2) |
| **OPERATING PROFIT BEFORE INTEREST, DIVIDENDS AND ABNORMAL ITEMS** | 2 | **1 572,6** | 1 318,7 | **602,8** | 357,4 |
| Interest and dividends received | 3 | **103,5** | 112,0 | **446,9** | 1 771,6 |
| Interest paid | 4 | **(43,2)** | (57,2) | **(14,3)** | (19,0) |
| **PROFIT BEFORE ABNORMAL ITEMS** | | **1 632,9** | 1 373,5 | **1 035,4** | 2 110,0 |
| Abnormal items | 5 | **1,5** | (447,6) | **2,4** | (188,6) |
| **PROFIT BEFORE TAXATION** | | **1 634,4** | 925,9 | **1 037,8** | 1 921,4 |
| Taxation | 6 | **(486,8)** | (427,4) | **(206,8)** | (160,9) |
| **PROFIT AFTER TAXATION** | | **1 147,6** | 498,5 | **831,0** | 1 760,5 |
| Share of associate companies' profits | 14 | **16,1** | 148,4 | | |
| **PROFIT FOR THE YEAR** | | **1 163,7** | 646,9 | **831,0** | 1 760,5 |
| **PROFIT FOR THE YEAR ATTRIBUTABLE TO:** | | | | | |
| Minority interest | | **7,1** | 7,6 | | |
| Equity holders of Reunert | | **1 156,6** | 639,3 | **831,0** | 1 760,5 |
| | | **1 163,7** | 646,9 | **831,0** | 1 760,5 |
| **BASIC EARNINGS PER SHARE (CENTS)** | 7 | **650,1** | 361,7 | | |
| **DILUTED BASIC EARNINGS PER SHARE (CENTS)** | 7 | **646,9** | 356,5 | | |
| **CASH DIVIDEND DECLARED AND PAID PER SHARE (CENTS)** | | | | | |
| – Interim | 8 | **78,0** | 73,0 | | |
| **CASH DIVIDEND DECLARED PER SHARE (CENTS)** | | | | | |
| – Final | 8 | **241,0** | 241,0 | | |
| **TOTAL CASH DIVIDENDS DECLARED PER SHARE (CENTS)** | | **319,0** | 314,0 | | |

# Balance sheets > at 30 September 2008

| | Notes | Group 2008 Rm | Group 2007 Rm | Company 2008 Rm | Company 2007 Rm |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 10 | **569,6** | 565,7 | **215,4** | 216,8 |
| Intangible assets | 11 | **21,7** | 13,0 | **12,2** | 9,2 |
| Goodwill | 12 | **415,3** | 372,8 | **–** | – |
| Interest in subsidiaries | 13 | **–** | – | **2 207,0** | 1 480,1 |
| Interest in associates | 14 | **–** | 400,3 | **–** | 533,5 |
| Other investments and loans | 15 | **865,3** | 327,6 | **858,6** | 85,4 |
| RCCF accounts receivable | 16 | **1 274,8** | – | | |
| Deferred taxation assets | 17 | **32,0** | 37,9 | **–** | – |
| | | **3 178,7** | 1 717,3 | **3 293,2** | 2 325,0 |
| **CURRENT ASSETS** | | | | | |
| Derivative assets | 32 | **30,2** | 3,9 | **6,0** | – |
| Inventory and contracts in progress | 18 | **979,7** | 915,1 | **392,0** | 395,1 |
| RCCF accounts receivable | 16 | **682,2** | – | | |
| Other accounts receivable | 16 | **1 905,1** | 1 712,2 | **452,0** | 358,6 |
| Non-current assets held for sale | 19 | **23,1** | – | **–** | – |
| Taxation | | **–** | – | **–** | 14,3 |
| Cash and cash equivalents | 20 | **794,6** | 530,6 | **124,5** | 322,1 |
| RCCF bank balances and cash | 20 | **82,0** | – | | |
| | | **4 496,9** | 3 161,8 | **974,5** | 1 090,1 |
| **TOTAL ASSETS** | | **7 675,6** | 4 879,1 | **4 267,7** | 3 415,1 |
| **EQUITY AND LIABILITIES** | | | | | |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital and premium | 21 | **106,9** | 90,8 | **106,9** | 90,8 |
| Share-based payment reserves | 21 | **664,3** | 649,9 | **633,4** | 625,8 |
| Treasury shares | 21 | **(276,1)** | (276,1) | | |
| Investment fair value reserve | 22 | **621,1** | – | **608,3** | – |
| Equity transaction with BEE partner | 22 | **(35,3)** | – | | |
| Non-distributable reserves | 23 | **4,1** | 7,3 | **0,3** | 0,3 |
| Retained earnings | | **2 590,4** | 1 997,1 | **2 262,1** | 2 057,3 |
| Equity attributable to equity holders of Reunert | | **3 675,4** | 2 469,0 | **3 611,0** | 2 774,2 |
| Minority interest | | **20,7** | 14,4 | **–** | – |
| **TOTAL EQUITY** | | **3 696,1** | 2 483,4 | **3 611,0** | 2 774,2 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Deferred taxation liabilities | 17 | **208,2** | 115,8 | **82,3** | 45,2 |
| Long-term borrowings | 24 | **12,8** | 278,8 | **45,9** | 69,3 |
| RCCF long-term borrowings | 24 | **699,9** | – | | |
| | | **920,9** | 394,6 | **128,2** | 114,5 |
| **CURRENT LIABILITIES** | | | | | |
| Derivative liabilities | 32 | **7,0** | 9,0 | **2,7** | 5,8 |
| Bank overdrafts and short-term portion of long-term borrowings | | **13,6** | 178,2 | **1,1** | 0,6 |
| RCCF short-term borrowings | 24 | **1 164,4** | – | | |
| Provisions | 25 | **59,8** | 59,2 | **4,9** | 8,7 |
| Trade and other payables | | **1 729,4** | 1 742,6 | **483,3** | 511,3 |
| Taxation | | **84,4** | 12,1 | **36,5** | – |
| | | **3 058,6** | 2 001,1 | **528,5** | 526,4 |
| **TOTAL EQUITY AND LIABILITIES** | | **7 675,6** | 4 879,1 | **4 267,7** | 3 415,1 |

# Cash flow statements > for the year ended 30 September 2008

| | Notes | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash generated from operations before working capital changes | A | **1 678,6** | 1 416,7 | **639,3** | 398,8 |
| Increase in net working capital | | **(327,7)** | (739,7) | **(133,8)** | (12,4) |
| Working capital changes (excluding RCCF)* | B | **(295,2)** | (439,0) | **(133,8)** | (12,4) |
| Movement in RCCF accounts receivable while a consolidated subsidiary (refer to note 34) | | **(32,5)** | (300,7) | | |
| Cash generated from operations | | **1 350,9** | 677,0 | **505,5** | 386,4 |
| Interest received | | **99,3** | 104,3 | **30,5** | 47,4 |
| Interest paid | | **(43,2)** | (57,2) | **(12,5)** | (19,0) |
| Dividends received (including from associate) | | **91,1** | 153,7 | **416,4** | 1 724,2 |
| Taxation paid | C | **(410,8)** | (568,6) | **(158,1)** | (223,1) |
| Net cash inflow from operating activities available to pay dividends | | **1 087,3** | 309,2 | **781,8** | 1 915,9 |
| Dividends paid (including to outside shareholders in subsidiaries) | D | **(569,0)** | (879,3) | **(626,2)** | (990,8) |
| Net cash inflow/(outflow) from operating activities | | **518,3** | (570,1) | **155,6** | 925,1 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Investments to maintain operating capacity | | **235,4** | (299,1) | **21,6** | (96,1) |
| – Repayment of non-current loans* | | **269,9** | 5,8 | **30,6** | 5,8 |
| – Non-current loans granted* | | **(1,6)** | (310,7) | **(2,8)** | (68,5) |
| – Replacement of property, plant and equipment | | **(44,3)** | (62,1) | **(15,4)** | (34,7) |
| – Proceeds on disposal of property, plant and equipment, intangible assets, investments and other capital items | | **11,4** | 67,9 | **9,2** | 1,3 |
| Investments to increase operating capacity | | **(1 156,7)** | 1 307,7 | **(479,2)** | (1 089,7) |
| – Expansion of property, plant and equipment | | **(66,8)** | (79,5) | **(15,3)** | (10,0) |
| – Additions of intangible assets | | **(6,0)** | (7,4) | **(0,4)** | (5,8) |
| – Equity transaction with BEE partner | | **(35,3)** | – | **–** | – |
| – (Increase)/decrease 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 | **(1 048,6)** | (111,8) | **(463,5)** | (35,8) |
| Net cash (outflow)/inflow from investing activities | | **(921,3)** | 1 008,6 | **(457,6)** | (1 185,8) |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Funds provided by equity holders of Reunert | **16,1** | 19,9 | **16,0** | 14,0 |
| Long-term borrowings – raised* | **0,1** | 370,4 | **–** | 7,8 |
| – repaid* | **(396,5)** | (115,8) | **(0,8)** | (115,7) |
| Net loans to subsidiaries | | | **89,2** | 551,7 |
| Net cash (outflow)/inflow from financing activities | **(380,3)** | 274,5 | **104,4** | 457,8 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(783,3)** | 713,0 | **(197,6)** | 197,1 |
| **NET CASH AND CASH EQUIVALENTS/(BORROWINGS) AT THE BEGINNING OF THE YEAR** | **482,8** | (230,2) | **322,1** | 125,0 |
| **NET (BORROWINGS)/CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**** | **(300,5)** | 482,8 | **124,5** | 322,1 |
| ****NET (BORROWINGS)/CASH AND CASH EQUIVALENTS ARE MADE UP OF:** | | | | |
| Cash and cash equivalents | **794,6** | 530,6 | **124 ,5** | 322,1 |
| Bank overdrafts | **(12,7)** | (47,8) | **–** | – |
| Net cash resources of the group/company excluding RCCF | **781,9** | 482,8 | **124,5** | 322,1 |
| | **(1 082,4)** | – | | |
| RCCF bank balances and cash | **82,0** | – | | |
| RCCF short-term borrowings | **(1 164,4)** | – | | |
| Net (borrowings)/cash and cash equivalents | **(300,5)** | 482,8 | **124,5** | 322,1 |
| Net cash flows from operating activities before dividends paid and excluding movements in RCCF accounts receivable | **1 119,8** | 609,9 | | |
| Operating cash flow per share (cents) | **629,5** | 345,0 | | |
| **In order to enhance disclosures the following amounts relating to discounted debtors with RCCF (refer to note 24), which did not entail a receipt or payment of cash and cash equivalents, have been included.* | | | | |
| Decrease/(increase) in respect of short-term portion of accounts receivable (included in working capital changes (excluding RCCF)) | **145,3** | (145,3) | | |
| Decrease in respect of long-term portion of accounts receivable (included in repayment of non-current loans) | **235,5** | – | | |
| Increase in respect of long-term portion of accounts receivable (included in non-current loans granted) | **–** | (235,5) | | |
| Increase in respect of the borrowings (included in long-term borrowings – raised) | **–** | 380,8 | | |
| Decrease in respect of the borrowings (included in long-term borrowings – repaid) | **(380,8)** | – | | |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2008 Rm | 2007 Rm | 2008 Rm | 2007 Rm |
| **A. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES** | | | | |
| Profit before taxation | **1 634,4** | 925,9 | **1 037,8** | 1 921,4 |
| Adjusted for: | | | | |
| – Net interest received | **(56,1)** | (47,1) | **(16,2)** | (28,4) |
| – Dividends received | **(4,2)** | (7,7) | **(416,4)** | (1 724,2) |
| – Depreciation of property, plant and equipment | **79,3** | 68,0 | **28,1** | 24,8 |
| – Amortisation of intangible assets | **7,3** | 6,3 | **3,5** | 3,7 |
| – Negative goodwill | **–** | (1,1) | **–** | – |
| – Impairment of goodwill | **–** | 0,8 | **–** | – |
| – Net loss/(surplus) on disposal of property, plant and equipment | **5,2** | (0,5) | **1,0** | 0,7 |
| – Net surplus on disposal of intangible assets | **–** | (0,2) | **–** | – |
| – Other abnormal items | **–** | (34,5) | **(2,4)** | (1,7) |
| – Surplus on dilution in shareholding in investment in associate | **(1,5)** | – | **–** | – |
| – Surplus on disposal of businesses | **–** | (118,1) | **–** | (366,3) |
| – Share option expense | **14,4** | 609,6 | **7,5** | 565,2 |
| – Impairment of intangible assets | **–** | 1,7 | **–** | – |
| – Other non-cash movements | **(0,2)** | 13,6 | **(3,6)** | 3,6 |
| **Cash generated from operations before working capital changes** | **1 678,6** | 1 416,7 | **639,3** | 398,8 |
| **B. WORKING CAPITAL CHANGES** | | | | |
| – Inventory and contracts in progress | **(48,6)** | (66,1) | **14,2** | 3,5 |
| – Accounts receivable, derivative assets and non-current assets held-for-sale | **(192,6)** | (240,3) | **(106,6)** | 86,1 |
| – Trade and other payables and derivative liabilities | **(54,0)** | (132,6) | **(41,4)** | (102,0) |
| **Working capital changes** | **(295,2)** | (439,0) | **(133,8)** | (12,4) |
| **C. RECONCILIATION OF TAXATION PAID TO THE AMOUNTS DISCLOSED IN THE INCOME STATEMENT AS FOLLOWS:** | | | | |
| – Net amounts unpaid at beginning of year | **(12,1)** | (182,2) | **14,3** | (61,0) |
| – Current taxation per the income statement | **(478,2)** | (400,8) | **(208,9)** | (147,8) |
| – Translation reserve | **–** | 0,3 | **–** | – |
| – Taxation provisions of subsidiaries purchased | **(4,9)** | (0,3) | **–** | – |
| – Taxation provisions of subsidiaries sold | **–** | 2,3 | **–** | – |
| – Net amounts unpaid at end of year | **84,4** | 12,1 | **36,5** | (14,3) |
| **Cash amounts paid** | **(410,8)** | (568,6) | **(158,1)** | (223,1) |
| **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 | **(567,2)** | (484,1) | **(626,2)** | (600,1) |
| – Dividends paid to outside shareholders in subsidiaries | **(1,8)** | (4,5) | **–** | – |
| **Cash amounts paid** | **(569,0)** | (879,3) | **(626,2)** | (990,8) |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 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 |
| Surplus on transfer/disposal | **–** | 118,1 | **–** | 389,3 |
| Attributable portion of goodwill arising in Quince on this transaction | **–** | 107,1 | **–** | – |
| 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 | **(16,0)** | (4,7) | **(11,1)** | – |
| Accounts receivable | **(245,6)** | (12,9) | **(12,8)** | – |
| Accounts receivable – RCCF | **(1 924,5)** | – | | |
| Trade and other payables and provisions | **40,0** | 14,5 | **10,3** | – |
| Taxation | **4,9** | 0,3 | **–** | – |
| Amounts due to bankers and short-term loans | **858,4** | – | **–** | – |
| Property, plant and equipment | **(11,5)** | (69,1) | **(6,2)** | – |
| Intangible assets | **(10,0)** | (1,6) | **(6,0)** | – |
| Deferred taxation | **50,6** | 10,2 | **–** | – |
| Net cash on hand at time of the acquisition | **(73,7)** | (8,2) | **–** | – |
| Long-term liabilities | **700,7** | 24,1 | **0,2** | – |
| Goodwill on previous acquisitions | **–** | (25,2) | **–** | – |
| Outside shareholders' interest | **–** | (26,9) | **–** | – |
| Goodwill on acquisitions | **(137,1)** | (20,5) | **–** | – |
| Attributable share of net assets at date of acquisition (decrease in investment in associates) | **279,9** | – | **–** | – |
| Shares purchased | **–** | – | **(437,9)** | (35,8) |
| **Cost of investment** | **(483,9)** | (120,0) | **(463,5)** | (35,8) |
| **Net cash on hand at time of the acquisition** | **73,7** | 8,2 | **–** | – |
| **Amounts due to bankers and short term loans at time of acquisition** | **(858,4)** | – | **–** | – |
| **Loan taken over from the seller** | **219,0** | – | **–** | – |
| **Loans contributed by non-controlling shareholder** | **1,0** | – | | |
| **Net cash paid** | **(1 048,6)** | (111,8) | **(463,5)** | (35,8) |

# Statement of changes in equity > for the year ended 30 September 2008

| | | GROUP | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital and premium Rm | Share-based payment reserves Rm | Treasury shares Rm | Investment fair value reserve Rm | Equity transaction with BEE partner Rm | Non-distributable reserves Rm | Retained earnings Rm | Attributable to equity holders of Reunert Ltd Rm | Minority interest Rm | Total Rm |
| **Balance at 30 September 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 | 23 | | | | | | (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; 21 | | 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 | 21 | | 2,1 | | | | | | 2,1 | | 2,1 |
| Dividends declared and paid | 8 | | | | | | | (462,5) | (462,5) | (4,5) | (467,0) |
| Dividends declared to BEE partners | 9.3 | | | | | | | (15,8) | (15,8) | | (15,8) |
| Issue of shares – share capital | 21 | 0,2 | | | | | | | 0,2 | | 0,2 |
| – share premium | 21 | 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 | 21 | | | | | | | | | | |
| – 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 |
| Reunert share of equity accounted associate's actuarially valued surplus of medical aid provision transferred to retained income | | | | | | | (3,9) | 3,9 | – | | – |
| Translation reserve reversing | 23 | | | | | | 0,7 | | 0,7 | | 0,7 |
| Fair valuation of financial instrument – investment in NSN | 14; 15; 22 | | | | 660,3 | | | | 660,3 | | 660,3 |
| Deferred taxation on fair value gain | 14; 15; 22 | | | | (39,2) | | | | (39,2) | | (39,2) |
| Purchase of a portion of BEE partner's interest in a subsidiary | 22 | | | | | (35,3) | | | (35,3) | | (35,3) |
| **Net income recognised directly in equity** | | – | – | – | 621,1 | (35,3) | (3,2) | 3,9 | 586,5 | – | 586,5 |
| Profit for the year | | | | | | | | 1 156,6 | 1 156,6 | 7,1 | 1 163,7 |
| **Total recognised income and expense for the year** | | – | – | – | 621,1 | (35,3) | (3,2) | 1 160,5 | 1 743,1 | 7,1 | 1 750,2 |
| Share-based payment expense | 2; 5; 21 | | 14,4 | | | | | | 14,4 | | 14,4 |
| Dividends declared and paid | 8 | | | | | | | (567,2) | (567,2) | (1,8) | (569,0) |
| Issue of shares – share capital | 21 | 0,1 | | | | | | | 0,1 | | 0,1 |
| – share premium | 21 | 16,0 | | | | | | | 16,0 | | 16,0 |
| Minority interest introduced | | | | | | | | | | 1,0 | 1,0 |
| **Balance at 30 September 2008** | | 106,9 | 664,3 | (276,1) | 621,1 | (35,3) | 4,1 | 2 590,4 | 3 675,4 | 20,7 | 3 696,1 |

| | | COMPANY | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Share capital and premium Rm | Share-based payment reserves Rm | Invest-ment fair value reserve Rm | Non-distribu-table reserves Rm | Retained earnings Rm | Total Rm |
| **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 | 2; 5; 21 | | 565,2 | | | | 565,2 |
| Dividends declared and paid | 8 | | | | | (554,1) | (554,1) |
| Issue of shares – share capital | 21 | 0,2 | 44,3 | | | | 44,5 |
| – share premium | 21 | 13,8 | | | | | 13,8 |
| Shares cancelled in terms of the buy back of a portion of the treasury shares held by a subsidiary | 21 | | | | | | |
| – 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 |
| Fair valuation of financial instrument – investment in NSN | | | | 647,5 | | | 647,5 |
| Deferred taxation on fair value gain | | | | (39,2) | | | (39,2) |
| **Net income recognised directly in equity** | | | | 608,3 | – | – | 608,3 |
| Net profit for the year | | | | | | 831,0 | 831,0 |
| **Total recognised income and expense for the year** | | – | – | 608,3 | – | 831,0 | 1 439,3 |
| Share-based payment expense | 2; 5; 21 | | 7,6 | | | | 7,6 |
| Dividends declared and paid | 8 | | | | | (626,2) | (626,2) |
| Issue of shares – share capital | 21 | 0,1 | | | | | 0,1 |
| – share premium | 21 | 16,0 | | | | | 16,0 |
| **Balance at 30 September 2008** | | 106,9 | 633,4 | 608,3 | 0,3 | 2 262,1 | 3 611,0 |

| | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| **1. REVENUE** | | | | |
| Revenue excludes revenue of associate companies and includes export revenue of R791,3 million (2007: R619,0 million) and interest received of R101,2 million (2007: R129,0 million) by RCCF from the date of acquiring a 100% stake in Quince (refer to note 34). | | | | |
| **2. OPERATING PROFIT BEFORE INTEREST, DIVIDENDS AND ABNORMAL ITEMS** | | | | |
| **Operating profit before interest, dividends and abnormal items is stated after:** | | | | |
| Administration, management and other fees | **38,7** | 34,3 | **28,2** | 23,1 |
| Auditors' remuneration: | | | | |
| Audit fees | **10,4** | 9,2 | **4,8** | 3,9 |
| Other fees | **1,4** | 2,1 | **0,7** | 0,8 |
| Expenses | **0,1** | 0,1 | **–** | – |
| | **11,9** | 11,4 | **5,5** | 4,7 |
| Depreciation: | | | | |
| Buildings | **5,7** | 4,8 | **3,8** | 3,0 |
| Plant and equipment | **67,5** | 58,5 | **22,2** | 19,8 |
| Vehicles | **6,1** | 4,7 | **2,1** | 2,0 |
| | **79,3** | 68,0 | **28,1** | 24,8 |
| Amortisation: | | | | |
| Intangible assets | **7,3** | 6,3 | **3,5** | 3,7 |
| Impairments in respect of the group relating to goodwill of Rnil (R0,8 million) have been included in abnormal items (refer to note 5). | | | | |
| Bad debt expense | **55,6** | 16,2 | **2,6** | 0,5 |
| Rental income from investment properties (included in revenue) | **(2,3)** | (1,4) | **–** | – |
| Direct operating expenses arising from investment properties that generated rental income | **1,4** | 1,8 | **–** | – |
| Investment revenue from available-for-sale financial assets (included in other income) | **(139,0)** | – | **(139,0)** | – |
| The commission income is in respect of commission earned from the NSN Group based on the sales revenue for the subregion of which South Africa forms part. The commission is related to Reunert's investment in NSN. The current year's share of associate companies' profit does not include any income in respect of NSN due to the change in the nature of the investment (refer to note 15). | | | | |
| Net realised (gains)/losses on currency exchange differences | **(13,0)** | 40,9 | **11,7** | 34,9 |
| Net unrealised (gains)/losses on currency exchange differences | **(23,8)** | 5,0 | **(6,1)** | (6,1) |
| Net realised (gains)/losses on fair value adjustments to derivative instruments | **(7,6)** | 66,0 | **(0,5)** | 24,1 |
| Net unrealised losses/(gains) on fair value adjustments to derivative instruments | **1,6** | (11,0) | **(3,4)** | (4,6) |
| | **(42,8)** | 100,9 | **1,7** | 48,3 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **2. OPERATING PROFIT BEFORE INTEREST, DIVIDENDS AND ABNORMAL ITEMS continued** | | | | |
| Net (gains)/losses on financial assets and liabilities at FVTPL | | | | |
| – designated as at FVTPL | **(0,6)** | – | **–** | – |
| – held for trading | **(7,6)** | 1,1 | **–** | – |
| **Income from subsidiaries:** | | | | |
| Fees | | | **5,1** | 6,6 |
| Rental (included in revenue) | | | **9,1** | 7,6 |
| | | | **14,2** | 14,2 |
| Operating lease charges: | | | | |
| Land and buildings | **40,6** | 25,9 | **22,2** | 10,2 |
| Vehicles and other | **1,3** | 1,7 | **0,5** | 0,5 |
| | **41,9** | 27,6 | **22,7** | 10,7 |
| Research and development expenditure: | | | | |
| Financed by revenue from customers | **10,9** | 24,0 | **–** | – |
| Not financed by revenue from customers | **48,8** | 46,7 | **34,6** | 35,5 |
| | **59,7** | 70,7 | **34,6** | 35,5 |
| Net loss/(surplus) on disposal of plant, equipment and intangible assets | **5,2** | (0,7) | **1,0** | 0,7 |
| Government grants | **(1,5)** | (1,0) | **–** | (0,3) |
| Staff costs: | | | | |
| Salaries and wages | **1 101,9** | 951,3 | **–** | – |
| Pension fund contributions | **8,1** | 13,2 | **–** | – |
| Provident fund contributions | **67,7** | 62,6 | **–** | – |
| Other staff costs | **57,1** | 57,5 | **–** | – |
| | **1 234,8** | 1 084,6 | **–** | – |
| Share-based payment expense in respect of the group's share option scheme (refer to note 21) | **14,4** | 8,6 | **7,6** | 8,6 |
| 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 | **36,0** | 36,9 | **–** | – |
| Post-employment benefits | **3,1** | 2,8 | **–** | – |
| Share-based payments | **13,3** | 31,5 | **–** | – |
| | **52,4** | 71,2 | **–** | – |
| The remuneration of directors and key management personnel is determined by the remuneration committee, which is based on market trends and the performance of individuals. | | | | |
| Write-down of inventory (refer to note 18) | **19,0** | 8,0 | **16,0** | 8,0 |

| | | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|---|
| 3. | **INTEREST AND DIVIDENDS RECEIVED** | | | | |
| | Dividends received: | | | | |
| | – Unlisted subsidiaries | | | **325,3** | 1 570,5 |
| | – Unlisted associates | | | **86,9** | 146,0 |
| | – Other | **4,2** | 7,7 | **4,2** | 7,7 |
| | | **4,2** | 7,7 | **416,4** | 1 724,2 |
| | Interest received: | | | | |
| | – Subsidiaries | | | **7,6** | 26,6 |
| | – From RCCF (as a consolidated subsidiary, refer to note 34) | **20,7** | 43,5 | | |
| | – Other | **78,6** | 60,8 | **22,9** | 20,8 |
| | | **99,3** | 104,3 | **30,5** | 47,4 |
| | | **103,5** | 112,0 | **446,9** | 1 771,6 |
| | Interest earned on financial assets analysed by category of asset: | | | | |
| | Bank deposits | **62,2** | 33,6 | **16,2** | 6,4 |
| | Loans and receivables | **15,7** | 26,8 | **6,0** | 14,1 |
| | Held-to-maturity investments | **0,4** | 0,1 | **0,4** | 0,1 |
| | | **78,3** | 60,5 | **22,6** | 20,6 |
| | Interest earned on non-financial assets | **21,0** | 43,8 | **7,9** | 26,8 |
| | | **99,3** | 104,3 | **30,5** | 47,4 |
| 4. | **INTEREST PAID** | | | | |
| | Subsidiaries | | | **8,1** | 1,3 |
| | Long-term borrowings | **0,4** | 16,1 | **–** | 12,6 |
| | Short-term loans and bank overdrafts | **42,8** | 41,1 | **6,2** | 5,1 |
| | | **43,2** | 57,2 | **14,3** | 19,0 |
| | Interest paid by RCCF (included in cost of sales) | **68,7** | 71,2 | | |
| 5. | **ABNORMAL ITEMS** | | | | |
| | Reversal of provision for losses in subsidiaries | | | **2,4** | 1,7 |
| | Net surplus on dilution in and disposal of businesses | **1,5** | 118,1 | **–** | 366,3 |
| | 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 21) | **–** | (556,6) | **–** | (556,6) |
| | Impairment of goodwill | **–** | (0,8) | **–** | – |
| | Impairment of intangible assets | **–** | (1,7) | **–** | – |
| | Negative goodwill taken to profit in terms of IFRS 3 (refer to note 12) | **–** | 1,1 | **–** | – |
| | Share-based payments expense in terms of broad-based scheme to group employees (refer to note 21) | **–** | (42,2) | **–** | – |
| | Gross abnormal items | **1,5** | (447,6) | **2,4** | (188,6) |
| | Taxation | **–** | 14,7 | **–** | – |
| | Minority interest | **–** | 0,2 | | |
| | Net abnormal items after minority interest | **1,5** | (432,7) | **2,4** | (188,6) |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **6. TAXATION** | | | | |
| South African current taxation: | | | | |
| – Current year | **442,2** | 350,6 | **176,0** | 117,4 |
| – Prior year | **(5,8)** | 0,3 | **(2,6)** | (0,6) |
| Deferred taxation: | | | | |
| – Current year (refer to note 17) | **8,8** | 17,9 | **(0,3)** | (1,3) |
| – Prior year (refer to note 17) | **2,4** | 8,7 | **(0,2)** | 14,4 |
| – Rate change (refer to note 17) | **(2,6)** | – | **(1,6)** | – |
| Secondary tax on companies: | | | | |
| – Current year | **37,6** | 48,1 | **35,5** | 31,0 |
| | **482,6** | 425,6 | **206,8** | 160,9 |
| Foreign normal taxation: | | | | |
| – Current year | **4,2** | 1,8 | **–** | – |
| | **486,8** | 427,4 | **206,8** | 160,9 |
| Reconciliation of rate of taxation | **%** | % | **%** | % |
| Effective rate of taxation | **29,8** | 46,2 | **19,9** | 8,4 |
| Movement in rate of taxation due to: | | | | |
| – Dividends received | **0,1** | 0,2 | **11,2** | 26,0 |
| – Disallowable expenses | **(0,3)** | (11,2) | **(0,2)** | (3,1) |
| – Secondary tax on companies | **(2,3)** | (5,2) | **(3,4)** | (1,6) |
| – Capital gains tax | **–** | (0,1) | **–** | – |
| – Adjustments from prior year | **0,2** | (1,0) | **0,3** | (0,7) |
| – Temporary differences not recognised | **–** | (0,4) | **–** | – |
| – Tax losses utilised not recognised previously | **–** | 0,7 | **–** | – |
| – Foreign tax rate differential | **0,5** | – | **–** | – |
| – Tax losses not recognised | **(0,2)** | (0,2) | **–** | – |
| – Tax rate change | **0,2** | – | **0,2** | – |
| South African normal tax rate | **28,0** | 29,0 | **28,0** | 29,0 |

The group has total estimated tax losses available to be offset against future taxable income of R31,3 million (2007: R27,0 million). Deferred tax assets have not been raised unless future taxable income is probable.

The group has capital gains tax losses of R34,2 million (2007: R26,5 million) which can be offset against future capital gains. Deferred tax assets have not been raised due to the uncertainty of any future capital gains.

| | GROUP 2008 | GROUP 2007 | COMPANY 2008 | COMPANY 2007 |
|---|---|---|---|---|
| **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) | **177,9** | 176,7 | | |
| Adjusted by the dilutive effect of: | | | | |
| – Unexercised share options granted (millions of shares) | **0,9** | 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) | **178,8** | 179,3 | | |
| ***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 (R57,49) (2007: 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 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| **8. CASH DIVIDENDS** | | | | |
| Ordinary dividends paid: | | | | |
| Final 2007 – 241 cents per share (2006: 210 cents per share) | **472,8** | 410,9 | **472,8** | 410,9 |
| Interim 2008 – 78 cents per share (2007: 73 cents per share) | **153,4** | 142,7 | **153,4** | 142,7 |
| Under-accrued 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 | **(59,0)** | (91,6) | | |
| | **567,2** | 468,3 | **626,2** | 600,1 |
| Final ordinary dividend declared: | | | | |
| 241 cents per share (2007: 241 cents per share) | **474,6** | 472,8 | **474,6** | 472,8 |
| Attributable to Reunert shares held by a subsidiary | **(44,6)** | (44,6) | | |
| | **430,0** | 428,2 | **474,6** | 472,8 |

| | Notes | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|---|
| **9. HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS** | | | | | |
| **HEADLINE EARNINGS PER SHARE (CENTS)** | 9.1 | **651,9** | 272,4 | | |
| **DILUTED HEADLINE EARNINGS PER SHARE (CENTS)** | 9.1 | **648,7** | 268,4 | | |
| **NORMALISED HEADLINE EARNINGS PER SHARE (CENTS)** | 9.2 | **630,1** | 570,3 | | |
| **NORMALISED DILUTED HEADLINE EARNINGS PER SHARE (CENTS)** | 9.2 | **626,9** | 562,0 | | |
| **9.1 HEADLINE EARNINGS** | | | | | |
| Profit attributable to equity holders of Reunert – IAS 33 basic earnings | | **1 156,6** | 639,3 | | |
| Headline earnings are determined by eliminating the effect of the following items in attributable earnings: | | **3,2** | (158,0) | | |
| Net surplus on dilution in and disposal of business | | **(1,5)** | (118,1) | | |
| Loss/(surplus) on disposal of property, plant and equipment and intangible assets | | **5,2** | (35,2) | | |
| Net impairments | | **–** | 1,4 | | |
| Taxation effect of adjustments | | **(0,5)** | (6,1) | | |
| Headline earnings attributable to equity holders of Reunert | | **1 159,8** | 481,3 | | |
| **9.2 NORMALISED HEADLINE EARNINGS** | | | | | |
| Headline earnings attributable to equity holders of Reunert (basic and diluted) (refer to note 9.1) | | **1 159,8** | 481,3 | | |
| Normalised headline earnings are determined by eliminating the effect of the following items in attributable headline earnings: | | **(0,4)** | 599,9 | | |
| BEE share of headline and normalised headline earnings adjustments | | **(0,4)** | 8,2 | | |
| BEE expense – share-based payment | | **–** | 556,6 | | |
| Share-based payment expense in terms of broad-based scheme to group employees | | **–** | 42,2 | | |
| Contribution by Reunert to employees of joint venture and associate | | **–** | 2,1 | | |
| Taxation effect of adjustments | | **–** | (9,1) | | |
| Minority effect of adjustments | | **–** | (0,1) | | |
| | | **1 159,4** | 1 081,2 | | |
| Net economic interest in profit attributable to BEE partners (refer to note 9.3) | | **(38,5)** | (73,5) | | |
| Normalised headline earnings attributable to equity holders of Reunert (basic and diluted) | | **1 120,9** | 1 007,7 | | |

9. **HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS continued**

9.3 BLACK ECONOMIC EMPOWERMENT TRANSACTIONS

**Interest in profit that is economically attributable to BEE partners**

As referred to in note 24 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.

**BEE expense – share-based payment**

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 R556,6 million was recognised. The sale of Bargenel, which holds 18,5 million shares in Reunert, was done at a 10% discount on the Reunert share price. IFRS requires that this disposal not be 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 was 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 was raised as a result of the future tax deduction.

| | GROUP | |
|---|---|---|
| | **2008 Rm** | 2007 Rm |
| The effect of this has been to not recognise the following: | | |
| Net economic interest in current year profit attributable to BEE partners (refer to note 9.2) | **38,5** | 73,5 |
| Balance sheet interest that is economically attributable to BEE partners | **95,3** | 161,8 |

| | | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|---|
| | | Cost Rm | Accumulated depreciation and impairments Rm | Net book value Rm | Cost Rm | Accumulated depreciation and impairments Rm | Net book value Rm |
| **10. PROPERTY, PLANT AND EQUIPMENT** | | | | | | | |
| **2008** | | | | | | | |
| Freehold land | – investment | **21,1** | | **21,1** | **13,4** | | **13,4** |
| | – owner-occupied | **21,0** | | **21,0** | **5,9** | | **5,9** |
| Freehold buildings | – investment | **3,9** | **0,5** | **3,4** | **16,5** | **–** | **16,5** |
| | – owner-occupied | **79,5** | **15,0** | **64,5** | **27,9** | **9,4** | **18,5** |
| Leasehold buildings | – owner-occupied | **64,9** | **12,6** | **52,3** | **49,5** | **5,9** | **43,6** |
| Plant and equipment | | **880,7** | **494,1** | **386,6** | **292,1** | **180,0** | **112,1** |
| Vehicles | | **40,8** | **20,1** | **20,7** | **11,1** | **5,7** | **5,4** |
| | | **1 111,9** | **542,3** | **569,6** | **416,4** | **201,0** | **215,4** |
| 2007 | | | | | | | |
| Freehold land | – investment | 22,9 | | 22,9 | 13,4 | | 13,4 |
| | – owner-occupied | 22,1 | | 22,1 | 5,9 | | 5,9 |
| Freehold buildings | – investment | 8,4 | 0,4 | 8,0 | 16,5 | – | 16,5 |
| | – owner-occupied | 89,5 | 13,8 | 75,7 | 19,5 | 8,2 | 11,3 |
| 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 |

| | Land Investment Rm | Land Owner-occupied Rm | Buildings Investment Rm | Buildings Owner-occupied Rm | Plant and equipment Rm | Vehicles Rm | **2008 Total Rm** | 2007 Total Rm |
|---|---|---|---|---|---|---|---|---|
| **10. PROPERTY, PLANT AND EQUIPMENT continued** | | | | | | | | |
| **MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – GROUP** | | | | | | | | |
| Net book value at the beginning of the year | 22,9 | 22,1 | 8,1 | 126,2 | 368,8 | 17,6 | **565,7** | 455,4 |
| Acquisition of businesses | – | – | – | 5,6 | 5,2 | 0,7 | **11,5** | 69,1 |
| Additions | – | – | – | 5,8 | 94,2 | 11,1 | **111,1** | 141,6 |
| Disposals of businesses | – | – | – | – | – | – | **–** | (1,2) |
| Disposals | – | – | – | – | (13,7) | (2,6) | **(16,3)** | (31,2) |
| Classified as owner occupied | (1,8) | 1,8 | (4,6) | 4,6 | | | **–** | – |
| Classified as held-for-sale | – | (2,9) | – | (19,8) | (0,4) | – | **(23,1)** | – |
| | 21,1 | 21,0 | 3,5 | 122,4 | 454,1 | 26,8 | **648,9** | 633,7 |
| Depreciation | | | (0,1) | (5,6) | (67,5) | (6,1) | **(79,3)** | (68,0) |
| Net book value at the end of the year | 21,1 | 21,0 | 3,4 | 116,8 | 386,6 | 20,7 | **569,6** | 565,7 |
| **MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – COMPANY** | | | | | | | | |
| Net book value at the beginning of the year | 13,4 | 5,9 | 16,5 | 56,2 | 118,0 | 6,8 | **216,8** | 204,0 |
| Acquisition of businesses | – | – | – | 5,6 | 0,3 | 0,3 | **6,2** | – |
| Additions | – | – | – | 4,1 | 24,7 | 1,9 | **30,7** | 44,7 |
| Disposals of businesses | – | – | – | – | – | – | **–** | (5,2) |
| Disposals | – | – | – | – | (8,7) | (1,5) | **(10,2)** | (1,9) |
| | 13,4 | 5,9 | 16,5 | 65,9 | 134,3 | 7,5 | **243,5** | 241,6 |
| Depreciation | | | – | (3,8) | (22,2) | (2,1) | **(28,1)** | (24,8) |
| Net book value at the end of the year | 13,4 | 5,9 | 16,5 | 62,1 | 112,1 | 5,4 | **215,4** | 216,8 |

**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 R35,5 million (2007: R33,3 million).

   The open-market values were determined in 2007 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 and adjusted to 2008 values using relevant building price indices to determine value increases.
3. Useful lives used for the following categories:

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

4. The insurable value of the group's property, plant and equipment as at 30 September 2008 amounted to R4,1 billion (2007: R3,5 billion). This is based on the cost of replacement of such assets, except for motor vehicles and certain selected assets which are included at market value.
5. During the year under review the classification of investment property changed from investment property to owner-occupied property when companies within the group started to utilise the property.

| 6. Operating leases receivable | GROUP **2008 Rm** | GROUP 2007 Rm | COMPANY **2008 Rm** | COMPANY 2007 Rm |
|---|---|---|---|---|
| Total future minimum lease payments receivable for all non-cancellable leases on land and buildings | | | | |
| < 1 year | **–** | – | **4,7** | 4,7 |
| 1 - 5 years | **–** | – | **7,1** | 11,8 |
| | **–** | – | **11,8** | 16,5 |
| Gross carrying amount of assets leased under operating leases | **–** | – | **26,8** | 26,3 |
| Accumulated depreciation | **–** | – | **(1,6)** | (1,4) |
| | **–** | – | **25,3** | 24,9 |

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | Cost Rm | Accumulated amortisation and impairments Rm | Net book value Rm | Cost Rm | Accumulated amortisation and impairments Rm | Net book value Rm |
| **11. INTANGIBLE ASSETS** | | | | | | |
| **2008** | | | | | | |
| Computer software | **48,8** | **36,7** | **12,1** | **10,7** | **7,8** | **2,9** |
| Customer list, restraint of trade and order book | **16,6** | **7,0** | **9,6** | **11,0** | **1,7** | **9,3** |
| | **65,4** | **43,7** | **21,7** | **21,7** | **9,5** | **12,2** |
| 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 |

| | Computer software Rm | Customer list, restraint of trade and order book Rm | **2008 Total Rm** | 2007 Total Rm |
|---|---|---|---|---|
| **MOVEMENT IN INTANGIBLE ASSETS – GROUP** | | | | |
| Net book value at beginning of the year | 7,5 | 5,5 | **13,0** | 11,9 |
| Acquisition of businesses | 4,0 | 6,0 | **10,0** | 1,6 |
| Additions | 5,9 | 0,1 | **6,0** | 7,4 |
| | 17,4 | 11,6 | **29,0** | 20,9 |
| Amortisation | (5,3) | (2,0) | **(7,3)** | (6,3) |
| Impairment | – | – | **–** | (1,6) |
| Net book value at end of the year | 12,1 | 9,6 | **21,7** | 13,0 |
| **MOVEMENT IN INTANGIBLE ASSETS – COMPANY** | | | | |
| Net book value at beginning of the year | 4,8 | 4,4 | **9,2** | 8,2 |
| Acquisition of businesses | – | 6,0 | **6,0** | – |
| Additions | 0,5 | – | **0,5** | 5,8 |
| Disposals of businesses | – | – | **–** | (1,1) |
| | 5,3 | 10,4 | **15,7** | 12,9 |
| Amortisation | (2,4) | (1,1) | **(3,5)** | (3,7) |
| Net book value at end of the year | 2,9 | 9,3 | **12,2** | 9,2 |

**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 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| **12. GOODWILL** | | | | |
| Carrying value at the beginning of the year | **372,8** | 326,8 | **–** | 13,8 |
| Acquisition of businesses, associates and subsidiaries | **137,1** | 45,7 | **–** | – |
| Transfer of goodwill in respect of NSN to financial instrument – investment in NSN – at fair value (refer to note 15) | **(94,6)** | – | | |
| Disposal of businesses | | | | (13,8) |
| Negative goodwill taken to profit in terms of IFRS 3 (refer to note 5) | **–** | 1,1 | **–** | – |
| Impairments | **–** | (0,8) | **–** | – |
| Carrying value at the end of the year | **415,3** | 372,8 | **–** | – |
| Goodwill | **419,5** | 377,0 | **–** | – |
| Accumulated impairments | **(4,2)** | (4,2) | **–** | – |
| | **415,3** | 372,8 | **–** | – |
| Carrying value attributable to: | | | | |
| – Associates | **–** | 94,6 | **–** | – |
| – Joint ventures | **10,7** | 10,7 | **–** | – |
| – Subsidiaries | **404,6** | 252,8 | **–** | – |
| – Other businesses | **–** | 14,7 | **–** | – |
| | **415,3** | 372,8 | **–** | – |

The recoverable amounts of the cash generating units (CGUs) are determined from fair value less costs to sell. Discounted cash flow calculations 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 Quince | GROUP Nashua Mobile | GROUP CBI-electric: african cables |
|---|---|---|---|
| Carrying amount of goodwill allocated to the CGU (Rm) | 124,4 | **158,2** | 59,3 |
| Pre-tax discount rates (%) | 16,6 | **16,6** | 16,6 |
| Sustainable growth rates (%) | 7 | **7** | 7 |
| The balance of goodwill of R73,4 million (2007: R60,7 million) has been allocated to other CGUs, none of which is considered significant in relation to total goodwill. | | | |

| | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|
| **13. INTEREST IN SUBSIDIARIES** | | |
| (Refer to Annexure A) | | |
| Shares at cost less impairments | **2 498,3** | 1 767,6 |
| Amounts owing by subsidiaries | **595,3** | 310,1 |
| Provision for losses | **(124,9)** | (127,3) |
| | **2 968,7** | 1 950,4 |
| Amounts owing to subsidiaries | **(761,7)** | (470,3) |
| | **2 207,0** | 1 480,1 |

| | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| **14. INTEREST IN ASSOCIATES** | | | | |
| Shares at cost | **–** | 533,5 | **–** | 533,5 |
| Less: Transfer to goodwill on consolidation | **–** | (133,6) | | |
| Attributable interest in retained earnings | **–** | 103,5 | | |
| Retained earnings at beginning of the year | **103,5** | 101,1 | | |
| Profit after tax and abnormal items | **16,1** | 148,4 | | |
| Dividends | **(18,4)** | (146,0) | | |
| Transferred to financial instrument – investment in NSN – at fair value (refer to note 15) | **(90,9)** | – | | |
| Quince transferred to interest in subsidiary (refer to note 13) | **(10,3)** | – | | |
| Surplus on dilution of Reunert's investment in Quince | **2,6** | 1,1 | | |
| Quince transferred to interest in subsidiary | **(2,6)** | – | | |
| 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 | **–** | 533,5 |
| Directors' valuation – unlisted associate companies | | | | |
| – NSN | **–** | 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 30. | | | | |

| Details of investments | Place of incorporation | GROUP Number of shares held 2008 | Number of shares held 2007 | Percentage interest 2008 % | Percentage interest 2007 % |
|---|---|---|---|---|---|
| **ASSOCIATE COMPANIES** | | | | | |
| NSN (supplier of fixed and mobile voice and data networks) (refer to note 15) | RSA | **–** | 56 000 | **–** | 40 |
| Quince (provider of asset-backed financing) (refer note 34) | 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 2008 Rm | Carrying value 2007 Rm |
|---|---|---|---|
| **ASSOCIATE COMPANIES** | | | |
| NSN (refer to note 15) | 31 December | **–** | 119,7 |
| Quince (refer note 34) | 30 September | **–** | 280,6 |
| Electric Products International (Pty) Limited | 30 September | **–***| –* |
| | | **–** | 400,3 |

**Nil due to rounding.*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **15. OTHER INVESTMENTS AND LOANS** | | | | |
| Reunert 1988 Share Purchase Trust loans – held at cost | **15,1** | 13,9 | **15,1** | 13,9 |
| Other loans – held at cost | **37,2** | 40,6 | **37,2** | 40,6 |
| Financial instrument – investment in NSN – at fair value* | **806,0** | – | **806,0** | – |
| Other unlisted investments – at cost | **7,0** | 7,0 | **0,3** | 0,3 |
| Long-term accounts receivable (refer to note 24) | **–** | 266,1 | **–** | 30,6 |
| Total investments and loans | **865,3** | 327,6 | **858,6** | 85,4 |
| Directors' valuation – other unlisted investments | **813,0** | 7,0 | **806,3** | 0,3 |
| **Loans granted by Reunert Limited in respect of the share option scheme (the scheme)** Option holders are obliged to pay 1 cent per share for shares purchased under the option scheme. Thereafter, Reunert may lend the shareholder the remainder of the funds required to purchase the shares at the option price. The loan is granted for a maximum of seven years. The interest rate applicable to the loan is determined in March and September each year for the following six months, based on a formula which takes the last dividend declared prior to granting the option divided by the option price, subject to a maximum of the official interest rate as set by the South African Revenue Services from time to time. | | | | |
| Value of loans granted during the year to all scheme participants | | | **6,3** | 5,3 |
| Loans to the scheme include loans to Reunert executive directors: | | | | |
| – Balance at the beginning of the year | | | **1,5** | 3,8 |
| – Advanced during the year | | | **2,9** | 2,7 |
| – Repaid during the year | | | **(2,3)** | (5,0) |
| Balance at the end of the year | | | **2,1** | 1,5 |

**The nature of the investment in NSN and the income received from this investment (refer to note 2) has changed, following post-merger restructuring within the NSN group, with effect from 1 October 2007. Significant influence ceased as Reunert no longer has representation on the board of directors, even though Reunert retained a 40% legal ownership. The investment in NSN has consequently been reclassified as a financial instrument, and designated as "available-for-sale", as defined in IAS 39 – Financial Instruments: Recognition and Measurement.*

*Due to a change in the shareholders agreement, Reunert now earns commission on sales of NSN products. Future commissions are expected to replace dividend flows.*

*Previously income relating to the investment in NSN was recognised in terms of the equity method and included in share of associate companies' profits in the income statement.*

*The fair value of the investment is the discounted cash flow of the minimum amount specified in the shareholders' agreement in the event of the sale to NSN group, together with an estimation of future commissions. A constant growth rate of 5% in the commission income has been assumed.*

*An option exists whereby Reunert may put its investment in NSN to the other shareholders of NSN for a minimum price of R806 million. Similarly, the other shareholders of NSN may call on Reunert to sell its shares in NSN for a maximum of R960 million. The first time the options may be exercised is on 31 December 2010 and, if not exercised then, another opportunity exists for either party to exercise its option on 31 December 2012. Based on the constant growth rate discussed above the value of the option at 30 September 2008 is immaterial. If the commission were to decline by 5%, the value of the option would result in a financial asset of R109,0 million to be recognised. In this event the fair value of the investment would be R728,4 million. No sensitivity assuming a growth rate of more than 5% has been disclosed as the directors do not believe growth in excess of 5% is likely in the current economic environment.*

*For information regarding the maturity profile relating to other investments refer to note 32.*

| | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| **16. RCCF AND OTHER ACCOUNTS RECEIVABLE** | | | | |
| **16.1 RCCF ACCOUNTS RECEIVABLE** | | | | |
| Discounted deals: | | | | |
| Collectable within one year | 698,2 | – | | |
| Provision for doubtful debts | (16,0) | – | | |
| | 682,2 | – | | |
| Collectable after one year | 1 274,8 | – | | |
| | 1 957,0 | – | | |
| The discounted deals comprise the present value of discounted rental agreements which are repayable over varying periods up to a maximum of five years from the balance sheet date. | | | | |
| RCCF once again became a consolidated subsidiary with effect from 1 June 2008 (refer to note 34). | | | | |
| **16.2 ACCOUNTS RECEIVABLE** | | | | |
| Trade receivables | 1 494,2 | 1 352,9 | 388,7 | 323,6 |
| Contract receivables | 77,2 | 68,0 | – | – |
| Retention receivables | 5,0 | 4,2 | – | – |
| Claims, prepayments and other receivables | 384,9 | 329,0 | 79,1 | 46,0 |
| Provision for doubtful debts | (56,2) | (41,9) | (15,8) | (11,0) |
| | 1 905,1 | 1 712,2 | 452,0 | 358,6 |

Trade receivables to the value of R182,5 million (2007: R169,7 million) have been ceded as security for liabilities.

| | Insured debtors Rm | Individuals/ contractors and small business Rm | Mines/large business/ government – national and regional Rm | Total Rm |
|---|---|---|---|---|
| **16. RCCF AND OTHER ACCOUNTS RECEIVABLE continued** | | | | |
| **16.3 MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS CLASSIFIED INTO MAJOR RISK TYPES (INCLUDING RCCF)** | | | | |
| **GROUP 2008** | | | | |
| Balance at the beginning of the year | **(2,9)** | **(29,1)** | **(9,9)** | **(41,9)** |
| Increase in allowance | **(1,3)** | **(77,3)** | **(6,8)** | **(85,4)** |
| Amounts written off during the year (against provision) | **0,4** | **58,3** | **1,6** | **60,3** |
| Other | **0,1** | **(5,2)** | **(0,1)** | **(5,2)** |
| Balance at end of year | **(3,7)** | **(53,3)** | **(15,2)** | **(72,2)** |
| **GROUP 2007** | | | | |
| Balance at the beginning of the year | (5,3) | (19,3) | (8,9) | (33,5) |
| Decrease/(increase) in allowance | 1,4 | (39,1) | (1,0) | (38,7) |
| Amounts written off during the year (against provision) | 1,0 | 29,9 | – | 30,9 |
| Other | – | (0,6) | – | (0,6) |
| Balance at end of year | (2,9) | (29,1) | (9,9) | (41,9) |
| **COMPANY 2008** | | | | |
| Balance at the beginning of the year | **–** | **(3,4)** | **(7,6)** | **(11,0)** |
| Decrease/(increase) in allowance | **–** | **0,2** | **(6,8)** | **(6,6)** |
| Amounts written off during the year (against provision) | **–** | **0,2** | **1,6** | **1,8** |
| Other | **–** | **0,1** | **(0,1)** | **–** |
| Balance at end of year | **–** | **(2,9)** | **(12,9)** | **(15,8)** |
| **COMPANY 2007** | | | | |
| Balance at the beginning of the year | – | (2,9) | (7,6) | (10,5) |
| Increase in allowance | – | (0,1) | – | (0,1) |
| Amounts written off during the year (against provision) | – | 0,3 | – | 0,3 |
| Other | – | (0,7) | – | (0,7) |
| Balance at end of year | – | (3,4) | (7,6) | (11,0) |

| | Insured debtors Rm | Individuals/ contractors and small business Rm | Mines/large business/ government – national and regional Rm | Total Rm |
|---|---|---|---|---|
| **16. RCCF AND OTHER ACCOUNTS RECEIVABLE continued** | | | | |
| **16.4 AGEING OF PAST DUE BUT NOT IMPAIRED ACCOUNTS RECEIVABLE CLASSIFIED INTO MAJOR RISK TYPES (INCLUDING RCCF)** | | | | |
| **GROUP 2008** | | | | |
| 0 – 30 days | **48,7** | **29,9** | **91,0** | **169,6** |
| 31 – 60 days | **25,6** | **19,7** | **24,2** | **69,5** |
| 61 – 90 days | **6,9** | **13,3** | **12,2** | **32,4** |
| 90+ days | **3,9** | **5,5** | **25,2** | **34,6** |
| Total | **85,1** | **68,4** | **152,6** | **306,1** |
| **GROUP 2007** | | | | |
| 0 – 30 days | 23,7 | 24,0 | 56,6 | 104,3 |
| 31 – 60 days | 4,4 | 13,5 | 30,8 | 48,7 |
| 61 – 90 days | 2,4 | 10,6 | 11,8 | 24,8 |
| 90+ days | 18,0 | 8,4 | 12,0 | 38,4 |
| Total | 48,5 | 56,5 | 111,2 | 216,2 |
| **COMPANY 2008** | | | | |
| 0 – 30 days | **2,2** | **10,7** | **10,0** | **22,9** |
| 31 – 60 days | **13,7** | **11,8** | **2,1** | **27,6** |
| 61 – 90 days | **–** | **5,7** | **1,7** | **7,4** |
| 90+ days | **1,5** | **0,6** | **0,4** | **2,5** |
| Total | **17,4** | **28,8** | **14,2** | **60,4** |
| **COMPANY 2007** | | | | |
| 0 – 30 days | – | – | – | – |
| 31 – 60 days | – | 6,4 | 15,1 | 21,5 |
| 61 – 90 days | – | 4,3 | 0,8 | 5,1 |
| 90+ days | 12,2 | 3,6 | 4,9 | 20,7 |
| Total | 12,2 | 14,3 | 20,8 | 47,3 |
| **16.5 ANALYSIS OF ACCOUNTS RECEIVABLE THAT ARE INDIVIDUALLY DETERMINED TO BE IMPAIRED CLASSIFIED INTO MAJOR RISK TYPES (INCLUDING RCCF)** | | | | |
| **GROUP** | | | | |
| **2008** | **2,6** | **20,1** | **11,7** | **34,4** |
| 2007 | 2,2 | 1,8 | 1,0 | 5,0 |
| **COMPANY** | | | | |
| **2008** | **1,1** | **3,8** | **10,6** | **15,5** |
| 2007 | – | 1,8 | – | 1,8 |

Trade and other receivables consist of a large number of customers spread across diverse industries. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, excluding government departments which are considered a low credit risk.

Before accepting any new customers, the group assesses the potential customer's credit quality and defines a credit limit specific to that customer.

The average credit period on the sale of goods is 30 days. No interest is charged on the trade receivables for the first 60 days from the date of invoice. Thereafter, interest is charged at between 15 and 20% per annum, charged monthly on the outstanding balance.

In determining the recoverability of trade receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being fairly large and unrelated. Where the recoverability of accounts receivable is considered doubtful, provision is made so that the carrying values reflect the estimated recoverable amount.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **17. DEFERRED TAXATION ASSETS/LIABILITIES** | | | | |
| **Movement of group deferred taxation** | | | | |
| Balance at the beginning of the year | **(77,9)** | (82,5) | **(45,2)** | (32,1) |
| Tax rate change | **2,6** | | **1,6** | |
| Current year charge (refer to note 6) | **(8,8)** | (17,9) | **0,3** | 1,3 |
| Deferred tax directly in equity (refer to note 22) | **(39,2)** | – | **(39,2)** | – |
| Adjustment for prior years (refer to note 6) | **(2,4)** | (8,7) | **0,2** | (14,4) |
| Subsidiaries acquired | **(50,5)** | (10,2) | | |
| Subsidiaries sold | **–** | 41,4 | | |
| | **(176,2)** | (77,9) | **(82,3)** | (45,2) |
| Deferred taxation liabilities | **208,2** | 115,8 | **82,3** | 45,2 |
| Deferred taxation assets | **32,0** | 37,9 | **–** | – |
| **Analysis of deferred taxation** | | | | |
| Capital allowances | **(115,5)** | (54,6) | **(15,9)** | (16,1) |
| Provisions and accruals | **(18,5)** | (11,6) | **(31,2)** | (29,5) |
| Advance income offset by allowed future expenditure | **2,3** | 5,1 | **4,0** | 0,7 |
| Effect of tax losses | **(5,5)** | (9,4) | **–** | – |
| Capital gains tax on fair valuation of financial asset | **(39,2)** | – | **(39,2)** | – |
| Other (net) | **0,2** | (7,4) | **–** | (0,3) |
| | **(176,2)** | (77,9) | **(82,3)** | (45,2) |
| **18. INVENTORY AND CONTRACTS IN PROGRESS** | | | | |
| Raw materials and components | **171,0** | 202,5* | **59,5** | 72,9 |
| Finished goods | **288,3** | 201,3 | **65,4** | 51,5 |
| Merchandise | **291,4** | 293,7 | **264,4** | 269,4 |
| Consumable stores | **6,6** | 3,4 | **1,0** | 1,0 |
| Contracts and other work-in-progress | **222,4** | 214,2 | **1,7** | 0,3 |
| | **979,7** | 915,1 | **392,0** | 395,1 |
| The value of inventory has been determined on the following bases : | | | | |
| First-in first-out | **541,9** | 518,7* | **379,8** | 382,6 |
| Weighted average cost | **116,7** | 129,1 | **–** | – |
| Net realisable value | **10,4** | 3,8 | **3,9** | 1,7 |
| Standard cost | **310,7** | 263,5 | **8,3** | 10,8 |
| | **979,7** | 915,1 | **392,0** | 395,1 |
| Write-down of inventory recognised in the income statement (refer to note 2) | **19,0** | 8,0 | **16,0** | 8,0 |

**In the prior year raw materials and components were shown net of advance payments received from customers amounting to R35,3 million which had been utilised to finance the development, production and purchase of inventory. These utilised advanced payments are now disclosed in trade and other payables.*

| | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| **19. NON-CURRENT ASSETS HELD-FOR-SALE** | | | | |
| A property in Port Elizabeth owned by Telecom Cables, that is no longer required for production purposes has been classified as a non-current asset held-for-sale in the current year. | | | | |
| Property, plant and equipment | 23,1 | – | – | – |
| **20. RCCF AND OTHER CASH AND CASH EQUIVALENTS** | | | | |
| **20.1 CASH AND CASH EQUIVALENTS** | | | | |
| Bank balances and cash | 794,6 | 430,6 | 124,5 | 222,1 |
| Redeemable preference shares (redeemed during 2008) | – | 100,0 | – | 100,0 |
| | 794,6 | 530,6 | 124,5 | 322,1 |
| **20.2 RCCF BANK BALANCES AND CASH** | | | | |
| Bank balances and cash | 82,0 | – | | |
| **21. 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 |

| | | | Number of shares 2008 | Number of shares 2007 |
|---|---|---|---|---|
| **ISSUED SHARE CAPITAL** | | | | |
| Ordinary shares of 10 cents each | | | | |
| At the beginning of the year | | | 196 173 545 | 195 354 676 |
| Shares issued during the year in terms of Reunert 1985 share option scheme | | | 748 640 | 851 600 |
| 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 | | | 196 922 185 | 196 173 545 |

| | Rm | Rm | Rm | Rm |
|---|---|---|---|---|
| Ordinary shares of 10 cents each | 19,7 | 19,6 | 19,7 | 19,6 |
| 350 000 5,5% cumulative preference shares of R2 each | 0,7 | 0,7 | 0,7 | 0,7 |
| | 20,4 | 20,3 | 20,4 | 20,3 |
| **SHARE PREMIUM** | | | | |
| At the beginning of the year | 70,5 | 56,7 | 70,5 | 56,7 |
| Arising on the issue of ordinary shares | 16,0 | 13,8 | 16,0 | 13,8 |
| At the end of the year | 86,5 | 70,5 | 86,5 | 70,5 |
| Total issued share capital and premium | 106,9 | 90,8 | 106,9 | 90,8 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **21. SHARE CAPITAL AND PREMIUM continued** | | | | |
| **SHARE-BASED PAYMENT RESERVES** | | | | |
| **As a result of IFRS 2** | | | | |
| At the beginning of the year | **649,9** | 40,4 | **625,8** | 16,3 |
| Share option reserve arising on the expensing of executive share options (refer to note 2) | **14,4** | 8,6 | **7,6** | 8,6 |
| 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 venture and associate company | **–** | 2,1 | **–** | – |
| At the end of the year | **664,3** | 649,9 | **633,4** | 625,8 |
| **TREASURY SHARES** | | | | |
| Reunert shares bought back and held by Bargenel 18 500 000 (2007: 18 500 000) | **(276,1)** | (276,1) | | |

| | | | Number of shares 2008 | Number of shares 2007 |
|---|---|---|---|---|
| **UNISSUED ORDINARY SHARES** | | | | |
| Total shares reserved to meet the requirements of the Reunert 1985 Share Option Scheme and the Reunert 1988 Share Purchase Scheme | | | **3 400 000** | 4 400 000 |
| The directors have general authority over these shares until the next annual general meeting. | | | | |

**21. SHARE CAPITAL AND PREMIUM continued**

**Executive Share Option Schemes**

Options to take up Reunert ordinary shares are granted to executives in terms of the Reunert 1985 Share Option Scheme and the new Reunert 2006 Option Scheme.

The terms of both schemes 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/ forfeited during the year (Thousands) | Number of options unexercised at the end of the year (Thousands) | Amount received for options exercised Rm |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| Exercise price | | | | | | |
| R14,10 | 62 | – | (10) | – | 52 | 0,1 |
| R15,80 | 124 | – | (40) | (30) | 54 | 0,6 |
| R17,70 | 43 | – | (23) | – | 20 | 0,4 |
| R15,99 | 731 | – | (454) | (13) | 264 | 7,3 |
| R17,30 | 67 | – | (67) | – | – | 1,2 |
| R41,90 | 2 335 | – | (155) | (105) | 2 075 | 6,5 |
| R71,30 | – | 1 108 | – | (10) | 1 098 | – |
| R53,50 | – | 1 207 | – | (30) | 1 177 | – |
| | 3 362 | 2 315 | (749) | (188) | 4 740 | 16,1 |
| **2007** | | | | | | |
| Exercise price | | | | | | |
| R5,45 | 27 | – | (27) | – | – | 0,1 |
| R14,10 | 157 | – | (95) | – | 62 | 1,3 |
| R15,80 | 234 | – | (110) | – | 124 | 1,7 |
| R17,70 | 64 | – | (21) | – | 43 | 0,4 |
| R15,99 | 1 277 | – | (503) | (43) | 731 | 8,0 |
| R17,30 | 133 | – | (66) | – | 67 | 1,2 |
| R41,90 | 2 410 | – | (30) | (45) | 2 335 | 1,3 |
| | 4 302 | – | (852) | (88) | 3 362 | 14,0 |

The weighted average share price at the dates of exercise for share options exercised during the year was R56,72.

Estimated fair value of options granted after 7 November 2002:

| | 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 |
|---|---|---|---|---|---|
| **Share option** | | | | | |
| R15,99 | 4,67 | 8,9 | 8,6 | 0,3 | – |
| R17,30 | 4,95 | 1,0 | 0,9 | 0,1 | – |
| R41,90 | 11,06 | 28,2 | 15,4 | 7,1 | 5,7 |
| R71,30 | 17,41 | 19,3 | – | 4,0 | 15,3 |
| R53,50 | 14,60 | 17,6 | – | 2,9 | 14,7 |
| | | 75,0 | 24,9 | 14,4 | 35,7 |

These fair values were calculated using a Binomial option pricing model.

## 21. SHARE CAPITAL AND PREMIUM continued

The inputs into the model were as follows:

| | R15,99 Share option | R17,30 Share option | R41,90 Share option | R71,30 Share option | R53,50 Share option |
|---|---|---|---|---|---|
| Share price at issue (R) | 15,99 | 17,30 | 41,90 | 71,30 | 53,50 |
| Exercise price (R) | 15,99 | 17,30 | 41,90 | 71,30 | 53,50 |
| Expected volatility | 25,14% | 25,29% | 25,25% | 22,69% | 25,34% |
| Expected option life | 8 years | 8 years | 10 years | 10 years | 10 years |
| Expected dividend yield | 5,93% | 5,93% | 5,67% | 4,37% | 4,51% |
| Risk-free interest rate | 11,75% | 10,32% | 7,74% | 9,70% | 9,20% |

**R15,99, R17,30 and R41,90 options**

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

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

**R71,30 and R53,50 options**

Expected volatility was determined by calculating the historical volatility of Reunert's share price from 23 August 2006 to the issue date of each option. The share price movement from this date was considered to reflect a more normal pattern than the movements prior to that date.

The model allowed for early exercises based on rational investor behaviour. A 6% forfeiture rate has been used due to the performance of the Reunert share of late and a historic forfeiture rate of a similar amount.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **22. TRANSACTIONS RECOGNISED DIRECTLY IN EQUITY** | | | | |
| **INVESTMENT FAIR VALUE RESERVE** | | | | |
| At the beginning of the year | **–** | – | **–** | – |
| Arising on the fair valuation of a financial instrument – investment in NSN (refer to note 15) | **660,3** | – | **647,5** | – |
| Deferred taxation on fair value gain | **(39,2)** | – | **(39,2)** | – |
| At the end of the year | **621,1** | – | **608,3** | – |
| **EQUITY TRANSACTION WITH BEE PARTNER** | | | | |
| Payment to BEE partner in excess of amount owed by them (refer to statement of changes in equity and notes 24 and 34) | **(35,3)** | – | **–** | – |
| **23. NON-DISTRIBUTABLE RESERVES** | | | | |
| Statutory and other reserves | | | | |
| At the beginning of the year | **4,4** | 0,8 | **–** | – |
| Movement | **(3,2)** | 3,6 | **–** | – |
| At the end of the year | **1,2** | 4,4 | **–** | – |
| Capital redemption reserve at the end of the year | **2,9** | 2,9 | **0,3** | 0,3 |
| Total non-distributable reserves | **4,1** | 7,3 | **0,3** | 0,3 |

| | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| **24. LONG-TERM BORROWINGS** | | | | |
| **Secured – at amortised cost** | | | | |
| Long-term loans | **0,2** | 386,7 | **–** | – |
| Less: Short-term portion | **–** | (130,2) | **–** | – |
| | **0,2** | 256,5 | **–** | – |
| Finance leases | **0,2** | 0,2 | **47,0** | 47,6 |
| Less: Short-term portion | **(0,1)** | (0,2) | **(1,1)** | (0,6) |
| Total secured | **0,3** | 256,5 | **45,9** | 47,0 |
| **Unsecured – at amortised cost** | | | | |
| Long-term loans | **13,3** | – | **–** | – |
| Less: Short-term portion | **(0,8)** | – | **–** | – |
| Loan repaid by BEE partner* | **–** | 22,3 | **–** | 22,3 |
| Total unsecured | **12,5** | 22,3 | **–** | 22,3 |
| Total long-term borrowings | **12,8** | 278,8 | **45,9** | 69,3 |

**Loan repaid by the BEE partner represented a portion of dividends paid by ATC to Powerhouse, which were used to repay a 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. With effect from1 April 2008 Reunert bought back 15,0% of ATC's A shares from Powerhouse for R117 million leaving Powerhouse with a 10,1% shareholding (refer to statement of changes in equity and note 22 and note 34).*

The long-term borrowing in the previous year was an obligation to RCCF which is now a consolidated subsidiary (refer to note 34). Various operations in the group dealing in office equipment discounted debtors with RCCF on the basis that the risk of bad debts was carried by the Reunert operations. In terms of current accounting practice, these debtors could not be derecognised by the Reunert operations. Accordingly the long-term portion of the debtors were included in long-term accounts receivable (refer to note 15), the short-term portion in accounts receivable and the outstanding balance of cash received from RCCF in long-term borrowings.

The increase in borrowings arose due to Quince becoming a consolidated subsidiary (refer to note 34). Previously it was an equity accounted associate. It is difficult to quantify the exact effect on earnings per share and headline earnings per share, however, since Quince became a subsidiary it has made a positive contribution to earnings.

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.

| | GROUP 2008 Rm | GROUP 2007 Rm | COMPANY 2008 Rm | COMPANY 2007 Rm |
|---|---|---|---|---|
| Amounts payable under finance leases | | | | |
| Total minimum lease payments | **0,2** | 0,1 | **78,8** | 84,4 |
| < 1 year | **0,1** | 0,1 | **6,0** | 5,6 |
| 1 – 5 years | **0,1** | – | **28,8** | 26,8 |
| > 5 years | **–** | – | **44,0** | 52,0 |
| Less: Future finance charges | **–** | – | **(31,8)** | (36,8) |
| < 1 year | **–** | – | **(4,9)** | (5,0) |
| 1 – 5 years | **–** | – | **(17,4)** | (18,4) |
| > 5 years | **–** | – | **(9,5)** | (13,4) |
| Present value of minimum lease payments | **0,2** | 0,1 | **47,0** | 47,6 |
| < 1 year | **0,1** | 0,1 | **1,1** | 0,6 |
| 1 – 5 years | **0,1** | – | **11,4** | 8,4 |
| > 5 years | **–** | – | **34,5** | 38,6 |

Reunert entered into a lease agreement with RCCF, taken over by RFCL on 1 September 2007, whereby the new Nashua building is leased over a period of 12 years at an interest rate of 10,5% per annum. Minimum lease payments escalate by 7,5% each year. Promissory notes have been issued by Reunert in favour of RFCL as security for the lease payments.

The other finance leases relate to minor equipment with average lease terms of three to five years. The group has options to purchase the equipment for nominal amounts at the conclusion of the lease agreement. The group's obligations under finance leases are secured by the lessors' title to the leased assets.

The fair value of the lease liabilities are approximately equal to their carrying amount.

| 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 |
|---|---|---|---|---|---|
| **25. PROVISIONS** | | | | | |
| **GROUP** | | | | | |
| Warranty | 39,5 | 6,0 | – | – | 45,5 |
| Contract completion | – | 4,4 | – | – | 4,4 |
| Unfunded pension obligations | 1,6 | – | (1,6) | – | – |
| Other | 18,1 | 9,6 | (12,4) | (5,4) | 9,9 |
| | 59,2 | 20,0 | (14,0) | (5,4) | 59,8 |
| **COMPANY** | | | | | |
| Warranty | 0,6 | 0,2 | (0,1) | (0,1) | 0,6 |
| Other | 8,1 | 1,6 | – | (5,4) | 4,3 |
| | 8,7 | 1,8 | (0,1) | (5,5) | 4,9 |

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 utilisation relating to the warranty provisions. It has been assumed that the provisions are short-term in nature.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **26. COMMITMENTS** | | | | |
| Expenditure on property, plant and equipment | | | | |
| – Contracted | **9,0** | 54,5 | **1,5** | 38,1 |
| – Authorised not yet contracted | **65,2** | 25,7 | **10,4** | 14,5 |
| Total expenditure on property, plant and equipment | **74,2** | 80,2 | **11,9** | 52,6 |
| The above expenditure, to occur in 2009 and 2010 will be financed from existing group resources. | | | | |
| Operating lease commitments in respect of land and buildings, motor vehicles and other assets | | | | |
| < 1 year | **30,3** | 24,6 | **11,6** | 11,0 |
| 1 – 5 years | **56,1** | 68,3 | **35,2** | 51,1 |
| > 5 years | **4,5** | 4,2 | **4,4** | 4,2 |
| Total operating lease commitments | **90,9** | 97,1 | **51,2** | 66,3 |
| Comprising | | | | |
| Land and buildings | **90,0** | 95,5 | **51,1** | 66,3 |
| Motor vehicles and other assets | **0,9** | 1,6 | **0,1** | – |
| Total operating lease commitments | **90,9** | 97,1 | **51,2** | 66,3 |
| **27. CONTINGENT LIABILITIES** | | | | |
| Guarantees on behalf of subsidiary companies | | | **26,1** | 15,8 |
| | | | **26,1** | 15,8 |

## 28. 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 |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| G Pretorius | **2 593** | **3 396** | **312** | **473** | **18** | **6 792** |
| BP Gallagher | **1 409** | **1 829** | **139** | **263** | **18** | **3 658** |
| GJ Oosthuizen | **1 265** | **1 629** | **125** | **222** | **18** | **3 259** |
| DJ Rawlinson | **1 348** | **1 786** | **144** | **243** | **51** | **3 572** |
| | **6 615** | **8 640** | **720** | **1 201** | **105** | **17 281** |
| **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 |

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

| | COMPANY | |
|---|---|---|
| | **2008** | 2007 |
| | Total paid for the year (all directors' and committee fees) | |
| **NON-EXECUTIVE DIRECTORS** | **R'000** | R'000 |
| MJ Shaw | **425** | 393 |
| BP Connellan | **162** | 144 |
| KS Fuller | **188** | 166 |
| SD Jagoe | **209** | 187 |
| KJ Makwetla | **98** | 91 |
| KC Morolo (resigned 1 February 2008) | **33** | 91 |
| TJ Motsohi (appointed 1 June 2008) | **33** | – |
| TS Munday (appointed 1 June 2008) | **36** | – |
| ND Orleyn (appointed 23 May 2007) | **98** | 33 |
| JC van der Horst | **139** | 129 |
| | **1 421** | 1 234 |

**28. DIRECTORS' REMUNERATION AND INTERESTS continued**

SHARE OPTIONS

| EXECUTIVE DIRECTORS | Balance of unexercised share options as at 1 October 2007 | Number of options granted during the year | Number of options exercised during the year | Balance of unexercised share options as at 30 September 2008 | 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 | 66 800 | | (66 800) | – | 15,99 | 55,65 | 14/5/2008 | 2 649 | 13/5/2003 | 13/5/2006 |
| | 120 000 | | | 120 000 | 41,90 | | | | 29/8/2005 | 29/8/2008 |
| | | 50 000 | | 50 000 | 71,30 | | | | 13/12/2007 | 13/12/2010 |
| | | 50 000 | | 50 000 | 53,50 | | | | 18/2/2008 | 18/2/2011 |
| BP Gallagher | 33 400 | | (33 400)* | – | 15,99 | 55,65 | 14/5/2008 | 1 325 | 13/5/2003 | 13/5/2006 |
| | 50 000 | | | 50 000 | 41,90 | | | | 29/8/2005 | 29/8/2008 |
| | | 25 000 | | 25 000 | 71,30 | | | | 13/12/2007 | 13/12/2010 |
| | | 25 000 | | 25 000 | 53,50 | | | | 18/2/2008 | 18/2/2011 |
| GJ Oosthuizen | 33 400 | | (33 400)* | – | 15,99 | 55,65 | 14/5/2008 | 1 325 | 13/5/2003 | 13/5/2006 |
| | 50 000 | | | 50 000 | 41,90 | | | | 29/8/2005 | 29/8/2008 |
| | | 25 000 | | 25 000 | 71,30 | | | | 13/12/2007 | 13/12/2010 |
| | | 25 000 | | 25 000 | 53,50 | | | | 18/2/2008 | 18/2/2011 |
| DJ Rawlinson | 33 400 | | (33 400)* | – | 15,99 | 55,65 | 14/5/2008 | 1 325 | 13/5/2003 | 13/5/2006 |
| | 60 000 | | | 60 000 | 41,90 | | | | 29/8/2005 | 29/8/2008 |
| | | 25 000 | | 25 000 | 71,30 | | | | 13/12/2007 | 13/12/2010 |
| | | 25 000 | | 25 000 | 53,50 | | | | 18/2/2008 | 18/2/2011 |
| | 447 000 | 250 000 | (167 000) | 530 000 | | | | 6 624 | | |

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

None of the directors' service contracts expressly provides for a notice period, and in the circumstances such service contracts are terminable on reasonable notice. The notice 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 12 and 36 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.

**29. RETIREMENT BENEFIT INFORMATION**

In line with the group's policy to provide retirement benefits to its employees, 72% (2007: 89%) 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 14% (2007: 29%) 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 R7,9 million (2007: R8,4 million).

Of the group's total employees, 34% (2007: 37%) 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 2007 and found to be in a sound financial position. The total employer contribution to this fund amounted to R43,1 million (2007: R35,7 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 R2,2 million (2007: R2,4 million). The fund was actuarially valued in terms of the Pension Funds Second Amendments Act, 2001 at February 2008, at which date the fund was found to be in a sound financial position. A further actuarial valuation was done in terms of IAS 19 and an unfunded pension obligation of Rnil at 30 September 2008 (2007: R1,6 million) arose.

The remaining 24% (2007: 23%) 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. All of these funds are subject to the Pension Funds Act, 1956. The total employer contributions to these funds amounted to R22,8 million (2007: R29,3 million).

In 2007 1,7% of the group's employees belonged to defined benefit funds, most of whom belonged to the Engineering Industries' Pension Fund, which was in surplus at the end of last year. 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:

| | 2008 Rm | 2007 Rm |
|---|---|---|
| Current service cost | 4,0 | 4,3 |
| Interest costs | 8,2 | 8,2 |
| Expected return on plan assets | (11,6) | (9,7) |
| Amount charged to income | 0,6 | 2,8 |
| The charge for the year has been included in other expenses. | | |
| Actual return on plan assets | (10,8) | (26,6) |
| The amount included in the balance sheet arising from the group's obligation in respect of defined benefit retirement plans is as follows: | | |
| Present value of funded obligations | 104,6 | 95,9 |
| Unrecognised actuarial gains | 22,0 | 23,8 |
| Unrecognised due to limit according to paragraph 58 of IAS 19 | 3,5 | – |
| Fair value of plan assets | (130,1) | (118,1) |
| Unfunded pension obligations | – | 1,6 |
| **Analysed as follows** | | |
| At the beginning of the year | 1,6 | 1,7 |
| Amounts charged to income | 0,6 | 2,8 |
| Deemed contributions | (2,2) | (2,9) |
| At the end of the year | – | 1,6 |
| | % | % |
| Key assumptions used: | | |
| Discount rate | 9,3 | 8,3 |
| Inflation rate | 6,3 | 4,8 |
| Expected return on plan assets | 8,0 | 9,8 |
| Expected rate of salary increases | 6,3 | 8,0 |
| Future pension increases | 4,1 | 3,1 |
| The fund is expected to be liquidated during the 2009 financial year. | | |

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

| | ASSOCIATES | | | | JOINT VENTURES | | | |
|---|---|---|---|---|---|---|---|---|
| | **2008** | | 2007 | | **2008** | | 2007 | |
| | **Total Rm** | **Reunert share Rm** | Total Rm | Reunert share Rm | **Total Rm** | **Reunert share Rm** | Total Rm | Reunert share Rm |
| **INCOME STATEMENT** | | | | | | | | |
| Revenue | **208,5** | **98,3** | 4 379,0 | 1 760,4 | **761,1** | **380,6** | 699,9 | 350,0 |
| Profit after taxation | **34,1** | **16,1** | 365,6 | 148,4 | **55,0** | **27,5** | 48,8 | 24,4 |
| Dividends | **–** | **–** | 365,0 | 146,0 | **–** | **–** | – | – |
| **BALANCE SHEET** | | | | | | | | |
| Non-current assets | **–** | **–** | 2 164,6 | 1 032,5 | **214,8** | **107,4** | 282,6 | 141,3 |
| Current assets (excluding cash) | **–** | **–** | 929,3 | 376,7 | **316,1** | **158,1** | 307,8 | 153,9 |
| Cash and cash equivalents | **–** | **–** | 374,1 | 156,9 | **50,0** | **25,0** | 52,7 | 26,4 |
| Current liabilities | **–** | **–** | (2 251,6) | (1 010,7) | **(162,4)** | **(81,2)** | (219,8) | (109,9) |
| Non-current liabilities | **–** | **–** | (107,2) | (46,9) | **(64,7)** | **(32,4)** | (124,5) | (62,3) |
| Equity | **–** | **–** | (1 109,2) | (508,5) | **(353,8)** | **(176,9)** | (298,8) | (149,4) |

| | Reunert controlled interest | |
|---|---|---|
| | **2008 %** | 2007 % |
| **ASSOCIATE COMPANIES** | | |
| NSN (2007 only, refer to note 14 and 15) | **40,0** | 40,0 |
| Quince (until 31 May 2008, now 100% held subsidiary, refer to note 34) | **–** | 48,0 |
| **JOINT VENTURES** | | |
| Lexshell 661 Investments (Pty) Limited | **50,0** | 50,0 |
| Telecom Cables | **50,0** | 50,0 |

## 31. RELATED PARTY TRANSACTIONS

| Counterparty | Relationship | Sales Rm | Purchases Rm | Commission income Rm | Accounts receivable Rm | Accounts payable Rm | Long-term borrowings Rm | Short-term borrowings Rm | Net interest paid/ (received) Rm | Treasury shares Rm |
|---|---|---|---|---|---|---|---|---|---|---|
| **GROUP 2008** | | | | | | | | | | |
| CAFCA | ATC owns 72% of CAFCA | **2,2** | **5,7** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Quince | Reunert owned 48% of Quince (Now 100%) | **82,6** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Telecom Cables | A joint venture | **5,9** | **3,8** | **–** | **–** | **–** | **–** | **13,2** | **(3,9)** | **–** |
| NSN | Reunert owns 40% of NSN | **–** | **–** | **139,0** | **–** | **–** | **–** | **–** | **–** | **–** |
| Bargenel | Owns 18,5 million Reunert shares | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **276,1** |
| **GROUP 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 owns 40% of NSN | – | 0,9 | – | – | – | – | – | – | – |
| Quince | Reunert owned 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 |
| Telecom Cables | A joint venture | 96,3 | – | – | – | – | – | – | – | – |

| Counterparty | | Sales Rm | Purchases Rm | Commission income Rm | Lease payments made Rm | Lease payments received Rm | Administration fees paid Rm | Administration fees received Rm | Other paid/ (received) Rm |
|---|---|---|---|---|---|---|---|---|---|
| **COMPANY 2008** | | | | | | | | | |
| Subsidiaries of Reunert | | **355,1** | **176,9** | **–** | **0,4** | **–** | **377,1** | **5,1** | **–** |
| NSN | Reunert owns 40% of NSN | **–** | **–** | **139,0** | **–** | **–** | **–** | **–** | **–** |
| **COMPANY 2007** | | | | | | | | | |
| Subsidiaries of Reunert | | 290,5 | 70,6 | – | 0,3 | – | 377,2 | 6,6 | (1,9) |
| Quince | Reunert owned 48% of Quince | – | – | – | 5,0 | – | – | – | – |

| Transactions with key management personnel | 2008 Rm | 2007 Rm |
|---|---|---|
| – Payments to a post-employment benefit plan | **3,1** | 2,7 |
| – Services rendered (cellphone contracts) | **0,3** | 0,2 |
| – Loans from key management personnel | **3,5** | 12,6 |

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

## 32. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2008 Rm | 2007 Rm |
|---|---|---|
| **Financial assets** | | |
| Fair value through profit or loss (FVTPL) | | |
| Held-for-trading (included in derivative assets) | **14,7** | 3,9 |
| Designated as at FVTPL (RCCF hedge accounting) (included in derivative asset and long and short-term RCCF accounts receivable) | **534,0** | – |
| Held-to-maturity investments (included in investments) | **6,8** | 6,8 |
| Loans and receivables (including cash and cash equivalents, accounts receivable (including RCCF) and other investments and loans) | **4 146,7** | 2 931,5 |
| Available-for-sale financial assets (included in investments) | **806,0** | – |
| **Derivative assets** | **30,2** | 3,9 |
| FECs | **12,3** | 1,7 |
| Interest rate swaps – non-RCCF | **2,4** | 2,2 |
| Fair value through profit or loss (as above) | **14,7** | 3,9 |
| Interest rate swaps – RCCF | **15,5** | – |
| **Financial liabilities** | | |
| Fair value through profit or loss (FVTPL) | | |
| Held-for-trading (included in derivative liabilities) | **(5,8)** | (9,0) |
| Designated as at FVTPL (included in derivative liabilities) | **(1,2)** | – |
| Amortised costs (included in long-term borrowings, bank overdraft and short-term portion of long-term borrowings and accounts payable) | **(3 326,5)** | (2 002,1) |
| **Derivative liabilities** | **(7,0)** | (9,0) |
| FECs | **(2,8)** | (9,0) |
| Interest rate swaps – RCCF | **(1,2)** | – |
| Other | **(3,0)** | – |

### RISK MANAGEMENT

The Reunert group is exposed to liquidity, credit, foreign currency, interest rate and commodity price risks arising from its financial instruments. The risk management relating to each of these risks is discussed under the headings below. The group's objective in using derivative instruments for hedging purposes is to reduce the uncertainty over future cash flows arising from foreign currency, interest rate and commodity price risk exposures.

### LIQUIDITY RISK

Liquidity risk is the risk that an entity in the group will be unable to meet its obligations in respect of financial liabilities when they become due. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows. All of the group's short-term borrowings or excess cash is directed through RFCL, which is managed by senior management 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 only deposited with reputable banks and is spread over more than one bank to reduce exposures to any one institution.

The following table details the group's remaining contractual maturity for its financial liabilities. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the group is required to pay. The table includes both interest and principal cash flows.

| | 0 to 30 days Rm | 31 to 180 days Rm | 181 days to 1 year Rm | 1 to 5 years Rm | > 5 years Rm | Total Rm |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| Financial liabilities included in trade and other payables | **(927,7)** | **(489,2)** | **(18,8)** | **–** | **–** | **(1 435,7)** |
| Bank overdrafts and short-term portion of long-term borrowings (non-RCCF) | **(1,2)** | **(11,5)** | **(0,9)** | **–** | **–** | **(13,6)** |
| Long-term borrowings (non-RCCF) | **–** | **–** | **–** | **(12,8)** | **–** | **(12,8)** |
| RCCF borrowings | **(375,1)** | **–** | **(789,3)** | **–** | **(699,9)** | **(1 864,3)** |
| Loan commitments | **–** | **(2,3)** | **–** | **–** | **–** | **(2,3)** |
| Derivative instruments | | | | | | |
| FECs (gross settled) | **(2,8)** | **–** | **–** | **–** | **–** | **(2,8)** |
| Interest rate swaps – RCCF | **–** | **–** | **–** | **(1,2)** | **–** | **(1,2)** |
| Other derivative instruments (net settled) | **(3,0)** | **–** | **–** | **–** | **–** | **(3,0)** |
| | **(1 309,8)** | **(503,0)** | **(809,0)** | **(14,0)** | **(699,9)** | **(3 335,7)** |
| **2007** | | | | | | |
| Financial liabilities included in trade and other payables | (804,8) | (648,7) | (64,4) | – | – | (1 517,9) |
| Bank overdrafts and short-term portion of long-term liabilities | (121,5) | (36,2) | (20,5) | – | – | (178,2) |
| Long-term borrowings | – | – | – | (142,1) | (136,7) | (278,8) |
| Derivative instruments | | | | | | |
| FECs (gross settled) | (6,0) | (3,0) | – | – | – | (9,0) |
| | (932,3) | (687,9) | (84,9) | (142,1) | (136,7) | (1 983,9) |

**32. FINANCIAL INSTRUMENTS continued**

The following table details the group's expected maturity for its financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

| | <1 year Rm | 1 to 5 years Rm | > 5 years Rm | Total Rm |
|---|---|---|---|---|
| **2008** | | | | |
| Cash and cash equivalents | **876,6** | **–** | **–** | **876,6** |
| Financial assets included in accounts receivable (non-RCCF) | **1 804,3** | **–** | **–** | **1 804,3** |
| RCCF accounts receivable | **682,2** | **1 274,8** | **–** | **1 957,0** |
| Other investments and loans | **–** | **855,1** | **10,2** | **865,3** |
| Derivative instruments | | | | |
| FECs | **12,3** | **–** | **–** | **12,3** |
| Interest rate swaps (non-RCCF) | **2,4** | **–** | **–** | **2,4** |
| Interest rate swaps (RCCF) | **1,1** | **14,4** | **–** | **15,5** |
| | **3 378,9** | **2 144,3** | **10,2** | **5 533,4** |
| **2007** | | | | |
| Cash and cash equivalents | 530,6 | – | – | 530,6 |
| Financial assets included in accounts receivable | 1 661,2 | – | – | 1 661,2 |
| Other investments and loans | – | 320,6 | 7,0 | 327,6 |
| Derivative instruments | | | | |
| Interest rate swaps | – | – | 2,2 | 2,2 |
| Other derivative instruments | 1,7 | – | – | 1,7 |
| | 2 193,5 | 320,6 | 9,2 | 2 523,3 |

**BORROWING CAPACITY**

**THE BORROWINGS OF THE GROUP ARE LIMITED IN TERMS OF THE COMPANY'S ARTICLES OF ASSOCIATION**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Actual Rm** | 2007 Actual Rm | **2008 Actual Rm** | 2007 Actual Rm |
| Long-term borrowings | **712,7** | 278,8 | **45,9** | 69,3 |
| Bank overdrafts and short-term portion of long-term borrowings | **1 178,0** | 178,2 | **1,1** | 0,6 |
| Contingent liabilities (refer to note 27) | **–** | – | **26,1** | 15,8 |
| | **1 890,7** | 457,0 | **73,1** | 85,7 |

The group's maximum borrowings in terms of the articles of association are R3 442,3 million (2007: R2 133,1 million).

The company's maximum borrowings in terms of the articles of association are R3 218,7 million (2007: R2 346,6 million).

**2007**

The long-term borrowings are the amounts due to RCCF relating to discounted debtors (refer note 24).

**32. FINANCIAL INSTRUMENTS continued**

**CREDIT RISK**

Credit risk refers to the risk of financial loss due to counterparties to financial instruments, including debtors, not meeting their contractual obligations. This risk 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 updated and reviewed on an ongoing basis. Where considered necessary, exports are covered by letters of credit, and where appropriate, credit insurance is also obtained.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings.

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 %** | 2007 % | **2008 %** | 2007 % |
| South Africa | **92,5** | 90,9 | **90,3** | 97,7 |
| Rest of Africa | **2,1** | 1,9 | **7,7** | 1,0 |
| Europe | **3,2** | 5,1 | **1,1** | 0,6 |
| Australasia | **0,5** | 1,4 | **–** | 0,4 |
| USA | **0,4** | 0,4 | **–** | 0,2 |
| Other | **1,3** | 0,3 | **0,9** | 0,1 |
| | **100,0** | 100,0 | **100,0** | 100,0 |
| The maximum exposure to credit risk of financial assets included in trade and other receivables before any impairment losses or credit enhancements and excluding any collateral held, classified into major risk types: | **Rm** | Rm | **Rm** | Rm |
| **Trade and other receivables (including RCCF)** | **2 558,6** | 1 699,9 | **422,5** | 352,0 |
| Insured debtors | **419,8** | 342,8 | **180,4** | 141,9 |
| Contractors | **3,8** | 1,3 | **0,9** | – |
| Individuals/small businesses | **405,2** | 351,9 | **124,0** | 94,7 |
| Mines/large businesses/government and parastatals | **1 620,4** | 901,3 | **110,2** | 114,9 |
| Municipalities | **109,4** | 102,6 | **7,0** | 0,5 |
| **Derivative contracts** | **30,2** | 3,9 | **6,0** | – |
| Insured debtors | **6,7** | – | **6,0** | – |
| Individuals/small businesses | **–** | 2,2 | **–** | – |
| Mines/large businesses/government and parastatals | **23,5** | 1,7 | **–** | – |
| | **2 588,8** | 1 703,8 | **428,5** | 352,0 |

**32. FINANCIAL INSTRUMENTS continued**

**FOREIGN CURRENCY RISK**

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. 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.

Forward exchange contracts at 30 September 2008 and 2007 are summarised below:

| | GROUP | | | |
|---|---|---|---|---|
| | Foreign amount million | Fair value Rm | Contract value Rm | Unrealised (gains)/losses Rm |
| **2008** | | | | |
| **Imports – trade** | | | | |
| USD | (21,3) | (177,1) | (168,3) | (8,8) |
| Euro | (15,5) | (184,9) | (187,9) | 3,0 |
| GBP | (1,4) | (21,3) | (21,4) | 0,1 |
| Yen | (706,7) | (56,6) | (53,3) | (3,3) |
| CHF | (1,3) | (9,9) | (9,7) | (0,2) |
| AUD | (0,2) | (1,3) | (1,4) | 0,1 |
| **Imports – capital** | | | | |
| Euro | (0,2) | (2,5) | (2,5) | – |
| | | (453,6) | (444,5) | (9,1) |
| **Exports – trade** | | | | |
| USD | 4,2 | 34,8 | 35,2 | (0,4) |
| Euro | 0,2 | 2,8 | 2,8 | – |
| Yen | 3,1 | 0,2 | 0,2 | – |
| | | 37,8 | 38,2 | (0,4) |
| Total net forward exchange contracts | | (415,8) | (406,3) | (9,5) |
| | | | | Rm |
| Accounts payable in foreign currencies | | | | (343,8) |
| Of which covered by forward exchange contracts | | | | 332,2 |
| Accounts receivable in foreign currencies | | | | 106,0 |
| Of which covered by forward exchange contracts | | | | (17,9) |

| | Foreign amount million | Fair value Rm | Contract value Rm | Unrealised losses Rm |
|---|---|---|---|---|
| **2007** | | | | |
| **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 |
| Total net forward exchange contracts | | (474,3) | (483,3) | 9,0 |
| | | | | Rm |
| Accounts payable in foreign currencies | | | | (375,9) |
| Of which covered by forward exchange contracts | | | | 364,2 |
| Accounts receivable in foreign currencies | | | | 68,3 |
| Of which covered by forward exchange contracts | | | | – |

**32. FINANCIAL INSTRUMENTS continued**

**FOREIGN CURRENCY RISK continued**

Forward exchange contracts at 30 September 2008 and 2007 are summarised below:

| | COMPANY | | | |
|---|---|---|---|---|
| | Foreign amount million | Fair value Rm | Contract value Rm | Unrealised (gains)/losses Rm |
| **2008** | | | | |
| **Imports – trade** | | | | |
| USD | **(9,9)** | **(82,7)** | **(79,9)** | **(2,8)** |
| Euro | **(13,8)** | **(164,1)** | **(166,7)** | **2,6** |
| GBP | **(0,6)** | **(8,2)** | **(8,3)** | **0,1** |
| Yen | **(702,4)** | **(56,3)** | **(52,9)** | **(3,4)** |
| CHF | **(0,3)** | **(2,5)** | **(2,5)** | **–** |
| AUD | **(0,2)** | **(1,3)** | **(1,4)** | **0,1** |
| | | **(315,1)** | **(311,7)** | **(3,4)** |
| | | | | **Rm** |
| Accounts payable in foreign currencies | | | | **(294,2)** |
| Of which covered by forward exchange contracts | | | | **283,2** |
| | Foreign amount million | Fair value Rm | Contract value Rm | Unrealised losses Rm |
| **2007** | | | | |
| **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 |

**32. FINANCIAL INSTRUMENTS continued**

**FOREIGN CURRENCY SENSITIVITY ANALYSIS**

The following table details the group's sensitivity to a 10% weakening (2007: 5% weakening) in the rand against the relevant foreign currencies. A 10% (2007: 5%) decrease represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and FECs, and adjusts their translation at the year-end for a 10% change in foreign currency rates.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| Before tax impact on (profit)/loss | | | | |
| USD | **(11,7)** | 1,5 | **(7,6)** | 4,7 |
| Euro | **(16,7)** | (2,2) | **(7,6)** | (0,6) |
| GBP | **(2,1)** | (0,9) | **(0,8)** | 0,2 |
| Yen | **–** | 0,8 | **–** | 0,8 |
| CHF | **(1,0)** | – | **(0,2)** | – |
| AUD | **(3,0)** | – | **(3,0)** | – |
| (Profit)/loss before tax | **(34,5)** | (0,8) | **(19,2)** | 5,1 |
| Taxation | **9,7** | 0,2 | **5,4** | (1,5) |
| (Profit)/loss after taxation impact | **(24,8)** | (0,6) | **(13,8)** | 3,6 |

**INTEREST RATE RISK**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group, excluding RCCF, is exposed to interest rate risk as it operates on a net cash basis. RCCF is financed out of this net cash and external borrowings at variable rates. RCCF receivables may be either fixed or variable rate instruments. When deemed necessary, RCCF may enter into various interest rate instruments to mitigate the risk posed by financing fixed rate receivables with variable rate borrowings.

The company has not entered into any interest rate hedging instruments.

Details of the interest rate hedging instruments are:

| | GROUP | | | |
|---|---|---|---|---|
| | Contracts expiring in: | | | |
| | <1 year Rm | 1 to 5 years Rm | > 5 years Rm | Total Rm |
| **2008** | | | | |
| Contract value | **100,0** | **500,0** | **48,0** | **648,0** |
| | **1,1** | **13,2** | **2,4** | **16,7** |
| Derivative asset | **–** | **–** | **2,4** | **2,4** |
| Derivative asset (RCCF) | **1,1** | **14,4** | **–** | **15,5** |
| Derivative liabilities (RCCF) | **–** | **(1,2)** | **–** | **(1,2)** |
| Average fixed interest rate | **8,9%** | **11,1%** | **10,5%** | |
| The interest rate hedges settle on a quarterly basis. The floating rate on the interest rate hedge is the three-month JIBAR. The group will settle the difference between the fixed and floating interest rate on a net basis. | | | | |
| **2007** | | | | |
| Contract value | – | – | 48,0 | 48,0 |
| Derivative asset | – | – | 2,2 | 2,2 |
| Average fixed interest rate | – | – | 10,5% | |

## 32. FINANCIAL INSTRUMENTS continued

### INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. The analyses are prepared assuming the amount of net assets outstanding at the balance sheet date was outstanding for the whole year. A 2% increase is used for both the current and prior year and represents management's assessment of the reasonable possible change in interest rates. A 2% decrease would have the opposite effect on net profit after tax.

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 |
| **2008** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | **10,0** | **872,9** | **–** | **3,7** | **876,6** |
| Financial assets included in accounts receivable (non-RCCF) | **13,0** | **100,5** | **–** | **1 665,9** | **1 766,4** |
| RCCF accounts receivable | **15,6** | **682,2** | **1 274,8** | **–** | **1 957,0** |
| Other investments and loans | **15,0** | **21,6** | **–** | **843,7** | **865,3** |
| | | **1 677,2** | **1 274,8** | **2 513,3** | **5 465,3** |
| **Liabilities** | | | | | |
| Financial liabilities included in trade and other payables | **15,0** | **(12,1)** | **–** | **(1 423,6)** | **(1 435,7)** |
| Bank overdrafts and short-term portion of long-term borrowings (non-RCCF) | **14,5** | **(13,6)** | **–** | **–** | **(13,6)** |
| Long-term borrowings (non-RCCF) | **13,8** | **(12,8)** | **–** | **–** | **(12,8)** |
| RCCF borrowings – long term | **12,6** | **(699,9)** | **–** | **–** | **(699,9)** |
| RCCF borrowings – short term | **13,9** | **(1 164,4)** | **–** | **–** | **(1 164,4)** |
| | | **(1 902,8)** | **–** | **(1 423,6)** | **(3 326,4)** |
| **Net financial (liabilities)/assets** | | **(225,6)** | **1 274,8** | **1 089,7** | **2 138,9** |
| **2007** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 9,2 | 522,8 | – | 7,8 | 530,6 |
| Financial assets included in accounts receivable | 11,3 | 237,6 | 188,8 | 1 489,4 | 1 915,8 |
| Other investments and loans | 11,6 | 47,6 | 266,1 | 13,9 | 327,6 |
| | | 808,0 | 454,9 | 1 511,1 | 2 774,0 |
| **Liabilities** | | | | | |
| Financial liabilities included in 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/(liabilities)** | | 608,7 | 266,1 | (40,4) | 834,4 |

If the group's interest rate had been 2% higher and all other variables remained constant, the group's profit after tax for the year ended 30 September 2008 would decrease by R3,2 million (2007: increase by R8,6 million). This is mainly attributable to the group's exposure to interest rates on its variable rate deposits.

**32. FINANCIAL INSTRUMENTS continued**

**INTEREST RATE SENSITIVITY ANALYSIS continued**

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

| | COMPANY | | | | |
|---|---|---|---|---|---|
| | Weighted average effective interest rate % | Floating interest rate Rm | Fixed interest rate Rm | Non-interest-bearing Rm | Total Rm |
| **2008** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | **10,0** | **124,5** | **–** | **–** | **124,5** |
| Financial assets included in accounts receivable | **–** | **–** | **–** | **406,7** | **406,7** |
| Other investments and loans | **15,0** | **21,6** | **–** | **837,0** | **858,6** |
| | | **146,1** | **–** | **1 243,7** | **1 389,8** |
| **Liabilities** | | | | | |
| Financial liabilities included in trade and other payables | **15,0** | **–** | **–** | **(425,6)** | **(425,6)** |
| Bank overdrafts and short-term portion of long-term borrowings | **14,5** | **–** | **(1,1)** | **–** | **(1,1)** |
| Long-term borrowings | **13,9** | **–** | **(45,9)** | **–** | **(45,9)** |
| | | **–** | **(47,0)** | **(425,6)** | **(472,6)** |
| **Net financial assets/(liabilities)** | | **146,1** | **(47,0)** | **818,1** | **917,2** |
| **2007** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 9,2 | 321,8 | – | 0,3 | 322,1 |
| Financial assets included in accounts receivable | – | – | – | 333,4 | 333,4 |
| Other investments and loans | 11,6 | 62,3 | – | 556,6 | 618,9 |
| | | 384,1 | – | 890,3 | 1 274,4 |
| **Liabilities** | | | | | |
| Financial liabilities included in trade and other payables | 9,4 | – | – | (486,0) | (486,0) |
| Bank overdrafts and short-term portion of long-term borrowings | 13,1 | – | (0,6) | – | (0,6) |
| Long-term borrowings | 13,9 | – | (47,0) | (22,3) | (69,3) |
| | | – | (47,6) | (508,3) | (555,9) |
| **Net financial assets/(liabilities)** | | 384,1 | (47,6) | 382,0 | 718,5 |

If the company's interest rates had been 2% higher and all other variables remained constant, the company's profit after tax for the year ended 30 September 2008 would increase by R2,1 million (2007: increase by R5,5 million). This is mainly attributable to the company's exposure to interest rates on its variable rate deposits.

**32. FINANCIAL INSTRUMENTS continued**

**COMMODITY PRICE RISK (GROUP AND COMPANY)**

The group makes use of copper, lead and aluminium hedges of short duration, when we have fixed price contracts, as a means of mitigating the price risks on these commodity purchases. The decision to hedge is made at operational level by senior management.

Should the commodity price increase by 10% and the rand weaken by 10%, the group's profit after tax would increase by R4,1 million.

Should the commodity price decrease by 10% and the rand strengthen by 10%, the group's profit after tax would decrease by an equivalent amount.

This sensitivity analysis is based on management's best assessment of the possible change in the commodity price and the rand/USD exchange rate.

**FAIR VALUE OF FINANCIAL INSTRUMENTS (GROUP AND COMPANY)**

The fair value of financial assets and liabilities are based on the following methods and assumptions and are determined as follows:

**CASH AND CASH EQUIVALENTS**

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

**ACCOUNTS RECEIVABLE**

The carrying amounts of rand denominated receivables approximate fair value because of the short-term nature of these instruments. The carrying amounts of foreign currency denominated receivables have been converted at the rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments.

The carrying amount of the RCCF long-term accounts receivable and discounted deals approximate fair value because the rates inherent in the deals are market related, and are the same rates used to discount back to their carrying values.

**OTHER INVESTMENTS AND LOANS**

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

**TRADE AND OTHER PAYABLES**

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

The RCCF short-term borrowings approximate fair value because of their short-term nature.

**FORWARD EXCHANGE CONTRACTS**

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

**INTEREST RATE SWAPS**

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

**OPTIONS (GROUP AND COMPANY)**

**NSN**

(Refer to note 15.)

**Powerhouse/ATC transaction**

Refer to note 24 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.

**Pansolutions**

Reunert has entered into a derivative instrument with the BEE partners to buy back their shares in Pansolutions at 26% of net asset value, should they wish to dispose of their shares. The value of this instrument will only become evident when Pansolutions starts to earn profits. When the company starts to earn profits, in terms of IFRS 2 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.

## 33. 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 | 64,3 |
| | 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:

| | 2008 Z$tr | 2007* Z$tr |
|---|---|---|
| INCOME STATEMENT | | |
| **Revenue** | 47 558,7 | 49 014,4 |
| Operating profit | 14 049,2 | 5 274,1 |
| Interest paid | (26 183,3) | (10 965,5) |
| Fair value gain | 2 159,6 | – |
| Profit on net monetary position | 20 065,8 | 17 689,7 |
| Profit before taxation | 10 091,3 | 11 998,3 |
| Taxation charge | 1 997,6 | (7 592,9) |
| Net profit | 12 088,9 | 4 405,4 |
| Profit attributable to Reunert shareholders (Rm) | – | – |
| BALANCE SHEET | | |
| ASSETS | | |
| *Non-current assets* | | |
| Property, plant and equipment | 5 930,0 | 4 449,0 |
| Deferred tax asset | 184,0 | – |
| | 6 114,0 | 4 449,0 |
| *Current assets* | | |
| Available-for-sale assets | 3 720,0 | – |
| Inventory | 9 969,0 | 17 107,0 |
| Accounts receivable | 36 673,0 | 6 361,0 |
| Cash | 2 484,0 | 789,0 |
| | 52 846,0 | 24 257,0 |
| **Total assets** | 58 960,0 | 28 706,0 |
| EQUITY AND LIABILITIES | | |
| Share capital and reserves | 23 009,0 | 11 366,0 |
| | 23 009,0 | 11 366,0 |
| *Current liabilities* | | |
| Accounts payable | 35 930,0 | 16 800,0 |
| Short-term borrowings | 21,0 | 540,0 |
| | 35 951,0 | 17 340,0 |
| **Total equity and liabilities** | 58 960,0 | 28 706,0 |

The Zimbabwean inflation rate used to inflate the 2007 information to compare with 2008 is 112 688%.

**The 2007 information has been restated in terms of IAS 29 – Financial Reporting in Hyperinflationary Economies.*

## 34. ACQUISITION OF BUSINESSES

### 2008

**Acquisition of Nashua franchise**

With effect from 1 November 2007 Nashua Holdings purchased 51% of the Nashua West Rand franchise. Nashua Holdings provided R20,4 million in loan finance to the other shareholders. The minority shareholders provided R1,0 million of equity.

**Acquisition of Moeller**

With effect from 1 April 2008 the business and net assets of Moeller were purchased by CBI-electric: low voltage division of Reunert Limited for R25,6 million.

**Acquisition of Quince**

With effect from 1 June 2008 Reunert Limited bought the 53% of Quince's share capital not previously owned by it. Simultaneously Quince sold its investments in ZS Rational and Scripfin to PSG.

Quince retained its 100% ownership of RCCF. The values placed on the respective businesses were the same as those used when the businesses were sold to Quince.

Reunert paid cash of R218,9 million to the previous shareholders and took over a loan obligation of R219 million from PSG.

| Net assets acquired | A Nashua franchises Rm | B Moeller Rm | C Quince (Group) Rm | D Quince (Company) Rm | (A to C) Group Rm | (B and D) Company Rm |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 2,2 | 6,2 | 3,1 | – | 11,5 | 6,2 |
| Intangible assets | – | 6,0 | 4,0 | – | 10,0 | 6,0 |
| Goodwill | 12,7 | – | 124,4 | – | 137,1 | – |
| Inventory | 4,9 | 11,1 | – | – | 16,0 | 11,1 |
| Accounts receivable | 5,0 | 12,8 | 227,8 | – | 245,6 | 12,8 |
| RCCF accounts receivable | | | 1 924,5 | – | 1 924,5 | – |
| Net cash | – | – | 73,7 | – | 73,7 | – |
| Payables and provisions | (4,2) | (10,3) | (25,5) | – | (40,0) | (10,3) |
| Amounts due to bankers and short-term loans | – | – | (858,4) | – | (858,4) | – |
| Long-term loans | (0,2) | (0,2) | (700,3) | – | (700,7) | (0,2) |
| Taxation | – | – | (4,9) | – | (4,9) | – |
| Deferred tax | – | – | (50,6) | – | (50,6) | – |
| Attributable share of net assets at date of acquisition (decrease in investment in associates) | – | – | (279,9) | – | (279,9) | – |
| Shares purchased in Quince | – | – | – | 437,9 | – | 437,9 |
| Cost of investment | 20,4 | 25,6 | 437,9 | 437,9 | 483,9 | 463,5 |
| (Loss)/profit since acquisition | (1,3) | 1,5 | 16,5 | | 16,7 | 1,5 |
| Revenue for the full year ended 30 September 2008 as though the acquisition date had been 1 October 2007 | 58,7 | 80,4 | 295,6 | | 434,7 | 80,4 |
| (Loss)/profit for the full year ended 30 September 2008 as though the acquisition date had been 1 October 2007 | (1,3) | 1,4 | 39,5 | | 39,6 | 1,4 |

**Acquisition of 15% in ATC**

With effect from 1 April 2008, Reunert purchased 15,0% of ATC's share capital from Powerhouse for R117,0 million, which resulted in R35,3 million charge to equity (refer to notes 22 and 24).

**34. ACQUISITION OF BUSINESSES continued**

**2007**

**Telecom Cables**

A new joint venture, CBI-electric Aberdare ATC Telecom Cables (Pty) Limited, 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) Limited), including the property from which it operates (Circular Drive Property (Pty) Limited). Nashua provided R11,8 million of loan finance to the other shareholders. The business was acquired with R10,7 million of existing goodwill. 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) Limited). 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' 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' 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.

| Net assets acquired | A<br>Aberdare<br>Rm | B<br>Nashua Tshwane<br>Rm | C<br>Nashua Eastern Cape<br>Rm | D<br>RRS<br>Rm | E<br>RDL<br>Rm | (A to E)<br>Group<br>Rm | (D and E)<br>Company<br>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 | – |

## 35. TRANSFER/DISPOSAL OF BUSINESSES

### 2007

### 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 former 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 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 (Pty) Limited 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, a division of Reunert to Pansolutions (Pty) Limited for R67,8 million, which Reunert lent to Pansolutions (Pty) Limited. Reunert realised a surplus of R39,9 million on the transaction.

**Saco a division of Reunert Limited (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) Limited (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 explaining this transaction, Bargenel will be consolidated in the Reunert results until the preference shares financing the transaction have been repaid, since Reunert retains control of Bargenel.

| **Net assets transferred/ disposed** | A<br>RCCF<br>Rm | B<br>Pan-solutions<br>Rm | C<br>Saco<br>Rm | D<br>Additional funds introduced RCCF<br>Rm | E<br>Disposal of RCCF<br>Rm | F<br>Bargenel<br>Rm | (A)<br>Group<br>Rm | (B to F)<br>Company<br>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 disposal | – | – | – | – | – | 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 2008

| | Issued capital R (unless otherwise stated) | Effective percentage holding 2008 % | 2007 % | Interest of holding company Shares 2008 Rm | Shares 2007 Rm | Indebtedness 2008 Rm | Indebtedness 2007 Rm |
|---|---|---|---|---|---|---|---|
| **CBI-electric** | | | | | | | |
| **CBI-electric: energy cables** | | | | | | | |
| Afcab Holdings (Pty) Limited | 4 000 | **100** | 100 | **67,7** | 67,7 | **64,8** | 64,8 |
| African Cables Limited | 9 886 098 | **100** | 100 | **–** | – | **–** | – |
| ATC (Pty) Limited | 751 197 | **89,9** | 74,9 | **48,0** | 130,0 | **–** | – |
| Reutech Engineering Services (Pty) Limited | 64 000 | **100** | 100 | **1,7** | 1,7 | **174,2** | 57,2 |
| **CBI-electric: low and medium voltage** | | | | | | | |
| Circuit Breaker Industries GmbH (incorporated in Germany) | €25 565 | **100** | 100 | **–** | – | **4,4** | 2,2 |
| Circuit Breaker Industries Inc. (incorporated in USA) | $50 000 | **100** | 100 | **–** | – | **8,9** | 7,5 |
| Circuit Breaker Industries Limited | 46 | **100** | 100 | **–** | – | **(45,1)** | (41,6) |
| Heinemann Electric (incorporated in Australia) | AUD 2 | **100** | 100 | **–** | – | **59,7** | 55,9 |
| Heinemann Holdings Limited | 35 000 | **100** | 100 | **16,4** | 16,4 | **(3,8)** | (3,8) |
| **CBI-electric: telecom cables** | | | | | | | |
| CBI-electric Aberdare ATC Telecom Cables (Pty) Limited | 378 | **44,95** | 37,5 | **–** | – | **23,0** | 77,9 |
| **Nashua** | | | | | | | |
| **Nashua Electronics** | | | | | | | |
| Futronic (Pty) Limited | 100 | **100** | 100 | **–** | – | **(0,3)** | (0,3) |
| NPC (Airconditioning) Limited | 200 000 | **100** | 100 | **2,2** | 2,2 | **–** | (0,5) |
| NPC (Electronics) Limited | 33 000 | **100** | 100 | **0,2** | 0,2 | **(5,0)** | (3,9) |
| Pansolutions (Pty) Limited | 1 000 | **74** | 74 | **–** | – | **2,5** | 0,4 |
| Pansolutions Holdings Limited | 100 | **100** | 100 | **45,0** | 45,0 | **(47,4)** | (22,5) |
| RC&C (Parow Factory) Properties (Pty) Limited | 2 | **100** | 100 | **0,5** | 0,5 | **–** | – |
| RC&C Manufacturing Company (Pty) Limited | 100 | **100** | 100 | **–** | – | **(14,8)** | (5,6) |
| **Nashua Mobile** | | | | | | | |
| Nashua Mobile (Pty) Limited | 9 741 983 | **100** | 100 | **267,8** | 267,8 | **2,6** | 3,2 |
| **Nashua Office Automation** | | | | | | | |
| Acuo Technologies (Pty) Limited | 4 000 | **100** | 100 | **–** | – | **19,8** | 8,4 |
| Algoa Office Automation (Pty) Limited | 200 | **51** | 51 | **–** | – | **3,7** | 1,8 |
| Circular Drive Property (Pty) Limited | 200 | **51** | 51 | **–** | – | **–** | – |
| Classic Number Trading 80 (Pty) Limited | 100 | **51** | 51 | **–** | – | **–** | – |
| Kopano Copier Company (Pty) Limited | 100 | **74** | 74 | **1,5** | 1,5 | **12,5** | 15,0 |
| Nashua Connect (Pty) Limited | 1 000 | **100** | 100 | **–** | – | **9,8** | 4,4 |
| Nashua Holdings (Pty) Limited | 2 000 | **100** | 100 | **–** | – | **33,7** | 17,9 |
| Nashua Limited | 947 794 | **100** | 100 | **6,3** | 6,3 | **(14,6)** | (14,3) |
| Royce Imaging Industries (Pty) Limited | 100 | **100** | 100 | **–** | – | **(4,5)** | (2,0) |
| Zevoli 151 (Pty) Limited | 100 | **51** | | **–** | | **4,6** | |
| **RC&C Finance Company/ Quince Capital Holdings** | | | | | | | |
| Quince Capital Holdings Limited | 79 491 911 | **100** | 48 | **812,7** | – | **(431,5)** | – |
| RC&C Finance Company (Pty) Limited | 694 | **100** | 48 | **–** | – | **0,1** | – |

| | Issued capital R (unless otherwise stated) | Effective percentage holding | | Interest of holding company Shares | | Indebtedness | |
|---|---|---|---|---|---|---|---|
| | | **2008 %** | 2007 % | **2008 Rm** | 2007 Rm | **2008 Rm** | 2007 Rm |
| **REUTECH** | | | | | | | |
| **Reutech Communications** | | | | | | | |
| Reutech Communications (Pty) Limited | 2 | **100** | 100 | **–** | – | **–** | – |
| **Reutech Precision Products** | | | | | | | |
| Reutech Defence Industries (Pty) Limited | 600 000 | **100** | 100 | **0,3** | 0,3 | **0,4** | 0,4 |
| Reutech Precision Products (Pty) Limited | 50 000 | **100** | 100 | **–** | – | **–** | – |
| **Reutech Radar Systems** | | | | | | | |
| Reutech Radar Systems (Pty) Limited | 200 | **100** | 100 | **42,5** | 42,5 | **–** | 0,4 |
| **Reutech Solutions** | | | | | | | |
| Reutech Solutions (Pty) Limited | 2 000 | **100** | 100 | **14,6** | 14,6 | **–** | 10,1 |
| Saco Systems (Pty) Limited | 96 000 | **100** | 100 | **–** | – | **(0,1)** | 0,1 |
| Saco Systems Limited (incorporated in UK) | £16 556 | **100** | 100 | **–** | – | **–** | 2,6 |
| **Reutech Limited** | 30 000 000 | **100** | 100 | **5,0** | 5,0 | **–** | – |
| **INVESTMENTS AND SERVICES** | | | | | | | |
| Bargenel Investments Limited* | | * | * | **1 112,4** | 1 112,4 | **–** | – |
| Reunert Finance Company Limited | 4 000 000 | **100** | 100 | **4,0** | 4,0 | **(7,5)** | (381,1) |
| Reunert Management Services Limited | 4 000 | **100** | 100 | **–** | – | **(0,8)** | (0,1) |
| Sundry companies | | | | **5,0** | 5,0 | **(15,7)** | (14,7) |
| Investment in terms of a broad-based share-based payment transaction encompassing group employees** | | | | **44,5** | 44,5 | | |
| | | | | **2 498,3** | 1 767,6 | **(166,4)** | (160,2) |
| Owing by (net) | | | | **(166,4)** | (160,2) | | |
| Provision for losses | | | | **(124,9)** | (127,3) | | |
| Interest in subsidiaries | | | | **2 207,0** | 1 480,1 | | |

**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 in 2007 (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 21 of the notes to the annual financial statements and the directors' report) has been allocated to Reunert's investment in subsidiaries.*

# Share ownership analysis > for the year ended 30 September 2008

| | Ordinary shares 2008 Number of shares (millions) | 2008 % | 2007 Number of shares (millions) | 2007 % |
|---|---|---|---|---|
| **Major holdings through managers in excess of 5% (current and prior year)** | | | | |
| Old Mutual Investment Group SA | **27,6** | **14,0** | **24,1** | 12,3 |
| Public Investment Commissioners (SA) | **19,6** | **9,9** | **19,8** | 10,1 |
| Investec Asset Management | **13,6** | **6,9** | | – |
| Polaris Capital (Pty) Limited (SA) | **13,2** | **6,7** | **11,6** | 5,9 |

| | Ordinary shares Number of shareholders | Ordinary shares % shareholding | 5,5% cumulative preference shares Number of shareholders | 5,5% cumulative preference shares % shareholding |
|---|---|---|---|---|
| **Shareholder spread** | | | | |
| Public shareholders | 17 640 | 88,7 | 48 | 71,2 |
| Non-public shareholders | 4 | 11,3 | 2 | 28,8 |
| – Total directors | 1 | – | | |
| – Reunert Share Purchase Trust | 1 | 1,7 | | |
| – Reunert Staff Share Trust | 1 | 0,2 | | |
| – Bargenel* | 1 | 9,4 | | |
| – Old Sillery (Pty) Limited | | | 1 | 15,0 |
| – G Boerstra | | | 1 | 13,8 |
| | 17 644 | 100,0 | 50 | 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) | 21,1 | 10,7 | | |
| Bargenel* | 18,5 | 9,4 | | |
| Old Mutual Life Assurance Company Limited | 11,6 | 5,9 | | |
| Old Sillery (Pty) Limited | | | 52,5 | 15,0 |
| G Boerstra | | | 48,4 | 13,8 |
| Agulhas Nominees (Pty) Limited | | | 32,2 | 9,2 |
| The Richardson Trust | | | 31,9 | 9,1 |
| DF Foster | | | 24,4 | 7,0 |
| J Fisher | | | 19,9 | 5,7 |
| JEG Wright | | | 18,2 | 5,2 |

* *Treasury shares (refer to note 21).*

# Shareholders' diary

| REPORTING | |
|---|---|
| Annual general meeting | 4 February 2009 |
| Financial year-end | 30 September 2009 |
| Announcement of interim results for 2009 | 14 May 2009 |
| Announcement of final results for 2009 | 18 November 2009 |
| Annual report posted by | 24 December 2009 |

| FINAL DIVIDENDS FOR 2008 | |
|---|---|
| *Ordinary shares* | |
| Declared | Monday, 24 November 2008 |
| Last date to trade (cum dividend) | Friday, 9 January 2009 |
| First date of trading (ex dividend) | Monday, 12 January 2009 |
| Record date | Friday, 16 January 2009 |
| Payment date | Monday, 19 January 2009 |

Shareholders may not dematerialise or rematerialise their holdings of Reunert shares between Monday, 12 January 2009 and Friday, 16 January 2009, both days inclusive.

| | |
|---|---|
| *5,5% cumulative preference shares* | |
| Declared | 31 December 2008 |
| | 30 June 2009 |
| Payable | 30 January 2009 |
| | 31 July 2009 |

*Please note that the reporting dates are subject to change.*

# Currency conversion table

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

| | **2008** | 2007 |
|---|---|---|
| US dollar | **0,1210** | 0,1452 |
| Pound sterling | **0,0680** | 0,0710 |
| Swiss franc | **0,1355** | 0,1696 |
| Japanese yen | **12,8242** | 16,6900 |
| Euro | **0,0857** | 0,1020 |
| Australian dollar | **0,1514** | 0,1631 |

# Notice of annual general meeting

**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 95th 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 Wednesday, 4 February 2009 at 09:30 for the following purposes:

**1.** To receive and adopt the audited group annual financial statements for the year ended 30 September 2008.

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

2.1 Mr TJ Motsohi who was appointed a non-executive director on 1 June 2008 is required to retire in terms of the company's articles of association and being eligible, offers himself for re-election.

2.2 Mr TS Munday who was appointed a non-executive director on 1 June 2008 is required to retire in terms of the company's articles of association and being eligible, offers himself for re-election.

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

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

2.5 Dr JC van der Horst who retires in terms of the company's articles of association and being eligible, offers himself for re-election.

2.6 Mr MJ Shaw who retires in terms of the company's articles of association and being eligible, offers himself for re-election.

A brief curriculum vitae in respect of each director referred to above appears on pages 22 and 23 of the annual report.

**3.** To determine the remuneration of non-executive directors with effect from 1 October 2008 in accordance with the company's articles of association as follows:

| | **Current per annum** | **Proposed per annum** |
|---|---:|---:|
| Chairman (includes director and committee fees) | R425 000 | R468 000 |
| Non-executive directors | R98 000 | R108 000 |
| Audit and risk committee chairman | R90 000 | R100 000 |
| Audit and risk committee member | R64 000 | R71 000 |
| Remuneration and nomination committee chairman | R47 000 | R52 000 |
| Remuneration and nomination committee member | R41 000 | R46 000 |

**4. ORDINARY RESOLUTION NO 1**

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

"That 2 620 000 (two million six hundred and twenty 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 is effected through the order book operated by the JSE trading system and done without any prior arrangement between the company and the counterparty (reported trades are prohibited);

- this authority shall not extend beyond 15 (fifteen) months from the date of passing of this resolution or the date of the next annual general meeting, whichever is the earlier date;
- 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;
- an announcement providing such details as may be required in terms of the Listings Requirements of the JSE be published when the company or its subsidiaries have cumulatively repurchased 3% (three per cent) of the shares in issue and for every 3% (three per cent) in aggregate of the initial number of that class acquired thereafter;
- the general repurchase(s) may not in the aggregate in any one financial year exceed 20% (twenty per cent) of the number of shares in the company's issued share capital at the beginning of the financial year provided that a subsidiary of the company may not hold at any one time more than 10% (ten per cent) of the number of issued shares of the company;
- in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the company;
- the sponsor to the company provides a letter on the adequacy of working capital in terms of section 2.12 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 22 and 23 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 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 disclosure, some of which are elsewhere in the annual report of which this notice forms part as set out below:

| | |
|---|---|
| • Directors and management | pages 22 to 25; |
| • Major shareholders of Reunert | page 110; |
| • Directors' interests and securities | pages 22, 47 and note 28; |
| • Share capital of the company | note 21; |
| • Litigation statement | page 44; and |
| • Material change | page 44. |

## 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 (Pty) 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 secretary

Sandton

5 December 2008

## CHANGE OF ADDRESS AND BANKING DETAILS

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

# Corporate administration and information

**REUNERT LIMITED**
(Incorporated in the Republic of South Africa)
ISIN: ZAE000057428
Short name: REUNERT
JSE code: RLO
Currency: ZAR
Registration number: 1913/004355/06
Founded: 1888
Listed: 1948
Sector: Electronic and 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 (57)
CA(SA)
Financial Director
Reunert Management Services Limited
E-mail: grahamf@reunert.co.za

JAF Simmonds (62)
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 (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 (47)
BA Comm
Communication and investor relations manager

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

# Proxy form

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

REUNERT
REUNERT LIMITED

Only to be completed by those shareholders who are:
- holding Reunert ordinary shares in certificated form; or
- are recorded on the electronic subregister 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 4 February 2009 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 – Mr TJ Motsohi | | | |
| 2.2 – Mr TS Munday | | | |
| 2.3 – Mr KS Fuller | | | |
| 2.4 – Mr DJ Rawlinson | | | |
| 2.5 – Dr JC van der Horst | | | |
| 2.6 – Mr MJ Shaw | | | |
| **3. Directors remuneration** | | | |
| **4. Ordinary resolution No 1**<br>Reservation of shares for the purposes of the 1985 Reunert Share Option Scheme | | | |
| **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 member entitled to attend and vote at the aforementioned meeting is entitled to appoint one or more proxies to attend, speak and upon a poll, vote in his/her stead or abstain from voting. The proxy need not be a member of the company.

2. To be valid this form of proxy must be completed and returned to Computershare Investor Services (Pty) 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.

*The front section of this annual report is printed on Sappi triple green™. This is a local double-coated, high white, wood-free paper manufactured at the Stanger Mill in South Africa. It is made of 60% sugar cane, is chlorine free and comes from sustainable aforestation.*

BASTION GRAPHICS

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

**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 **E-mail** invest@reunert.co.za