ELECTRICAL ENGINEERING

CBI-ELECTRIC

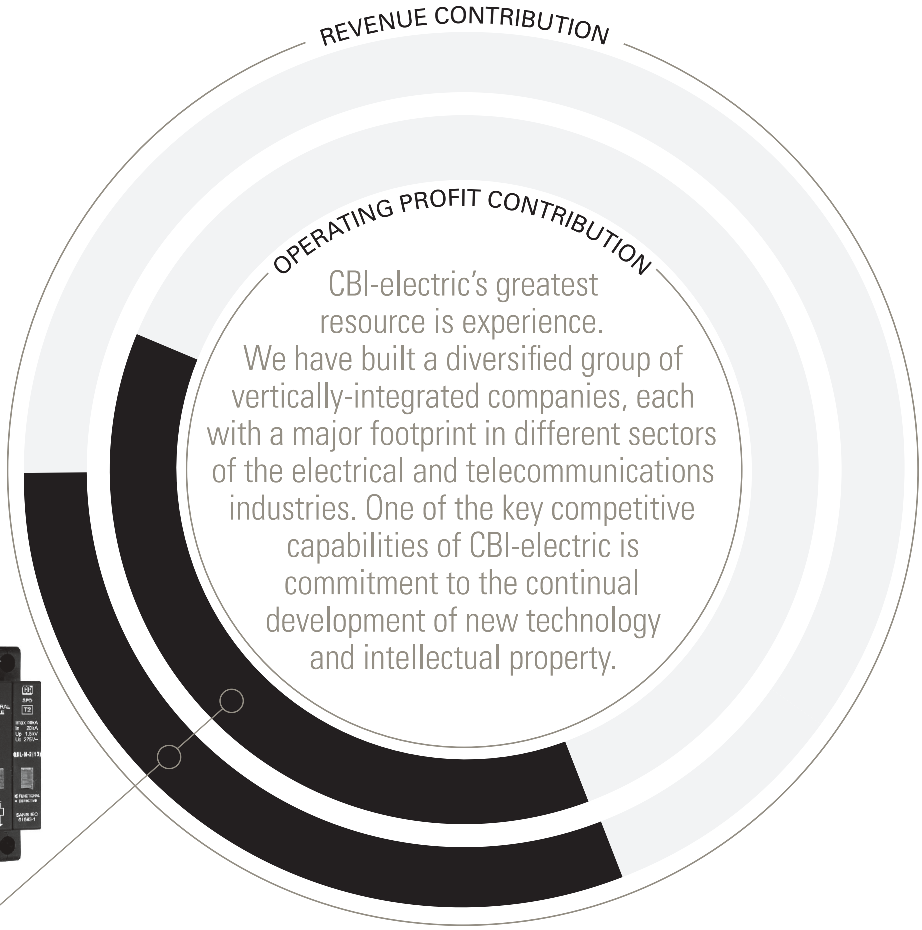
- CBI-ELECTRIC: AFRICAN CABLES
- CBI-ELECTRIC: LOW VOLTAGE
- CBI-ELECTRIC: ABERDARE ATC TELECOM CABLES (50%)

2013 FOCUS AREAS

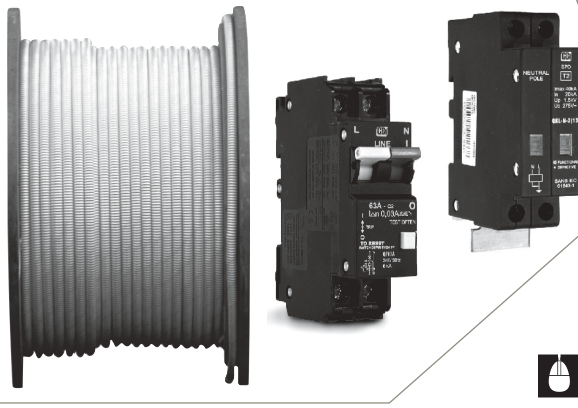
Establish CBI-electric **as a significant supplier** for the intended R18 billion South African spend on renewable energy solutions over the next few years.

Increase export activity into Africa, Europe and the USA.

Participate actively in **Eskom** and **Transnet** expansion plans.



CBI-electric's greatest resource is experience. We have built a diversified group of vertically-integrated companies, each with a major footprint in different sectors of the electrical and telecommunications industries. One of the key competitive capabilities of CBI-electric is commitment to the continual development of new technology and intellectual property.



For more on our products and services visit **www.cbi-electric.co.za**

PERFORMANCE

R250 million of orders were received for cables, inverters and installation services in Window 1 of the renewable energy programme. The business is **well placed to repeat the performance** on Window 2.

African Cables and Low Voltage **increased exports by more than 40%** year-on-year.

Telecom cables supplied 50% of MTN's fibre cable requirement in Nigeria.

African Cables is an **approved long-term supplier of cables** and conductors to **Eskom**. The business is expected to benefit from increased sales under this supply contract as Eskom rolls out additional infrastructure as part of its expansion plans.

Low Voltage is the **approved supplier** for the supply of **circuit breakers** to **Prasa** for its rail infrastructure rollout.

2014 FOCUS AREAS

Continue to drive **operational efficiencies**.

Pursue industrial cable and electrical protection equipment opportunities in the **African market** focusing on the **mining sector**.

Secure **major infrastructure** contracts.

Expand product lines and grow sales in our **overseas** subsidiaries.

Continue with the strategic development of our **solutions businesses**.

Supply optical fibre cable for the initial phase of the **square kilometre array** project.

Maintain **stable** labour relationships.

ELECTRICAL ENGINEERING CONTINUED

CBI-electric's results were impacted by the slower than expected rollout of infrastructure projects, challenging labour conditions in South Africa and reduced capital expansion in the mining industry. Revenue decreased by **4%** to **R3,5 billion** while operating profit declined by **R87 million** to **R506 million**.

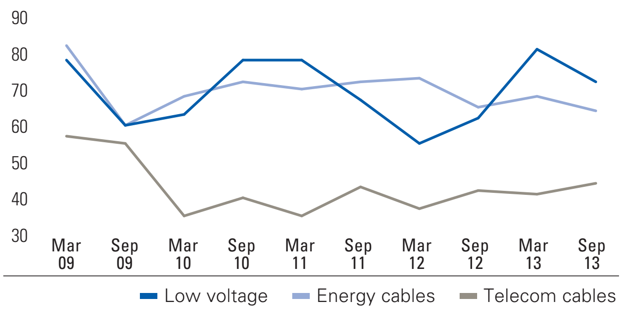
Utility tender activity showed a slight improvement in the second half of the financial year. Future demand will be driven by:

- Eskom's capacity expansion programme;
- renewable energy projects;
- low-cost housing projects;
- opportunities in our export markets; and
- Prasa's investments in new railway infrastructure.

However, competition from low-cost global manufacturers remains a threat and margin pressures are expected to continue.

The group continues to focus on building its solution offerings through its Power Installations division and newly established CBI-electric: Solutions division. These businesses leverage group products in delivering turnkey energy solutions and maintenance services. CBI-electric continues to develop innovative solutions such as its CBiD cable theft prevention system.

%: FACTORY CAPACITY UTILISATION



The copper price remained fairly stable during the period under review providing an element of product cost stability. Exposure risk on raw materials is managed through a dual supply strategy, rigorous stock control and forward cover on certain projects.

Investment in capital expenditure increased, principally as a result of African Cables' investment in a new high-voltage production line, which will allow for the manufacture of larger 275kV cable.

Although CBI-electric did not experience any strike action in the last year, labour unrest in other industries has had a ripple effect on the business. Given that the three-year wage agreement, negotiated in 2011, comes to an end in 2014, industrial action cannot be excluded. The workforce at CBI-electric is unionised with the majority of factory employees belonging to a recognised union. The metal industry, through the Steel and Engineering Industries Federation of South Africa (SEIFSA), has commenced formulating its position with regard to the three-yearly wage negotiations with the metal workers' union.

Learnership and apprenticeship programmes are in place to ensure a healthy pipeline of future middle management. This year, 73 learners participated in programmes in the CBI-electric group. Employment equity targets have been set and are monitored at executive committee level. In total R10 million was spent on training, including salaries paid to learners.

CBI electric

>R150m
OF CONTRACTS DELAYED

22%
INCREASE IN POLES MANUFACTURED

NEW HV-LINE INSTALLED

CBI-ELECTRIC: AFRICAN CABLES

The year under review was a challenging one for African Cables. Muted demand in orders for transmission line projects and the ongoing instability in the mining sector hampered revenue growth.

While supplies to the general electrical contractors' market have grown, international suppliers entering the market have contributed to lower margins being achieved on these sales. The local cable industry was designated by the Department of Trade and Industry (DTI) as a preferred supplier for state-owned entities in April this year. This move will assist in supporting local manufacturing capacities.

Factory capacity utilisation in the medium voltage plant improved in the second half of the year as production for renewable energy cables was completed and operational efficiencies improved.

The Power Installations division had a mixed year and, while turnkey installations were down due to project delays, the services business continues to improve. We were awarded the extra high-voltage contract for the Eskom Ingula pumped water storage scheme towards year-end, which together with a better project order book, will contribute to a stronger performance in 2014.

Tank Industries, the cable accessories business which was acquired last year, performed well, albeit off a low base, and improved market share countrywide. Export revenue accounted for 30% of total sales and the business expects growth in the export market in 2014.

African Cables has strengthened its manufacturing capability by adding additional cross-linked polyethylene manufacturing capacity. This capital project will be partly funded through the Manufacturing Competitiveness Enhancement Programme incentive offered by the DTI.

African Cables is the largest user of electricity in the group. Further reduction in energy consumption was achieved through the continued focus on energy efficiency projects.

Consumption targets have been set for management and are monitored on a monthly basis. Since 2010, African Cables has managed to reduce its electricity usage by 8,3% per cable tonne manufactured.

The entity retained its Level 2 BBBEE rating, while also improving its BBBEE procurement score. Investment in skills development increased from R4,9 million a year ago to R5,6 million.

CBI-ELECTRIC: LOW VOLTAGE

Low Voltage delivered a commendable performance during the past financial year. Stable local volumes were augmented by a strong drive in exports and a weaker rand, which resulted in both revenue growth and improved operating profit.

Export volumes increased significantly and Europe performed well as the demand for our circuit breakers used in the rollout of the 4G telecommunication network continued. The USA provided another year of solid growth.

Exports into Africa improved and this expansion is expected to continue in the new financial year. Australia's results, however, were disappointing. Management changes were effected before year-end and an improved performance is already evident. A recovery in the mining sector and demand for specialised circuit breakers is expected to drive growth.

The local residential market remained subdued, while commercial markets showed a slight improvement. The mining industry was driven primarily by essential maintenance and "stay-in-business" projects.

A successful legal process against an importer of counterfeit products highlighted the risk of inferior products to consumers.

Low Voltage remains a market leader in energy efficient and quality circuit breakers and associated energy solutions.

Additional machinery and investment in human capital in the engineering division improved the quality of existing products.

ELECTRICAL ENGINEERING CONTINUED

32%
NON-SA SALES

NEW 24 000m²
MANUFACTURING PLANT

STRONG EXPORT PERFORMANCE

Several new product launches were concluded and our products are approved for the Prasa rollout which commences in 2014.

The medium voltage, automation and control and ITmatic businesses were integrated into a single solutions business unit focussing on the material handling, energy systems and process sectors of the market. The manufacturing facility of the combined business unit comprises an area of 24 000m^2 and was established at Reunert Park Boksburg. It provides an improved solutions offering that will provide an additional channel for the group's products. CBI-electric: Solutions established the largest e-house electric system manufacturing facility in Africa. These systems are used by the photovoltaic inverter industry and for the integration of motor control centres at remote mines in Africa.

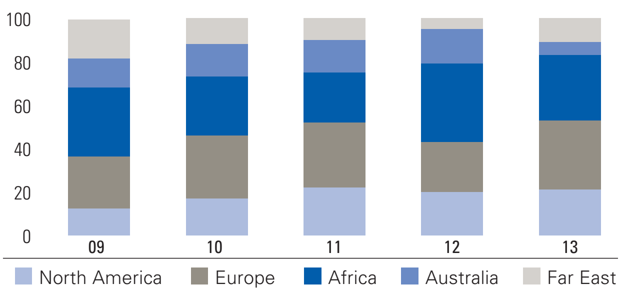
The company supported electrical engineering programmes at the University of Witwatersrand and University of Pretoria and continued to support the Reunert College.

A group of 28 learners participated in a number of learnerships, including an apprenticeship programme for electricians which started in February 2013.

CBI-electric: Low Voltage improved its BBBEE rating from level 6 to level 4 during the past year.

	2013	2012	2011	2010	2009
Low Voltage market segmentation as % of revenue					
Residential and commercial	35	35	40	45	40
Industrial	6	5	7	9	10
Mining	6	8	12	12	12
Automation and control	5	7	12	10	11
Retail	4	5	6	4	1
Utilities	8	5	2	5	1
Solutions	4	2	2	0	0
Exports and offshore subsidiaries	32	33	19	15	25

%: LOW-VOLTAGE EXPORT REVENUE BY REGION



ISO 14001 ATTAINED

FOCUS SHIFTING TO AFRICA

TELECOM CABLES

Telecom Cables[1] continued to underperform. The delay in infrastructure programmes resulted in marginal revenue growth for the year. Increased operating costs, as well as challenges experienced with the manufacture of new products, impacted negatively on operating profit.

Delays in the rollout of the national broadband strategy and the restructuring at Telkom led to lower than anticipated orders for copper cable. Telkom remains the entity's primary customer.

Actions are in place to improve labour efficiencies. Further, management targets have been set to reduce the over-consumption of raw materials in the manufacturing process. These steps are expected to result in improved efficiencies in future periods.

Fibre optic cable demand improved, but international competition, specifically from European and Chinese manufacturers, is suppressing margins. Our focus on exports – originally to the Middle East – has now shifted to Africa, where greater opportunities exist for both industrial and fibre optic cables.

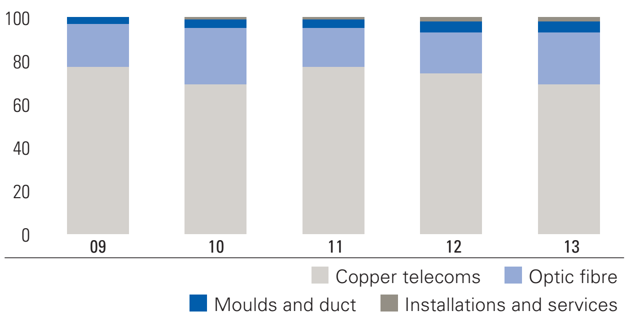
The fibre market remains dominated by mobile operators investing in terrestrial optical fibre networks. Micro blown cable is provided to Telkom for the multi-service access nodes (MSAN) project currently being rolled out. Following earlier successes, we remain optimistic in securing a large share of the fibre optic cable and duct requirements for the rollout of the long-haul fibre network between Durban and Cape Town.

Industrial cable demand looks promising and will contribute to the company's strategy to reduce its reliance on specific markets and a single major customer. Orders for instrumentation, fibre and data cables are expected to be buoyant and driven mainly by infrastructure, petroleum and mining projects as well as by the upgrade and construction of Eskom power stations. Demand for signalling cable is expected to increase from Transnet and Prasa as the railway systems are upgraded. Product designation should assist in securing local sales, specifically from state enterprises.

Telecom Cables maintained its level 4 BBBEE rating. Amongst its initiatives, 24 learners participated in a cable maker's programme and an additional 11 learners were employed in various apprenticeship programmes.

The company received its ISO 14001 accreditation early in the financial year and incremental improvements have been made, including the harvesting of rainwater.

%: TELECOMS PRODUCT MIX AS % OF REVENUE



1 *Following the change in Accounting Standards for joint ventures, the results of CBI-electric: Aberdare ATC Telecom Cables will be equity accounted effective 1 October 2013.*

INFORMATION COMMUNICATION TECHNOLOGIES

NASHUA

- NASHUA OFFICE AUTOMATION
- NASHUA MOBILE
- NASHUA COMMUNICATIONS
- PANSOLUTIONS
- QUINCE

2013 FOCUS AREAS

Grow **customer base and minutes** on voice network.

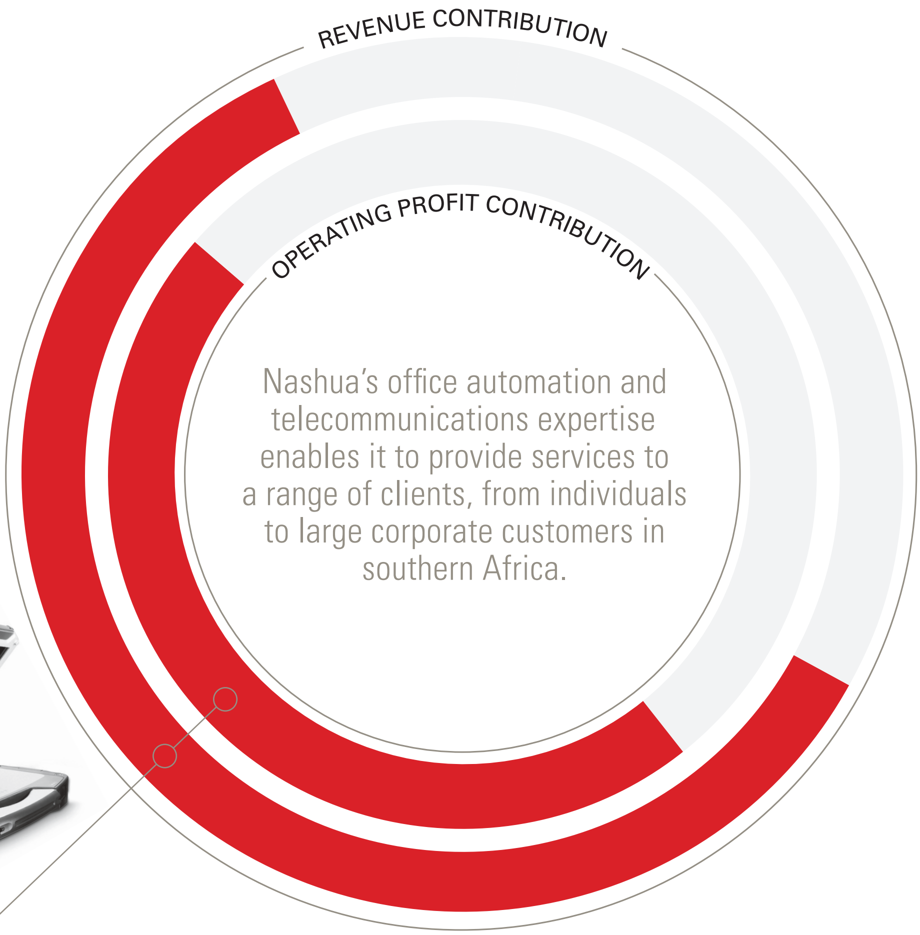
Market penetration in the **converged voice** and **data network** space.

Rollout of **products developed** for hosted PBX, mobile voice and data storage.

Strengthen **customer focus** through training and improved technology.

Grow Nashua Mobile's **retail presence**.

Accelerate rollout of **office solutions**.



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PERFORMANCE

12% growth in minutes sold on voice network and more than **1 500** new installations.

Penetration has been **slower** than expected, but the skills set and strategy is in place for this to occur in 2014.

Hosted PBX pilot has been **deployed**, with a full **market release** expected at the end of 2013.

A **customer-centric culture programme** was launched at Nashua Office Automation.

Nashua Mobile significantly increased its **training interventions**.

Technology was **upgraded** to service customers better. Further enhancements will be made during 2014.

Given the challenging environment, the **rollout plan** was put **on hold**.

Strategic initiatives implemented in the managed document solutions business are **gaining traction**.

2014 FOCUS AREAS

Finalise agreements with MTN and Vodacom.

Drive print and **document management** offerings in office automation segment.

Build VoIP network at a faster pace.

Increase penetration with **Cisco product and services**.

Secure **external funding** for Quince.

INFORMATION COMMUNICATION TECHNOLOGIES CONTINUED

The Nashua segment faced a challenging operating environment this year. The telecommunications industry's race for customers, declining business confidence and the impact of the weaker rand affected its performance. Revenue dropped by **6%** to **R6,8 billion**, while operating profit declined **24%** from **R839 million** to **R636 million**.

The further reductions in mobile interconnect rates, which resulted in lower tariffs by the network operators, had a negative impact on Nashua Mobile's revenue contribution. A stalemate on how new incentive agreements will be implemented lowered operating profit as Vodacom decreased the incentive provided to the company from March 2013. The current business model is under scrutiny.

Nashua, with its strong brand recognition, continues to serve a valued customer base. Strategic partnerships with international product suppliers were evaluated and reaffirmed. Nashua will continue to build its solutions' offerings, while being selective in sourcing best-of-breed products.

Various change management initiatives have been introduced to embed a customer-centric approach and to ensure that employees seamlessly shift from selling products to delivering solutions to clients.

Market conditions are expected to remain tough in the foreseeable future. It is thus critical that the business continues to improve and expand its distribution channels. Further investment in products and systems that will generate greater productivity and efficiencies, coupled with a positive customer experience, will be pursued.

MAJOR AWARDS RECEIVED

NASHUA OFFICE AUTOMATION

- HP gold specialist award
- Top 500 companies: Top company in the Office Automation Industry
- 2013 Winners circle award – Laserfiche
- Ricoh 30 year award as distributor
- Ricoh 40 year association

NASHUA MOBILE

- Ask Africa Orange Index
- Independent Cellular Providers
  - 2nd in the winning brands category

NASHUA COMMUNICATIONS

- Cisco Gold Partner
- Unify* Premier Solution Provider

** formerly known as Siemens Enterprise Communications*

NASHUA

R249m
NASHUA NORTH ACQUISITION

9%
GROWTH IN PRINTER UNIT SALES

5%
GROWTH IN PRINTED DOCUMENTS

ANNUITY INCOME IS 42% OF REVENUE

NASHUA OFFICE AUTOMATION

Nashua Office Automation produced respectable results in a competitive environment.

The revenue from increased unit sales was offset by cost pressures driven by a weaker rand and supplier price increases. Although document volumes are expected to decline in the long term, volume increased by 5% in the current year to a monthly average of 409 million prints. Service and annuity income remain a key focus area for the business. Revenue from consumables and parts remained flat in relation to last year. Annuity income comprised 42% of revenue in the current year.

Printer unit sales increased by 9%. However margins were slightly down, as was the case with multifunction unit margins. The production print division showed pleasing growth and is expanding as commercial printers migrate from traditional lithography printing to digital colour solutions.

Partnerships with product suppliers are crucial to Nashua's business. A five-year, non-exclusive agreement is being concluded with Ricoh International, who remains Nashua's key strategic partner. Nashua also strengthened its product range by including products sourced from Hewlett Packard, Samsung and Sindoh in its offering.

The acquisition of major franchises remains a strategic focus for Nashua and led to the purchase of the Nashua North business for R248,5 million in July 2013. Further acquisitions in line with the strategy will be concluded in the short to medium term.

The strategic initiatives implemented in the managed document solutions (MDS) business are starting to gain traction. The MDS team has grown in both the sales and technical areas creating a solid foundation for the 2014 fiscal period.

Software solutions and electronic document flow are key strategic growth areas for Nashua. A new entry-level document management system aimed at the SME market was recently launched. Nashua has also solidified its distribution agreement with Laserfiche.

Strategically Nashua is moving from a product-led to a service-led organisation. The shift required in changing the sales dynamic from product offering to software solutions supplier is supported by training programmes and recruitment.

Overall, the franchise channel met expectations, and the sales of other Nashua group products, such as Nashua Communications' VoIP and PBX offerings, is gaining momentum.

Nashua intends to broaden its presence in the SADC countries by establishing dealer channels in Zambia and Mozambique and further north into Ghana. Potential partners have been identified in other territories and opportunities will be evaluated continually.

Nashua has been working on establishing an industry-recognised training programme for technicians, which will be accredited by the MICT SETA and rated at SAQA NQF level 5. Nine students have already been identified and will start the year-long pilot course in January 2014.

The warehousing system is set to be upgraded and centralised, thereby reducing costs, improving efficiencies and reducing carbon emissions. A direct distribution pilot will be run in the Gauteng region from the middle of 2014 and plans are afoot to roll out nationwide distribution for machines, certain peripherals and consumables by year-end.

Nashua had its stage 2 environmental management system audit at year-end. ISO 14001 certification is expected by the end of January 2014. Nashua retained its level 4 BBBEE rating.

Nashua continues with its corporate social investment initiatives through the Nashua Children's Charity Foundation (NCCF). NCCF originated as a charity project in 2006, largely as an HIV/Aids initiative to support township schools. It has grown steadily over the years and today the Foundation is a registered non-profit organisation that supports 54 charities. The focus is on addressing the basic needs and education of orphans and indigent and vulnerable children. The trustees meet monthly to assess requests for donations and assistance. This year R4,5 million was invested in providing food, clothes and infrastructure improvements for the community.

INFORMATION COMMUNICATION TECHNOLOGIES CONTINUED

7% DECLINE IN ARPU

30% GROWTH IN DATA USERS

247 000 HANDSETS FINANCED

NASHUA MOBILE

Nashua Mobile experienced strong headwinds as competition between mobile operators intensified in a saturated cellular industry. Downward pressure on call and subscription rates saw subscribers using less out-of-bundle airtime and average revenue per user (ARPU) declined by 7% to R312 per user.

Gross profit was dampened further by reduced margins received from Vodacom for seven months of the year under review. We expect this pressure to continue and that the other operators will follow suit by reducing ongoing margins to the independent distribution partners wherever possible.

Costs were contained and increased by just 2%. Headcount increased slightly to 752 employees, excluding staff employed by franchises and channel partners.

The post-paid subscriber base grew by 4% to 934 911 subscribers. During the year, a further 9 715 least-cost routing (LCR) sim cards were deactivated, leaving a small base, which will wind down over the next two years.

Data subscribers grew by 30% during the period under review. Nashua Mobile continues to strengthen its position as a supplier of smartphones, with 82% of all devices sold being smartphones. By year-end, monthly sales of smartphones had exceeded 88% of total devices sold.

Higher customer churn is a combination of an increase in bad debt, shortfall on customer service and the continued reduction in customer incentive bonuses received from the networks.

Bad debt increased significantly in the current year and is a reflection of the pressure on small enterprise and consumers in the current economic climate. Tighter customer acquisition rules, as well as the automation of many of the credit control functions are receiving the required attention to reduce the bad debt to more acceptable levels.

High-end smartphones are sought after and the number of handset devices financed increased by 46 000 to 247 000. We expect continued growth in the handset financing book. While these handsets are currently funded from Nashua Mobile generated cash, alternative funding options are being explored.

The capital expenditure programme initiated in 2012 continued with both the company's server and network infrastructures being replaced in 2013. These enhancements will contribute to business innovation and agility and signal the introduction of customer-friendly technologies.

The migration of the call centre to Bloemfontein, started in January 2009, is complete. Located close to the University of the Free State, the call centre is a major employer of graduates in the city. A number of students have been recruited to work during peak periods or after hours and on weekends. These students are potentially a valuable pool of skilled workers once they graduate.

	2013	2012	2011	2010	2009
Closing subscriber base	934 911	897 534	846 521	819 035	722 638
Number of subscribers signed up	196 822	214 442	174 151	187 382	159 960
Number of subscribers lost	83 366	120 861	146 665	90 985	100 709
Network base adjustments	61 270	42 568	99 247	–	–
ARPU	R312	R337	R416	R463	R501
Churn %[1]	17,4%	18,7%	17,6%	11,8%	13,6%
Smartphones as % of total subscriber base	82%	80%			
Number of prepaid sims	63 148	44 863	22 676	12 419	6 093

1 Churn has been restated to include base adjustments.

1 504 NEW INSTALLATIONS

12% GROWTH IN VOICE MINUTES

SEN SALES DECLINE

In collaboration with SAICA, 33 learnerships in general business administration or financial management were offered to staff. A 97% pass rate was achieved in these two programmes. A grass roots programme was successfully run with the Reunert College to provide 20 graduates from the College with basic telecoms and retail experience and making them more marketable in the workplace.

Nashua Mobile successfully retained its Level 3 BBBEE status in 2013. Good progress was made in accelerating transformation at both middle and senior management levels.

A total of R1,8 million was spent on corporate social investment of which R1,6 million was in aid of the NCCF.

NASHUA COMMUNICATIONS

The consolidation of three businesses (ECN, KSS Technologies and Nashua Communications) under the Nashua Communications banner over the past 18 months proved challenging and produced mixed results.

Continued growth in the voice network, solid progress within the Panasonic product-set and reasonable inroads into the Cisco data centre and networking sector could not offset the decline in Siemens Enterprise Communications' (SEN) product sales and margins. This performance led to a decision after year-end to right size this division to match expected revenue.

Nashua Communications continues to value its relationship with SEN, which was renamed Unify on 15 October 2013. Sales, service, support and maintenance of the Unify products and the installed base will not be affected by the cost reductions that were effected after financial year-end.

The shift to supplying and supporting best-of-breed solutions that fit customers' needs will ensure that the business is in a position to move rapidly in the wider ICT space as the market evolves. Off-premise solutions will predominantly consist of Nashua Communications branded cloud services using Cisco technologies to host and deliver these services over the Nashua Communications Network (NCN).

The economic environment this past year has caused many large enterprises to sweat their ICT assets. They are cautious and cost conscious when considering and negotiating an upgrade or technology change. The slowdown in hardware and solution sales due to this has been offset by demand for the savings the NCN offerings provide.

NCN recorded a solid year, increasing total voice minutes by 12% to 790 million minutes, and ending the year with 1 504 new customer installations. Initial problems with the Telkom backbone infrastructure hampered the successful transfer of ported numbers, but these have been resolved and inbound traffic to the Nashua number ranges is growing steadily. Network stability, up time and voice quality continue to far exceed internationally accepted carrier standards.

Telecommunications regulator Icasa's announcement, proposing further drops in interconnect rates over the next three years bodes well for the business. As the interconnect rates reduce, the efficiency of the Nashua network allows for improved margins.

Nashua Communications will continue its efforts to remain a low cost quality network providing integrated communications services. New wireless opportunities in the last mile (LTE /4G) as well as the roll out of fixed-line VDSL (Very High Bit rate DSL) offer interesting options and variety in this important space.

Further consolidation is expected over the medium term as the large operators look to combine fixed and mobile offerings. Medium-sized players will likely look at developing critical mass to ensure that they remain relevant. This should lead to aggressive competition and continue to drive communication costs down.

Nashua Communications improved its BBBEE rating to level 3 after year-end and has implemented plans to address equity transformation at senior management level. The company made significant contributions to the NCCF and the Thembalitsha Foundation as part of its corporate social investment programme.

INFORMATION COMMUNICATION TECHNOLOGIES CONTINUED

PANSOLUTIONS

PanSolutions experienced another difficult year. Revenue and operating profit was down as the market remained highly competitive and margins contracted. The office automation dealer channel has settled, providing a suitable base to build from in the future.

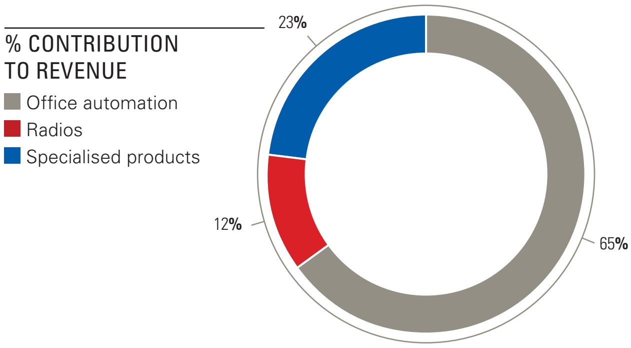
Technical support provided to the office automation dealers has been turned into a value proposition. A change management process was implemented to assist with the industry shift towards managed document solutions and print services. Opportunities exist to expand the dealer network in Gauteng, the Western Cape and KwaZulu-Natal. It is expected that new dealer appointments will be made in 2014.

The appointment of relationship consultants contributed to growing the customer base and this initiative will be extended to the Cape Town and Durban branches. The Centurion branch was moved to the head office in Midrand to contain costs.

The placement of remanufactured machines will start in 12 to 18 months time as used equipment becomes available. This is expected to provide opportunities into new sales segments for the company. PanSolutions has been a distributor of Kyocera equipment for the past three years.

Economic pressures, industrial action and lower demand in the automotive industry had a negative impact on the supply of Panasonic radios to that sector, and this in turn affected growth figures. The launch of new vehicle models next year could be beneficial and the ISO 14001 standard will be implemented in the company in line with international requirements.

% CONTRIBUTION TO REVENUE



Projectors and digital panel sales worsened in the second half as customers' building projects slowed. New technology using laser projectors could see increased sales to the media sector. Demand for the Panasonic Toughbook was subdued. The launch of a robust Windows-based tablet, which works well in harsh environments, could boost sales in the mining and construction sectors.

Online advertising saw a rapid uptake of entry-level broadcast equipment and new products, including ceiling-mounted cameras used in diverse applications.

The retention of key employees and technical skills is receiving attention and certain gaps will need to be filled through mentorship programmes and technical learnerships in future.

PanSolutions improved its BBBEE rating from a Level 4 to Level 3 and will continue to focus on employment equity transformation at senior management level.

NASHUA

A+
CREDIT RATING RECEIVED

26%
GROWTH IN QUINCE BOOK TO R1,8 BILLION

50 000 DEVICES DISCOUNTED

QUINCE

A sound business model and a high quality rental book contributed to Global Credit Rating Co issuing an A+ national credit rating to Quince in August 2013. Quince had a strong year, growing its book by 26% to R1,8 billion.

Asset performance remained strong and defaults were the lowest they have been since the economic crisis in 2008. The rental book was boosted by R130 million following the acquisition of the Nashua North franchise book. A conservative approach ensures that expected losses are well provided for, while diversification across the different Nashua channels guarantees a lower risk exposure. The customer base spans all business types and industries, represented by more than 50 000 devices.

More than 80% of business is generated by Nashua franchises, with the remainder from the PanSolutions and Nashua Communications dealer networks. Onsite presence at these franchises and dealers contributes to the book growth and quality. Improved turnaround times, accurate paperwork, and a good understanding of customers' needs all contribute to cementing long-term business flow. Recurring business accounts for more than half of the transactions entered into by the company.

Margins reduced slightly following Nashua's increased focus on larger corporate customers. Tough trading conditions are expected to continue with interest rates likely to remain flat. The moderate shift from the traditionally preferred fixed rates to the relatively lower linked rates has further negatively impacted margins.

Operating expenses are well controlled and service quality remains core to the success of the business. Further enhancements will be made in 2014 to the bespoke FinSight online credit vetting system.

Quince's level 3 BBBEE rating was re-confirmed in July 2013. Employment equity targets have been set and are monitored at executive level. Employees are being groomed for various positions in the company through formal and on-the-job training, job rotation and mentoring.

This year, five female learners continued the SAICA approved Association of Accounting Technicians learnership. This three-year course is internationally accredited.

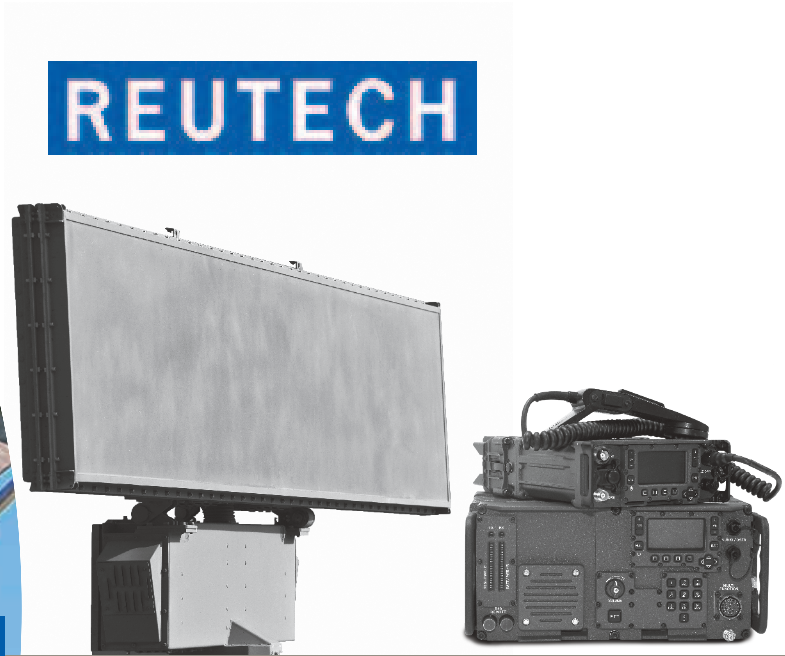
Quince made a contribution to the Reunert College, continued its support to the NCCF and initiated various other corporate social investment initiatives. These contributions are set to continue in 2014.

	2013	2012	2011	2010	2009
Nashua book	1 820,0	1 431,1	1 281,2	1 269,8	1 413,9
Average monthly discounting	79,5	64,5	55,4	47,7	52,8

DEFENCE AND ALLIED ELECTRONICS

REUTECH

- REUTECH RADAR
- REUTECH COMMUNICATIONS
- REUTECH SOLUTIONS
- FUCHS ELECTRONICS
- RC&C MANUFACTURING



2013 FOCUS AREAS

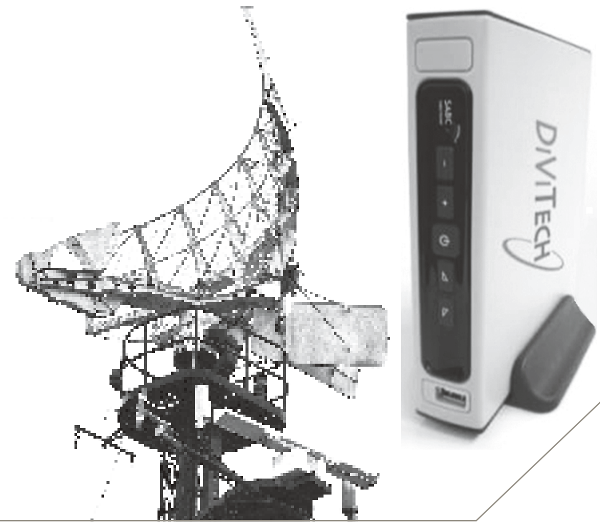
Integrate SAAB Grintek and Natcom **acquisitions** into Reutech Communications.

Increase **mining surveillance radar** penetration.

Secure further orders for **concentrated photovoltaic-tracker** solution.

Obtain orders and commence delivery of **set-top box** orders.

Secure further **export orders** for Fuchs Electronics.



For more on our products and services visit **www.reutech.co.za**

PERFORMANCE

Successfully completed.

In excess of **100 radars** in **17 countries** over 4 years.

Final agreements awaited for the installation of **trackers in USA**.

There have been **continued delays** by the Department of Communication in issuing the order for the manufacture of digital set-top boxes. The **tender validity** has been extended to **January 2014**.

Partially completed.

2014 FOCUS AREAS

Expand market positions.

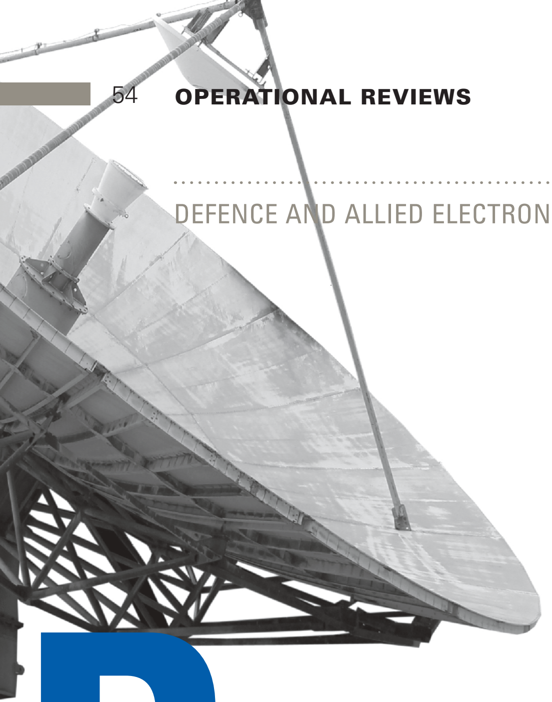
Investigate **partnership** possibilities.

Secure additional **technology funding** from the state.

Secure **export** fuze orders.

Secure **production contracts** for ground communications.

Continue to **grow non-defence** business.



DEFENCE AND ALLIED ELECTRONICS CONTINUED

Reutech had a stellar year, increasing revenue by **27%** from **R806 million** to over **R1 billion**. Significant export orders and a weaker rand boosted operating profits by **38%** to **R207 million**. Overall operating margins strengthened to **20%**.

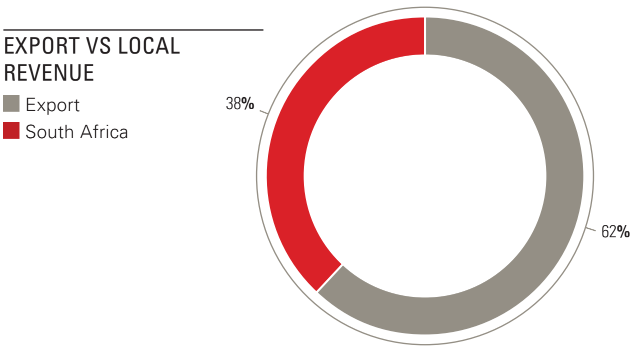
Strategies to reduce dependence on single markets and exposure to cyclical defence contracts are starting to pay off. Income from commercial products and ventures was boosted by the continued success of the movement and surveillance radar (MSR) sold to the mining industry.

The expansion of Reutech's product range and growing market share has positioned the segment for growth. Reutech has a base load of products in production and a strong order book for the 2014 financial year.

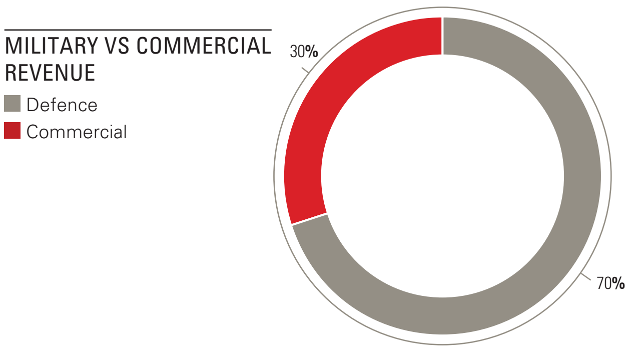
Continued research and development remains critical to the future of Reutech. A total of R70,7 million was spent in this area during the current financial year, of which R55,3 million was funded by customers, including continued capital support from the South African government. The obsolescence of electronic products and technologies is constantly monitored to ensure future sustainability.

Formal mentorship and shadow programmes are being implemented at the operations to ensure the transfer of technical skills and to help meet employment equity targets over the medium term.

EXPORT VS LOCAL REVENUE



MILITARY VS COMMERCIAL REVENUE



REUTECH

R71m RESEARCH AND DEVELOPMENT

100 MSRs IN 17 COUNTRIES

NEW GENERATION RADIO PRODUCTION TO START IN 2014

REUTECH RADAR

The uptake of Reutech Radar's movement and surveillance radar by open cast mines worldwide contributed to a robust performance by the division. Commercial products comprised 74% of Reutech Radar's reported revenue. Local defence business was sluggish and structural changes were made to right-size the business for the lower demand.

More than 100 MSR units have been installed in 17 countries over the past four years, equating to a 30% annual growth rate. Further potential exists to sell our product to mining operations in other countries. Reutech Radar continues to enhance its products and extend its product range. At least 5% of turnover is re-invested in ongoing research and development of next-generation products.

The installation of 1 550 trackers at the Touws River concentrated photovoltaic power plant is progressing well. The strength and accuracy of the renewable energy tracker has led to further certification and acceptance agreements as Soitech's tracker supplier of choice for photovoltaic-power installations worldwide.

The development of 3D ground-based dual-band radar (DBRXL) continued in partnership with the Department of Defence, CSIR, Denel and the Universities of Stellenbosch and Cape Town. It was recently successfully tested at the Overberg Test Range, but further development funding must be secured to ensure viability.

The first assessment for ISO 14001 certification was completed and further work to embed an environmental management system is in process. A final audit is expected in June 2014.

Reutech Radar participates in the Msakh'iSizwe bursary programme aimed at addressing skills shortages in the engineering and transport sectors in the Western Cape. A group of 12 learners completed on-the-job-training and worked under the supervision of a qualified technician in the production and test team. These learners will receive their SETA approved qualifications in January 2014. This programme will be extended to include a total of 20 learners in the new financial year. The intention is to provide employment for some of these students as they complete their studies as part of Reutech Radar's' transformation initiatives.

Reutech Radar also supported local schools supplying much needed teaching materials and provided bursaries to three black BSc students at the University of Stellenbosch. The company improved its BBBEE rating from level 6 to level 4.

REUTECH COMMUNICATIONS

Reutech Communications had a challenging but satisfying year in which the SAAB Grintek high frequency (HF) business, acquired in 2012, was successfully integrated with the traditional medium range (VHF/UHF) communications business; ending the year with a robust order book. The HF production lines were moved from Centurion to the New Germany premises in KwaZulu-Natal.

Production of the new generation radio products for the SANDF will commence in 2014, following a decade of technology and product development and investment in a world-class facility. Deliveries are expected to start in 2015 and will continue over the next five to ten years. This programme will ensure the survival of the technology base and production capability.

During the past year extensive marketing to export markets secured a number of HF orders. Despite initial delays in acquiring export permits, orders were received, radios produced and delivered by year-end, contributing to increased operating profit.

DEFENCE AND ALLIED ELECTRONICS CONTINUED

75kWp
SOLAR PLANT INSTALLED

OSHAS 18001
ATTAINED

NEW RFID PRODUCTS DEVELOPED

A number of export clients will test prototypes of a new generation airborne radio during 2014. This radio is lighter, more compact and versatile than its predecessor and should contribute to increased sales.

A new range of radio frequency-identification (RFID) products has been developed for commercial and military customers. The new range includes both bar-code and RFID readers for inventory management and asset tracking systems. These systems integrate seamlessly with existing SAP solutions and other similar enterprise resource planning platforms. Beta testing of pilot projects are already in process and will be rolled out to a number of customers next year.

Reutech Communications retained its level 4 BBBEE rating and is aiming to improve to level 3 in the next year.

A fully-equipped computer training centre is being built in partnership with the Philangethemba Trust at the Tholulwazi Secondary School – close to the Reutech Communications premises. Pupils will enjoy the benefits of the centre during the school day while the broader community will have access to the centre in the afternoons and evenings.

Further skills development programmes are already in place to recruit young black people. This initiative will help to grow the number of operators and technicians required as production increases in the coming years.

REUTECH SOLUTIONS

Reutech Solutions performed satisfactorily and started implementing its strategy to grow its customer base from primarily defence-related logistics to offering a variety of services to state-owned entities.

Reutech Solutions has been providing Newbridge voice and data time division multiplexer (TDM) equipment to Eskom for many years and is favourably placed to secure a contract to migrate Eskom's existing TDM network to a new generation IP/MPLS platform when Eskom goes ahead with the upgrade. During the past year, the Network Solutions division was appointed as a channel partner for Alcatel-Lucent and Coriant, entering into strategic partnerships with leading brands such as RAD and LOOP.

In addition, the award of the Telkom contract to supply services for both Domain 3 – Indoor Service Provider (ISP) and Domain 4 – DC Power will ensure revenue growth over the forthcoming year. The envisaged expansion of the defence force's static strategic communications network support contract should provide further revenue growth opportunities.

Production commenced on an export contract for 54 Rogue stabilised weapon platform systems, with the first delivery scheduled for early 2014. A number of European shipyards indicated that Reutech Solutions is their preferred supplier of such stabilised weapon systems for integration on their vessels. We are optimistic that this could result in additional sales orders in the near future. Reutech Solutions' strategic focus involves various ICT solution rollouts, in partnership with world-class international partners, for the bus rapid transport system throughout South Africa.

During the past year, a 75 kilowatt peak (kWp) renewable solar energy plant was installed at the new Noordwyk Secondary School in Midrand. Further potential exists to support the Gauteng Department of Education's initiative for green energy

TELKOM
SERVICES CONTRACT AWARDED

STRONG
SALES TO EUROPE

at all newly built schools. Reutech Solutions aims to target concentrated photovoltaic (CPV) solar energy installations, up to 28 kWp in addition to its single axis PV tracker offer.

Reutech Solutions has seen consistent improvement in its BBBEE rating and has been granted level 2 status this year. Major emphasis on social expenditure and enterprise development, which included financial assistance to sub-contractors, has contributed to the current rating. In the coming year, the focus will be on skills development for own employees, trainee and learnership programmes for matriculants and newly qualified artisans, technicians and graduates.

Reutech Solutions attained OSHAS 18001: 2007 certification in the past year and has launched an initiative to complete its ISO 14001: 2004 Environmental Management Systems by September 2015.

FUCHS ELECTRONICS

Profitability remained strong during the past year as Fuchs executed existing orders at favourable exchange rates and received additional short-term orders towards year end. The prospects for significant export orders early in the new financial year are good.

Fuchs is one of a handful of electronic fuze developers in the world and owns the intellectual property on all products produced. A wide variety of rocket, mortar and artillery fuzes were produced during the year, including some new designs. Limited-duration contract labour, which averaged 173 employees per month or 70% of the total workforce, was used over the past year to assist with the variable workload.

Current research and development includes customer-funded projects and is concentrated on new applications for the company's technologies. A new environmental testing facility for compliance testing of products will be commissioned in 2014. Further industrialisation of products and processes will be undertaken to improve manufacturing efficiencies.

The feasibility of building a water recycling and treatment plant to significantly reduce the volume of ground water used is also being explored.

Fuchs holds a level 6 BBBEE rating.

RC&C MANUFACTURING

The RC&C Manufacturing operation made a small loss in the current year largely due to continued delays by the Department of Communication in issuing the order for the manufacture of digital set-top boxes. These boxes will form part of South Africa's domestic terrestrial television migration from analogue to digital. The tender validity has been extended to January 2014.

The manufacture of set-top boxes is expected to become a significant part of the company's manufacturing portfolio, but in the interim the factory continued assembling LCD monitors, television sets and Electrolux products. Additional work is also undertaken for Reunert partners, CBI-electric: Low Voltage and Fuchs Electronics.

Should the set-top box bid be successful, the partnership with Divitech will move to the next level where contracting and subcontracting will occur. The factory, based in Parow Cape Town, has the capacity to manufacture at least one million boxes a year.

GOVERNANCE FRAMEWORK

BOARD OF DIRECTORS

as at 1 December 2013

INDEPENDENT NON-EXECUTIVE DIRECTORS

- TS Munday *(Chairman)*
- SD Jagoe
- S Martin
- LM Mojela
- TJ Motsohi
- SG Pretorius
- JC van der Horst
- R van Rooyen

NON-EXECUTIVE DIRECTOR

- NDB Orleyn

EXECUTIVE DIRECTORS

- DJ Rawlinson *(Chief executive)*
- AE Dickson
- MC Krog *(Chief financial officer)*
- MAR Taylor

REUNERT

BOARD COMMITTEES

GROUP EXECUTIVE COMMITTEE

- DJ Rawlinson *(Chairman)*
- AE Dickson
- MC Krog
- AP Openshaw
- MAR Taylor
- DP van der Bijl

AUDIT COMMITTEE

- R van Rooyen *(Chairman)*
- S Martin
- LM Mojela
- SD Jagoe
- TS Munday

INVESTMENT COMMITTEE

- TS Munday *(Chairman)*
- SD Jagoe
- SG Pretorius
- R van Rooyen

REMUNERATION COMMITTEE

- SD Jagoe *(Chairman)*
- NDB Orleyn
- TS Munday
- JC van der Horst

RISK COMMITTEE

- SG Pretorius *(Chairman)*
- MC Krog
- S Martin
- TJ Motsohi
- TS Munday
- DJ Rawlinson
- R van Rooyen

NOMINATION COMMITTEE

- TS Munday *(Chairman)*
- SD Jagoe
- NDB Orleyn
- JC van der Horst

SOCIAL, ETHICS & TRANSFORMATION COMMITTEE

- NDB Orleyn *(Chairman)*
- TJ Motsohi
- TS Munday
- SG Pretorius
- DJ Rawlinson

BOARD COMPOSITION

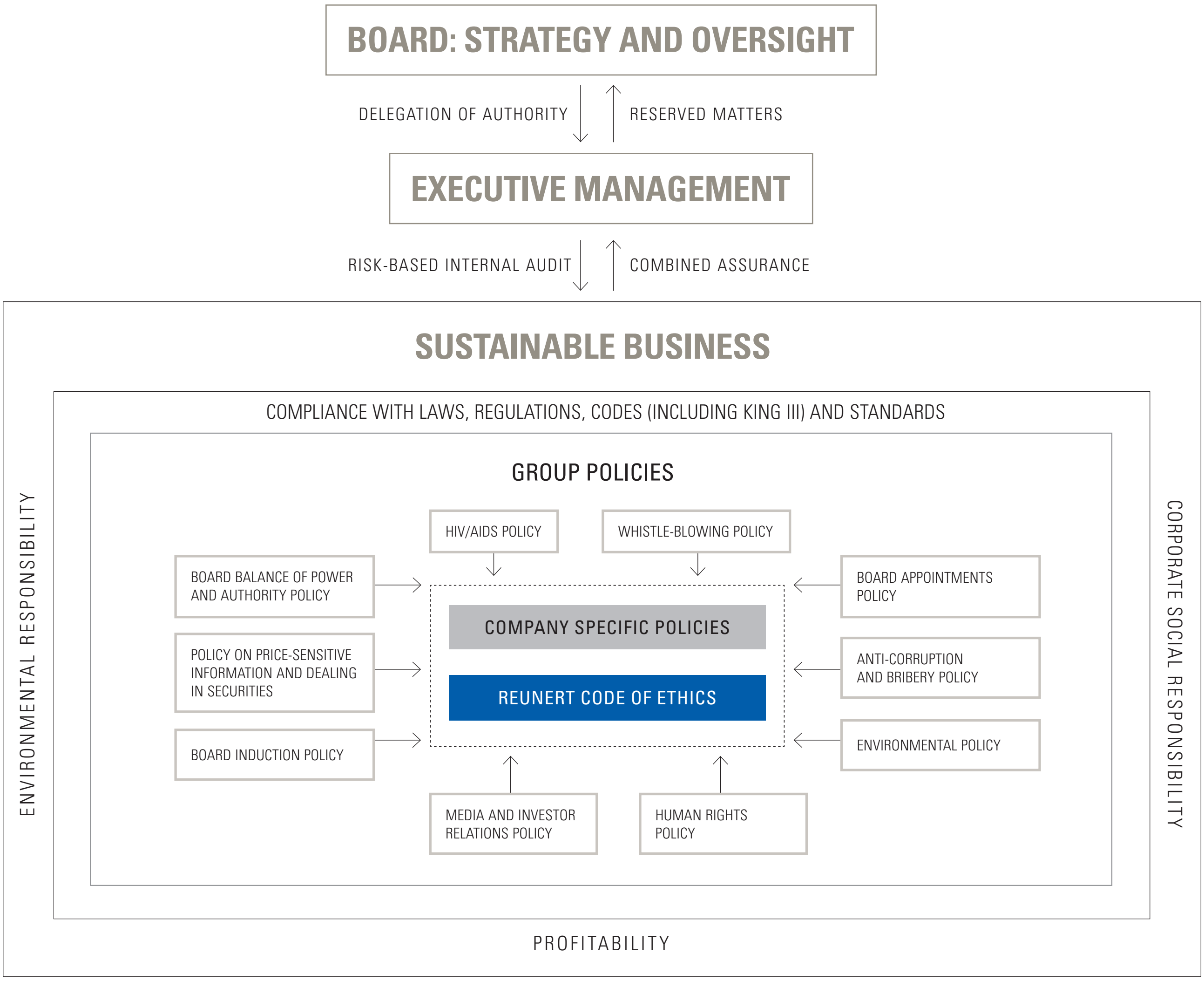
	Male		Female	
	Black	White	Black	White
Non-executive independent	1	5	2	
Non-executive			1	
Executive		3		1

GOVERNANCE REPORT

AFS For full CVs go to page 70 or www.reunert.co.za
For group policies go to www.reunert.co.za

Reunert follows an integrated approach to the social, economic and environmental elements of its operations.

- The Reunert code of ethics is central to the governance of all aspects of its operations.
- The implementation of the code of ethics is supported by various detailed group and company-specific policies.



KING III CODE

- Reunert applies the principles of the King III Code, unless otherwise disclosed.
- Reunert complies with all the principles that are obligatory in terms of the JSE Listings Requirements.
- In respect of the King III Code, the board charter provides that:
  - » The board considers itself bound to and is responsible for the implementation of the principles in the King III Code.
  - » The duties and responsibilities of the board, its committees, executive management and the company secretary as contemplated in the principles of King III apply to the board (unless indicated otherwise) and are binding on the board and its individual members.
  - » The board prefers to follow the recommended practices of the King III Code, but is not bound by them.
  - » The board is responsible for publishing a narrative statement, at least annually, on the company's application of the King III principles. This statement is available on our website.

The results of an internally conducted maturity assessment on how Reunert applies the principles of the King III Code are depicted in the diagram below.

The group complies with all the principles and in numerous instances exceeds the prescribed compliance level. The group makes a continuous effort to enhance the application of the principles.

EXPLANATION OF RATINGS

EXPLAINED AND COMPENSATED FOR

Rating relates to Chapter 3, paragraph 11 of King III (recommended practice):

- The chairman of the Reunert board was appointed as a member of the audit committee on 7 December 2012.
- The audit committee, in consultation with the nomination committee, appointed the chairman of the board to the audit committee on the strength of his extensive experience and insight in financial reporting.
- The board chairman's membership of the audit committee is periodically re-evaluated by the nomination committee to ensure that it continues to serve Reunert's interests.
- The board chairman's membership of the audit committee is subject to annual shareholder approval.
- The chairman of the board does not chair the audit committee.

OVERALL SCORE

STATUS CATEGORY	SCORE
Board composition	AAA
Remuneration	AAA
Governance office bearers	AAA
Board role and duties	AAA
Accountability	AAA
Performance assessment	AAA
Board committees	AAA
Group boards	AAA

WEIGHTING GRAPHIC

Applied · Explained and compensated for · Needs improvement

AAA	Highest Application
AA	High application
BB	Notable application
B	Moderate application
C	Application to be improved
L	Low application

Rating relates to Chapter 9, principle 9.3 of King III:

- External independent assurance is not provided over sustainability information.
- Instead, internal audit has performed appropriate procedures to assess the completeness and accuracy of non-financial information presented in the integrated report.
- BBBEE levels for all group operating entities are externally verified by rating agencies.
- The board is satisfied that this internal oversight is sufficient to provide the required level of comfort as to the reliability of the information presented.
- The requirement for external assurance is periodically re-assessed.

NEEDS IMPROVEMENT

Rating relates to Chapter 5, principle 5.2, 5.3 and 5.6 of King III:

- A detailed review of all aspects of information technology (IT) governance and performance was conducted by an external service provider at selected operations during the 2013 financial year. The results of the review were reported to the board.
- The board concluded that the group should improve the formalisation of IT governance and the synchronisation of IT policies and procedures throughout the group and has tasked management to oversee this process.

BOARD AND BOARD COMMITTEES

BOARD

- The composition of the board and the capacity of each director (whether executive, non-executive and independent) as on 1 December 2013, is set out on page 58.
- A short curriculum vitae of each director is published in the annual financial statements on pages 70 and 71.
- The board conducts itself in accordance with its charter:
  - » The charter is reviewed annually.
  - » In addition to the King III-related requirements, the charter requires that each of the directors undertakes to conduct him- or herself, both professionally and personally, with integrity and in accordance with the ethics and values of the company and the laws of South Africa.
- The board has formal policies in place regarding, amongst others:
  - » Balance of power and authority on the board.
  - » Formal appointment and induction procedures for new board members.
  - » Non-executive directors' fees and reimbursement of expenses.

Attendance of board meetings is set out below:

Board meetings

	19 Nov 2012	12 Feb 2013	20 May 2013	29 Aug 2013
Members				
TS Munday	✓	✓	✓	✓
YZ Cuba	✓	Apology		
BP Gallagher	✓	✓		
SD Jagoe	✓	✓	✓	✓
MC Krog	✓	Apology	✓	✓
LM Mojela			✓	✓
TJ Motsohi	✓	✓	✓	✓
KW Mzondeki	Apology			
NDB Orleyn	✓	✓	✓	✓
SG Pretorius	✓	✓	✓	✓
DJ Rawlinson	✓	✓	✓	✓
Dr JC van der Horst	✓	✓	✓	✓
R van Rooyen	✓	✓	✓	✓

Note: Shaded cells in the table indicate meetings of the board prior to a director's appointment or after a director's resignation.

BOARD COMMITTEES

- The board is assisted by various committees, as set out on page 58.
- The committees are governed in accordance with the principles of the King III Code, including, amongst others:
  - » Circulation of committee minutes to the entire board.
  - » All committees have formalised terms of reference that are reviewed annually.
  - » All committees, other than the risk committee, comprise exclusively of non-executive directors, the majority of whom are independent.
  - » Evaluation of the performance of board committees and chairmen are conducted annually.
  - » Board committees are entitled to take independent professional advice within the scope of their respective mandates.
  - » Board members are entitled to attend any meeting of a board committee, irrespective of whether they are a member thereof.
- The non-executive members of the board conducted a formal process to assess the aggregate skills and experience. The results of the assessment indicated that the aggregate skills and experience of the non-executive board members are appropriate to the mandate of the board. However, the board identified industrial and telecommunications sector knowledge as the two areas where the depth of skills should be enhanced.

GOVERNANCE REPORT CONTINUED

Audit committee

In execution of its statutory duties during the past financial year and pursuant to the provisions of the JSE Listings Requirements, the audit committee:

- Confirmed the appointment of both Deloitte & Touche (Deloitte) as the independent external auditors and Mr Patrick Smit as the designated audit partner.
- Confirmed that Deloitte and the designated audit partner are accredited by the JSE.
- Approved the Deloitte engagement letter, the audit plan and the budgeted audit fees payable to Deloitte.
- Obtained a statement from Deloitte confirming that its independence was not impaired.
- Pre-approved the non-audit services provided by Deloitte in terms of an approved policy.
- Satisfied itself of the appropriateness of the expertise and experience of the chief financial officer and the expertise, resources and experience of the finance function.
- Recommended to the board, which in turn has recommended to the shareholders for consideration at the next annual general meeting, the appointment of Deloitte as external auditors for the financial year ending 30 September 2014.

The audit committee report, available in our online annual financial statements, provides a comprehensive overview of the committee's role and responsibilities in terms of the

- Interim and annual financial statements
- Effectiveness of external audit function
- Internal control and internal audit
- Financial risk management and information technology
- Legal and regulatory compliance
- Sustainability information

Attendance of the audit committee meetings is set out below:

Audit committee meetings

	13 Nov 2012	8 May 2013	1 Oct 2013
Members			
R van Rooyen	✓	✓	✓
YZ Cuba	✓	✓	
SD Jagoe	✓	✓	✓
LM Mojela		✓	✓
TS Munday		✓	✓
KW Mzondeki	✓		

Note: Shaded cells in the table indicate meetings of the committee prior to a director's appointment to or after a director's resignation from the committee.

Investment committee

- The committee is a standing committee of the board which meets on an ad hoc basis.
- The committee has a dual role:
  - » The committee assists and advises executive management on opportunities identified by management and any other envisaged material transactions that are not in the ordinary course of business.
  - » The committee makes recommendations to the board and monitors on the board's behalf, all material acquisition, merger, or disposal opportunities, non-routine material transactions and matters related thereto.

Attendance of investment committee meetings is set out below:

Investment committee meetings

	4 Oct 2012	19 Nov 2012	18 Mar 2013	12 Aug 2013
Members				
TS Munday	✓	✓	✓	✓
YZ Cuba	✓	✓		
SD Jagoe	✓	✓	✓	✓
SG Pretorius	✓	✓	✓	✓
R van Rooyen	✓	✓	✓	✓

Note: Shaded cells in the table indicate meetings of the board after the director's resignation.

Remuneration committee

The remuneration committee is appointed by the board to ensure that Reunert's remuneration philosophy and practices support the strategic objectives of the group and enable the attraction, retention and motivation of high calibre employees, senior executives and scarce skills, while remaining compliant with the requirements of regulatory and governance bodies.

The committee is tasked with ensuring executives and other employees are remunerated fairly and responsibly, and that remuneration practices deliver shareholder value. The remuneration committee has final authority on all remuneration matters of the company, subject only to the approval of the board. In the case of non-executive director fees, however, management proposes the fees which are subject to approval by shareholders.

- The remuneration committee consists of four non-executive directors.
- The chief executive officer attends all meetings, and other executives attend meetings where appropriate and upon invitation.
- A minimum of two meetings are held a year and, when required, special meetings are held.

Roles and responsibility

- The committee reviews executive remuneration trends across the company annually.
- The committee agrees on behalf of the board, all aspects of executive directors' and senior managers' remuneration.
- It agrees the remuneration strategy, direction and policy of the remuneration of other executives who have a significant influence over the company's ability to meet its strategic objectives. In order to do this, the committee is provided with market trends and benchmarking information.

Each year, the committee:

- Reviews the company's remuneration policy for approval by the Reunert board and shareholders.
- Reviews the compensation base and proposed average annual increase for the group's employees.

- Oversees any major changes in employee benefit structures throughout the company.
- Reviews compensation-related matters in respect of senior management promotions, transfers, recruitments and terminations.
- Approves the remuneration packages of executive directors, senior managers and other key executives of the group.
- Approves the design of, and determines targets for, any performance related pay schemes operated by the company and approves the total annual payments made under such schemes.
- Reviews the design of all share incentive plans for approval by the board and shareholders. For any such plans, the committee determines each year whether awards will be made and, if so, the overall amount of such awards, as well as the individual awards to executive directors, senior managers and other key executives; and the performance parameters and targets to be used.

Reporting responsibilities

- The chairman reports formally to the board on proceedings after each meeting.
- The committee makes recommendations to the board that it deems appropriate on any area within its remit, where action or improvement is needed.
- An annual remuneration report of the company's remuneration policy and practices forms part of the company's annual reporting framework and is presented to shareholders for approval at the annual general meeting.

The attendance at meetings for this reporting period is set out below:

Remuneration committee meetings

	19 Nov 2012	12 Feb 2013	17 May 2013	29 Aug 2013
Members				
SD Jagoe	✓	✓	✓	✓
TS Munday	✓	✓	✓	✓
NDB Orleyn	✓	✓	✓	Apology*
Dr JC van der Horst	✓	✓	✓	✓

* *A close friend and fellow board member of Ms Orleyn passed away unexpectedly and she was therefore not able to proceed with this meeting.*

Risk committee

- The responsibilities and functioning of the risk committee are governed by formal terms of reference approved by the board and reviewed annually.
- The committee ensures that risk disclosure is comprehensive, timely and relevant and that effective policies and risk management plans are in place to allow the group to achieve its strategic objectives.
- The committee includes at least three non-executive directors.
- The chairman of the audit committee is an ex officio member.
- The chief executive and chief financial officer are executive members.
- The committee meets at least twice a year.

Attendance of the risk committee meetings is set out below:

Risk committee meetings

	8 May 2013	1 Oct 2013
Members		
SG Pretorius	✓	✓
MC Krog	✓	✓
TS Munday	✓	✓
TJ Motsohi	✓	✓
DJ Rawlinson	✓	✓
R van Rooyen	✓	✓

Nomination committee

- The nomination committee carried out the duties provided for in its terms of reference, with particular emphasis on CEO succession planning.
- This committee plays an important role in the oversight of performance and independence assessment of the board, board committees, individual board members and the company secretary.
- Following the performance and independence assessments, the nomination committee makes recommendations to the board on corrective action required, if any, and the appointment or reappointment of individuals to the board or board committees or to specific offices such as chairmen of committees.
- During the 2014 financial year, the committee envisages that it will focus on support to the CEO and the appointment of other suitable individuals to the board. The committee recognises the requirement for certain skills identified during the self-assessment of non-executive directors.

Oversight of the secretarial function

- Reunert Management Services Proprietary Limited is the company secretary of Reunert Limited.
- The company secretary, through its employees, provides assistance to the board as contemplated in the JSE Listings Requirements and principle 2.21 of King III.
- The secretarial team consists of K Louw (group company secretary and compliance manager), Y Osman (company secretarial assistant) and G Howroyd (who provides administrative support).
- The board, assisted by the nomination committee, evaluated the competence, qualifications and experience of the company secretary:
  - » The nomination committee completed an evaluation questionnaire for each of the competence, qualification and experience of the company secretary (which was done by considering each of the criteria in respect of the secretarial team and Ms Louw particularly).
  - » The nomination committee considered, amongst others:
    - – Competence: Appropriate staffing of the company secretarial function.
    - – Experience: Ms Louw has 14 years' post-article experience and Ms Osman has 13 years' experience as company secretarial assistant.

GOVERNANCE REPORT CONTINUED

  - Qualifications: K Louw has the qualifications indicated in her CV on page 71 of the annual financial statements which the nomination committee considered to be appropriate for the office of company secretary.
- » The board, assisted by the nomination committee, evaluated whether the company secretary maintained an appropriate arms-length relationship with the board:
  - The nomination committee completed an evaluation questionnaire on the independence of both the company secretary and K Louw.

Reunert Management Services Proprietary Limited

- Each director of the company is cognisant of and subject to fiduciary duties to act in the best interests of this company and are obliged to abstain from any decision where a potential conflict of interest exists.
- The Memorandum of Incorporation of this company is in the process of being amended to further strengthen the independence of the company.

K Louw

- Is not a director of Reunert.
- Has access to all of the board members at any time and is in regular contact with the chairman of the board and the chairmen of the committees.
- Has access to and is advised on an ongoing basis by Reunert's sponsors.
- The nomination committee is responsible for her performance assessment and her remuneration package is determined by the remuneration committee.
- The board considered the recommendations of the nomination committee and concluded that:
  - » The competence, skills and experience of the company secretary as well as K Louw are appropriate for the company secretarial function of Reunert Limited.
  - » Both Reunert Management Services Proprietary Limited as well as Ms Louw maintained an arms-length relationship with the board for the 2013 financial year.

Attendance of nomination committee meetings is set out below:

Nomination committee meeting

	19 Nov 2012	17 May 2013	29 Aug 2013	11 Sep 2013
Members				
TS Munday	✓	✓	✓	✓
SD Jagoe	✓	✓	✓	✓
NDB Orleyn	✓	✓	✓	✓
Dr JC van der Horst	✓	✓	✓	✓

Social, ethics and transformation committee

- This committee fulfils the statutory duties of the social and ethics committee as required in terms of section 72 of the Companies Act, 2008 and regulation 43 of the Companies Regulations.
- Amongst others, the committee considered:
  - » The results of an internal assessment of the organisation against the ten principles of the United Nations Global Compact.
  - » Reports on the group's corporate social investments (such as the Nashua Children's Charity Foundation), sponsorships and donations. (More information on Reunert's corporate social initiatives is contained in the social responsibility report on our website.)
  - » The effectiveness of the Reunert College in mitigating the shortage of technical skills experienced by the operations.
  - » Transformation and the current and proposed broad-based black economic empowerment codes.
  - » Reunert's participation in the CDP climate change and water disclosure projects. (The response documents are available on our website.)
  - » Numerous policies relating to its legislated mandate. (The Reunert group-wide policies are available on our website.)
  - » The committee focuses particularly on transformation and employment equity in the group and as a result the achievement of pre-set objectives has been included in the KPIs of executive management in the group.

Attendance of social, ethics and transformation committee meetings is set out below:

Social, ethics and transformation committee meetings

	07 Nov 2012	17 May 2013	28 Aug 2013
Members			
NDB Orleyn	✓	✓	Apology*
TJ Motsohi			✓
TS Munday	✓	✓	✓
DJ Rawlinson	✓	✓	✓
KW Mzondeki	✓		
SG Pretorius	✓	✓	✓

Note: Shaded cells in the table indicate meetings of the committee prior to a director's appointment to or after a director's resignation from the committee.

* *A close friend and fellow board member of Ms Orleyn passed away unexpectedly and she was therefore not able to proceed with this meeting.*

Executive committee

- The executive committee comprises of the Reunert executive directors and executive management, as set out on page 15.
- The purpose of the committee is to:
  - » Share and provide collective input on opportunities and risks faced by the operations in the group.
  - » Harness the collective expertise and entrepreneurial drive of the senior executive.
  - » Explore synergies and drive group-wide sustainable growth.
  - » Executive committee meetings are minuted and the minutes are circulated to the board.

63 For more on the risk committee

RISK REPORT

Within the Reunert group, risk management is considered to be a key business discipline designed to balance risk and reward, and to protect the group against risks and uncertainties that could impede its business objectives.

The board acknowledges its responsibility for the risk management process as a whole, as well as forming an opinion on the effectiveness of this process. Management is accountable to the board for designing, implementing and monitoring the process of risk management, as well as integrating it into day-to-day business activities.

Appropriate mitigation and/or remedial actions are identified and driven through a risk improvement management system.

All group companies conduct formal risk assessments and operational risk management meetings are held at least twice a year. The Reunert chief executive, chief financial officer and senior management attend operational risk management meetings. Internal audit attends all group risk meetings and helps to facilitate the process.

RISK MANAGEMENT AND METHODOLOGY

The risk management methodology, which is based on the ISO 31000 framework can be summarised as follows:

DEFINING AND CATEGORISING RISKS

Risks at each operation are defined and classified as strategic, business, process, financial, operational and compliance related risks.

ASSESSING THE QUANTITATIVE IMPACT OF THE RISKS SHOULD THEY OCCUR

Risks are assessed based on their potential impact on the business in accordance with board approved risk tolerance levels ranging from insignificant to catastrophic.

ASSESSING THE PROBABILITY OF THE RISKS OCCURRING

Risks are assessed based on the likelihood of them occurring assuming that there are no controls in place. Risks are scored in a range from rare to almost certain.

ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS IN PLACE

Internal controls are recorded and assessed for each identified risk. A control effectiveness rating is assigned to each risk ranging from very effective to ineffective.

CLASSIFYING THE RISKS

Residual risks are classified as high, medium and low based on their impact and likelihood of occurring, after taking into account the effectiveness of the internal controls in place.

DEVELOPING RISK MITIGATION STRATEGIES FOR ALL IDENTIFIED RISKS

Risk mitigation strategies and action plans are developed in line with board approved risk tolerance levels.

MONITORING RISKS

Risks are monitored on a continuous basis and are discussed formally twice a year. Financial risks (including financial reporting risks) are monitored by the audit committee and all other risks by the risk committee.

REPORTING

Risk reporting follows the risk reviews, and is considered by the risk committee, at its meetings, twice a year. Financial risks (including financial reporting risks) are reported to the audit committee.

MITIGATION OF RISKS

Our major strategic risks are determined through a top down and bottom up review process. Given that the nature and effect of the major risks change from time to time, we have not ranked the risks in order of priority. All these risks are important to the Reunert group and may impact on our ability to deliver on our strategy. The table on page 66 sets out the major strategic risks identified through our risk management process together with our risk mitigation strategies.

RISK REPORT CONTINUED

Major strategic risk	Risk description	Risk mitigation strategies
ECONOMIC AND BUSINESS ENVIRONMENT	Growth rates in the local and global economies are expected to remain low in the medium term. The current trading environment is characterised by low selling price inflation, continuing cost increases and subdued customer spending. The volatility and pressures experienced within various sectors of the global economy has a direct impact on the South African economy. Structural constraints in the local economy, industrial unrest and delays in state sponsored projects have placed strain on our businesses as sales cycles are extended.	The group places significant emphasis on effective cost and working capital management, productivity improvements and the development of new products and services. Fixed costs are actively managed to ensure that they remain below the breakeven point. Whilst labour unrest is largely uncontrollable, the majority of our operating companies have signed multi-year contracts with relevant unions.
INCREASED COMPETITION AND COMMODITISATION	All of our operating segments are impacted by increased product competitiveness, inexpensive imports and multinationals exploring new markets. Our ability to compete effectively depends on pricing, quality of customer service and developing new and improved products and services in response to customer demands and new technologies.	The group focuses on maintaining and improving key customer relationships and complete life cycle costs, growing sales volumes and focusing on value creation rather than lowest price. Providing top quality products and services superior to those of our competitors, while maintaining our margins through continued operating efficiencies, is a key strategic focus. Furthermore, where appropriate, complementary solutions' offerings are considered to provide diversification.
VOLATILITY IN COMMODITY PRICES AND EXCHANGE RATES	Several of the group's businesses either import or export products and services and are therefore affected by volatile exchange rates and changes in commodity prices, specifically copper and aluminium.	Exchange rate risk and commodity price risk are actively managed within the tolerance levels set by the group's risk management policies. Through our hedging philosophy, the group takes appropriate cover or transfers the risks associated with movements in the exchange rates and commodity prices to customers.
DIVERSITY, TRANSFORMATION AND RETENTION OF CRITICAL SKILLS	To sustain Reunert's businesses, the group understands the importance of creating a high-performance, ethical and inclusive culture for all our employees thereby being able to attract, develop and retain the skills we need. Transformation is a key strategic objective for the board and the group. Failure to meet South Africa's transformation objectives could have material consequences for our reputation, access to resources, licence to operate and ability to attract and retain skills. More onerous legislation, potential penalties and slow progress in achieving employment equity plans could negatively impact on the group's transformation objectives.	The development of sufficient management and technical skills is an integral part of our human resources strategy in order to pursue our growth strategy and sustain productivity in our businesses. Transformation will continue to be a key focus for 2014 and individual targets have been set for all business operations. Various strategies have been implemented to retain and mentor key staff and grow the pipeline of suitably skilled historically disadvantaged South African employees within the group. Succession planning is carefully considered by the group executive committee, and the nomination committee. Key staff members are identified and properly incentivised and remunerated.
NON-COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS	Authorities globally are intensifying efforts to enforce compliance with laws and regulations and non-compliance could result in fines, reputational damage and negative publicity. The group could also, in the event of non-compliance, be subject to civil litigation and black listing in relevant jurisdictions.	Reunert is focused on identifying changes in the regulatory landscape that have implications for the group on a pro-active basis and ensuring that we are prepared to respond to these changes. The group company secretarial and compliance manager monitors existing and proposed legislation and identifies potential impacts on the businesses, with the help of experts where required. Systems and processes are in place to ensure compliance with applicable laws and regulations by all employees and annual training and certification by affected employees takes place.

The board is committed to increasing shareholder value by understanding the calculated risks that are taken to optimise opportunities and to protect against risks and uncertainties that could threaten the achievement of the group's strategic objectives. This commitment is reflected in management's continued attention to the importance of effective risk management through efficient risk reporting processes that enable management and the board to make quality informed decisions.

BRAND PRETORIUS CHAIRMAN RISK COMMITTEE
Sandton, 20 November 2013

REMUNERATION REPORT

Full remuneration report available online
62 For more on the remuneration committee

The group's remuneration policy is focused on attracting and retaining employees of the highest calibre. The committee reviews remuneration policies within South Africa and globally and attempts to apply best practice in the group.

As far as possible, the committee aligns the remuneration policy with the interests of shareholders and also seeks to encourage and reward long-term sustainable growth of the group. In the case of senior management, longer-term strategic actions are encouraged by having a high proportion of variable remuneration, payment of which is made out of increased returns to shareholders. The remuneration principles contained in this report are subject to shareholder approval. If approval is not granted for any reason, the previously approved remuneration principles will be adhered to.

Remuneration is based on the following elements:

Base salary	The salary prior to the addition of any benefits or allowances.
Guaranteed package	The amount that comprises the base salary and all employee and employer contributions but exclusive of incentives. It is determined by the level of the position and requirements of the role.
Variable pay	Compensation that is contingent on performance or results achieved.
Short-term incentive	Used to reward performance for contributions made by an employee to the success of his or her business. Designed to motivate and drive exceptional performance with targets set for short-term financial and strategic objectives.
Long-term incentive	Used to encourage senior executives to build up a shareholding, thereby aligning their interests with those of Reunert's shareholders. It is designed as a retention and reward mechanism based on the achievement of longer-term sustainable growth and balances employee focus between long- and short-term goals. Further, targets are set such that vesting of long-term incentives only occurs if positive real growth in shareholder value has been achieved. A small group of key individuals participate in a pure retention scheme, which is also aimed at the long-term sustainability of the group's performance.

For executive management, the average annual remuneration over a business cycle is expected to be made up as follows:

	Note	Estimated % of guaranteed package	Estimated % of total remuneration package
Guaranteed package		100	50
Short-term incentive	1	50	25
Long-term incentive	2	50	25
Total annual remuneration	3	200	100

Note 1

The short-term incentive is the estimated average annual payment over a business cycle. Economic conditions and individual business performance play an integral role in determination of pay-outs.

Note 2

Long-term executive incentives are dependent on the performance of all the components of the group. This estimate will be influenced by market conditions, the effectiveness of group strategies and the senior management team's effectiveness in executing group strategies.

The retention scheme for key employees is conditional on remaining in the employ of the group. The percentage of the guaranteed package used for this retention scheme is substantially lower than that of the executive incentive, which is subject to performance conditions.

Note 3

Total annual remuneration over the business cycle is dependent on the achievement of key performance criteria and is expected to be in the upper quartile of Reunert's peer group.

GUARANTEED PACKAGE

The group aims to attract and retain individuals with talent, critical skills and an innovative and entrepreneurial bias. Benchmarking against peer companies is performed on an annual basis, and the guaranteed package is reviewed annually with reference to these benchmarks. Individual performance is an integral component of annual increases. The guaranteed package aims to remunerate senior executives in the second quartile (i.e. up to the median of the peer group). The guaranteed package for employees other than executive management is targeted at the median.

SHORT-TERM INCENTIVE

The incentive (bonus) scheme is based on the achievement of pre-determined targets and an assessment of the individual's performance. The targets include corporate and operational performance measures, as well as individual performance against pre-determined objectives related to key business strategies and requirements. Operating profit (EBIT) is used as the primary financial measure.

A bonus is earned only when a predetermined threshold is achieved. Should stretch targets be achieved in full, a maximum of 140% of guaranteed package can be earned by executive management. The bonus is structured to be self-funding, with payments made out of increased profits.

Non-financial measures, for example transformation targets, are also set as a condition for executive management to qualify for a bonus payment.

Employees other than executive management are paid bonuses at lower percentages of guaranteed package. These bonuses, other than in exceptional circumstances, do not exceed three months' guaranteed package and are discretionary, dependent on performance.

LONG-TERM INCENTIVES

The Conditional Share Plan (CSP) was approved by Reunert's shareholders at the AGM held on 12 February 2013. The targets set are intended to be challenging but realistic, are based on a graduated vesting scale, and full vesting requires a stretch performance.

The key terms of the CSP are:

- The performance conditions comprise real growth in normalised headline earnings per share and total shareholder return, each measured independently.
- The vesting period for each allocation shall be 50% after three years and the remaining 50% after four years.
- The performance conditions are measured over the vesting periods for the shares.
- Annual awards will be made.
- The face value of any awards may not exceed 1,5 times guaranteed salary package, dependent on the role and responsibility of the executive.
- The conditional shares are delivered to the executive, for no consideration, after the vesting period, to the extent that the performance conditions are met and provided that the participant is in the employ of the group.

In line with the King III recommendations, the CSP also caters for employees who are specialists in their field and who would not otherwise qualify for the CSP. In this case, to attract, motivate and retain the necessary specialist skills required in Reunert's high technology businesses, no performance conditions apply. The number of shares for specialist employees will be limited and will vest provided that the participant remains in the employ of the group for the full vesting period. The vesting period for each allocation shall be 50% after four years and the remaining 50% after five years from 2013. Allocations are 0,25 times guaranteed package.

Reunert accounts for the share awards as equity settled instruments in terms of IFRS2 Share-based Payments.

FINANCIAL TARGETS, INFORMATION AND ALLOCATIONS

Performance vesting condition for CSP

Performance condition 1	Normalised HEPS	60%
Performance condition 2	Total shareholder return	40%

Performance targets for CSP

Below inflation	No vesting
Inflation plus 4%	40% vesting
Inflation plus 8%	100% vesting

These targets will be compounded annually over the vesting period, and vesting will be linear between the above data points.

LIFE OF SCHEME

The scheme will terminate after eight years from date of inception, at which time the shareholders will be requested to approve a revised long-term incentive scheme.

Maximum participants and allocations for CSP

Participants	Performance vesting Retention	70 individuals 30 individuals
Number of shares to be issued	Maximum annual allocations Scheme maximum allocations (over 8 years) Individual participant annual maximum allocation	1 250 000 shares 10 000 000 shares 125 000 shares
Percentage of total shares in issue	Annual maximum Life of scheme	0,75% 6,00%

The remuneration committee has allocated the following awards:

Actual participants and annual costs for CSP

Scheme	Performance vesting (CSP)	Specialist (Retention)
Participants	50 individuals	16 individuals
Number of shares to be issued	918 688	60 685
Percentage of total shares	0,46%	0,03%

ILLUSTRATIVE CALCULATIONS: COST OF CSP AT 4% AND 8% REAL GROWTH

Compound growth in NHEPS and total shareholder return over 3 years	**2013 NHEPS R**	2016 NHEPS R (Note 1)	Estimated market capital increase (Note 2)	Estimated value to executives
(Note 3)				
Inflation +4%	5,69	7,57	R1,4 billion	R85 million
Inflation +8%	5,69	8,43	R3,0 billion	R95 million

Note 1
Annual compound increase in NHEPS for three years, assuming annual headline CPI inflation of 6%, based on figures from Statistics SA at 30 September 2013.

Note 2
Increase in Reunert's market capitalisation after three years based on current PE ratio of 11,5 and 163,1 million shares in issue. This calculation excludes the value of dividends paid in the vesting period.

Note 3
Value of shares that will vest in terms of the criteria after three and four years, based again on Reunert's current PE ratio of 11,5 and 163,1 million shares and assuming 918 688 shares are awarded.

Note: The CSP shares allocated at the remuneration committee meeting in November 2012 are, at this stage, not expected to vest.

SHORT-TERM INCENTIVE AWARDS

Target set for 2013

Growth in EBIT	4%	10%	17%	24%
Bonus as a percentage of guaranteed package (maximum)	20	40	100	140
Estimated bonus award	R15 million	R30 million	R65 million	R93 million

The EBIT growth reflected above is the average EBIT growth for each business unit participating in the short-term incentive. Certain divisions have higher targets and others lower targets in respect of EBIT growth.

A KPI incentive was introduced in 2013 whereby executives can earn a maximum award of 25% of guaranteed package for the achievement of specific KPIs aligned to the strategic needs of their business. The maximum bonus for any executive remains limited to 140% of guaranteed package.

ACTUAL ACHIEVED 2013

Decline in EBIT before bonus award	9%
Decline in EBIT after bonus award	13%

Rm	**2013**	2012
Bonuses earned by CBI-electric segment	9,1	8,6
Bonuses earned by Nashua segment	5,3	13,2
Bonuses earned by Reutech segment	16,7	19,4
Total bonuses earned by operations	31,1	41,2

REMUNERATION REPORT CONTINUED

Individual companies within each segment earned bonuses for meeting targets set for the 2013 financial year. The exceptional performance by all the Reutech companies in 2013 resulted in bonus awards approaching 100% of guaranteed package being earned.

Included in the objectives for the short-term incentive scheme was the achievement of a predetermined BBBEE rating. The achievement of this rating was a precondition for bonuses to be earned.

Targets for 2014

Growth in EBIT after bonus award	17%	25%	38%	46%
Bonus as a percentage of guaranteed package (maximum)	20%	40%	100%	140%
Estimated bonus award	R18 million	R36 million	R75 million	R111 million

In addition, a KPI bonus pool, of R18 million has been created which is a maximum of 20% of the guaranteed package of executives. Again, the maximum bonus for any executive is 140% of guaranteed package.

The EBIT growth reflected above is the average EBIT growth for each business unit participating in the short-term incentive. The individual business units' target percentages differ. Should Reunert in aggregate not meet the above target growth rates, those business units that achieve their specific targets may still earn bonuses.

SEAN JAGOE CHAIRMAN REMUNERATION COMMITTEE
Sandton, 20 November 2013

SOCIAL, ETHICS AND TRANSFORMATION REPORT

Sustainability report

64 Social, ethics and transformation committee

Reunert subscribes to the highest standards of social responsibility and ethics and legislative compliance.

The social, ethics and transformation committee has oversight of the processes and policies implemented to ensure that Reunert is a responsible corporate citizen that engages with the communities and environment in which it operates. Respect for our people, customers, communities and the environment is a key value and is embedded in our code of ethics.

INITIATIVES DURING THE PAST FINANCIAL YEAR

MONITORING OF SUSTAINABLE DEVELOPMENT PRACTICES

The committee has reviewed the sustainable development practices of the group, specifically relating to:

- Ethics and compliance.
- Corporate social investment.
- Broad-based black economic empowerment.
- Health and safety.
- Labour relations and working conditions.
- Training and skills development.
- Management of the group's environmental impact.

A more comprehensive sustainability report is available on our website.

KEY INITIATIVES OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Key matters considered by the committee during the course of the 2013 financial year are referred to in the governance report on page 64. This report elaborates on some aspects of the group's corporate citizenship. Management is primarily responsible for these activities, with oversight and strategic direction provided by the social, ethics and transformation committee.

GOVERNANCE AND COMPLIANCE

Governance and compliance received a good deal of attention in the current year. An online compliance training programme was developed and rolled out at year-end to create awareness and to build a knowledge base on anti-corruption, competition law, consumer protection and protection of personal information. Currently, 856 employees are enrolled in the first phase of the programme, which will finish at the end of January 2014. New employees will receive similar training in future and refresher courses will be offered on a regular basis.

SRI INDEX

Post year-end, Reunert was included in the JSE's Socially Responsible Investment (SRI) Index for the first time, based on its performance and disclosures made during 2013.

HUMAN RESOURCES

Our operations are diverse and human resource management is consequently decentralised. Each business is responsible for implementing human resource practices that conform to legislation, industrial collective agreements and company-specific agreements.

Despite a decentralised system, a group human resources manager was recently appointed to strengthen oversight and co-ordinate synergies across the group.

On 30 September 2013, the Reunert group employed 5 931 (2012: 5 815) full-time employees. The group further employed 715 non-permanent staff, including 59 trainees. The total payroll cost for the group is R1,8 billion (2012: R1,7 billion), which represents 15,9% (2012: 14,5%) of the group's total revenue.

TRANSFORMATION AND EMPLOYMENT EQUITY

During the past year, the social, ethics and transformation committee focused specifically on transformation and employment equity in the group, giving specific attention to the recently legislated codes of good practice.

Black male representation at senior management level improved from 19% to 26%, while black females at top management level increased from 4% to 7%. Business operations have provided various strategic initiatives that should see more black candidates filling senior and top management positions in the short- to medium term. With staff turnover remaining low at 3%, the board supports management's proposal to create selected supernumerary positions. This intervention should see a further improvement in our employment equity ratios over the next 24 months.

A table reflecting the improvement in our BBBEE ratings since 2011, is available on page 72.

SOCIAL, ETHICS AND TRANSFORMATION REPORT CONTINUED

BBBEE RATING PER OPERATION

Over the year, our various operations either maintained or improved their BBBEE rating.

Level	2014 target	2013 rating	2012 rating	2011 rating
CBI-electric: African Cables	2	2	2	2
CBI-electric: Low Voltage	4	4	6	8
Telecom Cables	4	4	4	6
Nashua Office Automation	4	4	4	5
Nashua Mobile	3	3	3	3
Nashua Communications	3	3	4	4
PanSolutions	3	3	4	4
Quince	3	3	3	4
Reutech Communications	3	4	4	4
Reutech Radar	5	4	6	7
Reutech Solutions	2	2	3	5
Fuchs Electronics	6	6	6	8

SKILLS DEVELOPMENT

Investment in developing the skills of our people increased from R18 million to R24 million with 4 199 employees of whom 58% is black, received training in the current financial year. The group companies provide management development programmes, learnerships, apprenticeship training, internships, practical work exposure, occupational needs and legal compliance training that is relevant to their industries. A total of 97 learners were trained during the past year.

All companies in the group have the required employment equity committees, which monitor the implementation of employment equity plans that are submitted annually to the Department of Labour.

HEALTH AND SAFETY

Reunert has a low incidence of injuries and over the past five years recorded no work-related fatalities.

CBI-electric provides full-time clinics at its three manufacturing plants. These clinics offer basic health assistance to workers and are run by the resident sister or visiting doctor.

Several of our companies hosted employee wellness days with the assistance of medical aid providers or the Department of Health. Screening tests covered blood pressure, diabetes, cholesterol and vision. Additional tests included screening for tuberculosis and HIV/Aids.

COMMUNITY DEVELOPMENT

The difficult operating environment resulted in a lesser social investment of R11,7 million in the communities in which we operate, compared with the previous year (2012: R15,4 million). In total, 97% of this amount was for the benefit of black beneficiaries. Spend on enterprise development declined to R42,4 million.

Our flagship projects are the Reunert College and the Nashua Children's Charity Foundation.

REUNERT COLLEGE

This year our 21st group of grade 12 pupils had the opportunity to rewrite their matric examinations at the Reunert College. The College, which is registered as an examination centre with both the Gauteng Department of Education and the Independent Examination Board, continues to be an integral component of our investment in education and youth development. Since inception, we have offered 915 pupils the opportunity to improve their matric.

The Reunert College is funded by contributions from companies within the Reunert group, while the Zenex Foundation and the JSE are external sponsors. In the past year, the contribution from these organisations amounted to R4,4 million (2012: R4,8 million).

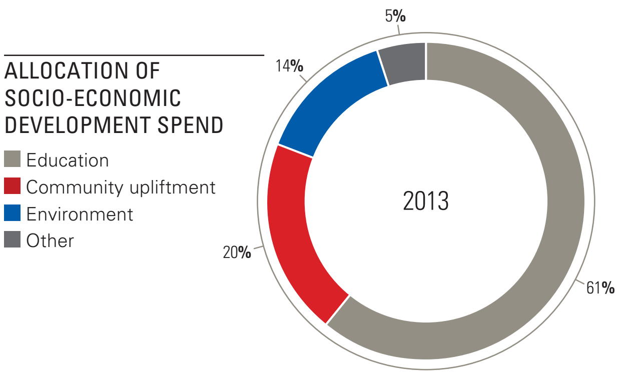
After successfully completing their exams, top students are eligible for a Reunert bursary. Students whose fields of study will benefit the group are given preference. This year we had 47 black bursars (2012: 47) studying at universities or technical colleges in Gauteng and KwaZulu-Natal.

NASHUA CHILDREN'S CHARITY FOUNDATION

The Foundation supports 54 (2012: 49) charities and an average of 12 000 children nationwide, providing some 360 000 meals per month.

The Foundation's philosophy is that by making a difference now in the lives of young, underprivileged children, they are laying the foundation to give them a better start in life.

ALLOCATION OF SOCIO-ECONOMIC DEVELOPMENT SPEND



ENVIRONMENT

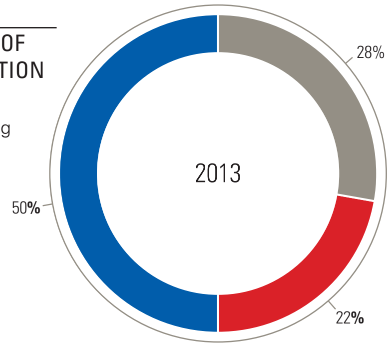
ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS)

A significant proportion of the group's operations is either ISO 14001 certified or in the process of obtaining certification.

- CBI-electric: African Cables and Nashua Communications have been ISO 14001 certified for a number of years.
- CBI-electric: Telecom Cables received its ISO 14001 accreditation in November 2012.
- Nashua Office Automation hopes to be finally certified by January 2014.
- Reutech Radar has finalised its first ISO 14001 audit and is working to being accredited in June 2014.
- Reutech Solutions and PanSolutions have started the qualification process.

ISO 14001 EMS AS % OF REVENUE CONTRIBUTION

- ISO 14001-certified
- In process of obtaining
- Not certified



CLIMATE CHANGE OPPORTUNITIES

The worldwide focus on energy efficient products and renewable energy offers opportunities for our CBI-electric and Reutech businesses as covered in the operational reviews.

CARBON FOOTPRINT

Reunert participates in the annual disclosure projects – CDP climate change and CDP water projects.

Between 1 October 2012 and 30 September 2013, the total measured Scope 1 and 2 emissions reduced to 61 534 (2012: 67 109) metric tonnes of CO_2e, largely due to lower production output and energy saving initiatives.

A detailed breakdown of total emissions by segment, scope and emission source activity is provided in our online sustainability report.

Our environmental data is not externally verified, but the internal audit team has tested seven of the 24 environmental GRI performance indicators against which we report.

Our operations manage their environmental impact diligently. We will continue to critically review products and processes to minimise our environmental impact as well as to reduce and recycle waste wherever possible.

THANDI ORLEYN CHAIRMAN SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE
Sandton, 20 November 2013

PERFORMANCE INDICATORS

OVERVIEW OF MAJOR EXTERNALLY ASSURED STANDARDS AND VERIFICATIONS IN THE GROUP

	ISO 9001	ISO 14001	OHSAS 18001	IRCA Cap 9	EN29001
CBI-electric					
African Cables	●	●	●	●	
Low Voltage	●				●
Telecom Cables	●	●			
Nashua					
Office Automation	●	○			
Nashua Mobile					
Nashua Communications	●	●			
PanSolutions		○			
Quince	●	○			
Reutech					
Reutech Radar	●	○			
Reutech Communications	●				
Reutech Solutions	●	○	●		
Fuchs Electronics	●				

● Externally verified
○ In process to obtain verification

		2013	2012	2011	2010
CBI-ELECTRIC					
Economic					
Revenue	Rm	3 506	3 634	3 336	2 961
Operating profit	Rm	506	593	592	521
Total assets	Rm	2 003	1 515	1 581	1 495
Capital expenditure	Rm	109	21	30	23
Environmental					
Petrol and diesel consumption	kl	635	655	720	747
Electricity consumption	MWh	42 948	41 874	42 066	42 738
Water consumption	Ml	202	201	210	219
CO_2e	kt	46	47	48	(*)
Social					
Total number of employees		2 604	2 491	2 541	2 908
Work-related fatalities		0	0	0	0
Staff turnover	%	3	4	(*)	(*)
Training spend	Rm	9,6	6,1	3,3	2,5
Community investments	Rm	3,9	5,3	4,9	3,6
Enterprise development spend	Rm	19,9	18,3	15,4	11,3
NASHUA					
Economic					
Revenue	Rm	6 812	7 218	6 928	6 867
Operating profit	Rm	636	839	794	654
Total assets	Rm	4 469	4 102	3 848	3 595
Capital expenditure	Rm	42	53	20	44
Environmental					
Petrol and diesel consumption[1]	kl	1 299	1 478	232	464
Electricity consumption	MWh	6 854	8 473	8 436	10 667
Water consumption	Ml	81	51	22	41
CO_2e	kt	10	12	9	(*)
Social					
Total number of employees		3 032	2 812	2 767	2 545
Work-related fatalities		0	0	0	0
Staff turnover	%	4	5	(*)	(*)
Training spend	Rm	9,8	8,6	5,0	5,3
Community investments	Rm	5,0	7,6	4,9	4,8
Enterprise development spend	Rm	16,7	24,7	20,8	21,7
1 The basis for measurement has changed from 2011 and now includes fuel consumption by staff members for work purposes.					
REUTECH					
Economic					
Revenue	Rm	1 020	806	640	791
Operating profit	Rm	207	151	49	61
Total assets	Rm	727	598	356	660
Capital expenditure	Rm	23	31	36	32
Environmental					
Petrol and diesel consumption	kl	229	204	431	460
Electricity consumption	MWh	5 103	5 299	5 094	5 278
Water consumption	Ml	55	50	42	35
CO_2e	kt	5	6	6	(*)
Social					
Total number of employees		950	1 305	962	917
Work-related fatalities		0	0	0	0
Staff turnover	%	2	2	(*)	(*)
Training spend	Rm	4,4	2,9	1,2	1,6
Community investments	Rm	1,7	1,3	0,4	0,3
Enterprise development spend	Rm	5,8	5,5	1,8	2,5

(*) Reliable measure not available for previous periods.
CO_2e = Scope 1 & 2 only

TEN-YEAR REVIEW

Rm	IFRS 2013	IFRS 2012	IFRS 2011
Condensed balance sheets			
ASSETS			
Property, plant and equipment and investment property	677,1	624,4	612,2
Intangible assets	81,9	82,4	89,8
Goodwill	803,0	707,0	654,9
Investments and loans	76,3	64,3	46,1
Non-current rental and finance lease receivables	1 378,2	1 066,5	965,9
Deferred taxation assets	55,3	33,3	32,2
Cash and cash equivalents	699,2	696,9	643,0
Other current assets[1]	3 672,0	3 313,2	3 062,2
Total assets	7 443,0	6 588,0	6 106,3
EQUITY AND LIABILITIES			
Ordinary and preference equity holders of Reunert	4 877,9	4 442,4	3 880,4
Non-controllling interests	59,4	56,1	55,2
Total equity	4 937,3	4 498,5	3 935,6
Deferred taxation liabilities	139,7	127,4	99,6
Long-term borrowings	24,9	25,4	0,7
Current liabilities[1]	2 341,1	1 936,7	2 070,4
Total equity and liabilities	7 443,0	6 588,0	6 106,3
Condensed income statements			
Revenue	11 350,6	11 662,2	10 922,7
Operating profit	1 329,5	1 524,6	1 391,4
Net interest and dividends income	15,7	41,8	40,9
Profit before abnormal items	1 345,2	1 566,4	1 432,3
Abnormal items	–	–	346,4
Profit before taxation	1 345,2	1 566,4	1 778,7
Taxation	(372,4)	(483,8)	(425,9)
Profit after taxation	972,8	1 082,6	1 352,8
Share of associate companies' profits	–	–	–
Profit for the year	972,8	1 082,6	1 352,8
Profit for the year attributable to:			
Non-controlling interests	13,8	15,9	15,7
Equity holders of Reunert	959,0	1 066,7	1 337,1
Headline earnings attributable to equity holders of Reunert	951,5	1 066,8	988,9
Condensed cash flow statements			
EBITDA	1 461,2	1 660,7	1 513,2
Changes in net working capital	(144,5)	(191,6)[2]	47,7
Cash generated from operations	1 316,7	1 469,1	1 560,9
Net interest and dividends received	15,7	41,8	40,9
Taxation paid	(372,8)	(447,2)	(438,8)
Dividends paid	(612,8)	(577,4)	(498,5)
Share buy back	–	–	(1 127,9)
Other (net)	13,7	26,2	(1,6)
Net cash flows from operating activities	360,5	512,5	(465,0)
Net cash flows from investing activities	(696,3)	(498,5)[2]	484,7
Net cash flows from financing activities	44,9	42,1	(641,0)
Net cash (utilised)/generated	(290,9)	56,1	(621,3)

1 In years prior to 2008, inventory items were shown net of advance payments received from customers. These advance payments are now disclosed in current liabilities.

2 The 2012 cash flow statement was restated to include the movement in total rental and finance lease receivables as part of investing activities instead of operating activities as this represents the group's investment in resources intended to generate future income. The cash flow movements for the years up to and including 2011 have not been restated.

IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	SA GAAP 2004
593,8	559,3	569,6	565,7	455,4	328,4	196,2
41,5	28,6	21,7	13,0	11,9	7,9	–
492,1	460,6	415,3	372,8	326,8	329,0	324,8
837,8	853,9	865,3	727,9	148,8	116,2	109,9
846,0	993,6	1 274,8	–	985,3	302,2	391,5
40,4	29,1	32,0	37,9	59,1	37,5	56,2
1 878,1	1 700,7	876,6	530,6	969,3	784,4	451,3
3 223,1	3 071,6	3 620,3	2 631,2	2 703,2	2 296,9	1 559,9
7 952,8	7 697,4	7 675,6	4 879,1	5 659,8	4 202,5	3 089,8
4 433,1	4 034,4	3 675,4	2 469,0	1 680,9	1 561,7	983,1
37,9	26,7	20,7	14,4	38,2	43,0	39,7
4 471,0	4 061,1	3 696,1	2 483,4	1 719,1	1 604,7	1 022,8
122,0	140,3	208,2	115,8	141,6	81,7	44,3
710,9	710,9	712,7	278,8	115,0	111,7	–
2 648,9	2 785,1	3 058,6	2 001,1	3 684,1	2 404,4	2 022,7
7 952,8	7 697,4	7 675,6	4 879,1	5 659,8	4 202,5	3 089,8
10 675,1	10 270,8	10 921,1	9 574,4	8 236,4	7 012,0	6 247,3
1 262,8	1 210,2	1 594,8	1 362,2	1 329,9	947,4	719,1
59,2	38,4	39,6	11,3	7,7	20,0	46,5
1 322,0	1 248,6	1 634,4	1 373,5	1 337,6	967,4	765,6
(34,0)	299,2	–	(447,6)	1,6	3,9	6,0
1 288,0	1 547,8	1 634,4	925,9	1 339,2	971,3	771,6
(376,6)	(374,3)	(486,8)	(427,4)	(500,5)	(326,5)	(309,0)
911,4	1 173,5	1 147,6	498,5	838,7	644,8	462,6
–	–	16,1	148,4	95,2	79,2	66,8
911,4	1 173,5	1 163,7	646,9	933,9	724,0	529,4
12,0	9,0	7,1	7,6	11,1	10,7	51,0
899,4	1 164,5	1 156,6	639,3	922,8	713,3	478,4
903,4	1 163,1	1 159,8	481,3	918,6	708,1	526,9
1 375,5	1 306,6	1 681,4	1 436,5	1 393,1	997,3	830,5
318,3	757,4	(327,7)	(739,7)	(628,4)	(601,0)	804,5
1 693,8	2 064,0	1 353,7	696,8	764,7	396,3	1 635,0
59,2	38,4	126,5	157,3	63,7	89,2	46,5
(407,9)	(477,5)	(410,8)	(568,6)	(347,4)	(364,9)	(313,5)
(456,8)	(550,3)	(569,0)	(879,3)	(464,2)	(308,3)	(268,1)
(125,7)	–	–	–	–	–	(476,6)
26,3	42,6	17,9	23,7	(4,3)	29,3	(5,8)
788,9	1 117,2	518,3	(570,1)	12,5	(158,4)	617,5
(313,3)	(130,8)	(921,3)	1 008,6	(185,7)	(48,5)	(250,1)
21,9	2,5	(380,3)	274,5	27,0	156,1	18,7
497,5	988,9	(783,3)	713,0	(146,2)	(50,8)	386,1

TEN-YEAR REVIEW CONTINUED

		IFRS 2013	IFRS 2012	IFRS 2011
Shares				
Number of ordinary shares on which earnings per share is calculated	millions	163,1	162,0	165,3
Net worth per share	cents	2 980	2 732	2 401
Basic earnings per share	cents	587,8	658,2	809,0
Headline earnings per share	cents	583,2	658,3	598,3
Normalised headline earnings per share	cents	569,1	644,4	590,0
Dividends per share – normal	cents	370,0	370,0	330,0
– special	cents			
Dividend cover	times	1,5	1,7	1,8
Cash flow per share	cents	596,8	672,8[1]	702,5
Cash flow per share (excluding rental book)	cents	596,8	672,8[1]	638,7
Ordinary shares in issue (net of treasury shares)	millions	163,7	162,6	161,6
Number of transactions – JSE		147 988	109 185	99 875
Number of shares traded	millions	102,4	89,6	106,5
Value of shares traded	Rm	7 493,6	6 107,5	6 579,4
Number of shares traded as a percentage of gross issued shares		50,8	44,7	53,4
Market price per share				
– year-end	cents	7 266	6 895	5 885
– highest	cents	8 791	8 170	6 970
– lowest	cents	6 200	5 700	5 101
Earnings yield	%	7,8	9,3	10,0
Dividend yield	%	5,1	5,4	5,6
Price: Earnings ratio	times	12,8	10,7	10,0
Market capitalisation (net of treasury shares)	Rm	11 897	11 215	9 512
JSE actuaries' electronics sector index at 30 September		11 399	10 710	9 780
Other				
Number of employees		6 645	6 654	6 324
Revenue per employee	R'000	1 708	1 753	1 727
Operating profit per employee	R'000	200	229	220
Wealth created per employee	R'000	582	594	636
Employment cost per employee	R'000	275	253	248
Profitability, asset management, liquidity and leverage				
EBITDA as a percentage of revenue[2]	%	12,9	14,2	13,9
Operating margin (%)[2]	%	11,7	13,1	12,7
Net asset turn	times	2,6	3,1	2,9
Normalised return on ordinary shareholders' funds	%	19,9	25,1	23,5
Return on net operating assets	%	30,0	40,6	36,6
Taxation as a percentage of profit before taxation[3]	%	27,7	30,9	29,7
Total liabilities to total shareholders' funds[4]	%	47,9	43,6	52,6
Net borrowings to total shareholders' funds[5]	%	–	–	–
Current ratio		2,2	2,1	1,8
Quick ratio		1,6	1,6	1,4
Interest cover	times	119,8	142,5	210,8

1 The 2012 information was recalculated. Refer to [2] on the ten-year review.

2 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.

3 Abnormal items, the STC on a special dividend in 2006 and the share buy-back in 2004 have been excluded in this calculation.

4 These ratios have been restated in 2003 to 2007 to take account of the reallocation of the advance payments from inventory and contracts in progress to trade and other payables.

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

IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	SA GAAP 2004
178,7	178,5	177,9	176,7	175,1	173,4	189,9
2 502	2 258	2 060	1 390	953	896	572
503,3	652,4	650,1	361,7	527,0	411,4	251,9
505,5	651,6	651,9	272,4	524,6	408,4	277,5
515,7	499,5	630,1	570,3	495,3	380,2	277,5
287,0	253,0	319,0	314,0	273,0	222,0	160,0
				200,0		
1,8	2,0	2,0	0,9	1,9	1,7	1,7
767,4	797,8	629,5	345,0	486,7	374,6	353,2
635,6	797,0	647,7	515,2	701,2	662,8	(11,0)
177,2	178,7	178,4	177,7	176,3	174,4	171,8
85 444	71 666	67 690	70 848	46 549	20 938	13 452
134,4	107,7	129,8	176,3	138,2	92,7	94,9
7 644,8	4 780,6	8 019,9	13 549,1	8 519,7	3 473,0	2 129,5
67,9	54,6	65,9	89,9	70,7	47,9	49,7
6 201	5 600	5 749	6 700	6 814	4 230	2 790
6 247	5 900	8 049	8 800	7 745	4 400	2 900
4 950	3 201	4 528	6 325	4 185	2 600	1 695
8,3	11,6	11,3	4,1	7,7	9,7	10,0
4,6	4,5	5,5	4,7	4,0	5,2	5,7
12,0	11,2	9,1	11,7	13,0	11,1	10,1
10 988	10 006	10 257	11 904	12 012	7 376	4 792
10 462	9 866	10 705	13 886	11 644	7 851	5 328
6 422	6 321	7 196	6 523	6 276	5 320	5 169
1 662	1 625	1 518	1 468	1 312	1 318	1 209
197	180	219	202	203	172	136
527	530	477	383	439	405	409
229	194	172	166	153	161	149
12,9	12,0	15,2	14,5	16,2	13,8	13,0
11,8	11,1	14,4	13,8	15,5	13,1	11,2
2,9	2,9	3,4	5,4	8,0	7,7	7,6
21,8	23,1	36,5	48,6	56,7	49,8	49,3
34,1	32,0	50,1	82,4	131,9	108,9	99,6
28,5	27,0	29,8	32,2	34,2	33,8	36,4
75,1	86,7	102,6	92,3	226,0	161,1	197,8
–	0,6	27,6	–	21,5	13,8	3,2
2,2	1,7	1,5	1,7	1,0	1,1	1,1
1,9	1,5	1,2	1,3	0,8	0,9	0,8
175,4	54,0	36,8	25,6	38,1	42,0	69,4

ABBREVIATIONS AND ACRONYMS

Abbreviation	Full name
AFS	Annual financial statements
ARPU	Average revenue per user
BBBEE	Broad-based black economic empowerment
Cafca	Cafca Limited
CO_2e	Carbon dioxide equivalent
ECCM	Electronic counter-counter measures
FTE	Full-time employee
Icasa	Independent Communications Authority of South Africa
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
IP	Intellectual property Internet protocol
IT	Information technology
JSE	JSE Limited
KPI	Key performance indicator
kWp	Kilowatt peak
MICT SETA	Media, Information and Communication Technologies Sector Education and Training Authority
MSR	Movement and surveillance radar
MWp	Megawatt peak
NCCF	Nashua Children's Charity Foundation
NHEPS	Normalised headline earnings per share
PE	Price earnings
Reunert	Reunert Limited
SANDF	South African National Defence Force
SAQA NQF	South African Qualifications Authority National Qualifications Framework
SMME	Small, medium and micro enterprise
SOE	State-owned enterprises
Telecom Cables	CBI-electric: Aberdare ATC Telecom Cables (Pty) Limited
VoIP	Voice over Internet Protocol

CORPORATE ADMINISTRATION AND INFORMATION

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(Incorporated in the Republic of South Africa)
ISIN: ZAE000057428
Short name: REUNERT
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Registration number: 1913/004355/06
Founded: 1888
Listed: 1948
Sector: Electronic & electrical equipment

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Reunert Limited's first integrated report for 2011 was recently awarded Silver in the Graphis 100 Best Annual Reports 2013, a respected international design competition

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