



CAPE  
EMPOWERMENT  
TRUST LIMITED

ANNUAL REPORTS  
**2009**



Dynamic  
Cables  
RSA Limited

# Creation of Cape Empowerment Limited

## **The merger**

In December 2009 the boards of directors of Cape Empowerment Trust Limited (CET) and Dynamic Cables RSA Limited (Dynamic) commenced a process to merge the two companies which, on 31 May 2010, culminated in Dynamic issuing 576 935 686 new ordinary shares and paying R17,5 million in cash to acquire all the issued shares in CET. As a result, CET delisted from the JSE and the new merged entity changed its name to Cape Empowerment Limited.

The annual reports included in this document represent the final reporting by the two companies as separate entities and hence references are still made to CET and Dynamic. From 2010 Cape Empowerment Limited and its subsidiaries will report as one group.

## **Group Profile**

Cape Empowerment Limited is a diversified black-controlled and managed investment holding company with strong broad-based empowerment credentials. We hold substantial investments in various sectors of the economy, including Property, Gaming and leisure, and Security and services.

## **Investment philosophy**

Cape Empowerment Limited focuses on buying significant interests in:

- cash generative and/or undervalued businesses
- with exceptional growth prospects
- in attractive high growth areas of the economy
- that we know and understand.

We aim for a constructive partnership with entrepreneurs and management. We utilise our broad-based empowerment credentials, networks, business skills and intellectual capital to identify value investment opportunities and unlock value and cash flow over the short to medium term. When investing we aim to match our investment funding mechanisms with the underlying cash flow profile of the investment. In order to ensure our interests are protected and we are able to influence strategy and unlock value, we aim to obtain either board control or meaningful board representation in our investee companies.

## **Black Economic Empowerment**

At Cape Empowerment we believe that transformation is best achieved through growth, mutual development and skills transfer. We add value to our investments by unlocking new markets and applying sound investment and management principles and to ensure sustainable growth.

Seven broad based community groups were founding shareholders owning 12% of the issued capital at the time. These community groups focus on providing financial assistance to students of the poorest of the poor areas. To date, over R20 million has been invested with great success with a number of students across a variety of disciplines having already graduated. There are currently 55 active students in the scheme.

**Following the merger the group is a minimum of 57% black-controlled.**

# Cape Empowerment Limited\* – Directorate

**Andrew Christoffel Nissen** (51)

Appointed 26/04/2010

Independent non-executive chairman

**Theodore Dominic Rai** (51)

Appointed 01/03/2001

MBChB (UCT)

Executive deputy chairman

**Shaun Louis Rai** (49)

Appointed 26/04/2010

GDA (UCT), CA(SA)

Chief executive officer

**Jeremy de Villiers** (36)

Appointed 26/04/2010

BRek (cum laude), BCompt (Hons), HDip(Tax), CA(SA)

Managing director

**Henry Broadley Dednam** (37)

Appointed 26/04/2010

BRek(Hons), HDip(Tax), CA(SA)

Financial director

**Michael Joseph Ignatius Brown** (67)

Appointed 01/10/2000

Dip Ed

Non-executive director

**Haroon Takolia** (59)

Appointed 01/08/2003

BComm, Hons BCompt, CA(SA), MBA (Wits)

Non-executive director

**Peter Volkwyn** (43)

Appointed 25/09/2009

Independent non-executive director

**Company secretary**

**Rorden John McGregor** (41)

Resigned 27 January 2010

**Henry Broadley Dednam** (37)

Appointed 27 January 2010

\* previously Dynamic Cables RSA Limited

# Cape Empowerment Limited\* – Corporate information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Investment holding company
<b>Directors</b>	AC Nissen TD Rai SL Rai J de Villiers HB Dednam H Takolia MJ I Brown P Volkwyn
<b>Registered office</b>	2nd Floor Sunclare Building 21 Dreyer Street Claremont 7700
<b>Business address</b>	2nd Floor Sunclare Building 21 Dreyer Street Claremont 7700
<b>Postal address</b>	P O Box 23958 Claremont 7735
<b>Auditors</b>	Grant Thornton Chartered Accountants (S.A.) Registered Auditors South African member of Grant Thornton International
<b>Secretary</b>	HB Dednam
<b>Company registration number</b>	1987/001807/06
<b>Share code</b>	CAP
<b>ISIN</b>	ZAE000145066

\* previously Dynamic Cables RSA Limited



CAPE  
EMPOWERMENT  
TRUST LIMITED

ANNUAL REPORT  
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# Contents

The reports and statements set out below comprise the financial statements presented to the shareholders:

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SL Rai (Executive Chairman)



J de Villiers (Managing Director)

# Chairman's Review

With effect from 1 June 2010 Cape Empowerment Trust Limited ("CET") became a wholly-owned subsidiary of Cape Empowerment Limited (previously Dynamic Cables RSA Limited) as a result of a merger between the two companies as discussed elsewhere in this document. Accordingly this is my last report as outgoing chairman and I would like to extend a warm welcome to the new incoming chairman of Cape Empowerment Limited, Mr Chris Nissen, as well as the other new board members.

The group ended the year with a loss for the year of R7,2 million, compared to a loss for the six months to 30 June 2009 of R7,9 million and a loss for the year ended 31 December 2008 of R382 million. Net asset value per share improved to 72,3 cents per share (2008: 69 cents). These results are largely as a result of:

- The poor market conditions experienced during 2008 and most of 2009 and the impact thereof on the valuation of the group's investment portfolio;
- The costs associated with the restructuring and substantial de-leveraging of the group's balance sheet, which has now been largely completed; and
- The repurchase of 61,5 million shares during 2009.

## Property

The group's property investments consist of:

- a 25% interest in the African Alliance Property portfolio and in African Alliance Management Services, a black owned and managed property business. The group's interest is valued at R56 million.
- an 85% (31 December 2009: 60%) interest in Lions Hill Development Company (Proprietary) Limited. A decision has been taken with the project financiers to landbank the development until market conditions improve.

The group disposed of its interest in Rapiprop 159 (Proprietary) Limited on 1 February 2010 for R9 million.

## Security and services

Investments include a 24.7% interest in listed Command Holdings Ltd (valued at R8,2 million at year end) and a 90% interest in Alexandra Security (Proprietary) Limited.

## Gaming and leisure

During the year under review the group acquired the remaining ordinary share capital of Sancino Projects Limited by way of a scheme of arrangement and disposed of 11.8 million shares in Grand Parade Investments Limited ("GPI"). At year end the group's effective economic interest in GPI was approximately 42,3 million shares, or 9% of GPI's issued share capital.

## Other investments


CET owns 19.3 million shares in Purple Capital Limited, 25% of African Independent Horizons (Proprietary) Ltd and 25% of Summit Fund Solutions. These investments were valued at a total of R6,2 million.

## Strategy and prospects

Following the merger between CET and Dynamic Cables we believe that significant opportunities exist to streamline the operations of the group and to achieve improved efficiencies and significant cost savings. This, together with cautiously improving market conditions, should contribute toward an improved performance in 2010.

## Appreciation

I would like to thank my fellow board members, executives and staff for their contribution, passion and commitment during the past year.



SL Rai

# Report of the independent auditors

## TO THE MEMBERS OF CAPE EMPOWERMENT TRUST LIMITED

We have audited the group annual financial statements and separate annual financial statements of Cape Empowerment Trust Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2009, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 56.

### Directors' responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Cape Empowerment Trust Limited as at 31 December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

*Grant Thornton*

**GRANT THORNTON**

Chartered Accountants (SA)

Registered Auditors

per **D D Nagar**

Chartered Accountant (SA)

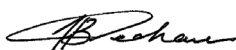
Registered Auditor

15 June 2010

2nd Floor, 4 Pencarrow Crescent  
Pencarrow Park  
La Lucia, Ridge Office Estate  
La Lucia  
4019

## Certificate by company secretary

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that all such returns are true, correct and up to date.



**HB Dednam**

Company Secretary

15 June 2010

# Directors' responsibilities and approval

The directors are required in terms of the Companies Act of South Africa, 1973 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 31 December 2010 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The board of directors are responsible for the financial affairs of the company.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 56, which have been prepared on the going concern basis, were approved by the board on 15 June 2010 and were signed on its behalf by:



**SL Rai**  
Director



**J de Villiers**  
Director

Cape Town  
15 June 2010

# Directors' report

The directors submit their report for the year ended 31 December 2009.

## Review of activities

### Main business and operations

The company is an investment and management company. The group operates principally in the Republic of South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

The net loss of the group was R7,2 million (2008: R382,3 million), after taxation of R17,1million (2008: R46,2 million).

### Authorised and issued share capital

Changes in the authorised and issued share capital of the company during the year are described in note 16.

### Borrowing limitations

In terms of the articles of association of the company, the directors may exercise all the powers of the company to borrow money as they consider appropriate. At 31 December 2009, the group's borrowing powers is as described in note 17.

### Dividends

The company declared no dividend for the year.

### Directors

The directors of the company during the year and to the date of this report are as follows:

Shaun Louis Rai	Executive chairman
Jeremy de Villiers	Managing director
Rorden John McGregor	Executive director
Resigned 27 January 2010	
Theodore Dominic Rai	Non-executive director
Peter Bernard Hesseling	Non-executive director
Haroon Takolia	Non-executive director
Omar Valley	Non-executive director
Fezile Colin Calana	Non-executive director

The above directors are all South African.

### Secretary

Mr Rorden John McGregor resigned as company secretary on 27 January 2010. The new company secretary is Mr Henry Broadley Dednam.

### Business Address

2nd Floor, Sunclare Building  
21 Dreyer Street  
Claremont  
7700

### Postal Address

PO Box 23958  
Claremont  
7735

### Interest in subsidiaries

Name of subsidiary	Subsidiaries' aggregate net income (loss) after tax – before minorities R'000
Cape Horizon Properties 111 (Proprietary) Limited	–
Business Venture Investments No. 1265 (Proprietary) Limited	–
CET Gaming Holdings (Proprietary) Limited	(116 431)
BLRT Investments Limited	2 518
Sancino Projects Limited	12 381
Business Venture Investments No. 1275 (Proprietary) Limited	(1)
African Lion Holdings (Proprietary) Limited	996
CET Holdings (Proprietary) Limited	4 656
Lions Hill Development Company (Proprietary) Limited	(7 885)

All subsidiaries are incorporated in the Republic of South Africa.

Details of the company's investment in subsidiaries is set out in note 7.

### Auditors

Grant Thornton will continue in office in accordance with section 270(2) of the Companies Act.

# Statement of financial position

for the year ended 31 December 2009

R'000	Notes	Audited 2009	Group Restated 2008	Restated 2007	Audited 2009	Company Restated 2008	Restated 2007
<b>ASSETS</b>							
<b>Non-current assets</b>							
		<b>200 856</b>	281 359	1 091 061	<b>92 631</b>	127 337	391 106
Investment property	3	–	2 871	2 609	–	–	–
Property, plant and equipment	4	<b>3 142</b>	13 923	16 577	<b>1 584</b>	1 890	1 329
Goodwill	5	<b>5 957</b>	13 120	29 603	–	–	–
Intangible assets	6	–	9 235	9 235	–	–	–
Investment in subsidiaries	7	–	–	–	<b>1 653</b>	39 972	155 205
Other financial assets	10	<b>191 757</b>	242 210	1 033 037	<b>89 394</b>	85 475	234 572
<b>Current assets</b>							
		<b>155 432</b>	207 078	139 555	<b>393 366</b>	418 614	121 479
Inventories	13	<b>85 371</b>	19 629	23 253	–	–	–
Loans to group companies	8	–	–	–	<b>334 307</b>	283 787	72 315
Other financial assets	10	<b>22 630</b>	16 013	20 894	<b>21 556</b>	15 028	20 367
Trade and other receivables	14	<b>19 221</b>	68 976	23 853	<b>15 883</b>	49 364	2 835
Cash and cash equivalents	15	<b>28 210</b>	102 460	71 555	<b>21 620</b>	70 435	25 962
Non-current assets held for sale		–	–	17 734	–	–	17 200
<b>TOTAL ASSETS</b>		<b>356 288</b>	488 437	1 248 350	<b>485 997</b>	545 951	529 785
<b>EQUITY AND LIABILITIES</b>							
<b>EQUITY</b>							
<b>Equity attributable to owners of the parent</b>							
		<b>207 523</b>	240 271	528 179	<b>411 243</b>	493 207	456 600
Share capital	16	<b>280 405</b>	301 735	234 220	<b>280 405</b>	301 735	234 220
Share based payment reserve		<b>401</b>	–	–	–	–	–
Treasury shares		<b>(42 599)</b>	(37 853)	(4 113)	–	–	(4 113)
Retained income		<b>(30 684)</b>	(23 611)	298 072	<b>130 838</b>	191 472	226 493
Non-controlling interests		<b>5 052</b>	79 629	157 784	–	–	–
<b>TOTAL EQUITY</b>		<b>212 575</b>	319 900	685 963	<b>411 243</b>	493 207	456 600
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
		<b>52 271</b>	52 452	418 933	<b>41 414</b>	16 194	30 273
Other financial liabilities	17	<b>40 392</b>	19 068	337 343	<b>40 392</b>	14 732	9 262
Instalment sale obligations	18	<b>2 044</b>	4 173	3 327	<b>1 022</b>	1 462	865
Deferred tax	12	<b>9 835</b>	29 211	78 263	–	–	20 146
<b>Current liabilities</b>							
		<b>91 442</b>	116 085	143 454	<b>33 340</b>	36 550	42 912
Loans from group companies	8	–	–	–	<b>26 661</b>	20 787	8 947
Loans from shareholders	9	<b>1 831</b>	10 708	18 068	<b>1 831</b>	10 708	18 068
Other financial liabilities	17	<b>64 376</b>	52 270	53 420	<b>1 000</b>	1 000	1 006
Current tax payable		<b>4 740</b>	17 358	18 997	–	1 324	1 082
Instalment sale obligations	18	<b>872</b>	1 797	1 307	<b>395</b>	391	299
Trade and other payables		<b>19 426</b>	33 749	51 079	<b>3 256</b>	2 137	12 969
Dividend payable		<b>197</b>	203	–	<b>197</b>	203	–
Bank overdraft		–	–	583	–	–	541
<b>TOTAL LIABILITIES</b>		<b>143 713</b>	168 537	562 387	<b>74 754</b>	52 744	73 185
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>356 288</b>	488 437	1 248 350	<b>485 997</b>	545 951	529 785
<b>Net Asset Value per share (cents)</b>		<b>72.3</b>	69.0	162.2			
<b>Tangible NAV per share (cents)</b>		<b>70.2</b>	62.5	150.5			

# Statement of comprehensive income

for the year ended 31 December 2009

R'000	Notes	Group			Company		
		Audited 2009	Restated 2008	Restated 2007	Audited 2009	Restated 2008	Restated 2007
<b>Revenue</b>	20	<b>57 928</b>	174 290	154 155	-	-	-
Cost of sales		<b>(47 699)</b>	(122 595)	(101 569)	-	-	-
<b>Gross Profit</b>		<b>10 229</b>	51 695	52 586	-	-	-
Other income		<b>450</b>	1 659	4 351	<b>995</b>	2 549	467
Operating expenses		<b>(35 296)</b>	(60 189)	(56 324)	<b>(39 206)</b>	(13 981)	(16 889)
<b>Operating (loss) before capital items</b>		<b>(24 617)</b>	(6 835)	613	<b>(38 211)</b>	(11 432)	(16 422)
Profit on capital assets		<b>140</b>	11 293	10 215	<b>59</b>	76 235	6 741
Loss on capital assets		<b>(1 950)</b>	(17 452)	(16 986)	<b>(978)</b>	(61 898)	(16 986)
Impairments		<b>(13 532)</b>	(35 081)	(3 612)	<b>(500)</b>	(5 971)	(2 757)
<b>Operating loss after capital items</b>	21	<b>(39 959)</b>	(48 075)	(9 770)	<b>(39 630)</b>	(3 066)	(29 424)
Investment revenue	22	<b>14 457</b>	65 186	9 737	<b>10 384</b>	25 329	3 415
Fair value adjustments	23	<b>628</b>	(360 555)	198 420	<b>(27 581)</b>	(42 176)	134 724
Gain on bargain purchase		<b>7 644</b>	3 521	19 695	-	-	-
Loss on sale of non-current assets held for sale		-	(10 873)	-	-	(10 873)	-
Finance costs	24	<b>(7 129)</b>	(77 636)	(10 340)	<b>(4 847)</b>	(13 679)	(1 852)
<b>(Loss) / profit before taxation</b>		<b>(24 359)</b>	(428 432)	207 742	<b>(61 674)</b>	(44 465)	106 863
Taxation	25	<b>17 145</b>	46 176	(46 326)	<b>1 040</b>	20 146	(20 520)
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR</b>		<b>(7 214)</b>	(382 256)	161 416	<b>(60 634)</b>	(24 319)	86 343
Non-controlling interest		<b>(141)</b>	(71 232)	15 594	-	-	-
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>(7 073)</b>	(311 024)	145 822	<b>(60 634)</b>	(24 319)	86 343
<b>Basic (loss)/earnings per share (cents)</b>	39	<b>(2.26)</b>	(91.70)	53.64			
<b>Headline (loss)/earnings per share (cents)</b>	40	<b>(2.94)</b>	(84.42)	44.22			
<b>Fully diluted (loss)/earnings per share (cents)</b>	41	<b>(2.20)</b>	(89.14)	50.66			
<b>Fully diluted headline (loss)/earnings per share (cents)</b>	41	<b>(2.87)</b>	(82.07)	41.79			

# Statement of changes in equity

for the year ended 31 December 2009

	Share capital	Share premium	Total share capital	Treasury shares	Share based payment reserve	Retained income/(accumulated loss)	Total attributable to owners of the parent	Non-controlling interests	Total
<b>R'000</b>									
<b>Group</b>									
<b>Balance at 01 January 2007</b>	<b>231</b>	<b>49 393</b>	<b>49 624</b>	-	-	<b>152 250</b>	<b>201 874</b>	<b>24 532</b>	<b>226 406</b>
Total comprehensive income for the year	-	-	-	-	-	145 822	145 822	15 594	161 416
Issue of shares	96	184 499	184 595	-	-	-	184 595	-	184 595
Purchase of own shares	-	-	-	(4 113)	-	-	(4 113)	-	(4 113)
Business combinations	-	-	-	-	-	-	-	117 659	117 659
<b>Balance at 01 January 2008 as restated</b>	<b>327</b>	<b>233 892</b>	<b>234 219</b>	<b>(4 113)</b>	-	<b>298 072</b>	<b>528 178</b>	<b>157 785</b>	<b>685 963</b>
Total comprehensive loss for the year	-	-	-	-	-	(309 940)	(309 940)	(71 112)	(381 052)
Issue of shares	46	67 470	67 516	-	-	-	67 516	-	67 516
Purchase of own shares	-	-	-	(33 740)	-	-	(33 740)	-	(33 740)
Dividends	-	-	-	-	-	(10 659)	(10 659)	-	(10 659)
Business combinations	-	-	-	-	-	-	-	(6 924)	(6 924)
Opening balance as previously reported	373	301 362	301 735	(37 853)	-	(22 527)	241 355	79 749	321 104
Prior year adjustment	-	-	-	-	-	(1 084)	(1 084)	(120)	(1 204)
<b>Balance at 01 January 2009 as restated</b>	<b>373</b>	<b>301 362</b>	<b>301 735</b>	<b>(37 853)</b>	-	<b>(23 611)</b>	<b>240 271</b>	<b>79 629</b>	<b>319 900</b>
Total comprehensive loss for the year	-	-	-	-	401	(7 073)	(7 073)	(141)	(7 214)
Share based payments	-	-	-	-	401	-	401	-	401
Cancellation of shares	(41)	(21 289)	(21 330)	21 330	-	-	(26 214)	-	(26 214)
Purchase of own shares	-	-	-	(26 214)	-	-	(26 214)	(34 070)	(33 932)
Deconsolidation of subsidiary	-	-	-	138	-	-	138	(40 366)	(40 366)
Business combinations	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2009</b>	<b>332</b>	<b>280 073</b>	<b>280 405</b>	<b>(42 599)</b>	<b>401</b>	<b>(30 684)</b>	<b>207 523</b>	<b>5 052</b>	<b>212 575</b>
<b>Company</b>									
<b>Balance at 01 January 2007</b>	<b>231</b>	<b>49 393</b>	<b>49 624</b>	-	-	<b>140 151</b>	<b>189 775</b>	-	<b>189 775</b>
Total comprehensive income for the year	-	-	-	-	-	86 343	86 343	-	86 343
Issue of shares	96	184 499	184 595	-	-	-	184 595	-	184 595
Purchase of own shares	-	-	-	(4 113)	-	-	(4 113)	-	(4 113)
<b>Balance at 01 January 2008 as restated</b>	<b>327</b>	<b>233 892</b>	<b>234 219</b>	<b>(4 113)</b>	-	<b>226 494</b>	<b>456 600</b>	-	<b>456 600</b>
Total comprehensive loss for the year	-	-	-	-	-	(24 319)	(24 319)	-	(24 319)
Issue of shares	46	67 470	67 516	4 113	-	-	71 629	-	71 629
Dividends	-	-	-	-	-	(10 703)	(10 703)	-	(10 703)
<b>Balance at 01 January 2009 as restated</b>	<b>373</b>	<b>301 362</b>	<b>301 735</b>	-	-	<b>191 472</b>	<b>493 207</b>	-	<b>493 207</b>
Cancellation of shares	(41)	(21 289)	(21 330)	-	-	-	(21 330)	-	(21 330)
Total comprehensive loss for the year	-	-	-	-	-	(60 634)	(60 634)	-	(60 634)
<b>Balance at 31 December 2009</b>	<b>332</b>	<b>280 073</b>	<b>280 405</b>	-	-	<b>130 838</b>	<b>411 243</b>	-	<b>411 243</b>

# Statement of cash flows

for the year ended 31 December 2009

R'000	Notes	Group			Company		
		Audited 2009	Restated 2008	Restated 2007	Audited 2009	Restated 2008	Restated 2007
<b>Cash flows from operating activities</b>		<b>23 908</b>	(75 815)	20 541	<b>1 226</b>	(56 209)	(4 493)
Cash (utilised)/ generated by operations	27	<b>16 646</b>	(59 401)	25 588	<b>(4 311)</b>	(68 102)	(5 904)
Interest received		<b>10 500</b>	41 374	8 126	<b>10 209</b>	7 657	2 613
Dividends received		<b>3 957</b>	23 811	1 611	<b>175</b>	17 673	802
Interest paid		<b>(7 129)</b>	(77 636)	(10 340)	<b>(4 847)</b>	(13 679)	(1 851)
Taxation paid	28	<b>(66)</b>	(3 963)	(4 444)	<b>-</b>	242	(153)
<b>Cash flows from investing activities</b>		<b>(20 200)</b>	409 431	(535 233)	<b>(31 265)</b>	41 300	(163 204)
Purchase of property, plant and equipment		<b>(1 712)</b>	(5 385)	(3 657)	<b>(925)</b>	(2 063)	(781)
Proceeds from sale of property, plant and equipment		<b>3 420</b>	3 335	1 590	<b>728</b>	810	-
Purchase of investment property		<b>-</b>	-	(2 609)	<b>-</b>	-	-
Acquisition of subsidiary		<b>(1 025)</b>	-	10 486	<b>3 348</b>	115 234	(7 673)
Sale of business		<b>-</b>	23	-	<b>-</b>	-	-
Loans to group companies		<b>-</b>	-	-	<b>(16 508)</b>	(199 633)	(67 842)
Acquisition of business		<b>(3 000)</b>	-	-	<b>-</b>	-	-
Sale/ (purchase) of financial assets		<b>386</b>	409 356	(513 064)	<b>(17 908)</b>	106 288	(59 463)
Sale of capital assets		<b>-</b>	12 693	6 741	<b>-</b>	76 235	6 741
Non-current assets held for sale		<b>-</b>	6 861	(17 734)	<b>-</b>	6 327	(17 200)
Loss on sale of financial asset		<b>-</b>	(17 452)	(16 986)	<b>-</b>	(61 898)	(16 986)
Deconsolidation of subsidiaries		<b>(18 269)</b>	-	-	<b>-</b>	-	-
<b>Cash flows from financing activities</b>		<b>(77 958)</b>	(302 128)	572 823	<b>(18 776)</b>	59 923	197 259
Proceeds on issue of shares		<b>-</b>	67 516	184 595	<b>-</b>	67 516	184 595
Purchase of treasury shares		<b>(26 214)</b>	(33 740)	(4 113)	<b>(21 330)</b>	4 113	(4 113)
Proceeds/ (repayment) of financial liabilities		<b>(42 145)</b>	(319 425)	386 487	<b>11 873</b>	5 464	10 268
Proceeds/ (repayment) of shareholder loans		<b>(8 877)</b>	(7 359)	6 420	<b>(8 877)</b>	(7 359)	6 159
Proceeds/ (repayment) of instalment sale obligations		<b>(716)</b>	1 336	(566)	<b>(436)</b>	689	350
Dividends paid	29	<b>(6)</b>	(10 456)	-	<b>(6)</b>	(10 500)	-
<b>Net (decrease)/ increase in cash resources</b>		<b>(74 250)</b>	31 488	58 131	<b>(48 815)</b>	45 014	29 562
Cash resources at the beginning of the year		<b>102 460</b>	70 972	12 841	<b>70 435</b>	25 421	(4 141)
<b>Cash resources at the end of the year</b>		<b>28 210</b>	102 460	70 972	<b>21 620</b>	70 435	25 421

# Notes to the financial statements

for the year ended 31 December 2009

## 1. ACCOUNTING POLICIES AND PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa, as amended. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. These financial statements are presented in South African Rand. These accounting policies are consistent with the previous year.

### 1.1 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. The use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Trade receivables and loans and receivables

The group assesses its trade receivables and loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### Allowance for slow moving, damaged and obsolete inventory

Inventory that is older than three years and is projected to take more than three years to sell is provided for in full. Any inventory that is physically identified as damaged is written off when discovered.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using the quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that certain assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

#### Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of other financial assets based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 12 – Deferred tax.

# Notes to the annual financial statements

for the year ended 31 December 2009

## **Taxation**

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

## **Allowance for doubtful debts**

Based on past experiences, debtors over the age of three months are provided for in full.

## **1.2 Investment property**

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

## **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

## **1.3 Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

<b>Item</b>	<b>Average useful life</b>
Plant and machinery	4 – 6 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 – 5 years
Office equipment	5 – 6 years
Computer equipment	2 – 3 years
Computer software	2 – 3 years
Leasehold improvements	6 years
Other property, plant and equipment	5 years

The residual value and the useful life of each asset are reviewed at each financial period end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### **1.4 Goodwill**

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

#### **1.5 Intangible assets**

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets.

#### **1.6 Investments in subsidiaries**

##### **Group annual financial statements**

The group annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

##### **Company annual financial statements**

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

# Notes to the annual financial statements

for the year ended 31 December 2009

## 1.7 Financial instruments

### Initial recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

### Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to (from) group companies are classified as loans and receivables.

### Loans to shareholders, directors, managers and employees

These financial assets are initially recognised at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments

(more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the profit and loss.

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

#### **Other financial assets and liabilities**

##### **Loans and receivables**

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

##### **Fair value through profit and loss**

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

Transaction costs are recognised in profit or loss. Dividend income is recognised in the income statement as part of other income when the group's right to receive payment is established.

##### **Investments in associates**

In order to accurately reflect the group's investment approach, philosophy and management, and nature of its activities, and to provide more accurate, reliable and meaningful information these investments are accounted for in accordance with IAS 39 –Financial Instruments at fair value, with changes in fair value recognized in profit or loss in the period of the change. This policy has been applied consistently with the prior year.

##### **Derivatives**

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

# Notes to the annual financial statements

for the year ended 31 December 2009

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss

## **Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

## **1.8 Tax**

### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is
  - not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

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

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

#### **Tax expenses**

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

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

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

### **1.9 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### **1.10 Inventories**

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in-first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

# Notes to the annual financial statements

for the year ended 31 December 2009

## 1.11 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

## 1.12 Impairment of assets

The group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit; and
- then, to the other assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### **1.13 Share capital and equity**

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

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares are deducted from equity until the shares are cancelled or re-issued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

### **1.14 Share-based payments**

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

### **1.15 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of no accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Notes to the annual financial statements

for the year ended 31 December 2009

## 1.16 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

## 1.17 Investment revenue

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

## 1.18 Treasury shares

Shares in the company held by group entities are classified as treasury shares. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are sold or re-issued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

## 1.19 Segmental reporting

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

## 1.20 Turnover

Turnover comprises of sales to customers and services rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

## 1.21 Earnings per share

The group presents basic and diluted earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## 1.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those funds.
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditure for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.23 Translation of foreign currencies**

#### **Foreign currency transactions**

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

At each balance sheet date:

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

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

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### **1.24 Consolidation**

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## **2. NEW STANDARDS AND INTERPRETATIONS**

At the date of authorisation of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

# Notes to the annual financial statements

for the year ended 31 December 2009

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's financial statements.

## 2.1 Standards and interpretations effective and adopted in the current year

In the current financial year, the group adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

### IAS 1 (revised) Presentation of financial statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either as a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of changes in cash flows'. These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The company has adopted the standard for the first time in the 2009 annual financial statements.

The revised standard will affect disclosures in the annual report.

### IAS 23 (revised) Borrowing costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 1 January 2009.

The revision has not affected the group, as it is group policy to capitalise borrowing costs on qualifying assets.

The impact of the standard is not material.

### IFRS 8 Operating segments

IFRS 8 (AC 145) replaces IAS 14 (AC 115) Segment reporting. The new standard requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 1 January 2009.

The company has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material. The application of this IFRS has not changed the disclosure or measurement basis applicable to segment reporting.

### **Amendments to IFRS 2: Share-based payment: Vesting conditions and cancellations**

The amendment clarifies that vesting conditions are only performance conditions or service conditions. All other conditions are non-vesting conditions. Non-vesting conditions are accounted for in the same manner as market conditions. It further clarifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non-fulfilment of that condition.

The effective date of the standard is for years beginning on or after 1 January 2009.

The company has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

### **Amendments to IFRS 7: Financial instruments: Disclosures – Improving disclosures about financial instruments**

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non-derivative financial liabilities and derivative financial liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The company has adopted the amendment for the first time in the 2009 annual financial statements.

The amendment does not have a material impact on the entity. The revised standard will affect disclosures in the annual report.

## **2.2 Standards and interpretations not yet effective**

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning after 1 January 2010:

### **IFRS 3 Business combinations**

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit and loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 1 July 2009.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

# Notes to the annual financial statements

for the year ended 31 December 2009

It is unlikely that the standard will have a material impact on the group's annual financial statements.

The revision is effective prospectively and will not affect past business combinations.

## **IAS 27 (amended) Consolidated and separate financial statements**

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in the level of control without the loss of control to be accounted for as equity transactions, without any gain or loss being recognised or remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is re-measured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the standard is for years beginning on or after 1 July 2009.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

## **IAS 7 Statement of cash flows: Consequential amendments due to IAS 27 (amended) Consolidated and separate financial statements**

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing activities.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

## **IFRS 9 Financial instruments**

The IASB aims to replace IAS 39 Financial Instruments: Recognition and measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

Phase 1: Classification and Measurement

Phase 2: Impairment methodology

Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

### 3. INVESTMENT PROPERTY

R'000	Valuation	2009 Accumulated depreciation	Carrying value	Valuation	2008 Accumulated depreciation	Carrying value
<b>Group</b>						
Investment property	-	-	-	2 871	-	2 871

#### Reconciliation of investment property

R'000	Opening balance	2009 Deconsolida- tion of subsidiary	Closing balance	Opening balance	2008 Fair value adjustment	Closing balance
<b>Group</b>						
Investment property	2 871	(2 871)	-	2 609	262	2 871

R'000	Group		Company	
	2009	2008	2009	2008
<b>Pledged as security</b>				
<b>Carrying value of assets pledged as security</b>				
Investment property	-	2 871	-	-
<p>A mortgage bond has been registered over the property in favour of The Standard Bank of South Africa Limited. The total liability at the end of 2008 amounted to R2,1 million (refer note 17)</p>				
<b>Details of property</b>				
Unit 11 Franklins Row				
<p>The property is described as sectional title unit number 11, Franklins Row, Johannesburg, measuring 124 square meters.</p>				
Purchase price – 7 December 2007	-	2 609	-	-
Fair value adjustments	-	262	-	-
	-	2 871	-	-

# Notes to the annual financial statements

for the year ended 31 December 2009

## 4. PROPERTY, PLANT AND EQUIPMENT

R'000	2009			2008		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<b>Group</b>						
Land and buildings	-	-	-	3 670	-	3 670
Plant and machinery	-	-	-	9 434	(5 040)	4 394
Furniture and fixtures	361	(331)	30	590	(465)	125
Motor vehicles	4 982	(2 073)	2 909	7 997	(2 837)	5 160
Office equipment	321	(226)	95	660	(374)	286
Computer equipment	239	(194)	45	617	(460)	157
Computer software	140	(77)	63	179	(122)	57
Leasehold improvements	-	-	-	201	(146)	55
Other property, plant and equipment	4	(4)	-	892	(873)	19
<b>Total</b>	<b>6 047</b>	<b>(2 905)</b>	<b>3 142</b>	<b>24 240</b>	<b>(10 317)</b>	<b>13 923</b>
<b>Company</b>						
Furniture and fixtures	11	(3)	8	3	(3)	-
Motor vehicles	2 740	(1 225)	1 515	2 754	(896)	1 858
Office equipment	61	(57)	4	61	(56)	5
Computer software	131	(74)	57	83	(56)	27
Other property, plant and equipment	4	(4)	-	4	(4)	-
<b>Total</b>	<b>2 947</b>	<b>(1 363)</b>	<b>1 584</b>	<b>2 905</b>	<b>(1 015)</b>	<b>1 890</b>

### Reconciliation of property, plant and equipment – Group

R'000	Opening balance	Deconsolidation of subsidiary	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
<b>2009</b>								
Land and buildings	3 670	(1 316)	-	(2 354)	-	-	-	-
Plant and machinery	4 394	(4 394)	-	-	-	-	-	-
Furniture and fixtures	125	(121)	29	-	-	(3)	-	30
Motor vehicles	5 160	(1 838)	1 560	(1 007)	-	(966)	-	2 909
Office equipment	286	(172)	20	-	-	(39)	-	95
Computer equipment	157	(115)	36	-	-	(33)	-	45
Computer software	57	(30)	67	(7)	-	(24)	-	63
Leasehold improvements	55	(55)	-	-	-	-	-	-
Other property, plant and equipment	19	(19)	-	-	-	-	-	-
<b>Total</b>	<b>13 923</b>	<b>(8 060)</b>	<b>1 712</b>	<b>(3 368)</b>	<b>-</b>	<b>(1 065)</b>	<b>-</b>	<b>3 142</b>

R'000	Opening balance	Deconsolidation of subsidiary	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
<b>2008</b>								
Land and buildings	6 383	-	-	(2 713)	-	-	-	3 670
Plant and machinery	5 164	-	800	(84)	-	(1 486)	-	4 394
Furniture and fixtures	214	-	45	-	-	(85)	(49)	125
Motor vehicles	4 185	-	4 158	(1 353)	-	(1 441)	(389)	5 160
Office equipment	225	-	154	-	-	(89)	(4)	286
Computer equipment	140	-	155	(1)	-	(125)	(12)	157
Computer software	61	-	43	-	-	(45)	(2)	57
Leasehold improvements	76	-	-	-	-	(21)	-	55
Other property, plant and equipment	129	-	30	-	(98)	(35)	(7)	19
<b>Total</b>	<b>16 577</b>	<b>-</b>	<b>5 385</b>	<b>(4 151)</b>	<b>(98)</b>	<b>(3 327)</b>	<b>(463)</b>	<b>13 923</b>

#### Reconciliation of property, plant and equipment – Company

R'000	Opening balance	Additions	Disposals	Depreciation	Total
<b>2009</b>					
Furniture and fixtures	-	8	-	-	8
Motor vehicles	1 858	859	(662)	(540)	1 515
Office equipment	5	-	-	(1)	4
Computer software	27	58	(7)	(21)	57
<b>Total</b>	<b>1 890</b>	<b>925</b>	<b>(669)</b>	<b>(562)</b>	<b>1 584</b>
<b>2008</b>					
Furniture and fixtures	-	-	-	-	-
Motor vehicles	1 294	2 050	(943)	(543)	1 858
Office equipment	6	-	-	(1)	5
Computer software	29	13	-	(15)	27
<b>Total</b>	<b>1 329</b>	<b>2 063</b>	<b>(943)</b>	<b>(559)</b>	<b>1 890</b>

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>Details of properties</b>				
<b>Property 1</b>				
The land and buildings are situated at ERF 513 Alrode (extension 7), Johannesburg in the extent of 1 993 square meters.				
– Purchase price: 24 January 2006				
	–	1 316	–	–
<b>Property 2</b>				
The land and buildings are situated at ERF 5450, St Helena Bay, measuring 548 square meters. The property was sold during 2008.				
– Purchase price: 1 January 2005				
– Disposal: 19 June 2008				
	–	513	–	–
	–	(513)	–	–
	–	–	–	–
<b>Property 3</b>				
The land and buildings are situated at ERF 11789, ERF 11790 and ERF11791 measuring 10, 487 and 15 square meters respectively. The property was sold during 2008.				
– Purchase price: 14 November 2006				
– Disposal: 19 June 2008				
	–	2 200	–	–
	–	(2 200)	–	–
	–	–	–	–
<b>Property 4</b>				
The land and buildings are situated at ERF 178, Caledon Road measuring 2 010 square meters.				
– Purchase price: 15 August 2006				
– Disposal: 21 September 2009				
	<b>2 354</b>	2 354	–	–
	<b>(2 354)</b>	–	–	–
	–	2 354	–	–

The bond over property 4, being ERF 178, Caledon Road was settled during the year.

## 5. GOODWILL

R'000	Cost	2009 Accumulated amortisation	Carrying value	Cost	2008 Accumulated amortisation	Carrying value
<b>Group</b>						
Goodwill	5 957	–	5 957	16 393	(3 273)	13 120

### Reconciliation of goodwill – Group

R'000	Opening balance	Additions through business combinations	Disposals through business restructure	Impairment	Closing balance
<b>2009</b>					
Goodwill	13 120	5 719	–	(12 882)	5 957
<b>2008</b>					
Goodwill	29 603	7 025	(3 052)	(20 456)	13 120

## 6. INTANGIBLE ASSETS

R'000	Cost	2009 Accumulated amortisation	Carrying value	Cost	2008 Accumulated amortisation	Carrying value
<b>Group</b>						
Patents, trademarks and other rights	–	–	–	9 235	–	9 235

### Reconciliation of intangible assets

R'000	Opening balance	Deconsolidation of subsidiary	Closing balance
<b>Group</b>			
<b>2009</b>			
Patents, trademarks and other rights	9 235	(9 235)	–
<b>2008</b>			
Patents, trademarks and other rights	9 235	–	9 235

# Notes to the annual financial statements

for the year ended 31 December 2009

## 7. INVESTMENTS IN SUBSIDIARIES

		% holding 2009	% holding 2008	Carrying amount 2009 R'000	Carrying amount 2008 R'000
Dynamic Cables RSA Limited	Listed	–	41%	–	29 297
Business Venture Investments No. 1070 (Proprietary) Limited	Unlisted	–	100%	–	10 673
Business Venture Investments No. 1265 (Proprietary) Limited	Unlisted	90%	90%	1	1
Cape Horizons Properties 111 (Proprietary) Limited	Unlisted	90%	90%	*	*
CET Gaming Holdings (Proprietary) Limited	Unlisted	70%	70%	1	1
CET Holdings (Proprietary) Limited	Unlisted	100%	100%	*	*
Lions Hill Development Company (Proprietary) Limited	Unlisted	60%	–	1 651	–
Alexa Holdings (Proprietary) Limited	Unlisted	51%	–	*	–
				<b>1 653</b>	39 972

\*The carrying amount of these investments are less than R1,000.

The carrying amounts of investments in subsidiaries are shown net of impairment losses.

### Subsidiaries with less than 50% voting powers held

During 2008 the company held less than 50% of the voting powers in Dynamic Cables RSA Limited ("Dynamic"), but considered the investment a subsidiary because of additional voting powers as a result of the company maintaining control of the board of directors of Dynamic. As a result of corporate actions by Dynamic the group no longer controlled Dynamic during the year under review and its results and financial position have been deconsolidated.

### Cape Empowerment Trust Limited Share Incentive Trust

The Cape Empowerment Trust Limited Share Incentive Trust is an employee benefit trust set up by the company for the purposes of its share-based payment arrangements. The share trust is a special purpose entity and is consolidated per SIC 12 as the substance of the relationship between the company and the trust is such that the trust is controlled by the company.

R'000	Group		Company	
	2009	2008	2009	2008
<b>8. LOANS TO (FROM) GROUP COMPANIES</b>				
Dynamic Cables RSA Limited	-	-	-	(13 787)
Business Venture Investments No. 1275 (Proprietary) Limited	-	-	<b>11 392</b>	12 590
BLRT Investments Limited	-	-	<b>100</b>	100
Sancino Projects Limited	-	-	<b>(6 145)</b>	350
African Lion Holdings (Proprietary) Limited	-	-	<b>2 666</b>	-
Cape Horizon Properties 111 (Proprietary) Limited	-	-	<b>17 651</b>	14 616
Alexandra Security (Proprietary) Limited	-	-	<b>556</b>	559
CET Holdings (Proprietary) Limited	-	-	<b>(14 916)</b>	8 675
Cape Empowerment Trust Limited Share Incentive Trust	-	-	<b>11 982</b>	29 360
Business Venture Investments No. 1265 (Proprietary) Limited	-	-	<b>(5 600)</b>	(7 000)
Business Venture Investments No. 1070 (Proprietary) Limited	-	-	-	400
CET Gaming Holdings (Proprietary) Limited	-	-	<b>268 895</b>	217 137
The above loans are all unsecured, interest free and have no fixed terms of repayment.				
Lions Hill Development Company (Proprietary) Limited	-	-	<b>21 065</b>	-
This loan is unsecured and has no fixed repayment terms. The loan bears interest at the prime lending rate minus 1%.				
	-	-	<b>307 646</b>	263 000
Current assets	-	-	<b>334 307</b>	283 787
Current liabilities	-	-	<b>(26 661)</b>	(20 787)
	-	-	<b>307 646</b>	263 000
<b>9. LOANS TO (FROM) SHAREHOLDERS</b>				
SL Rai	<b>(1 831)</b>	(9 708)	<b>(1 831)</b>	(9 708)
This loan is unsecured, bears interest at 1.15% per month and has no fixed repayment terms.				
TD Rai	-	(1 000)	-	(1 000)
This loan is unsecured, interest free and was repaid in full during the year.				
	<b>(1 831)</b>	(10 708)	<b>(1 831)</b>	(10 708)

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>10. OTHER FINANCIAL ASSETS</b>				
<b>At fair value through profit and loss</b>	<b>195 544</b>	235 735	<b>93 181</b>	89 135
<b>Listed</b>				
Purple Capital Limited The investment relates to 19 324 867 (2008: 19 324 867) shares.	<b>3 672</b>	4 831	<b>3 672</b>	4 831
Grand Parade Investments Limited The investment relates to an economic interest in 42 283 852 (2008: 70 323 164) shares in GPI.  2 160 000 of the company's shares have been ceded and pledged to The Standard Bank of South Africa Limited as security for the medium term loan advanced (refer note 17).	<b>107 824</b>	151 196	<b>5 518</b>	4 653
Command Holdings Limited The investment relates to 32 660 000 (2008: 32 330 000) shares.	<b>8 165</b>	8 083	<b>8 165</b>	8 083
Dynamic Cables RSA Limited The investment relates to 32 436 217 (2008: 32 436 217) shares. In 2008 Dynamic Cables RSA Limited was consolidated into the results of the group as a subsidiary of the company. As a result of corporate actions undertaken by Dynamic it is no longer controlled by the group and is treated as a financial asset at fair value through profit and loss from 2009.	<b>3 892</b>	–	<b>3 892</b>	–
<b>Unlisted</b>				
Western Cape Women's Investment Forum Limited The investment relates to 3 800 000 (2008: 3 800 000) shares. This investment was disposed of after year end (refer to note 38).	<b>225</b>	1 623	<b>225</b>	1 623
African Alliance Real Estate Investment portfolio	<b>31 250</b>	25 000	<b>31 250</b>	25 000
African Alliance Management Services	<b>25 000</b>	25 000	<b>25 000</b>	25 000
Script loan The company lent 915 081 linked units in Ambit Properties Limited in terms of a script lending arrangement. This loan is expected to be settled during the next 12 months.	<b>3 787</b>	3 660	<b>3 787</b>	3 660
Rapiprop 159 (Proprietary) Limited This investment was disposed of after year end (refer to note 38).	<b>9 000</b>	10 713	<b>9 000</b>	10 713
Ambit Properties Limited This investment relates to 100 000 linked units that were sold during the year.	–	400	–	400
African Independent Horizons (Proprietary) Limited	<b>2 500</b>	5 000	<b>2 500</b>	5 000
Other financial assets	<b>229</b>	229	<b>172</b>	172

R'000	Group		Company	
	2009	2008	2009	2008
<b>10. OTHER FINANCIAL ASSETS (continued)</b>				
<b>Held to maturity</b>	-	10 135	-	-
Preference shares	-	18 326	-	-
The preference shares held in Cape Horizon Properties 115 (Proprietary) Limited were subject to interest at 75% of the prime overdraft rate as determined by The Standard Bank of South Africa Limited. The preference shares are redeemable on the day after the tenth anniversary of the date of issue of the preference shares. Alternatively, they may be redeemed at the option of the issuer, with one month's written notice.				
The preference shares are not included in the 2009 results due to the deconsolidation of Dynamic (refer note 7).				
Impairment of preference shares	-	(8 191)	-	-
	<b>18 843</b>	12 353	<b>17 769</b>	11 368
<b>Loans and receivables</b>	<b>3 761</b>	3 761	<b>3 761</b>	3 761
African Independent Horizons (Proprietary) Limited				
The loan is interest free and is repayable within the next 12 months. The borrower has pledged 50 shares in Brevity Trade 30 (Proprietary) Limited in favour of Cape Empowerment Trust Limited as security for the loan advanced. The entire amount of R 3 761 400 has been impaired at year end.				
Lions Hill Development Company (Proprietary) Limited	-	11 351	-	11 351
The loan is unsecured and bears interest at the prime lending rate less 1% and is repayable by mutual arrangement. Due to the acquisition by the company of an additional 35% (see note 30) interest in Lions Hill Development Company during 2009, it is now consolidated and the loan is disclosed as a loan to a group company in the current year (refer note 8).				
H Investments No. 220 (Proprietary) Limited	-	215	-	-
The loan is unsecured, interest free and repayable by mutual arrangement.				
The loan is not included in the 2009 results due to the deconsolidation of Dynamic (refer note 7).				
Greyjade Trade and Invest 85 (Proprietary) Limited	<b>13 262</b>	-	<b>13 262</b>	-
This loan is part of the groups funding of its investment in the African Alliance property portfolio and is unsecured, carries interest at variable rates and is repayable by mutual arrangement.				
Comwezi Security Services (Proprietary) Limited	<b>4 507</b>	-	<b>4 507</b>	-
The loan bears interest at the prime lending rate plus 4 %. The loan was settled in full after the year end.				
Other loans and receivables	<b>1 724</b>	1 387	<b>500</b>	617
These loans are unsecured, interest free and repayable by mutual arrangement.				
Loans and receivables – impairments	<b>(4 411)</b>	(4 361)	<b>(4 261)</b>	(4 361)

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>10. OTHER FINANCIAL ASSETS (continued)</b>				
<b>Non-current assets</b>	<b>191 757</b>	242 210	<b>89 394</b>	85 475
At fair value through profit and loss	<b>191 757</b>	232 075	<b>89 394</b>	85 475
Held to maturity	–	10 135	–	–
<b>Current assets</b>	<b>22 630</b>	16 013	<b>21 556</b>	15 028
At fair value through profit and loss	<b>3 787</b>	3 660	<b>3 787</b>	3 660
Loans and receivables	<b>18 843</b>	12 353	<b>17 769</b>	11 368
<b>Total other financial assets</b>	<b>214 387</b>	258 223	<b>110 950</b>	100 503
<b>Reconciliation of provision for impairment of loans and receivables</b>				
African Independent Horizons (Proprietary) Limited	<b>(3 761)</b>	(3 761)	<b>(3 761)</b>	(3 761)
Other loans and receivables	<b>(650)</b>	(600)	<b>(500)</b>	(600)
	<b>(4 411)</b>	(4 361)	<b>(4 261)</b>	(4 361)

The creation and release of provision for impairment receivables have been included in operating expenses in the income statement. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

## 11. FINANCIAL ASSETS BY CATEGORY

R'000	Loans and receivables	Fair value through profit or loss		Held to maturity	Total
		– designated			
<b>Group – 2009</b>	<b>66 274</b>	<b>195 544</b>			<b>261 818</b>
Other financial assets	<b>18 843</b>	<b>195 544</b>	–	–	<b>214 387</b>
Trade and other receivables	<b>19 221</b>	–	–	–	<b>19 221</b>
Cash and cash equivalents	<b>28 210</b>	–	–	–	<b>28 210</b>
<b>Group – 2008</b>	183 789	235 735	10 135		429 659
Other financial assets	12 353	235 735	10 135		258 223
Trade and other receivables	68 976	–	–		68 976
Cash and cash equivalents	102 460	–	–		102 460

## 11. FINANCIAL ASSETS BY CATEGORY (continued)

R'000	Loans and receivables	Fair value through profit or loss – designated	Total
<b>Company – 2009</b>	<b>389 579</b>	<b>93 181</b>	<b>482 760</b>
Loans to group companies	334 307	–	334 307
Other financial assets	17 769	93 181	110 950
Trade and other receivables	15 883	–	15 883
Cash and cash equivalents	21 620	–	21 620
<b>Company – 2008</b>	414 955	89 135	504 090
Loans to group companies	283 787	–	283 787
Other financial assets	11 368	89 135	100 503
Trade and other receivables	49 365	–	49 365
Cash and cash equivalents	70 435	–	70 435

R'000	Group		Company	
	2009	2008	2009	2008
<b>12. DEFERRED TAX</b>				
<b>Deferred tax liability</b>				
Accelerated capital allowances for tax purposes	–	(2 624)	–	–
Provision for bad debts	–	599	–	–
Impairments on loan accounts	1 271	4 705	1 271	4 705
Tax losses available for set off against future taxable income	21	26	22	–
Fair value adjustments	(8 537)	(10 287)	(1 293)	(4 705)
Other temporary differences	–	42	–	–
Rollover provision	(2 590)	(21 672)	–	–
	<b>(9 835)</b>	<b>(29 211)</b>	<b>–</b>	<b>–</b>
<b>Reconciliation of deferred tax asset (liability)</b>				
At beginning of the year	(29 211)	(78 263)	–	(20 146)
Reduction due to rate change	–	2 704	–	695
Increase (decrease) in tax losses available for set off against future taxable income	(3 461)	(529)	(3 461)	(439)
Originating temporary difference on tangible fixed assets	–	(75)	–	–
Reversing temporary difference on provision for bad debts	–	(42)	–	–
Impairments on loan accounts	70	4 705	70	4 705
Other temporary differences	–	26	–	–
Fair value adjustments	1 223	63 384	3 391	15 185
Reversing temporary difference on realisation	849	–	–	–
Rollover provision	18 752	(21 672)	–	–
Disposal/ deconsolidation of subsidiary	1 943	551	–	–
	<b>(9 835)</b>	<b>(29 211)</b>	<b>–</b>	<b>–</b>

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>13. INVENTORIES</b>				
Development land ERF 1256 (Portion of ERF1032) Tamboerskloof, Cape Town. The property is mortgaged in favour of Nedbank Limited as per note 17.	<b>85 357</b>	–	–	–
Raw materials, components and consumables	<b>14</b>	3 809	–	–
Work in progress	–	374	–	–
Finished goods and merchandise	–	19 081	–	–
Provision for slow moving stock	–	(3 635)	–	–
	<b>85 371</b>	19 629	–	–
Inventories including raw materials, work in progress and finished goods (including provision for slow moving stock) of R19,6 million, that was included in 2008 was not included in the year under review as a result of the deconsolidation of Dynamic.				
<b>14. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	<b>3 031</b>	17 669	–	177
Prepayments	<b>40</b>	365	–	–
Deposits	<b>64</b>	235	–	–
VAT	<b>21</b>	841	–	–
Sundry receivables	<b>1 027</b>	1 193	<b>845</b>	514
ApexHi Properties Limited	–	26 673	–	26 673
Other receivable	<b>15 038</b>	22 000	<b>15 038</b>	22 000
	<b>19 221</b>	68 976	<b>15 883</b>	49 364

- The amount owing above of R15,038 million (2008: R22 million) is in respect of the sale of the company's investment in CII Hotel and Resorts Cape Town (Proprietary) Limited. This receivable bears interest at 2.5% per month.
- Total trade and other receivables in the amount of R14,9 million included in the 2008 amount was not included in the year under review as a result of the deconsolidation of Dynamic.

#### Trade and other receivables pledged as security

Group trade receivables of RNil (2008: R11,6 million) were ceded to The Standard Bank of South Africa Limited for general banking facilities. At year end the facilities amounted to RNil (2008: RNil)

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 December 2009, R16,0 million (2008: R 3,7 million) were past due but not impaired.

R'000	Group		Company	
	2009	2008	2009	2008
<b>14. TRADE AND OTHER RECEIVABLES (continued)</b>				
The aging of amounts past due but not impaired is as follows:				
One month past due	124	1 074		
Two months past due	1	632		
Three months past due	843	2 035		
More than three months past due	15 084	–		
<b>Trade and other receivables impaired</b>				
The amount of the provision was R781 530 at 31 December 2009 (2008: R3 710 709). The aging of these loans is as follows:				
Three to six months	782	985		
Over six months	–	2 726		
<b>15. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of:				
Cash on hand	9	41	–	–
Bank balances	7 037	31 207	599	868
Short-term deposits	21 164	71 212	21 021	69 567
	<b>28 210</b>	102 460	<b>21 620</b>	70 435
<b>16. SHARE CAPITAL</b>				
<b>Authorised</b>				
2 000 000 000 (2008: 2 000 000 000)				
Ordinary shares of 0.1 cent each	2 000	2 000	2 000	2 000
75 000 000 Class A preference shares of 0.1 cent each	75	75	75	75
72 000 000 Class B preference shares of 0.1 cent each	72	72	72	72
	<b>2 147</b>	2 147	<b>2 147</b>	2 147
<b>Issued</b>				
Ordinary share capital	332	373	332	373
Share premium	280 073	301 362	280 073	301 362
	<b>280 405</b>	301 735	<b>280 405</b>	301 735
<b>Reconciliation of number of ordinary shares issued ('000):</b>				
Reported as at 1 January	372 627	326 904	372 627	326 904
Issue of shares	–	45 723	–	45 723
Cancellation of shares	(40 394)	–	(40 394)	–
	<b>332 233</b>	372 627	<b>332 233</b>	372 627
<b>Reconciliation of number of treasury shares ('000):</b>				
Reported as at 1 January	24 177	1 779		
Shares purchased	61 525	22 398		
Shares cancelled	(40 394)	–		
Deconsolidation of subsidiary	(105)	–		
	<b>45 203</b>	24 177		

During the year the company bought back 61 524 804 (2008: 22 447 882) of its own shares at a total cost of R26,3 million (2008: R33,7 million). These shares have been accounted for as treasury shares.

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>16. SHARE CAPITAL (continued)</b>				
<b>Treasury shares</b>				
Treasury shares held by CET Holdings (Proprietary) Limited	9 620	8 368	–	–
Shares held by Cape Empowerment Trust Limited Share Incentive Trust treated as treasury shares	32 979	29 347	–	–
Shares held by Dynamic Cables RSA Limited	–	138	–	–
	<b>42 599</b>	37 853	–	–
<b>17. OTHER FINANCIAL LIABILITIES</b>				
<b>Held at amortised cost</b>				
Bidvest Bank Limited The loan was settled in full during the year and all securities released.	–	6 468	–	6 468
Leaf Enhanced Alternative Partners (Proprietary) Limited The loan was repaid in full during the current year and all securities released.	–	7 710	–	–
Creditsmith (Proprietary) Limited The loan was repaid in full during the current year and all securities released.	–	43 477	–	–
Mortgage bonds The liability is not included in the current year due to the deconsolidation of Dynamic Cables RSA Limited.	–	4 419	–	–
The Standard Bank of South Africa Limited The loan bears interest at prime plus 2% per annum. The loan is secured by a cession and pledge of 2 160 000 ordinary shares in Grand Parade Investments Limited. The capital sum is to be repaid in 4 annual equal instalments of R1 000 000 per annum, with a final bullet payment of R7 000 000 on the 22 January 2012. Interest is paid annually in arrears.	<b>8 520</b>	9 264	<b>8 520</b>	9 264
Investec Bank Limited The loan bears interest at the prime lending rate plus 0,5%. Interest is payable annually in arrears.  The loan is secured as follows: <ul style="list-style-type: none"> <li>• a cession and pledge by Cape Empowerment Trust Limited of all its rights in 4 000 Grand Parade Investments Limited ("Grand Parade") shares owned by the company;</li> <li>• a cession and pledge by BLRT Investments Limited ("BLRT") of 2 593 984 Grand Parade shares owned by BLRT;</li> <li>• a cession and pledge by Sancino Projects Limited ("Sancino") of 25 943 236 Grand Parade shares owned by Sancino;</li> <li>• a limited suretyship in favour of Investec by BLRT in the amount of R1 512 000; and</li> <li>• a limited suretyship in favour of Investec by Sancino in the amount of R15 123 000.</li> </ul> The loan is repayable at the end of the loan term on 15 December 2012.	<b>17 105</b>	–	<b>17 105</b>	–

R'000	Group		Company	
	2009	2008	2009	2008
<b>17. OTHER FINANCIAL LIABILITIES (continued)</b>				
Nedbank Limited The loan bears interest at 1% below the prime lending rate per annum and is secured by development land included in inventories as set out in note 13 and a limited suretyship in favour of Nedbank Limited by Cape Empowerment Trust Limited in the amount of R11,7 million. The loan was repayable on 9 March 2010 and has been successfully extended to 9 March 2011 on similar terms at an interest rate of prime plus 0,25%.	<b>63 376</b>	–	–	–
Dynamic Cables RSA Limited This loan is unsecured and has no fixed repayment terms. The loan bears interest at the prime lending rate.	<b>15 767</b>	–	<b>15 767</b>	–
	<b>104 768</b>	71 338	<b>41 392</b>	15 732
Non-current liabilities	<b>40 392</b>	19 067	<b>40 392</b>	14 732
Current liabilities	<b>64 376</b>	52 270	<b>1 000</b>	1 000
	<b>104 768</b>	71 338	<b>41 392</b>	15 732
<b>18. INSTALMENT SALE OBLIGATIONS</b>				
Non-current liabilities	<b>2 044</b>	4 173	<b>1 022</b>	1 462
Current liabilities	<b>872</b>	1 797	<b>395</b>	391
	<b>2 916</b>	5 970	<b>1 417</b>	1 853

Secured in terms of instalment sale agreements over property, plant and equipment and motor vehicles having a book value of R2,9 million (2008: R5,198 million). The average effective rate of interest is between the prime bank overdraft rate and 2% below the prime bank overdraft rate. The liability is repayable in monthly instalments of R98 351 (2008: R158 564) inclusive of finance charges.

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Financial liabilities at amortised cost	Total
<b>19. FINANCIAL LIABILITIES BY CATEGORY</b>		
<b>Group – 2009</b>	<b>133 878</b>	<b>133 878</b>
Loans from shareholders	1 831	1 831
Other financial liabilities	104 768	104 768
Instalment sale obligations	2 916	2 916
Trade and other payables	19 426	19 426
Dividend payable	197	197
Current tax payable	4 740	4 740
<b>Group – 2008</b>	139 326	139 326
Loans from shareholders	10 708	10 708
Other financial liabilities	71 338	71 338
Instalment sale obligations	5 970	5 970
Trade and other payables	33 749	33 749
Dividend payable	203	203
Current tax payable	17 358	17 358
<b>Company – 2009</b>	<b>74 754</b>	<b>74 754</b>
Loans from group companies	26 661	26 661
Loans from shareholders	1 831	1 831
Other financial liabilities	41 392	41 392
Instalment sale obligations	1 417	1 417
Trade and other payables	3 256	3 256
Dividend payable	197	197
Current tax payable	–	–
<b>Company – 2008</b>	52 744	52 744
Loans from group companies	20 787	20 787
Loans from shareholders	10 708	10 708
Other financial liabilities	15 732	15 732
Instalment sale obligations	1 854	1 854
Trade and other payables	2 136	2 136
Dividend payable	203	203
Current tax payable	1 324	1 324

R'000	Group		Company	
	2009	2008	2009	2008
<b>20. REVENUE</b>				
Sale of goods	–	123 475	–	–
Rendering of services	<b>57 928</b>	50 815	–	–
	<b>57 928</b>	174 290	–	–
<b>21. OPERATING LOSS</b>				
Operating loss for the year is stated after accounting for the following:				
Administration and management fees	–	–	<b>995</b>	2 405
Operating lease charges – premises – contractual amounts	<b>(832)</b>	(2 997)	<b>(613)</b>	(592)
Operating lease charges – premises – smoothing	<b>(133)</b>	–	<b>(133)</b>	–
Operating lease charges – equipment – contractual amounts	<b>(167)</b>	–	–	–
(Loss)/profit on sale of property, plant and equipment	<b>52</b>	(815)	<b>59</b>	(133)
(Loss)/profit on sale of subsidiaries	–	(2 563)	–	23 537
(Loss)/profit on sale of other financial assets	<b>(1 861)</b>	(3 647)	<b>(978)</b>	(10 650)
Profit on settlement of script loan from shareholders	–	1 450	–	1 450
Impairment of goodwill	<b>(12 882)</b>	(20 456)	–	–
Impairment of property, plant and equipment	–	(463)	–	–
Impairment of other financial assets	<b>(650)</b>	(14 163)	<b>(500)</b>	(5 971)
Profit on exchange differences	–	198	–	–
Loss on sale of non-current assets held for sale	–	(10 873)	–	(10 873)
Depreciation on property, plant and equipment	<b>(1 065)</b>	(3 327)	<b>(562)</b>	(559)
Employee costs	<b>(61 031)</b>	(61 930)	<b>(9 585)</b>	(6 587)
<ul style="list-style-type: none"> <li>• The impairment of goodwill arose as a result of the restructuring of certain security businesses.</li> <li>• The impairment of other financial assets was done because of the uncertainty of repayment of a loan from an investee due to the tough economic environment.</li> </ul>				
<b>22. INVESTMENT REVENUE</b>				
<b>Dividend revenue</b>	<b>3 957</b>	23 811	<b>175</b>	17 672
Listed financial assets – local	<b>3 942</b>	6 811	<b>163</b>	672
Sancino Litho (Proprietary) Limited	–	17 000	–	17 000
Other	<b>15</b>	–	<b>12</b>	–
<b>Interest received</b>	<b>10 500</b>	41 375	<b>10 209</b>	7 657
Listed financial assets	<b>29</b>	31 164	<b>29</b>	21
Interest rate swap arrangement	–	4 602	–	4 602
Other financial assets	<b>1 757</b>	1 307	<b>1 757</b>	1 307
Bank	<b>1 553</b>	3 337	<b>1 370</b>	1 298
Interest charged on trade and other receivables	<b>6 522</b>	397	<b>6 522</b>	397
Other interest	<b>639</b>	568	<b>531</b>	32
	<b>14 457</b>	65 186	<b>10 384</b>	25 329

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>23. FAIR VALUE ADJUSTMENTS</b>				
<b>Investment property</b>	-	262	-	-
<b>Other financial assets – fair value through profit and loss</b>	<b>628</b>	(360 817)	<b>(27 581)</b>	(42 176)
<b>Fair value adjustments based on quoted prices</b>				
Grand Parade Investments Limited	<b>16 914</b>	(286 674)	<b>865</b>	(8 710)
Purple Capital Limited	<b>(1 159)</b>	(19 325)	<b>(1 160)</b>	(19 325)
Command Holdings Limited	<b>15</b>	(11 316)	<b>15</b>	(11 316)
Dynamic Cables RSA Limited	<b>(17 206)</b>	-	<b>(25 405)</b>	-
Ambit Properties Limited	-	(40 279)	-	398
The above fair value adjustments are based on the prices of the financial instruments quoted on the JSE Limited at year end.				
<b>Fair value adjustments based on unobservable data</b>				
Western Cape Women's Investments Forum Limited	<b>(1 398)</b>	(1 623)	<b>(1 398)</b>	(1 623)
African Independent Horizons (Proprietary) Limited	<b>(2 500)</b>	(1 600)	<b>(2 500)</b>	(1 600)
African Alliance Real Estate Investment portfolio	<b>6 250</b>	-	<b>6 250</b>	-
Rapiprop 159 (Proprietary) Limited	<b>(1 713)</b>	-	<b>(1 713)</b>	-
Lions Hill Development Company (Proprietary) Limited	<b>651</b>	-	<b>651</b>	-
Other	<b>774</b>	-	<b>(3 186)</b>	-
The above fair value adjustments are the result of internal valuations, based on established market practice and incorporate assumptions based on the available economic and other data at year end.				
	<b>628</b>	(360 555)	<b>(27 581)</b>	(42 176)
<b>24. FINANCE COSTS</b>				
Non-current borrowings	<b>1 612</b>	39 514	<b>1 612</b>	2 666
Interest rate swap arrangement	-	9 629	-	9 629
Early repayment fee	-	3 919	-	-
Bank	<b>1</b>	371	-	62
Current borrowings	<b>1 630</b>	14 400	-	-
Raising fee	<b>380</b>	3 707	<b>380</b>	140
Late payment of tax	<b>46</b>	3 838	<b>(177)</b>	244
Instalment sale obligations	<b>458</b>	851	<b>235</b>	419
Mortgage bonds	<b>203</b>	407	-	-
Other interest paid	<b>2 799</b>	1 000	<b>2 797</b>	519
	<b>7 129</b>	77 636	<b>4 847</b>	13 679

Other interest paid relates mainly to interest on the shareholder loans (refer note 9) and interest on the Dynamic Cables RSA Limited loan (refer note 17).

R'000	Group		Company	
	2009	2008	2009	2008
<b>25. TAXATION</b>				
<b>Major components of the tax expense (income)</b>				
<b>Current</b>	<b>289</b>	3 496	<b>(1 040)</b>	–
Local income tax – current period	<b>1 329</b>	3 496	–	–
Local income tax – recognised in current tax for previous year	<b>(1 040)</b>	–	<b>(1 040)</b>	–
<b>Secondary tax on companies</b>	–	(1 172)	–	–
<b>Deferred</b>	<b>(17 434)</b>	(48 500)	–	(20 146)
Deferred tax	<b>(17 434)</b>	(45 796)	–	(19 452)
Change in tax rates	–	(2 704)	–	(694)
	<b>(17 145)</b>	(46 176)	<b>(1 040)</b>	(20 146)
<b>Reconciliation of tax expense</b>				
Accounting profit/(loss)	<b>(24 359)</b>	(428 432)	<b>(61 674)</b>	(44 465)
Tax at the applicable rate 28% (2008: 28%)	<b>(6 821)</b>	(119 960)	<b>(17 269)</b>	(12 450)
Adjusted for:				
Local dividends	<b>(6 822)</b>	(6 677)	<b>(48)</b>	(4 948)
Fair value adjustments	<b>2 297</b>	100 955	<b>6 791</b>	11 809
Non-deductible expenses	<b>6 989</b>	8 520	<b>6 201</b>	536
Non-deductible capital losses	<b>544</b>	6 918	<b>274</b>	20 376
Capital profits	–	(2 149)	–	(21 346)
Impairments	<b>4 677</b>	7 399	<b>1 071</b>	1 672
Gain on bargain purchase	<b>(2 140)</b>	(986)	–	–
Tax losses carried forward/(utilised)	<b>4 101</b>	7 428	<b>2 980</b>	4 312
Other timing differences	<b>687</b>	631	–	–
Capital items		857	–	39
Effect of deconsolidation of subsidiaries	<b>(3 405)</b>	–	–	–
Other permanent differences	<b>(17)</b>	–	–	–
Local income tax – recognised in current tax for prior periods	<b>(1 040)</b>	–	<b>(1 040)</b>	–
Capital gains tax effect	<b>1 239</b>	560	–	–
Secondary tax on companies	–	(1 172)	–	–
	<b>289</b>	2 324	<b>(1 040)</b>	–
Unused STC credits for which no deferred tax asset has been recognised	<b>62 075</b>	58 118	<b>47 088</b>	46 914
Unused tax losses for which no deferred tax asset has been recognised	<b>129 008</b>	31 238	<b>39 475</b>	28 831
Unused capital losses for which no deferred tax asset has been recognised	<b>61 194</b>	8 837	<b>37 396</b>	7 915

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>26. AUDITORS REMUNERATION</b>				
Audit fees	<b>1 690</b>	2 751	<b>1 690</b>	1 398
<b>27. CASH (USED IN)/GENERATED FROM OPERATIONS</b>				
(Loss)/profit before tax	<b>(24 359)</b>	(428 432)	<b>(61 674)</b>	(44 465)
Adjusted for:				
Depreciation and amortisation	<b>1 065</b>	3 327	<b>562</b>	559
(Profit)/loss on sale of assets	<b>1 809</b>	5 575	<b>(59)</b>	(14 203)
Loss on sale of non-current assets held for sale	–	10 873	–	10 873
Dividends received	<b>(3 957)</b>	(23 812)	–	(17 673)
Interest received	<b>(10 500)</b>	(41 374)	<b>(10 384)</b>	(7 657)
Finance costs	<b>7 129</b>	77 636	<b>4 847</b>	13 679
Fair value adjustments	<b>(628)</b>	360 554	<b>27 581</b>	42 176
Impairment loss	<b>13 532</b>	35 081	<b>500</b>	5 971
Gain on bargain purchase	<b>(7 644)</b>	–	–	–
Other non-cash items	<b>(338)</b>	–	–	–
Changes in working capital	<b>40 537</b>	(58 829)	<b>34 316</b>	(57 362)
Inventories	<b>(371)</b>	3 624	–	–
Trade and other receivables	<b>34 832</b>	3 549	<b>33 481</b>	2 142
Other receivables	–	(48 672)	–	(48 672)
Trade and other payables	<b>6 076</b>	(17 330)	<b>835</b>	(10 832)
	<b>16 646</b>	(59 401)	<b>(4 311)</b>	(68 102)
<b>28. TAX (PAID)/REFUNDED</b>				
Balance at the beginning of the year	<b>(17 358)</b>	(18 997)	<b>(1 324)</b>	(1 082)
Interest included in opening balance	–	–	<b>284</b>	–
Deconsolidation of subsidiary	<b>12 841</b>	–	–	–
Current tax charge in the statement of comprehensive income	<b>(289)</b>	(2 324)	<b>1 040</b>	–
Balance at the end of the year	<b>4 740</b>	17 358	–	1 324
	<b>(66)</b>	(3 963)	–	242
<b>29. DIVIDENDS PAID</b>				
Balance at the beginning of the year	<b>(203)</b>	–	<b>(203)</b>	–
Dividends	–	(10 659)	–	(10 703)
Balance at the end of the year	<b>197</b>	203	<b>197</b>	203
	<b>(6)</b>	(10 456)	<b>(6)</b>	(10 500)

### 30. ACQUISITION OF BUSINESS

#### Sancino Projects Limited ("Sancino")

On 18 March 2009 the group acquired an additional 47,8% of the issued ordinary share capital of Sancino Projects Limited by way of a scheme of arrangement. As a result Sancino became a wholly owned subsidiary of CET Gaming Holdings (Proprietary) Limited. The scheme consideration was settled through the delivery of 16 412 416 shares in Grand Parade Investments Limited to the shareholders of Sancino. A resulting gain on bargain purchase of R7,5 million was recognised in the statement of comprehensive income.

#### Lions Hill Development Company (Proprietary) Limited ("Lions Hill")

With effect from 1 October 2009 the company acquired an additional 35% of the issued ordinary share capital of Lions Hill, increasing the company's total ownership to 60%. Lions Hill's financial results are consolidated into the group results from this date as a subsidiary of Cape Empowerment Trust Limited. Lions Hill is a property development business.

R'000	Pre acquisition values	Fair value adjustments	Recognised value on acquisition
Inventories (Development land)	62 892	22 108	85 000
Receivables	12	–	12
Interest bearing liabilities	(63 912)	–	(63 912)
Other financial liabilities	(18 172)	–	(18 172)
Trade payables	(325)	–	(325)
Bank overdraft	(1)	–	(1)
	<b>(19 506)</b>	<b>22 108</b>	<b>2 602</b>
Non-controlling interests			<b>(1 041)</b>
<b>Interest in net identifiable assets and liabilities acquired</b>			<b>1 561</b>
Goodwill on acquisition			<b>89</b>
<b>Cost of business combination</b>			<b>1 650</b>
– Cash payment			<b>1 000</b>
– Fair value of existing 25% interest at acquisition date			<b>650</b>

The development land was valued by an independent industry expert with substantial industry specific experience, based on the latest feasibility studies and comparable bulk right rates.

After year end the company acquired a further 25% interest in Lions Hill in exchange for the company's interest in WECWIF. At year end the company's interest in WECWIF was valued at R225 000.

# Notes to the annual financial statements

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## 31. SHARE-BASED PAYMENTS

During the year the company had the following share-based payments:

### Share options (equity-settled)

On 25 June 2009 the group granted the following options to directors of the group in terms of the Share Incentive Scheme of the group.

Director	Number of options granted
TD Rai	7 500 000
J de Villiers	7 500 000

### Terms and conditions of options granted:

The terms and conditions relating to the options granted by the Share Incentive Trust as set out below are as follows:

Grant date	Number of options	Vesting conditions
25 June 2009	15 000 000	33.3% after 36 months of service from option grant date 33.3% after 48 months of service from option grant date 33.3% after 60 months of service from option grant date

### Inputs for measurement of grant date fair values

The grant date fair value of the options granted to directors in terms of the Share Incentive Scheme was measured based on the Black-Scholes formula. The inputs used in the measurement of the fair values at grant date of the options granted were as follows:

	Group		Company	
	2009	2008	2009	2008
<b>Fair value of options granted and assumptions:</b>				
Share price at grant date (Rand)	0.41	–	–	–
Exercise price (Rand)	0.40	–	–	–
Volatility	50%	–	–	–
Expected option life	3–5 years	–	–	–
Expected dividends	0.00	–	–	–
Risk free interest rate	8.48%	–	–	–

Volatility was calculated based on monthly volume weighted average share prices over the 12 months prior to the grant date. The volume weighted average share price varied between 113 and 40 cents per share.

## 32. COMMITMENTS

### Operating lease – as lessee

Minimum lease payments due – premises

– within one year	917	2 905	723	595
– in second to fifth year inclusive	982	4 061	982	1 536
	<b>1 899</b>	<b>6 966</b>	<b>1 705</b>	<b>2 131</b>

Operating lease payments represent rentals payable by the group for certain of its office properties.

No contingent rent is payable.

### Operating lease – as lessee

Minimum lease payments due – office equipment

– within one year	–	13	–	13
– in second to fifth year inclusive	–	20	–	20
	<b>–</b>	<b>33</b>	<b>–</b>	<b>33</b>

### 33. CONTINGENCIES

- The company has provided The Standard Bank of South Africa Limited with an unlimited suretyship for the general banking facilities granted to certain companies in the Dynamic Cables RSA (Proprietary) Limited group. At year end these facilities amounted to R66 911 (2008: RNil).
- The Standard Bank of South Africa Limited has issued a guarantee in favour of Rapivest 46 (Proprietary) Limited in the amount of R125 343 that expires on 31 March 2012.
- The dispute with Western Cape Women's Investment Forum Limited ("WECWIF"), which was reported as a contingency in the 2008 annual report, has been resolved subsequent to year end. The resolution of the matter has been taken into account in the preparation of these financial statements.
- Cape Empowerment Trust Limited has provided Nedbank Limited with a limited suretyship of R11,7 million for the bond facilities provided to Lions Hill Development Company (Proprietary) Limited by Nedbank Limited.
- The company has provided The Standard Bank of South Africa Limited with a limited suretyship of R1 460 000 for general banking facilities granted to certain group companies. At year end the facilities utilised amounted to R Nil (2008: R Nil).
- The company provided Investec Bank Limited with a limited suretyship in the amount of R45 100 000 for loan facilities provided to the African Alliance Real Estate Investment portfolio. At year end the utilised facilities amounted to R156 million (2008: R Nil).
- The company has provided Nedbank Limited with a limited suretyship in the amount of R750 000 for banking facilities provided to the African Alliance Real Estate Investment portfolio. At year end and the facilities utilised amounted to R23 million (2008: R Nil).

### 34. RELATED PARTIES

#### Relationships

##### Subsidiaries

Alexandra Security (Proprietary) Limited  
African Lion Holdings (Proprietary) Limited  
BLRT Investments Limited  
Business Venture Investments No. 1275 (Proprietary) Limited  
Sancino Projects Limited  
Cape Horizon Properties 111 (Proprietary) Limited  
Business Venture Investments No. 1265 (Proprietary) Limited  
CET Gaming Holdings (Proprietary) Limited  
CET Holdings (Proprietary) Limited  
Lions Hill Development Company (Proprietary) Limited  
Cape Empowerment Trust Limited Share Incentive Trust  
S L Rai  
Greyjade Trade and Invest 85 (Proprietary) Limited  
Dynamic Cables RSA Limited  
African Independent Horizons (Proprietary) Limited  
African Alliance Management Services (Proprietary) Limited  
African Alliance Real Estate Investment portfolio

Directors and shareholders with significant influence  
Related entities over which we exert significant influence

R'000	Company	
	2009	2008
<b>Related party balances</b>		
<b>Loan accounts – Owning (to) by related parties</b>		
Dynamic Cables RSA Limited	(15 767)	(13 787)
Alexandra Security (Proprietary) Limited	556	559
Lions Hill Development Company (Proprietary) Limited	21 065	11 351
CET Holdings (Proprietary) Limited	(14 916)	8 675
Cape Empowerment Trust Limited Share Incentive Trust	11 982	29 360
Business Venture Investments No. 1275 (Proprietary) Limited	11 392	12 590
Business Venture Investments No. 1265 (Proprietary) Limited	(5 600)	(7 000)
Business Venture Investments No. 1070 (Proprietary) Limited	–	400
BLRT Investments Limited	100	100
CET Gaming Holdings (Proprietary) Limited	268 895	217 137
Sancino Projects Limited	(6 145)	350
Cape Horizon Properties 111 (Proprietary) Limited	17 651	14 616
African Lion Holdings (Proprietary) Limited	2 666	–
Greyjade Trade and Invest 85 (Proprietary) Limited	13 262	–
S L Rai	(1 831)	(9 708)

# Notes to the annual financial statements

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R'000	Company	
	2009	2008
<b>34. RELATED PARTIES (continued)</b>		
<b>Related party transactions</b>		
<b>Interest paid to (received from) related parties</b>		
S L Rai	1 121	151
Lions Hill Development Company (Proprietary) Limited	(1 717)	(1 306)
Sancino Litho (Proprietary) Limited	-	368
Dynamic Cables RSA Limited	1 675	-
<b>Dividends paid to (received from) related parties</b>		
Sancino Litho (Proprietary) Limited	-	(17 000)
<b>Administration fees paid to (received from) related parties</b>		
Cape Horizon Properties 111 (Proprietary) Limited	-	(1 100)
Cape Empowerment Trust Limited Share Incentive Trust	-	(50)
Business Venture Investments No. 1070 (Proprietary) Limited	-	(400)
BLRT Investments Limited	-	(500)
Sancino Projects Limited	(770)	(350)
CET Holdings (Proprietary) Limited	(165)	(5)
African Alliance Property portfolio	(60)	(144)

R'000	Salaries	Directors' fees	Bonus	Commission	Total
<b>35. DIRECTORS' EMOLUMENTS</b>					
<b>Group – 2009</b>					
<b>Non-executive directors</b>					
H Takolia	-	-	-	-	-
F C Calana	-	228	-	-	228
T D Rai	-	-	2 500	-	2 500
P B Hesseling	-	-	-	-	-
O Valley	-	210	-	-	210
	-	438	2 500	-	2 938
<b>Executive directors</b>					
S L Rai	-	725	2 500	-	3 225
R J McGregor	-	-	500	-	500
J de Villiers	1 645	-	-	-	1 645
	1 645	725	3 000	-	5 370

R'000	Salaries	Directors' fees	Bonus	Commission	Total
<b>Group – 2008</b>					
<b>Non-executive directors</b>					
H Takolia	–	–	–	–	–
F C Calana	–	228	–	–	228
T D Rai	1 072	–	150	1 200	2 422
P B Hesseling	–	–	–	–	–
O Valley	–	120	–	–	120
	1 072	348	150	1 200	2 770
<b>Executive directors</b>					
S L Rai	–	910	–	–	910
R J McGregor	793	–	–	–	793
J de Villiers	1 065	–	75	–	1 140
	1 858	910	75	–	2 843
<b>Company – 2009</b>					
<b>Non-executive directors</b>					
H Takolia	–	–	–	–	–
F C Calana	–	228	–	–	228
T D Rai	–	–	2 500	–	2 500
P B Hesseling	–	–	–	–	–
O Valley	–	210	–	–	210
	–	438	2 500	–	2 938
<b>Executive directors</b>					
S L Rai	–	725	2 500	–	3 225
R J McGregor	–	–	500	–	500
J de Villiers	1 645	–	–	–	1 645
	1 645	725	3 000	–	5 370
<b>Company – 2008</b>					
<b>Non-executive directors</b>					
H Takolia	–	–	–	–	–
F C Calana	–	228	–	–	228
T D Rai	–	–	–	–	–
P B Hesseling	–	–	–	–	–
O Valley	–	120	–	–	120
	–	348	–	–	348
<b>Executive directors</b>					
S L Rai	–	455	–	–	455
R J McGregor	–	–	–	–	–
J de Villiers	1 065	–	75	–	1 140
	1 065	455	75	–	1 595

Executive directors do not have fixed term contracts. They have employment agreements with the company which are subject to notice periods of between one and six months.

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>36. PRIOR PERIOD ERRORS</b>				
Certain selling costs relating to the sale of financial assets were originally incorrectly accounted for during January 2009 instead of December 2008.				
The correction of the error results in adjustments as follows:				
<b>Statement of financial position</b>				
Opening retained earnings	(1 084)		-	-
Non-controlling interest	-	(120)	-	-
Trade payables	-	1 400	-	-
Current tax payable	-	196	-	-
<b>Statement of comprehensive income</b>				
Profit on sale of capital asset	-	(1 400)	-	-
Taxation	-	196	-	-
Non-controlling interest in profit	-	120	-	-

## 37. RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

### Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the group's financial liabilities and assets and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

R'000	Less than one year	Between one and two years	Between two and five years	Over five years
<b>Group</b>				
<b>As at 31 December 2009</b>				
<b>Liabilities</b>				
Borrowings	11 382	69 289	26 624	24 692
Trade and other payables	19 426	-	-	-
Current tax payable	4 740	-	-	-
Loans from shareholders	1 831	-	-	-
Dividend payable	197	-	-	-
<b>Assets</b>				
Other financial assets – held to maturity	-	-	-	-
Other financial assets – loans and receivables	19 104	-	-	-
Trade and other receivables	19 221	-	-	-
Cash and cash equivalents	28 210	-	-	-

R'000	Less than one year	Between one and two years	Between two and five years	Over five years
<b>Group</b>				
<b>As at 31 December 2008</b>				
<b>Liabilities</b>				
Borrowings	60 681	5 899	20 248	7 644
Trade and other payables	32 349			
Current tax payable	17 554			
Loans from shareholders	10 708			
Dividend payable	203			
<b>Assets</b>				
Other financial assets – held to maturity	1 140	1 140	3 420	14 505
Other financial assets – loans and receivables	12 353	–	–	
Trade and other receivables	69 676			
Cash and cash equivalents	102 460	–	–	–
<b>Company</b>				
<b>At 31 December 2009</b>				
<b>Liabilities</b>				
Borrowings	<b>4 356</b>	<b>4 127</b>	<b>26 049</b>	<b>24 692</b>
Loans from group companies	<b>26 661</b>	–	–	–
Trade and other payables	<b>3 256</b>	–	–	–
Current tax payable	–	–	–	–
Loans from shareholders	<b>1 831</b>	–	–	–
Dividend payable	<b>197</b>	–	–	–
<b>Assets</b>				
Other financial assets – loans and receivables	<b>18 030</b>	–	–	–
Trade and other receivables	<b>15 883</b>	–	–	–
Loans to group companies	<b>336 203</b>	–	–	–
Cash and cash equivalents	<b>21 620</b>	–	–	–
<b>At 31 December 2008</b>				
<b>Liabilities</b>				
Borrowings	4 064	3 904	16 397	–
Loans from group companies	20 787	–	–	–
Trade and other payables	2 136	–	–	–
Current tax payable	1 324	–	–	–
Loans from shareholders	10 708	–	–	–
Dividend payable	203	–	–	–
<b>Assets</b>				
Other financial assets – loans and receivables	11 368	–	–	–
Trade and other receivables	49 364	–	–	–
Loans to group companies	283 787	–	–	–
Cash and cash equivalents	70 435	–	–	–

# Notes to the annual financial statements

for the year ended 31 December 2009

## Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2009 and 2008, the group's borrowings at variable rates were denominated in Rand.

At 31 December 2009, if interest rates on borrowings had been 5% higher/lower with all other variables held constant, pre-tax profit for the year would have been R2,2 million (2008: R15,2 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

	Current interest rate %	Due in less than a year R'000	Due in one to two years R'000	Due in two to three years R'000	Due in three to five R'000	Due after five years R'000
<b>Cash flow interest rate risk</b>						
<b>Financial instrument</b>						
Cash in current banking institutions	6.40	28 210	–	–	–	–
Comwezi Security Services (Proprietary) Limited	14.50	4 507	–	–	–	–
Loan to Lions Hill Development Company (Proprietary) Limited	9.50	21 065	–	–	–	–
Trade and other receivables	30.00	15 038	–	–	–	–
Standard Bank loan	12.50	1 000	1 000	6 520	–	–
Investec loan	11.00	–	–	17 105	–	–
Nedbank Limited – Bond finance	9.50	63 376	–	–	–	–
Loan from Dynamic Cables RSA Limited	10.50	–	–	–	–	15 767
Instalment sale obligations	11.24	1 157	994	1 318	–	–
<b>Fair value interest rate risk</b>						
<b>Financial instrument</b>						
Loan from shareholder	13.80	1 831	–	–	–	–

## Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

## Foreign exchange risk

The group does not hedge foreign exchange fluctuations.

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The group expects its foreign exchange contracts to hedge foreign exchange exposure.

The group enters into certain forward exchange contracts which do not relate to specific items appearing on the balance sheet, but which are entered into to cover foreign commitments not yet due and proceeds not yet received. The contracts are utilised for purposes of trade. In the prior financial year the group had only one outstanding forward exchange contract as its risk adverse fluctuations in the Rand against major currencies was considered low by the directors.

R'000	Group		Company	
	2009	2008	2009	2008
<b>Foreign currency exposure at balance sheet date</b>				
<b>Liabilities</b>				
Trade creditors USD Nil (2008: USD 7 008)	-	67		
Trade creditors EUR Nil (2008: EUR 39 822)	-	43		
<b>Exchange rates used for conversion of foreign items</b>				
USD	-	9.46		
EUR	-	13.33		

### Capital risk management

The group manages its capital to ensure that entities within the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 17 and 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital, reserves and retained earnings as disclosed in notes 15 and 16. The board and Exco review the group capital structure on a regular basis and in particular when an acquisition of an investment is planned. As a part of this review, the board considers the cost of capital and the risks associated with each class of capital. The group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The group's overall strategy remains unchanged from the previous year.

### 38. POST BALANCE SHEET EVENTS

- The company acquired a further 25% interest in the ordinary share capital of Lions Hill Development Company (Proprietary) Limited in exchange for the company's interest in the Western Cape Women's Investment Forum Limited ("WECWIF"). At year end the company's interest in WECWIF was valued at R225 000.
- With effect from 1 February 2010 the company sold its investment in Rapirop 159 (Proprietary) Limited for R9 million rand, which is its fair value as reflected by the company on 31 December 2009.
- During May 2010 Dynamic Cables RSA Limited acquired the full issued share capital of Cape Empowerment Trust Limited, by way of a scheme of arrangement in terms of section 311 of the Companies Act, Act 61 of 1973, as amended.

### 39. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on losses of R7,1 million (2008: R311,0 million) and a weighted average number of 313 415 806 (2008: 339 180 250) ordinary shares in issue throughout the year.

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group	
	2009	2008
<b>40. HEADLINE EARNINGS PER SHARE</b>		
<b>Reconciliation between basic earnings and headline earnings</b>		
Basic loss attributable to owners of the parent	(7 073)	(311 024)
Adjusted for:		
Gain on bargain purchase	(7 644)	(3 521)
Loss/ (profit) on sale of capital assets	809	(635)
Impairments	13 532	29 110
Fair value adjustment on investment property	-	(262)
Gain on deconsolidation of subsidiary	(8 834)	-
Tax effect	-	(19)
<b>Headline loss for the year</b>	<b>(9 210)</b>	<b>(286 351)</b>
<p>The calculation of headline earnings per share is based on losses of R9,2 million (2008: R286,3 million) and a weighted average number of 313 415 806 (2008: 339 180 250) ordinary shares in issue throughout the year.</p>		
<b>41. FULLY DILUTED EARNINGS/ HEADLINE EARNINGS PER SHARE</b>		
<b>Diluted weighted average number of shares</b>		
Weighted average number of shares	313 415 806	339 180 250
Dilutive shares	7 726 027	9 745 931
	<b>321 141 833</b>	<b>348 926 181</b>

The calculation of fully diluted earnings per share is based on losses of R7,1 million (2008: R311,0 million) and a weighted average number of 321 141 833 (2008: 348 926 181) ordinary shares in issue throughout the year.

The calculation of fully diluted headline earnings per share is based on losses of R9,2 million (2008: R286,3 million) and a weighted average number of 321 141 833 (2008: 348 926 181) ordinary shares in issue throughout the year.

## 42. OPERATING SEGMENTS

IFRS 8 Operating segments became effective for the first time during this financial reporting period and operating segment information is provided in line with this IFRS.

IFRS 8 requires segmental information to be provided for those operating segments that the group is involved in and whose operating results are reviewed regularly by the chief operating decision maker of the group. The chief operating decision maker of the group is the group executive committee. In determining its operating segments, management generally follows the industries that the group is invested in. These segments are managed separately and have different risk and return characteristics. Inter segment transfers are done at arm's length prices. The operating segment are:

- Property: investment in property assets, including African Alliance property portfolio and Lions Hill.
- Security and services: provides security services to a variety of industries.
- Gaming and leisure: investments in gaming and leisure assets and consist mainly of the group's investment in Grand Parade Investments Limited.
- Other: incorporates all other investments and corporate assets that are not separately reportable.

The measurement used for the segments are the same as those used in the financial statements and have not changed since the prior year.

R'000	Property	Security and services	Gaming and leisure	Other	Total
<b>2009</b>					
<b>Revenue</b>					
External sales	-	57 928	-	-	57 928
<b>Results</b>					
Segment operating profit/ (loss)	(43)	(17 431)	(1 926)	(20 559)	(39 959)
Fair value adjustments	5 327	16	16 150	(20 865)	628
Gain on bargain purchase	-	-	7 644	-	7 644
Investment revenue	7 801	583	3 862	2 211	14 457
Finance costs	(1 481)	(429)	(372)	(4 847)	(7 129)
Loss before taxation	11 604	(17 261)	25 358	(44 060)	(24 359)
Taxation					17 145
Loss for the year					(7 214)
Other information					
<b>Assets</b>					
Total segment assets	182 805	27 491	110 640	35 352	356 288
<b>Liabilities</b>					
Total segment liabilities	64 486	17 374	30 865	30 988	143 713
Depreciation	-	503	-	562	1 065
Impairments included in operating profit/(loss)	-	13 032	-	500	13 532

**Notes:**

1. The loss before tax of the Segment: Security and services includes a goodwill impairment charge of R12,9 million.
2. The loss before tax of the Segment: other includes the net downward fair value adjustment as a result of the Dynamic Cables RSA Limited deconsolidation in the amount of R17,2 million.

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Property	Security and services	Gaming and leisure	Other	Total
<b>2008</b>					
<b>Revenue</b>					
External sales	–	50 815	–	123 475	174 290
<b>Results</b>					
Segment operating profit/ (loss)	(5 132)	(1 909)	(5 306)	(35 728)	(48 075)
Fair value adjustments	(40 279)	(11 316)	(288 199)	(20 761)	(360 555)
Loss on non-current assets	–	–	–	(10 873)	(10 873)
Gain on bargain purchase	–	–	3 521	–	3 521
Investment revenue	37 533	3	7 889	19 761	65 186
Finance costs	(53 910)	(636)	(15 479)	(7 611)	(77 636)
Loss before taxation	(61 788)	(13 858)	(297 574)	(55 212)	(428 432)
Taxation					46 176
Loss for the year					(382 256)
Other information					
<b>Assets</b>					
Total segment assets	124 798	30 599	166 033	167 007	488 437
<b>Liabilities</b>					
Total segment liabilities	5 767	10 272	80 917	71 581	168 537
Depreciation	–	483	–	2 844	3 327
Impairment included in operating profit/(loss)	–	463	–	34 618	35 081

**Note:**

The 2008 segments does not meet the 75% threshold criteria, due to the inclusion of the Dynamic results in the other segment, which has been de-consolidated from 2009. The cost of disclosing this retrospectively is considered to exceed the benefit thereof. The segment results for Dynamic is disclosed more fully in the Dynamic annual report.

# Share statistics

for the year ended 31 December 2009

	2009	2008	2007	2006	2005
Weighted number of shares in issue ('000)	<b>313 416</b>	372 627	327 004	231 072	162 591
Market capitalisation (R million) 31 December	<b>120</b>	186	798	342	107
<b>Price (cents per share)</b>					
31 December	<b>36</b>	50	244	148	66
Highest	<b>55</b>	244	325	169	72
Lowest	<b>24</b>	31	124	50	16
Number of shares traded ('000)	<b>113 020</b>	121 312	128 905	93 944	46 490
Value of shares traded (R million)	<b>39</b>	149	282	87	27
Shares traded/ weighted number of shares (%)	<b>36</b>	33	39	41	28



ANNUAL REPORT  
2009



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# Chief Executive's Review

## Results

The group experienced difficult trading conditions during the year under review. Turnover declined by 26% due to a decrease in orders received from the telecommunication and transport sectors. Despite a strong focus on input cost and other cost control measures the decline in turnover impacted heavily on operating profit. Total non-cash impairments to intangible and financial assets of R14,3 million resulted in the group posting a loss of R13,1 million.

## Prospects

We expect trading conditions for the first half of 2010 to remain challenging but the cost control measures taken should help to improve operating performance.

## Black Economic Empowerment ("BEE")

Dynamic Cables operates in an environment in which BEE credentials, and specifically BEE ownership, has a crucial impact on the group's ability to generate revenue and indeed its future survival. To further enhance its black shareholding the group acquired the total issued ordinary share capital of Cape Empowerment Trust Limited ("CET") by way of a scheme of arrangement between CET and its shareholders with effect from 31 May 2010. As a result of the shares issued to CET shareholders that accepted the Dynamic shares as scheme consideration, the group is now majority black controlled.

I would like to thank all staff and fellow directors for their contributions during a tough year and trust in their continued hard work and support in the challenging year that lies ahead.



**TD Rai**  
Chief Executive

15 June 2010



# Report of the independent auditors

## TO THE MEMBERS OF DYNAMIC CABLES RSA LIMITED

We have audited the group annual financial statements and annual financial statements of Dynamic Cables RSA Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2009, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 8 to 49.

### Directors' responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Dynamic Cables RSA Limited as at 31 December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

*Grant Thornton*

### GRANT THORNTON

Chartered Accountants (SA)  
Registered Auditors

per **D D Nagar**

Chartered Accountant (SA)  
Registered Auditor

15 June 2010

2nd Floor, 4 Pencarrow Crescent  
Pencarrow Park  
La Lucia  
Ridge Office Estate  
La Lucia  
4019

# Corporate governance

The directors and managers of the company seek to, in every aspect of the group's business activities adhere to the Code of Corporate Practices and Conduct in the King II Report on Corporate Governance, as well as the requirements for corporate governance set out in the Listings Requirements of the JSE Limited.

## **Board of directors**

The board is ultimately responsible for the strategic direction, performance and affairs of the company and for ensuring compliance with all relevant laws and regulations. In directing the group the board exercises integrity and judgement based on fairness, accountability, responsibility and transparency. The board is responsible for monitoring the operational and investment performance of the group including financial and non-financial aspects.

The company secretary is appointed by the board of directors and reports to the executive chairman. He provides the board as a whole and directors individually with detailed guidance on the discharge of their responsibilities and sees that pertinent laws and procedures are properly administered. He ensured compliance with the rules of the JSE Limited.

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skill in fulfilling their duties. The board is also responsible for formulating the company's communications policy and for clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders. All directors are entitled to seek independent professional advice about the affairs of the company at the company's expense.

## **Board Committees**

The board is assisted in the discharge of its duties by audit, remuneration and executive committees. The committees act within terms of reference, under which certain functions of the board are assigned with defined purposes, membership requirements, duties and reporting procedures. The board committees are regularly evaluated by the board to ascertain their level of performance and effectiveness.

## **Audit committee**

The audit committee comprises non-executive directors and certain members of management, by invitation, and is chaired by H Takolia. Its chairman reports to the full board at the next meeting, at which the minutes of the previous committee meetings are circulated.

The duties of the audit committee include the management of risk in the company and its principle investments, the safeguarding of assets, the operation of adequate systems and control processes and the presentation of accurate and balanced financial statements and reports complying with relevant corporate disclosure requirements, and accounting standards.

The audit committee makes recommendations to the board regarding the appointment of external auditors and sets the principles for engaging external auditors for non-audit services. The committee is satisfied that the expertise and experience of the financial director is appropriate and reviews this annually.

## **Remuneration committee**

The remuneration committee comprises one executive and two non-executive directors. When necessary, the remuneration committee uses the services of remuneration specialists in determining fair and equitable remuneration standards for executive and non-executive directors, management and other personnel employed by the company.

## **Executive committee**

The executive committee comprises the executive directors and certain members of management and meets regularly to discuss issues of strategic importance to the group. These include investment decisions, potential acquisitions, strategic alliances with other companies and capital expenditure projects.

## **Ethics and conflicts**

Directors, management and employees are required to maintain the highest ethical standards, ensuring that business practices are conducted in a manner which in all reasonable circumstances is beyond reproach. All directors are required to disclose any conflicts of interest that may exist due to their interest in or association with any other company and that are of significance to the company's business and do not participate in the voting process of these matters. All information acquired by directors in the performance of their duties, which is not disclosed publicly, is treated as confidential. Directors may not use, or appear to use, such information for personal advantage or for the advantage of third parties. All directors are required to comply with the JSE requirements regarding insider information, transactions and disclosure of transactions.

# Corporate governance

## Dealings in securities

In accordance with the Listings Requirements of the JSE the group has adopted a code of conduct for insider trading. During closed periods directors and employees are prohibited from dealing in the company's securities whilst trading outside of closed periods may only take place with the authorisation of the chairman or managing director.

## Internal control

Nothing has come to the attention of the directors to cause them to believe that there has been any material breakdown in internal controls.

## Financial statements

The consolidated financial statements of Dynamic Cables RSA Limited and its subsidiaries are prepared by management, which is responsible for their integrity and objectivity and for all other information included in the annual report, The financial statements comply in all material respects with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

## Management reporting

The board has established management reporting structures and disciplines. Their functions include the preparation of annual budgets for the company and its subsidiaries and operating divisions. Monthly results of the subsidiaries are reported against budgets and projections are updated in the light of changing trading and economic circumstances. Cash flow forecasts are prepared and monitored, while working capital and borrowing levels are monitored on an ongoing basis.

## Directors' appointment policy

Directors are appointed by the board and the appointment is ratified by shareholders at the next annual general meeting.

## Attendance at meetings

	Directorate	Audit and risk committee	Remuneration committee
Number of meetings held	3	2	2
SL Rai (a)	2	–	–
TD Rai	3	2	2
H Takolia	2	2	2
MJI Brown	2	–	–
P Volkwyn (b)	1	–	–

(a) only 2 meetings held while a director.

(b) only 1 meeting held since appointment.

## Directors' responsibilities and approval

The directors are required in terms of the Companies Act of South Africa, 1973 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 31 December 2010 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The board of directors are responsible for the financial affairs of the company.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 4.

The financial statements set out on pages 8 to 49, which have been prepared on the going concern basis, were approved by the board on 15 June 2010 and were signed on its behalf by:



**SL Rai**  
Director

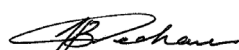
Cape Town  
15 June 2010



**J de Villiers**  
Director

## Company secretary's certificate

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that the company lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that such returns are true, correct and up to date.



**HB Dednam**  
Company secretary  
15 June 2010

# Directors' report

for the year ended 31 December 2009

The directors submit their report for the year ended 31 December 2009.

## 1. Review of activities

### Main business and operations

The company is a holding and investment company with trading subsidiaries engaged in the infrastructure and connectivity supplies industries. The group operates in South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

The net loss of the group was R13,1 million (2008: R3,8 million) after taxation of R0,1 million (2008: R3,0 million).

During the year the group impaired intangible assets with R9,2 million and other financial assets with R5,0 million (refer note 5 and 25 respectively).

## 2. Events after the reporting period

With effect from 31 May 2010 the company acquired the full issued ordinary share capital of Cape Empowerment Trust Limited by way of a scheme of arrangement between Cape Empowerment Trust Limited and its shareholders.

## 3. Authorised and Issued share capital

Changes to the company's authorised and issued share capital are fully set out in note 16 to the financial statements.

## 4. Borrowing limitations

In terms of the articles of association of the company, the directors may exercise all the powers of the company to borrow money as they consider appropriate. At 31 December 2009 the group's borrowings were as described in note 17.

## 5. Directors

The directors of the company at the date of this report are as follows:

MJl Brown	
TD Rai	
H Takolia	
P Volkwyn	Appointed 25 September 2009
C Nissen	Appointed 26 April 2010
SL Rai	Resigned 25 September 2009
	Appointed 26 April 2010
J de Villiers	Appointed 26 April 2010
HB Dednam	Appointed 26 April 2010

## 6. Secretary

RJ McGregor resigned as company secretary on 27 January 2010. HB Dednam was appointed as company secretary on 27 January 2010.

## 7. Holding Company

Cape Empowerment Trust no longer controls the group and as a result the company has no holding company.

## 8. Interest in subsidiaries

Name of subsidiary	Net income (loss) after tax R'000
H Investments No. 140 (Proprietary) Limited (previously Dynamic Cables SA (Proprietary) Limited)	(9 046)
Dynamic Cables South Africa (Proprietary) Limited	2 100
Dynamic Cables Engineering (Proprietary) Limited	2 071
H Investments No. 215 (Proprietary) Limited (previously Dynamic Cables South (Proprietary) Limited)	(4 283)
Dynamic Convergence (Proprietary) Limited	87
Dynamic Cables Convergence (Proprietary) Limited	(283)
Dynamic Cables Asset Co (Proprietary) Limited	(63)
Dynamic Cables (Proprietary) Limited (previously Dynamic Shelving Solutions (Proprietary) Limited)	1 140
Basfour 2988 (Proprietary) Limited	1
Capensis (Proprietary) Limited	31
Business Venture Investments No. 1245 (Proprietary) Limited	–
Business Venture Investments No. 1246 (Proprietary) Limited	–

## 9. Auditors

Grant Thornton will continue in office in accordance with section 270(2) of the Companies Act.

# Statement of financial position

as at 31 December 2009

R'000	Notes	Group		Company	
		2009	2008	2009	2008
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>35 827</b>	45 122	<b>110 340</b>	120 879
Investment property	3	<b>3 420</b>	2 871	<b>2 900</b>	2 871
Property, plant and equipment	4	<b>7 779</b>	8 060	–	–
Intangible assets	5	–	9 235	–	–
Investment in subsidiaries	6	–	–	<b>1 588</b>	11 989
Investment in associate	7	<b>2 919</b>	–	<b>2 919</b>	–
Loans to shareholders	9	<b>15 864</b>	13 884	<b>15 864</b>	13 884
Other financial assets	10	<b>5 069</b>	10 135	<b>87 069</b>	92 135
Deferred tax	12	<b>776</b>	937	–	–
<b>Current assets</b>		<b>53 305</b>	54 926	<b>31 725</b>	13 598
Inventories	13	<b>18 508</b>	19 629	–	–
Loans to group companies	8	–	–	<b>12 510</b>	12 023
Other financial assets	10	<b>1 457</b>	1 001	–	–
Current tax receivable		<b>836</b>	1 092	<b>445</b>	445
Trade and other receivables	14	<b>12 611</b>	14 935	<b>1 063</b>	871
Cash and cash equivalents	15	<b>19 893</b>	18 269	<b>17 707</b>	259
<b>Total assets</b>		<b>89 132</b>	100 048	<b>142 065</b>	134 477
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>		<b>44 815</b>	55 083	<b>108 462</b>	122 114
Share capital	16	<b>121 588</b>	118 764	<b>138 522</b>	135 698
Accumulated loss		<b>(76 773)</b>	(63 681)	<b>(30 060)</b>	(13 584)
<b>Liabilities</b>					
<b>Non-current liabilities</b>		<b>4 405</b>	6 520	<b>2 158</b>	2 132
Other financial liabilities	17	<b>3 300</b>	3 640	<b>2 117</b>	2 095
Deferred tax	12	<b>1 105</b>	2 880	<b>41</b>	37
<b>Current liabilities</b>		<b>39 912</b>	38 445	<b>31 445</b>	10 231
Loans from group companies	8	–	–	<b>30 383</b>	9 889
Loans from shareholders	9	<b>97</b>	97	–	–
Other financial liabilities	17	<b>555</b>	823	–	30
Current tax payable		<b>13 872</b>	13 933	–	–
Trade and other payables	18	<b>25 321</b>	23 592	<b>1 062</b>	312
Bank overdraft	15	<b>67</b>	–	–	–
<b>Total liabilities</b>		<b>44 317</b>	44 965	<b>33 603</b>	12 363
<b>Total equity and liabilities</b>		<b>89 132</b>	100 048	<b>142 065</b>	134 477

# Statement of comprehensive income

for the year ended 31 December 2009

R'000		Group		Company	
		2009	2008	2009	2008
<b>Revenue</b>	20	<b>91 549</b>	123 474	–	–
Cost of sales	21	<b>(62 631)</b>	(86 863)	–	–
<b>Gross Profit</b>		<b>28 918</b>	36 611	–	–
Other income		<b>1 428</b>	1 482	<b>2 500</b>	3 528
Operating expenses		<b>(30 064)</b>	(28 564)	<b>(5 116)</b>	(3 630)
<b>Operating (loss)/ profit</b>	22	<b>282</b>	9 529	<b>(2 616)</b>	(102)
Investment revenue	23	<b>3 188</b>	1 343	<b>1 735</b>	53
Fair value adjustments	24	<b>86</b>	79	<b>29</b>	262
Impairments of financial assets	25	<b>(5 646)</b>	(8 191)	<b>(15 466)</b>	(8 191)
Impairments of intangible assets	5	<b>(9 235)</b>	–	–	–
Income from equity accounted investments	7	<b>96</b>	–	<b>96</b>	–
Profit on sale of subsidiaries		–	–	–	82 000
Finance costs	26	<b>(1 756)</b>	(3 562)	<b>(250)</b>	(270)
<b>(Loss) before taxation</b>		<b>(12 985)</b>	(802)	<b>(16 472)</b>	73 752
Taxation	27	<b>(107)</b>	(3 034)	<b>(4)</b>	(37)
<b>Total comprehensive (loss)/income for the year</b>		<b>(13 092)</b>	(3 836)	<b>(16 476)</b>	73 715
Attributable to owners of the parent		<b>(13 092)</b>	(3 836)	–	–
Non-controlling interests		–	–	–	–
<b>(Loss) per share</b>	37	<b>(15.75)</b>	(4.9)		
<b>Headline (loss)/ profit per share</b>	38	<b>(9.32)</b>	5.5		

# Statement of changes in equity

for the year ended 31 December 2009

R'000	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
<b>GROUP</b>					
<b>Balance at 1 January 2008</b>	3 921	114 843	118 764	(59 845)	<b>58 919</b>
Total comprehensive loss for the year	-	-	-	(3 836)	<b>(3 836)</b>
<b>Balance at 31 December 2008</b>	3 921	114 843	118 764	(63 681)	<b>55 083</b>
Shares issued on 22 September 2009	941	1 883	2 824	-	<b>2 824</b>
Total comprehensive loss for the year	-	-	-	(13 092)	<b>(13 092)</b>
<b>Balance at 31 December 2009</b>	4 862	116 726	121 588	(76 773)	<b>44 815</b>
<b>COMPANY</b>					
<b>Balance at 1 January 2008</b>	3 921	131 777	135 698	(87 299)	<b>48 399</b>
Total comprehensive income for the year	-	-	-	73 715	<b>73 715</b>
<b>Balance at 31 December 2008</b>	3 921	131 777	135 698	(13 584)	<b>122 114</b>
Shares issued on 22 September 2009	941	1 883	2 824	-	<b>2 824</b>
Total comprehensive loss for the year	-	-	-	(16 476)	<b>(16 476)</b>
<b>Balance at 31 December 2009</b>	4 862	133 660	138 522	(30 060)	<b>108 462</b>
Note	16	16			

# Statement of cash flows

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>Cash flows from operating activities</b>	<b>7 081</b>	5 677	<b>(244)</b>	(482)
Cash receipts from customers	<b>92 383</b>	123 266	–	–
Cash paid to suppliers	<b>(85 368)</b>	(111 071)	<b>(1 729)</b>	(266)
<b>Cash used in operations</b>	<b>7 015</b>	12 195	<b>(1 729)</b>	(266)
Interest income	<b>3 183</b>	1 337	<b>1 735</b>	54
Dividends received	<b>4</b>	6	–	–
Finance costs	<b>(1 560)</b>	(3 356)	<b>(250)</b>	(270)
Tax paid	<b>(1 561)</b>	(4 505)	–	–
<b>Cash flows from investing activities</b>	<b>(2 911)</b>	(2 604)	<b>19 679</b>	4 841
Purchase of property, plant and equipment	<b>(2 287)</b>	(2 431)	–	–
Sale of property, plant and equipment	<b>954</b>	480	–	–
Acquisition of businesses	–	–	–	(1)
Repayment of loans from group companies	–	–	<b>20 259</b>	4 842
Sale of financial assets	<b>(1 108)</b>	(653)	<b>(580)</b>	82 000
Purchase of financial assets	<b>(470)</b>	–	–	(82 000)
<b>Cash flows from financing activities</b>	<b>(2 613)</b>	(4 760)	<b>(1 987)</b>	(4 874)
Proceeds from other financial liabilities	–	912	<b>(7)</b>	2 160
Repayment of other financial liabilities	<b>(436)</b>	(627)	<b>(1 980)</b>	(2 195)
Repayment of shareholder's loan	<b>(1 980)</b>	(4 839)	–	(4 839)
Finance lease payments	<b>(197)</b>	(206)	–	–
<b>Total cash movement for the year</b>	<b>1 557</b>	(1 687)	<b>17 448</b>	(515)
Cash at the beginning of the year	<b>18 269</b>	19 956	<b>259</b>	774
<b>Cash at the end of the year</b>	<b>19 826</b>	18 269	<b>17 707</b>	259

# Notes to the financial statements

for the year ended 31 December 2009

## 1. ACCOUNTING POLICIES – PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa as amended. The financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

### 1.1. Significant judgements

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

#### **Trade and other receivables, loans to shareholders and other financial assets**

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Based on past experiences of little prospect of collecting debtors over the age of three months. Therefore the allowance is raised on 25% of these debtors, as 75% is covered by insurance. Accounts are written off when they are delinquent.

#### **Allowance for slow moving, damaged and obsolete inventory**

An allowance for inventory that is older than three years and is projected to take more than three years to sell is provided for in full. Any inventory that is physically identified as damaged is written off when discovered.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, investment property) is determined, by independent valuers, using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

#### **Impairment testing**

Management used the discounted cash flow method to determine the recoverable amount of goodwill, intangible assets with an indefinite useful life and identifying assets that may have been impaired.

# Notes to the annual financial statements

for the year ended 31 December 2009

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

## **Expected manner of realisation for deferred tax**

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 12 – Deferred tax.

## **Taxation**

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

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

## **1.2 Investment property**

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

## **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

## **1.3 Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Plant and machinery	4 – 6 years
Furniture and fixtures	6 – 10 years
Motor vehicles	4 – 5 years
Office equipment	5 – 6 years
IT equipment	2 – 3 years
Computer software	2 years
Leasehold improvements	6 years
Fire lab equipment	5 years

The residual value and the useful life of each asset are reviewed at each financial period end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets.

Item	Useful life
Patents, trademarks and other rights	Indefinite

#### 1.5 Investment in subsidiaries

##### Group financial statements

The group financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

##### Company financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairments.

# Notes to the annual financial statements

for the year ended 31 December 2009

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

## 1.6 Investments in associates Company financial statements

An investment in an associate is carried at cost less any accumulated impairment.

### Group financial statements

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor interest in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the purchase method as explained in note 1.19. However, any goodwill or fair value adjustment attributable to the group's share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'Income from equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognised directly in the associate's equity are recognised in other comprehensive income or equity of the group, as applicable. However, when the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently report profits, the investor resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associate entities have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

## 1.7 Financial instruments Initial recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

### Loans to (from) group companies

These include loans to and from subsidiaries and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to (from) group companies are classified as loans and receivables.

#### **Loans to shareholders, directors, managers and employees**

These financial assets are initially recognised at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

#### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the profit and loss.

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

#### **Other financial assets and liabilities**

Loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

# Notes to the annual financial statements

for the year ended 31 December 2009

These financial assets are not quoted in an active market and have fixed or determinable payments.

**Fair value through profit and loss**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

**Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

## 1.8 Tax

### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

### **Deferred tax assets and liabilities**

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

### **Tax expenses**

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

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

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

## 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### Operating leases – lessee

Operating lease payments are recognised as an expense on a straightline basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

## 1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

## 1.11 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination.

# Notes to the annual financial statements

for the year ended 31 December 2009

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 1.12 Share capital and equity

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

## 1.13 Employee benefits

### Short term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

## 1.14 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

## 1.15 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

#### **1.16 Cost of sales**

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

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

#### **1.17 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those funds.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- Expenditure for the asset have occurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

# Notes to the annual financial statements

for the year ended 31 December 2009

## 1.18 Translation of foreign currencies

### Foreign currency transactions

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

At the end of the reporting period:

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

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

When a gain or loss on a non monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## 1.19 Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## 1.20 Segment Reporting

In identifying its operating segments, management generally follows the group's service lines, which represent the main products and services provided by the group.

Each of these operating segments is managed separately as each of these service lines require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements. Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

## 2. NEW STANDARDS AND INTERPRETATIONS

At the date of authorisation of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's financial statements.

### 2.1. Standards and interpretations effective and adopted in the current year

In the current financial year, the group adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### IAS 1 (revised) Presentation of Financial Statements

The main revisions to IAS1 (AC101):

- Require the presentation of non-owner changes in equity either as a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of changes in cash flows'. These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The company has adopted the standard for the first time in the 2009 annual financial statements.

The revised standard will affect disclosures in the annual report.

#### IAS 23 (Revised) Borrowing costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 1 January 2009.

The revision has not affected the group, as it is group policy to capitalise borrowing costs on qualifying assets.

The impact of the standard is not material.

#### IFRS 8 Operating Segments

IFRS 8 (AC145) replaces IAS 14 (AC115) Segment Reporting. The new standard requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 1 January 2009.

The company has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material. The application of this IFRS has not changed the disclosure or measurement basis applicable to segment reporting.

# Notes to the annual financial statements

for the year ended 31 December 2009

## **IFRS 2 Amendment: IFRS 2 – Share-based Payment: Vesting conditions and cancellations**

The amendment clarifies that vesting conditions are only performance conditions or service conditions. All other conditions are non-vesting conditions. Non-vesting conditions are accounted for in the same manner as market conditions. It further clarifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non-fulfilment of that condition.

The effective date of the standard is for years beginning on or after 1 January 2009.

The company has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

## **2.2. Standards and interpretations not yet effective**

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

### **IFRS 3 Business Combinations**

The revisions to IFRS 3 (AC 140) Business Combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit and loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contract.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 1 July 2009.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

The revision is effective prospectively and will not affect past business combinations.

### **IAS 27 (amended) Consolidated and Separate Financial Statements**

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in the level of control without the loss of control to be accounted for as equity transactions, without any gain or loss being recognised or remeasurement of goodwill.

- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the standard is for years beginning on or after 1 July 2009.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

#### **IAS 7 Statement of Cash Flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements**

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing activities.

The effective date of the amendment is for years beginning on or after 1 July 2009.

#### **IFRS 9 Financial Instruments (effective from 1 January 2013)**

The IASB aims to replace IAS 39 Financial Instruments: Recognition and measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

Phase 1: Classification and Measurement

Phase 2: Impairment methodology

Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

# Notes to the annual financial statements

for the year ended 31 December 2009

## 3. INVESTMENT PROPERTY

R'000	Valuation	2009 Accumulated depreciation	Carrying value	Valuation	2008 Accumulated depreciation	Carrying value
<b>Group</b>						
Investment property	3 420	–	3 420	2 871	–	2 871
<b>Company</b>						
Investment property	2 900	–	2 900	2 871	–	2 871

### Reconciliation of investment property

R'000	Opening balance	2008 Fair value adjustment	Closing balance	Additions	2009 Fair value adjustment	Closing balance
<b>Group</b>						
Investment property	2 609	262	2 871	470	79	3 420
<b>Company</b>						
Investment property	2 609	262	2 871	–	29	2 900

R'000	Group		Company	
	2009	2008	2009	2008
<b>Pledged as security</b>				
Carrying value of assets pledged as security				
<b>Unit 11 Franklins Row</b>	2 900	2 871	2 900	2 871
Purchase price: 7 December 2007	2 609	2 609	2 609	2 609
Accumulated fair value adjustments	291	262	291	262
The property is subject to a mortgage bond of R2 160 000. The amount outstanding at year end amounted to R2 117 263 (2008: R2 124 632)				
<b>Details of property</b>				
The property is described as sectional title unit 11 Franklins Row, Johannesburg, measuring 124 square meters in extent.				
<b>Unit 8 of SS the Sands</b>	520	–	–	–
Purchase price: 6 January 2009	470	–	–	–
Accumulated fair value adjustments	50	–	–	–
The property is subject to a mortgage bond of R300 000. The outstanding amount at year end amounted to R288 247 (2008: R –).				
<b>Details of property</b>				
Sectional title unit 8 of SS Sands 1 86/20-08, situated ERF 497, Alberton in Ekurhuleni Metropolitan Municipality				
	3 420	2 871	2 900	2 871

R'000	Group		Company	
	2009	2008	2009	2008
<b>3. INVESTMENT PROPERTY (continued)</b>				
<b>Details of valuation</b>				
The effective date of the revaluations was 31 December 2009. Revaluations were performed by an independent valuer, Ms JC du Plessis (professional valuer no.: 5748), of AfriWorld Consultants. AfriWorld consultants are not connected to the group and have recent experience in location and category of the investment property being valued.				
The valuation was based on open market value for existing use. The comparable sales method was used. Comparable sales are registered sales in the same area or in similar areas in recent times, such similar areas were not be too far away from the subject property and such comparable sales should be arm's length transactions (not forced sale transactions) between a willing seller and a willing buyer.				
These assumptions are based on current market condition.				
<b>Amount recognised in profit and loss for the year.</b>				
Fair value adjustments	<b>79</b>	262	<b>29</b>	262

#### 4. PROPERTY, PLANT AND EQUIPMENT

R'000	2009			2008		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<b>Group</b>						
Land	<b>1 316</b>	–	<b>1 316</b>	1 316	–	1 316
Plant and machinery	<b>10 438</b>	<b>(6 076)</b>	<b>4 362</b>	9 434	(5 041)	4 393
Furniture and fixtures	<b>275</b>	<b>(160)</b>	<b>115</b>	259	(138)	121
Motor vehicles	<b>3 323</b>	<b>(1 707)</b>	<b>1 616</b>	2 952	(1 113)	1 839
Office equipment	<b>454</b>	<b>(242)</b>	<b>212</b>	359	(187)	172
IT equipment	<b>433</b>	<b>(363)</b>	<b>70</b>	414	(299)	115
Computer software	<b>147</b>	<b>(110)</b>	<b>37</b>	96	(66)	30
Leasehold improvements	<b>183</b>	<b>(148)</b>	<b>35</b>	183	(128)	55
Fibre lab equipment	<b>903</b>	<b>(887)</b>	<b>16</b>	887	(868)	19
	<b>17 472</b>	<b>(9 693)</b>	<b>7 779</b>	15 900	(7 840)	8 060

# Notes to the annual financial statements

for the year ended 31 December 2009

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

### Reconciliation of property, plant and equipment:

Group R'000	Opening balance	Additions	Disposals	Depreciation	Total
<b>2009</b>					
Land	1 316	–	–	–	1 316
Plant and machinery	4 393	1 006	–	(1 037)	4 362
Furniture and fixtures	121	125	(102)	(29)	115
Motor vehicles	1 839	821	(371)	(673)	1 616
Office equipment	172	228	(133)	(55)	212
IT equipment	115	47	(26)	(66)	70
Computer software	30	50	–	(43)	37
Leasehold improvements	55	–	–	(20)	35
Fibre lab equipment	19	10	(5)	(8)	16
	<b>8 060</b>	<b>2 287</b>	<b>(637)</b>	<b>(1 931)</b>	<b>7 779</b>
<b>2008</b>					
Land	1 316	–	–	–	1 316
Plant and machinery	5 164	800	(85)	(1 486)	4 393
Furniture and fixtures	109	45	–	(33)	121
Motor vehicles	1 388	1 377	(393)	(533)	1 839
Office equipment	198	26	–	(52)	172
IT equipment	90	122	(1)	(96)	115
Computer software	28	31	–	(29)	30
Leasehold improvements	76	–	–	(21)	55
Fibre lab equipment	24	30	–	(35)	19
	8 393	2 431	(479)	(2 285)	8 060
		<b>Group</b>		<b>Company</b>	
R'000		<b>2009</b>	2008	<b>2009</b>	2008
<b>Pledged as security</b>					
Carrying value of assets pledged as security					
Motor vehicles		<b>1 838</b>	1 516	–	–
Plant and equipment		<b>523</b>	406	–	–

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

R'000	2009		Carrying value	2008		Carrying value
	Cost	Accumulated Amortisation		Cost	Accumulated Amortisation	
<b>5. INTANGIBLE ASSETS</b>						
<b>Group</b>						
Trademarks	22 163	(22 163)	–	22 163	(12 928)	9 235

**Reconciliation of intangible assets:**

R'000	Opening balance	Impairment loss	Total
<b>Group 2009</b>			
Trademarks	9 235	(9 235)	–
<b>2008</b>			
Trademarks	9 235	–	9 235

**6. INVESTMENTS IN SUBSIDIARIES**

Name of company	% holding 2009	% holding 2008	Carrying amount R'000 2009	Carrying amount R'000 2008
H Investment No. 140 (Proprietary) Limited (previously Dynamic Cables SA (Proprietary) Limited)	100	100	–	10 401
Basfour 2988 (Proprietary) Limited	100	100	*	*
Dynamic Cables (Proprietary) Limited (previously Dynamic Shelving Solutions (Proprietary) Limited)	100	100	*	*
Dynamic Cables Asset Co. (Proprietary) Limited	100	100	*	*
Capensis (Proprietary) Limited	100	100	1 588	1 588
Dynamic Cables Convergence (Proprietary) Limited	100	100	*	*
Business Venture Investments No. 1245 (Proprietary) Limited	80	80	*	*
			<b>1 588</b>	11 989

\* Investment carrying value is less than R1 000.

The carrying amounts of investments in subsidiaries are shown net of impairment losses.

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>7. INVESTMENT IN ASSOCIATE</b>				
Tri-Invest 5 (Proprietary) Limited – Unlisted				
Investment in associate at cost – 22 September 2009	<b>2 823</b>	–	<b>2 823</b>	–
Share of profit in associate for the year	<b>96</b>	–	<b>96</b>	–
	<b>2 919</b>	–	<b>2 919</b>	–
<p>The group acquired 25.44% of the issued share capital of Tri-Invest 5 (Proprietary) Limited.</p> <p>The carrying amounts of Associates are shown net of impairment losses. The proportionate share of profits of the associate attributable to the group are recognised as an adjustment to the cost of the investment in the associate at year end, in accordance with IAS 28.</p> <p><b>Associates with different reporting dates</b></p> <p>Tri-Invest 5 (Proprietary) Limited has a 28 February year end. Financial information has been obtained for the period to 31 December 2009 to calculate the group's share of profits of the associate, in accordance with IAS 28. This financial information was not audited.</p>				
<b>8. LOANS TO (FROM) GROUP COMPANIES</b>				
H Investments No. 140 (Proprietary) Limited (previously Dynamic Cables SA (Proprietary) Limited)	–	–	<b>(5 645)</b>	(5 376)
Dynamic Cables South Africa (Proprietary) Limited	–	–	<b>(9 771)</b>	5 420
Dynamic Cables Engineering (Proprietary) Limited	–	–	<b>(5 216)</b>	(2 577)
H Investments No. 215 (Proprietary) Limited (previously Dynamic Cables South (Proprietary) Limited)	–	–	<b>(7 270)</b>	(1 320)
Basfour 2988 (Proprietary) Limited	–	–	<b>(527)</b>	5 583
Capensis (Proprietary) Limited	–	–	<b>(1 588)</b>	–
H Investments No. 220 (Proprietary) Limited	–	–	<b>(366)</b>	(366)
Dynamic Convergence (Proprietary) Limited	–	–	<b>2 668</b>	1 020
Dynamic Cables Convergence (Proprietary) Limited	–	–	<b>633</b>	–
Dynamic Cables Asset Co (Proprietary) Limited	–	–	<b>5 036</b>	(250)
Dynamic Cables (Proprietary) Limited (previously Dynamic Shelving Solutions (Proprietary) Limited)	–	–	<b>4 173</b>	–
These loans are unsecured, interest free and are repayable by mutual agreement	–	–	<b>(17 873)</b>	2 134
Current assets	–	–	<b>12 510</b>	12 023
Current liabilities	–	–	<b>(30 383)</b>	(9 889)
	–	–	<b>(17 873)</b>	2 134

The carrying amounts of loans to (from) group companies approximate their fair value.

R'000	Group		Company	
	2009	2008	2009	2008
<b>9. LOANS TO (FROM) SHAREHOLDERS</b>				
Cape Empowerment Trust Limited The loan is unsecured and repayable by mutual agreement. The loan bears interest at the prime lending rate minus 1%.	<b>15 767</b>	13 787	<b>15 864</b>	13 884
	<b>15 767</b>	13 787	<b>15 864</b>	13 884
Non-current assets	<b>15 864</b>	13 884	<b>15 864</b>	13 884
Current liabilities	<b>(97)</b>	(97)	<b>-</b>	-
	<b>15 767</b>	13 787	<b>15 864</b>	13 884
<b>10. OTHER FINANCIAL ASSETS</b>				
<b>At fair value through profit or loss</b>	<b>178</b>	171	<b>-</b>	-
<i>Listed shares</i>				
55 000 shares held in Grand Parade Investments Limited, marked to market at the closing price on 31 December 2009 of R2.55 (2008: R2.15)	<b>140</b>	118	<b>-</b>	-
105 000 shares held in Cape Empowerment Trust Limited, marked to market at the closing price at 31 December 2009 of R0.36 (2008: R0.50)	<b>38</b>	53	<b>-</b>	-
	<b>5 069</b>	10 135	<b>87 069</b>	92 135
<b>Held to maturity</b>				
Cape Horizon Properties 115 (Proprietary) Limited	<b>18 326</b>	18 326	<b>18 326</b>	18 326
The preference shares shall be liable to be redeemed at the option of Cape Horizon Properties 115 (Proprietary) Limited with one month's written notice to this effect to the holders thereof, but in any event on or after the tenth anniversary of the date of issue of the particular preference shares, out of the profits of Cape Horizon Properties 115 (Proprietary) Limited which would otherwise be available for dividends or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.				
Interest is charged at 75% of the prime overdraft rate charged by the Standard Bank of South Africa.				
Business Venture Investments No. 1245 (Proprietary) Limited	<b>-</b>	-	<b>82 000</b>	82 000
The preference shares shall be liable to be redeemed at the option of Business Venture Investments No. 1245 (Proprietary) Limited with one month's written notice to this effect to the holders thereof, but in any event on or after the tenth anniversary of the date of issue of the particular preference shares, out of the profits of Business Venture Investments No. 1245 (Proprietary) Limited which would otherwise be available for dividends or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.				
Interest is charged at 90% of the prime overdraft rate charged by the Standard Bank of South Africa.				
Impairment of Cape Horizon Properties 115 (Proprietary) limited preference shares	<b>(13 257)</b>	(8 191)	<b>(13 257)</b>	(8 191)

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>10. OTHER FINANCIAL ASSETS (continued)</b>				
<b>Loans and receivables</b>	<b>1 279</b>	830	–	–
Debanisa Networking (Proprietary) Limited	<b>218</b>	20	–	–
Sunset Trust	<b>595</b>	595	–	–
H Investments No. 220 (Proprietary) Limited	<b>581</b>	215	–	–
These loans are all unsecured, interest free and repayable by mutual agreement.				
Impairment – Debanisa Networking (Proprietary) Limited	<b>(115)</b>	–	–	–
	<b>6 526</b>	11 136	<b>87 069</b>	92 135
<b>Non-Current assets</b>	<b>5 069</b>	10 135	<b>87 069</b>	92 135
Held to maturity	<b>5 069</b>	10 135	<b>87 069</b>	92 135
<b>Current assets</b>	<b>1 457</b>	1 001	–	–
At fair value through profit and loss	<b>178</b>	171	–	–
Loans and receivables	<b>1 279</b>	830	–	–
	<b>6 526</b>	11 136	<b>87 069</b>	92 135
<b>Held to maturity investments impaired</b>				
As at 31 December 2009 held to maturity investments of R13,3 million (2008: R8,2 million) were impaired and provided for.				
The ageing of these instruments was as follows:				
Over 6 months	<b>13 257</b>	8 191	<b>13 257</b>	8 191
<b>Reconciliation of provision for impairment of held to maturity financial assets</b>				
<b>Cape Horizon Properties No 115 (Proprietary) Limited</b>				
Opening balance	<b>8 191</b>	–	<b>8 191</b>	–
Impairment in current year	<b>5 066</b>	8 191	<b>5 066</b>	8 191
	<b>13 257</b>	8 191	<b>13 257</b>	8 191
The maximum exposure to credit risk at the reporting date is the carrying amount of the held to maturity financial assets.				
The group has not reclassified any financial assets from cost or amortised cost to fair value or from fair value to cost or amortised cost during the current or prior period.				
<b>Loans and receivables impaired</b>				
As at 31 December 2009, loans and receivables of R115 000 (2008: R – ) were impaired and provided for.				
The aging of these loans is as follows:				
3 to 6 months	<b>115</b>	–	–	–
<b>Reconciliation of provision for impairment of loans and receivables</b>				
<b>Loan to Debinisa Networking (Proprietary) Limited</b>				
Impairment in current year	<b>115</b>	–	–	–
	<b>115</b>	–	–	–

R'000	Loans and receivables	Fair value through profit or loss – designated	Held to maturity	Total
<b>11. FINANCIAL ASSETS BY CATEGORY</b>				
<b>Group – 2009</b>	<b>50 483</b>	<b>178</b>	<b>5 069</b>	<b>55 730</b>
Other financial assets	<b>1 279</b>	<b>178</b>	<b>5 069</b>	<b>6 526</b>
Loans to shareholders	<b>15 864</b>	–	–	<b>15 864</b>
Current tax receivable	<b>836</b>	–	–	<b>836</b>
Trade and other receivables	<b>12 611</b>	–	–	<b>12 611</b>
Cash and cash equivalents	<b>19 893</b>	–	–	<b>19 893</b>
<b>Group – 2008</b>	49 010	171	10 135	59 316
Other financial assets	830	171	10 135	11 136
Loans to shareholders	13 884	–	–	13 884
Current tax receivable	1 092	–	–	1 092
Trade and other receivables	14 935	–	–	14 935
Cash and cash equivalents	18 269	–	–	18 269
<b>Company – 2009</b>	<b>47 589</b>	<b>–</b>	<b>87 069</b>	<b>134 658</b>
Loans to group companies	<b>12 510</b>	–	–	<b>12 510</b>
Loans to shareholders	<b>15 864</b>	–	–	<b>15 864</b>
Other financial assets	–	–	<b>87 069</b>	<b>87 069</b>
Current tax receivable	<b>445</b>	–	–	<b>445</b>
Trade and other receivables	<b>1 063</b>	–	–	<b>1 063</b>
Cash and cash equivalents	<b>17 707</b>	–	–	<b>17 707</b>
<b>Company – 2008</b>	27 482	–	92 135	119 617
Loans to group companies	12 023	–	–	12 023
Loans to shareholders	13 884	–	–	13 884
Other financial assets	–	–	92 135	92 135
Current tax receivable	445	–	–	445
Trade and other receivables	871	–	–	871
Cash and cash equivalents	259	–	–	259

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>12. DEFERRED TAX</b>				
Accelerated capital allowances for tax purposes	(506)	(2 624)	(41)	(37)
Other temporary differences	102	56	-	-
Provision for bad debts	-	599	-	-
Tax losses available for set-off against future taxable income	75	26	-	-
	(329)	(1 943)	(41)	(37)
<b>Reconciliation of deferred tax asset (liability)</b>				
At the beginning of the year	(1 943)	(1 846)	(37)	-
Originating temporary difference on tangible assets	(948)	(75)	-	-
Originating temporary difference on fair value adjustments	(13)	15	(4)	(37)
Reversing temporary difference on intangible asset	2 539	-	-	-
Originating temporary difference on leave pay accrual	140	-	-	-
Other temporary differences	(38)	25	-	-
Taxable losses available for set-off against future taxable income	75	(90)	-	-
Reduction due to rate change	-	69	-	-
Reversing temporary difference on provision for bad debts	(141)	(41)	-	-
	(329)	(1 943)	(41)	(37)
<b>13. INVENTORIES</b>				
Raw materials and components	4 036	3 809	-	-
Work in progress	2 066	374	-	-
Finished goods	14 741	19 081	-	-
<b>Subtotal</b>	<b>20 843</b>	<b>23 264</b>	<b>-</b>	<b>-</b>
Inventories – provisions	(2 335)	(3 635)	-	-
	18 508	19 629	-	-
<b>14. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	10 457	13 511	250	30
Prepayments	368	360	-	-
Deposits	29	175	-	-
VAT	1 251	841	813	841
Other receivables	506	48	-	-
	12 611	14 935	1 063	871

The carrying amount of trade and other receivables approximates its fair value.

Group trade receivables of R12,4 million (2008: R11,6 million) has been ceded to The Standard Bank of South Africa for general banking facilities. At year-end the facilities amounted to R66 911 (2008: R -).

R'000	Group		Company	
	2009	2008	2009	2008
<b>14. TRADE AND OTHER RECEIVABLES (continued)</b>				
<b>Trade and other receivables past due but not impaired</b>				
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 December 2009 R- (2008: R2,8 million) were past due but not impaired				
1 month past due	277	10 004	-	-
2 months past due	149	511	-	-
3 months past due	1 406	1 263	-	871
	<b>1 832</b>	11 778	-	871
<b>Trade and other receivables impaired</b>				
The amount of the provision was R - as of 31 December 2009 (2008: R3 million)				
The ageing of these receivables is as follows:				
3 to 6 months	-	985	-	-
Over 6 months	-	2 026	-	-
	-	3 011	-	-
<b>15. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of:				
Cash on hand	30	37	-	31
Bank balances	19 863	18 232	17 707	228
Bank overdrafts	(67)	-	-	-
	<b>19 826</b>	18 269	<b>17 707</b>	259
Current assets	<b>19 893</b>	18 269	<b>17 707</b>	259
Current liabilities	(67)	-	-	-
	<b>19 826</b>	18 269	<b>17 707</b>	259

Certain call and fixed deposit balances have been pledged to The Standard Bank of South Africa for general banking facilities granted to the group. The balance of these accounts at year-end amounted to R32 580 (2008: R26 152).

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>16. SHARE CAPITAL</b>				
<b>Authorised</b>				
300 000 000 ordinary shares of 5 cents each	<b>15 000</b>	15 000	<b>15 000</b>	15 000
<b>Issued</b>				
Ordinary shares	<b>4 862</b>	3 921	<b>4 862</b>	3 921
Share premium	<b>116 726</b>	114 843	<b>133 660</b>	131 777
	<b>121 588</b>	118 764	<b>138 522</b>	135 698
<b>Reconciliation of number of ordinary shares issued:</b>				
Reported as at 1 January	<b>78 420 610</b>	78 420 610	<b>78 420 610</b>	78 420 610
Issue of shares – 22 September 2009	<b>18 825 000</b>	–	<b>18 825 000</b>	–
	<b>97 245 610</b>	78 420 610	<b>97 245 610</b>	78 420 610

The company issued 18 825 000 shares on 22 September 2009 at 15 cents per share as consideration for the company's investment in Tri-Investment 5 (Pty) Ltd (refer note 7).

R'000	Group		Company	
	2009	2008	2009	2008
<b>17. OTHER FINANCIAL LIABILITIES</b>				
<b>Held at amortised cost</b>				
Mortgage bond – Standard Bank of South Africa Secured by a bond over investment property having a value of R2,9 million (2008: R2,8 million)	<b>2 117</b>	2 125	<b>2 117</b>	2 125
Interest is charged at prime less 2% per annum and the liability is repayable in monthly instalments of R19 236 (2008: R26 354)				
Mortgage bond – Nedbank Limited	<b>289</b>	–	–	–
Secured by a mortgage bond over investment property, purchased during the current financial year, having a value of R520 000. (Refer note 3).				
Interest is charged at prime less 1% per annum and the liability is repayable in monthly instalments of R3 730 per month (2008: R–)				
Instalment sale agreements	<b>1 449</b>	2 338	–	–
Secured in terms of instalment sale agreements over movable assets having a book value of R1.8 million (2008: R1,4 million).				
The average interest rate in between prime bank overdraft rate and 2% below prime bank overdraft rate. The liability is repayable in monthly instalments of R48 399 (2008: R52 107).				
	<b>3 855</b>	4 463	<b>2 117</b>	2 125
Non-current liabilities	<b>3 300</b>	3 640	<b>2 117</b>	2 095
Current liabilities	<b>555</b>	823	–	30
	<b>3 855</b>	4 463	<b>2 117</b>	2 125

R'000	Group		Company	
	2009	2008	2009	2008
<b>18. TRADE AND OTHER PAYABLES</b>				
Trade payables	25 144	23 074	1 062	312
VAT	177	518	-	-
	<b>25 321</b>	23 592	<b>1 062</b>	312

	Financial liabilities at amortised cost		Total
<b>19. FINANCIAL LIABILITIES BY CATEGORY</b>			
<b>Group – 2009</b>			
Loans from shareholders	97	97	
Other financial liabilities	3 855	3 855	
Current tax payable	13 872	13 872	
Trade and other payables	25 321	25 321	
Bank overdrafts	67	67	
	<b>43 212</b>	<b>43 212</b>	
<b>Group – 2008</b>			
Loans from shareholders	97	97	
Other financial liabilities	4 463	4 463	
Current tax payable	13 933	13 933	
Trade and other payables	23 592	23 592	
	42 085	42 085	
<b>Company – 2009</b>			
Loans from group companies	30 383	30 383	
Other financial liabilities	2 117	2 117	
Trade and other payables	1 062	1 062	
	<b>33 562</b>	<b>33 562</b>	
<b>Company – 2008</b>			
Loans from group companies	9 889	9 889	
Other financial liabilities	2 125	2 125	
Trade and other payables	312	312	
	12 326	12 326	

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>20. REVENUE</b>				
Rendering of services	216	–	–	–
Sale of goods	91 333	123 474	–	–
	<b>91 549</b>	123 474	–	–
<b>21. COST OF SALES</b>				
Cost of goods sold	62 631	86 863	–	–
	<b>62 631</b>	86 863	–	–
<b>22. OPERATING PROFIT (LOSS)</b>				
Operating profit/ (loss) for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
– Contractual amounts	1 675	2 093	–	–
Profit/ (loss) on sale of property, plant and equipment	309	2	–	–
Profit on sale of other financial assets	–	4	–	–
Impairment of intangible asset	9 235	–	–	–
Impairment of other financial assets	695	–	10 980	–
Profit/ (loss) on exchange differences	266	(198)	–	–
Depreciation on property, plant and equipment	1 932	2 285	–	–
Employee costs	12 405	12 374	1 131	455
Research and development	302	–	–	–
<b>23. INVESTMENT REVENUE</b>				
<b>Dividends received</b>	4	6	–	–
Listed financial assets – local	4	6	–	–
<b>Interest received</b>	3 184	1 337	1 735	53
Bank	1 418	1 337	2	53
Interest received from SARS	33	–	–	–
Loans to shareholder	1 733	–	1 733	–
	<b>3 188</b>	1 343	<b>1 735</b>	53

R'000	Group		Company	
	2009	2008	2009	2008
<b>24. FAIR VALUE ADJUSTMENTS</b>				
Investment property (fair value model)	79	262	29	262
Other financial assets – fair value through profit and loss	7	(183)	–	–
	<b>86</b>	79	<b>29</b>	262
<b>25. IMPAIRMENT OF ASSETS</b>				
Material impairment losses recognised				
Investment in Cape Horizons Properties 115 (Pty) Ltd	(5 066)	(8 191)	(5 066)	(8 191)
The directors assessed the recoverable amount of the investment in the above company in relation to the net asset value of that company.				
<b>26. FINANCE COSTS</b>				
Bank	41	7	–	–
Instalment sales agreements	197	206	–	–
Penalty interest	1 239	3 079	–	–
Mortgage bonds	279	270	250	270
	<b>1 756</b>	3 562	<b>250</b>	270
<b>27. TAXATION</b>				
<b>Major components of tax expense</b>				
<b>Current</b>	<b>1 755</b>	2 936	–	–
Local income tax- current period	1 870	2 936	–	–
Local income tax- recognised in current year for previous periods	(115)	–	–	–
<b>Deferred</b>	<b>(1 648)</b>	98	<b>4</b>	37
Originating and reversing temporary differences	(1 575)	98	4	37
Arising from previously unrecognised temporary difference	(42)			
Benefit of unrecognised tax loss	(31)			
	<b>107</b>	3 034	<b>4</b>	37

# Notes to the annual financial statements

for the year ended 31 December 2009

R'000	Group		Company	
	2009	2008	2009	2008
<b>27. TAXATION (continued)</b>				
<b>Reconciliation of tax expense</b>				
Accounting profit per income statement	(12 985)	(802)	(16 476)	73 752
Tax at the applicable tax rate of 28% (2008: 28%)	(3 636)	(225)	(4 612)	20 651
<b>Tax effect of adjustments on taxable income</b>				
Interest and penalties	318	862	–	–
Capital items	1 751	67	4 277	(22 923)
Non-deductible expenses	224	2 409	139	2 309
Other permanent differences	(1)	–	–	–
Tax loss carried forward/ (utilised)	1 424	(79)	200	–
Profit of associate	27	–	–	–
<b>Tax per income statement</b>	<b>107</b>	<b>3 034</b>	<b>4</b>	<b>37</b>
<b>28. AUDITORS REMUNERATION</b>				
Fees	1 036	1 210	606	518
<b>29. CASH GENERATED FROM (USED IN) OPERATIONS</b>				
<b>(Loss) profit before taxation</b>	<b>(12 985)</b>	<b>(802)</b>	<b>(16 472)</b>	<b>73 752</b>
<b>Adjustments for:</b>				
Depreciation and amortisation	1 932	2 285	–	–
Non-cash impairment	5 066	8 185	5 066	8 191
Profit on sale of subsidiaries	–	–	–	(82 000)
Income from equity accounted investments	(96)	–	(96)	–
Dividends received	(4)	(6)	–	–
Interest received	(3 184)	(1 337)	(1 735)	(53)
Finance costs	1 756	3 562	250	270
Fair value adjustments	(86)	(79)	(29)	(262)
Impairment loss	9 929	–	10 980	–
Profit on sale of assets	(309)	–	–	–
Other non-cash items	30	(2)	–	–
<b>Changes in working capital:</b>	<b>4 966</b>	<b>389</b>	<b>307</b>	<b>(164)</b>
Inventories	1 121	3 624	–	–
Trade and other receivables	2 116	(209)	(443)	(207)
Trade and other payables	1 729	(3 026)	750	43
	<b>7 015</b>	<b>12 195</b>	<b>(1 729)</b>	<b>(266)</b>

R'000	Group		Company	
	2009	2008	2009	2008
<b>30. TAX PAID</b>				
Balance at the beginning of the year	(12 841)	(14 410)	(445)	(445)
Current tax for the year in profit and loss	(1 756)	(2 936)	–	–
Balance at the end of the year	13 036	12 841	445	445
	(1 561)	(4 505)	–	–
<b>31. SALE OF BUSINESS</b>				
<b>Carrying value of assets sold</b>				
Shares in subsidiaries	–	–	–	0,4
Profit on disposal	–	–	–	81 999,6
<b>Proceeds on disposal</b>	–	–	–	82 000
<b>Consideration received</b>				
Equity: 100 preference shares in Business Venture Investments No. 1245 (Proprietary) Limited	–	–	–	(82 000)
<b>32. COMMITMENTS</b>				
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	2 355	2 141	–	–
– in second to fifth year inclusive	–	2 355	–	–
	2 355	4 496	–	–

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for two years. No contingent rent is payable.

### 33. CONTINGENCIES

Certain tax deductions claimed by Dynamic Cables SA (Pty) Limited in prior periods relating to trademarks that cost R22,1 million are the subject of a dispute with SARS. While the extent of the dispute as to the amount or period of the deduction is still uncertain, the directors believe that this dispute will be resolved during the forthcoming year and the dispute will not result in a loss to the group.

The group has provided the Standard Bank of South Africa with an unrestricted cession of its debtors for general banking facilities. At year end the facility utilised amounted to R66 911 (2008: RNil).

The group has provided the Standard Bank of South Africa with an unlimited suretyship for all facilities granted by the bank to Cape Empowerment Trust Limited. At year end the total facilities utilised were RNil (2008: RNil).

The company has signed unlimited suretyships for all banking facilities of the group. At year end the banking facilities utilised amounted to R66 911 (2008: RNil).

# Notes to the annual financial statements

for the year ended 31 December 2009

## 34. RELATED PARTIES

### Relationships

Subsidiaries	Refer to note 6
Companies controlled by directors	Debanisa Networking (Proprietary) Limited H Investments No. 220 (Proprietary) Limited
Members of key management	TD Rai
Shareholders with significant influence	Cape Empowerment Trust Limited

R'000	Company	
	2009	2008
<b>Related party balances</b>		
Loan accounts owing (to) by related parties		
Cape Empowerment Trust Limited	<b>15 864</b>	13 884
H Investments No. 140 (Proprietary) Limited (previously Dynamic Cables SA (Proprietary) Limited)	<b>(5 645)</b>	(5 376)
Basfour 2988 (Proprietary) Limited	<b>(527)</b>	5 583
H Investments No. 215 (Proprietary) Limited (previously Dynamic Cables South (Proprietary) Limited)	<b>(7 270)</b>	(1 320)
Dynamic Cables Engineering (Proprietary) Limited	<b>(5 216)</b>	(2 577)
Dynamic Convergence (Proprietary) Limited	<b>2 668</b>	1 020
Dynamic Cables South Africa (Proprietary) Limited	<b>(9 771)</b>	5 420
Dynamic Cables Asset Co. (Proprietary) Limited	<b>5 036</b>	(250)
Capensis (Proprietary) Limited	<b>(1 588)</b>	–
H Investments No. 220 (Proprietary) Limited	<b>(366)</b>	(366)
Dynamic Cables Convergence (Proprietary) Limited	<b>633</b>	–
Dynamic Cables (Proprietary) Limited (previously Dynamic Shelving Solutions (Proprietary) Limited)	<b>4 173</b>	–
<b>Related party transactions</b>		
<b>Interest paid to (received from) related parties</b>		
Cape Empowerment Trust Limited	<b>(1 675)</b>	–
<b>Administration fees paid to (received from) related parties</b>		
Dynamic Cables Engineering (Proprietary) Limited	<b>(1 250)</b>	(1 764)
Dynamic Cables South Africa (Proprietary) Limited	<b>(1 250)</b>	(1 764)

R'000	Salaries	Directors' fees	Bonus	Commission	Total
<b>35. DIRECTORS' EMOLUMENTS</b>					
<b>Executive directors</b>					
<b>2009</b>					
<b>Group</b>					
TD Rai	1 352	–	100	860	2 312
SL Rai	–	210	–	–	210
MJ Brown	–	100	–	–	100
H Takolia	–	100	–	–	100
	1 352	410	100	860	2 722
<b>Company</b>					
SL Rai	–	210	–	–	210
MJ Brown	–	100	–	–	100
H Takolia	–	100	–	–	100
	–	410	–	–	410
<b>2008</b>					
<b>Group</b>					
TD Rai	1 072	–	150	1 200	2 422
SL Rai	–	455	–	–	455
	1 072	455	150	1 200	2 877
<b>Company</b>					
SL Rai	–	455	–	–	455

#### Details of service contracts

Executive directors do not have fixed term contracts. They have employment agreements with the company which are subject to notice periods of between one and six months.

# Notes to the annual financial statements

for the year ended 31 December 2009

## 36. RISK MANAGEMENT

### Liquidity risk

The table below analyses the group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

R'000	Less than one year	Between one and two years	Between two and five years	Over five years
<b>As at 31 December 2009</b>				
<b>Group</b>				
<b>Liabilities</b>				
Borrowings	808	534	1 386	4 362
Derivative financial instrument	1	-	-	-
Trade and other payables	25 321	-	-	-
Loans from shareholders	98	-	-	-
Bank overdraft	67	-	-	-
Current tax payable	13 872	-	-	-
<b>Assets</b>				
Cape Horizons 115 (Proprietary) Limited preference shares	1 443	1 443	4 330	22 415
Loan to shareholder	-	-	-	24 692
Other financial assets	1 457	-	-	-
Current tax receivable	836	-	-	-
Trade and other receivables	12 611	-	-	-
Cash and cash equivalents	19 893	-	-	-
<b>As at 31 December 2008</b>				
<b>Liabilities</b>				
Mortgage bond	316	316	948	3 382
Instalment sale agreements	985	786	938	-
Trade and other payables	23 592	-	-	-
Current tax payable	13 933	-	-	-
<b>Assets</b>				
Cape Horizons 115 (Proprietary) Limited preference shares	1 140	1 140	3 420	14 505
Loan to shareholder	13 787	-	-	-
Other financial assets	1 001	-	-	-
Current tax receivable	1 092	-	-	-
Trade and other receivables	14 935	-	-	-
Cash and cash equivalents	18 269	-	-	-

R'000	Less than one year	Between one and two years	Between two and five years	Over five years
<b>As at 31 December 2009</b>				
<b>Company</b>				
<b>Liabilities</b>				
Borrowings	316	316	949	3 066
Trade and other payables	1 062	-	-	-
Loans from group companies	30 635	-	-	-
<b>Assets</b>				
Cape Horizons 115 (Proprietary) Limited preference shares	1 443	1 443	4 330	22 415
Business Venture Investments No. 1245 (Proprietary)				
Limited preference shares	7 749	7 749	23 247	112 996
Loan to shareholder	-	-	-	24 692
Loans to group companies	17 873	-	-	-
Current tax receivable	445	-	-	-
Trade and other receivables	1 063	-	-	-
Cash and cash equivalents	17 707	-	-	-
<b>As at 31 December 2008</b>				
<b>Liabilities</b>				
Borrowings	396	-	-	-
Trade and other payables	312	-	-	-
<b>Assets</b>				
Cape Horizons 115 (Proprietary) Limited preference shares	1 140	1 140	3 420	14 505
Business Venture Investments No. 1245 (Proprietary)				
Limited preference shares	11 070	11 070	33 210	137 350
Loan to shareholder	13 884	-	-	-
Loans to group companies	2 134	-	-	-
Current tax receivable	445	-	-	-
Trade and other receivables	871	-	-	-
Cash and cash equivalents	259	-	-	-

#### Interest rate risk

At 31 December 2009, if interest rates on Rand-denominated borrowings had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been R1,5 million (2008: R229 303) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

# Notes to the annual financial statements

for the year ended 31 December 2009

Financial instrument	Current interest rate %	Due in less than a year R'000	Due in one to two years R'000	Due in two to three years R'000	Due in three to five R'000	Due after five years R'000
<b>Cash flow interest rate risk</b>						
Trade and other receivables	-%	12 611	-	-	-	-
Cash in current banking institutions	4.75%	19 893	-	-	-	-
Instalment sale agreements	9.50%	554	540	355	-	-
Bonds over property	8.50%	36	40	44	48	2 238

## Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

Trade debtors comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

## Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar and the Euro. Foreign exchange risk arises from foreign orders.

Exposure to foreign exchange fluctuations is insignificant and hence the group is not highly sensitive to fluctuations in the EURO/ZAR or USD/ZAR exchange rates.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward exchange contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency other than the entity's functional currency.

## Forward exchange contracts which relate to future commitments

The group enters into certain forward exchange contracts which do not relate to specific items appearing on the balance sheet but which are entered into to cover foreign commitments not yet due and proceeds not yet received. The contracts are utilised for purposes of trade. At year end the group had one outstanding forward exchange contract as the risk of adverse fluctuations in the Rand against major currencies were considered low by directors.

Group subsidiaries carry out a significant portion of their purchases in foreign currencies. Hedging instruments are used to reduce the risk arising from foreign currency fluctuations against the various companies' own currency.

R'000	Group	
	2009	2008
<b>Foreign currency exposure at balance sheet date</b>		
<b>Current assets</b>		
Foreign, Euro denominated creditor with debit balance	101	–
<b>Liabilities</b>		
USD denominated creditors – USD 11 528 (2008: USD 7 008)	86	67
EURO denominated creditors – EUR 1 670 (2008: EUR3 223)	18	42
<b>Exchange rates used for conversion of foreign items</b>		
USD	7.47	9.46
EURO	10.77	13.33
<b>Forward exchange contracts which relate to future commitments</b>		
Amount in foreign currency purchased	Forward exchange rate	Maturity date
14 230 USD	1 USD = R7.47	29 January 2010

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

#### Capital management

The group seeks to ensure that it and each entity has sufficient capital to support its activities and its medium-term growth objectives. In setting the ideal mix of debt and equity, the group seeks to optimise its return on shareholders' equity while maintaining prudent balance sheet gearing.

### 37. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on losses of R13,1 million (2008: R3,8 million) and a weighted average number of 83 126 860 (2008: 78 420 610) ordinary shares in issue throughout the year.

R'000	Group	
	2009	2008
<b>38. HEADLINE EARNINGS PER SHARE</b>		
<b>Reconciliation between basic earnings and headline earnings</b>		
Basic loss attributable to owners of the parent	(13 092)	(3 836)
Adjusted for:		
Impairment of financial assets	5 646	8 191
Fair value adjustments	(86)	(79)
Profit on the sale of property, plant and equipment	(309)	–
Tax effect of reconciling items	93	(15)
	<b>(7 748)</b>	<b>4 261</b>

The calculation of headline earnings per share is based on a headline loss of R7,7 million (2008: profit of R4,3 million) and a weighted average number of 83 126 860 (2008: 78 420 610) ordinary shares in issue throughout the year. There were no dilutive shares.

# Notes to the annual financial statements

for the year ended 31 December 2009

## 39. OPERATING SEGMENTS

Management currently identifies the Group's two lines of products as two separate operating segments as further described as infrastructure equipment and connectivity supplies. The infrastructure equipment segment encompasses the light engineering of goods for various customers. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are wholly derived from a South African source.

Financial instruments, investments accounted for using the equity method; deferred tax assets are considered corporate assets and are not allocated to any segment.

R'000	Infrastructure equipment	Connectivity supplies	Eliminations	Consolidated
<b>Revenue</b>				
External sales	52 642	73 224	(34 317)	91 549
<b>Result</b>				
Segment result	2 902	(14 884)	2 449	(9 533)
Unallocated corporate income				–
<b>Profit from operations</b>				(9 533)
Finance costs				(1 756)
Impairments and fair value adjustments				(4 980)
Income from equity accounted investment				96
Income from other investments				3 188
<b>Profit before tax</b>				(12 985)
Income tax expense				(107)
<b>Profit after tax</b>				(13 092)
<b>Other information</b>				
Capital additions	1 114	1 643	–	2 757
Depreciation and amortisation	642	1 290	–	1 932
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	11 582	47 510	2 618	61 710
Unallocated corporate assets				27 422
				89 132
<b>Liabilities</b>				
Segment liabilities	4 579	24 402	(1 856)	27 125
Unallocated corporate liabilities				17 192
				44 317

R'000	Infrastructure equipment	Connectivity supplies	Eliminations	Consolidated
<b>Revenue</b>				
External sales	63 371	60 860	(757)	123 474
<b>Result</b>				
Segment result	4 320	5 209	–	9 529
Unallocated corporate income				–
<b>Profit from operations</b>				
Finance costs				(3 562)
Impairments and fair value adjustments				(8 113)
Income from other investments				1 342
<b>Profit before tax</b>				
Income tax expense				(802)
				(3 034)
<b>Profit after tax</b>				
				(3 836)
<b>Other information</b>				
Capital additions	1 308	1 123	–	2 431
Depreciation and amortisation	1 073	1 212	–	2 285
<b>Balance sheet</b>				
Assets				
Segment assets	29 200	48 022	(7 094)	70 128
Unallocated corporate assets				29 920
				100 048
<b>Liabilities</b>				
Segment liabilities	22 047	24 921	(7 094)	39 874
Unallocated corporate liabilities				5 092
				44 966

**Note:**

The group earns a substantial proportion of its revenue from a major company within the telecommunication sector to which it supplies metal products.

# Dynamic Cables RSA – Shareholder Analysis

for the year ended 31 December 2009

Register date: 24 December 2009

Issued Share Capital: 97 245 610 shares

<b>SHAREHOLDER SPREAD</b>	<b>No. of shareholders</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
1 – 1 000 shares	587	51.76	237 034	0.24
1 001 – 10 000 shares	357	31.48	1 439 548	1.48
10 001 – 100 000 shares	152	13.40	4 902 183	5.04
100 001 – 1 000 000 shares	31	2.73	8 565 936	8.81
1 000 001 shares and over	7	0.62	82 100 909	84.43
<b>Total</b>	<b>1 134</b>	<b>100</b>	<b>97 245 610</b>	<b>100</b>

<b>DISTRIBUTION OF SHAREHOLDERS</b>	<b>No. of shareholders</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
Banks	8	0.71	5 448 111	5.60
Brokers	6	0.53	243 071	0.25
Close Corporations	20	1.76	527 855	0.54
Empowerment	1	0.09	30 065 751	30.92
Endowment Funds	3	0.26	265 800	0.27
Individuals	968	85.36	8 440 327	8.68
Insurance Companies	1	0.09	1 445 101	1.49
Investment Companies	5	0.44	12 506 118	12.86
Mutual Funds	1	0.09	570 500	0.59
Nominees and Trusts	55	4.85	1 533 490	1.58
Other Corporations	34	3.00	1 608 306	1.65
Private Companies	31	2.73	33 690 714	34.64
Public Companies	1	0.09	900 466	0.93
<b>Total</b>	<b>1 134</b>	<b>100</b>	<b>97 245 610</b>	<b>100</b>

<b>PUBLIC / NON-PUBLIC SHAREHOLDERS</b>	<b>No. of shareholdings</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
Non-Public Shareholders	3	0.26	32 436 217	33.35
Related Holdings	3	0.26	32 436 217	33.35
Public Shareholders	1 131	99.74	64 809 393	66.65
<b>Total</b>	<b>1 134</b>	<b>100</b>	<b>97 245 610</b>	<b>100</b>

<b>BENEFICIAL SHAREHOLDERS HOLDING OF 5% OR MORE</b>	<b>No. of shares</b>	<b>% of shares</b>
Cape Empowerment Trust Ltd	32 436 217	33.35
Tri-Invest 5 (Pty) Limited	18 825 000	19.36
SHL Financial Management	12 473 892	12.83
Cape Horizon Properties 115 (Pty) Ltd	12 402 244	12.75
Brown Brothers Harriman & Co.	5 418 921	5.57

<b>RELATED HOLDINGS</b>	<b>No. of shares</b>	<b>% of shares</b>
Cape Empowerment Trust Ltd	32 436 217	33.35

# Notice of annual general meeting



**CAPE  
EMPOWERMENT  
LIMITED**

**(Previously Dynamic Cables RSA Limited)**

(Incorporated in the Republic of South Africa)

(Registration number 1987/001807/06)

(Share code CAP ISIN: ZAE 000145066)

("CEL" or "Company")

Notice is hereby given that the twenty second annual general meeting of the members of the Company in respect of the year ended 31 December 2009 will be held at the offices of Dynamic Cables 5 Fitzmaurice Avenue, Epping, Cape Town, at 15h00 on 16 September 2010 to consider, and if deemed fit, pass, with or without modification, the ordinary and special resolutions set out below.

## **1. APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

### **Ordinary Resolution Number 1**

Resolved that the audited financial statements of the Company, and of the group, and the directors' report for the financial year ended 31 December 2009 be and are hereby confirmed.

## **2. ELECTION OF DIRECTORS**

### **Ordinary Resolution Number 2**

Resolved to elect directors of the company in the places of TD Rai and MJI Brown, who retire in terms of the articles of association of/the company, but being eligible offer themselves for re-election.

#### **Theodore Dominic Rai (51)**

Executive deputy chairman

Theo has been chief executive officer of Dynamic Cables RSA Limited since 2006. He has a MBChb from the University of Cape Town.

#### **Michael Joseph Ignatius Brown (67)**

Non-executive director

Mike has been a non-executive director of the company since 2000. He has a Dip. Ed and is currently a stockbroker at Lewer & Co.

## **3. AUTHORITY TO ISSUE SHARES**

### **Ordinary Resolution Number 3**

Resolved that the entire authorized but unissued share capital of the Company be and is hereby placed under the control of the directors until the next annual general meeting of the Company as a general authority in terms of section 221 of the Companies Act No 61 of 1973, as amended ("Companies Act"), who shall be authorised to allot and issue such shares on such terms and conditions as the directors may determine upon issue, subject to the provisions of section 222 of the Companies Act and the Listings Requirements of the exchange operated by the JSE Limited ("JSE") ("JSE Listings Requirements").

## **4. AUTHORITY TO ISSUE SHARES FOR CASH**

### **Ordinary Resolution Number 4**

Resolved that the directors of the Company be and hereby authorised by way of general authority to allot and issue any shares of any class already in issue in the capital of the company for cash when the directors consider it appropriate in the circumstances, subject to the following:

- this authority shall not endure beyond the earlier of the next annual general meeting of the Company or beyond 15 (fifteen) months from the date of passing of this ordinary resolution;
- there will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the JSE Listings Requirements) and not to related parties;
- upon any issue of shares which, together with prior issues during any one financial year, will constitute 5% (five percent) or more of the number of shares of the class in issue, the Company shall, by way of a paid press announcement in terms of section 11.22 of the JSE Listings Requirements, give full details thereof, including the effect on the net asset value of the Company and earnings per share, the number of securities issued and the average discount to the weighted average traded price of the securities over the 30 days prior to the date that the price of such issue was determined or agreed by the Company's directors;
- that issues in the aggregate in any one financial year may not exceed 15% (fifteen percent) of the number of that class of the Company's issued shares (including instruments which are compulsorily convertible into shares of that class) at the date of application less any shares of that class issued, or to be issued in the future arising from options/convertible securities issued during the current financial year, plus any shares to be issued pursuant to an announced, irrevocable and fully underwritten rights offer or to be issued pursuant to any acquisition for which final terms have been announced;
- the maximum discount at which securities may be issued is 10% (ten percent) of the weighted average traded price of those securities over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors; and
- a 75% (seventy-five percent) majority is required of votes cast by the shareholders present or represented by proxy at the general meeting to approve the resolution.

## **5. APPROVAL OF AUDITOR'S REMUNERATION**

### **Ordinary Resolution Number 5**

Resolved that the remuneration of the auditors for the year ended 31 December 2009 be and is hereby approved.

## **6. APPROVAL OF DIRECTORS' REMUNERATION**

### **Ordinary Resolution Number 6**

Resolved that the directors' fees for the year ended 31 December 2009 be and is hereby approved.

## **7. ADOPTION OF SHARE INCENTIVE TRUST**

### **Ordinary Resolution Number 7**

Resolved that, in accordance with Schedule 14 of the Listings Requirements, the Cape Empowerment Limited Share Incentive Trust, the principal terms of which are set out in Annexure 1 to this notice of annual general meeting, is hereby approved and that 100 000 000 ordinary shares in the unissued share capital of the Company, be and is hereby reserved for purposes of the Cape Empowerment Limited Share Incentive Trust.

The draft trust deed in respect of the Trust will be available for inspection for a period of two weeks before the date of the meeting at the Company's registered office and at the offices of Sasfin Capital, 29 Scott Street, Waverley, Johannesburg.

This resolution is subject to a 75% majority of the Company's shareholders voting, in person or represented by proxy, in favour thereof at the general meeting.

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

# Notice of annual general meeting

## 8. AUTHORITY TO REPURCHASE SHARES

### Special Resolution Number 1

Resolved that the Company hereby approves, as a general approval contemplated in sections 85(2), 85(3) and 89 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act") and in terms of the Company's articles of association, the acquisition by the Company or any of its subsidiaries from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine. All such acquisitions of shares will be subject to: the articles of association of the company; the provisions of the Act and the JSE Listings Requirements, (as presently constituted and which may be amended from time to time); and provided that –

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or any of its subsidiaries and the counter party (reported trades are prohibited);
- this general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- a paid press announcement will be published as soon as the Company or its subsidiaries has/have acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue, prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, and in respect of every 3% (three percent) thereafter, which announcement shall contain full details of such acquisitions;
- acquisitions by the Company and its subsidiaries of ordinary shares in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital from the date of the grant of this general authority;
- subsidiaries of the Company will acquire, in aggregate, no more than 10% (ten percent) of the company's issued ordinary share capital at any one time;
- in determining the price at which the Company's ordinary shares are acquired by the Company or any of its subsidiaries in terms of this general authority, the maximum price at which such ordinary shares may be acquired will be at a premium of no more than 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such ordinary shares by the company or any of its subsidiaries;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on its behalf;
- the Company or any of its subsidiaries may only undertake a repurchase if, after such a repurchase it shall still comply with the spread requirements of the JSE Listings Requirements; and
- the Company or any of its subsidiaries may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

### REASONS AND EFFECT

The reason for special resolution number 1 is to grant the Company or any of its subsidiaries a general authority in terms of the Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the Company.

Information required in terms of the JSE Listings Requirements with regard to this general authority for the Company or any of its subsidiaries to repurchase the Company's securities appears in the annual financial statements, to which this notice of annual general meeting is annexed as indicated below:

- Directors and management of the Company: page 8
- Major shareholders: page 50 and 51
- Share capital: page 36
- Directors' interest in securities: page 50 and 51

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

There has been no material change in the financial or trading position of the Company or any of its subsidiaries that has occurred since 31 December 2009. There are no legal or arbitration proceedings, either pending or threatened against the company or its subsidiaries, of which the directors are aware, which may have, or have had in the last 12 months, a material effect on the financial position of the Company or its subsidiaries. Pursuant to and in terms of the JSE Listings Requirements, the directors of the Company hereby state:

- That the intention of the Company and or any of its subsidiaries is to utilise the authority if at some future date the cash resources of the company are in excess of its requirements. In this regard the directors will take into account, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and will ensure that any such utilisation is in the interest of shareholders; and
- That the method by which the Company and or any of its subsidiaries intends to re-purchase its securities and the date on which such repurchase will take place, has not yet been determined; and
- That after considering the effect of a maximum permitted re-purchase of securities, the company and its subsidiaries are, as at the date of this notice convening the annual general meeting of the Company, able to fully comply with the JSE Listings Requirements. Nevertheless, at the time that the contemplated re-purchase is to take place, the directors of the Company will ensure that:
- The Company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the general repurchase;
- The assets of the Company and the group will be in excess of the liabilities of the Company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in these audited annual group financial statements;
- The share capital and reserves of the Company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase;
- The working capital of the Company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- The Company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

# Notice of annual general meeting

## 9. GENERAL AUTHORITY

### Ordinary Resolution Number 8

Resolved that the directors of the Company be and are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the annual general meeting at which this Ordinary Resolution Number eight will be considered.

And to transact any other business that may be transacted at the Annual General Meeting.

### Voting

Each shareholder whether present in person or represented by proxy, is entitled to attend and vote at the annual general meeting.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker, other than by own name registration who wish to attend the annual general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

### Proxies

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of CEL) to attend, speak and vote in his/her stead. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her. Shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the annual general meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, (PO BOX 61763, Marshalltown, 2107) by no later than 12h00 on Friday 10 September 2010. Shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of his nature.

By order of the board

# Salient features of the Cape Empowerment Limited Share Incentive Scheme

The salient features of the employee share incentive scheme (the "Share Scheme") of Cape Empowerment Limited (formerly Dynamic Cables RSA Limited) ("Company") are set out below. The Share Scheme shall substitute the trust deed of the current Cape Empowerment Trust Limited ("CET") Share Trust ("CET Share Trust") with a replacement deed of trust (the "Trust Deed"). The Share Scheme is intended as an incentive to employees to promote the continued growth of the company by giving employees an opportunity to acquire shares or a commercial exposure to shares in the company.

The following does not purport to be exhaustive of the provisions of the Share Scheme. For a full appreciation of the provisions of the Share Scheme, shareholders should refer to the full text of the Trust Deed.

## 1. CET Share Trust

- 1.1 Prior to the implementation of the merger between CET and the Company on Monday, 31 May 2010 by way of a scheme of arrangement in terms of section 311 of the Companies Act No 61 of 1973 ("Merger"), the CET Share Trust owned 21,786,015 ordinary shares in CET ("CET Shares"), of which 15 million CET Shares have been allocated to participants of the CET Share Trust.
- 1.2 Pursuant to the implementation of the Merger, the Company acquired all the CET Shares held by the CET Share Trust and issued 43,572,030 ordinary shares in the Company ("Shares") to the CET Share Trust. 30 million of these Shares have been allocated to the participants under the CET Share Scheme based on their allocations of CET Shares prior to the implementation of the Merger ("Allocated Scheme Shares").
- 1.3 All participants under the CET Share Trust shall, with effect from the date that the Share Scheme is adopted, become participants under the Share Scheme. All these participants' rights and obligations under the CET Share Trust are retained under the Share Scheme.

## 2. Participants

- 2.1 Persons (including, without limitation, any executive or non-executive director) employed by the company or any of the Company's subsidiaries or a partnership (of which the Company or any subsidiary is a partner having an equity interest of not less than 50%) are eligible to participate in the Share Scheme ("Participants").
- 2.2 The participation of any Participant and the nature of such participation in the Share Scheme (as contemplated in paragraph 3 hereof) shall be at the sole discretion of the remuneration committee of the board of directors of the company.
- 2.3 The maximum number of Shares which –
  - 2.3.1 are capable of being allocated by the directors of the company to the Share Scheme or that may otherwise be acquired by the Scheme with financial assistance of the company (including Allocated Scheme Shares) shall not, in the aggregate, exceed 100 000 000 Shares, or such other number as may be approved by the Company in general meeting; and
  - 2.3.2 any Participant is entitled to acquire or that are the subject of any arrangement with any one Participant in terms of the Share Scheme shall not exceed 25 000 000 Shares.
- 2.4 The existing unallocated Shares forming part of the Share Scheme will either be allocated by no later than the next reporting date of the Company, being 30 September 2010, or be repurchased by the Company.

## 3 Mechanisms

- 3.1 In terms of the Share Scheme, the directors may, from time to time, by resolution direct the trustees (the "Trustees") of the Share Scheme and simultaneously instruct and authorize the Trustees in writing to make offers or grant options in respect of such shares to employees named in the resolution.
- 3.2 Every resolution shall, *inter alia*, specify (and as applicable) –
  - 3.2.1 the number of Scheme Shares in respect of which an offer is made or an option is granted, which number shall be subject to a maximum of 25 000 000 Scheme Shares ;
  - 3.2.2 the offer date or the option date;

# Salient features of the Cape Empowerment Limited Share Incentive Scheme

- 3.2.3 the purchase price per Share, which purchase price shall be determined on the basis stated in paragraph 4.1 below;
- 3.2.4 in respect of options –
  - 3.2.4.1 whether the option may be exercised immediately or only after the expiry of a certain period after the option date, or in tranches;
  - 3.2.4.2 if the option may not be exercised immediately, the period or periods from the option date which must expire before the option may be exercised in respect of the Shares or a percentage of the Shares, as the case may be; and
  - 3.2.4.3 the date on which the option, if not exercised, will lapse;
- 3.2.5 whether the purchase price is payable in cash or whether the Trustees may grant credit or make a loan to the offeree to acquire the Shares;
- 3.2.6 if credit or loan is offered, all the terms and conditions thereof, which may relate inter alia to –
  - 3.2.6.1 interest payable on the outstanding amount as levied by the Trustees from time to time;
  - 3.2.6.2 payment of the purchase price or repayment of the loan as contemplated in paragraph 5.1 below;
  - 3.2.6.3 the pledge of Shares as security for the loan or credit granted as contemplated in paragraph 5.2 below;
- 3.2.7 if a participant must render services to the Company for a certain period from the offer date or option date, as the case may be, before the participant will be entitled to sell his Shares to the Trustees at market value –
  - 3.2.7.1 the period or periods which a participant must render services to the Company, provided that any period shall not be less than 2 (two) years nor exceed 5 (five) years;
  - 3.2.7.2 the number or percentage of Shares which may be sold at market value after expiry of the relevant periods; and
  - 3.2.7.3 the prices at which the Trustees will be obliged to repurchase a Participant's Shares or tranches of Shares, as the case may be, if the Participant ceases to be an employee within the prescribed periods; and
- 3.2.8 any other terms and conditions which the directors in their discretion may prescribe; provided that such terms and conditions may not be in conflict with the provisions of the Trust Deed or the Listings Requirements of the exchange operated by the JSE Limited ("JSE").

## 4 Pricing

- 4.1 Shares will be offered and options will be granted at the following purchase price:
    - 4.1.1 for as long as the Shares are not listed on the JSE, the market value thereof as determined by an independent merchant bank; and
    - 4.1.2 while the Shares are listed on the JSE, the volume weighted average trading price for the shares measured over the 30 (thirty) business days prior to the offer date or option date (as the case may be)
- or any discount of such purchase price as determined by the directors, limited to 10% (ten percent) thereof.

## 5 Payment and restrictions

- 5.1 Delivery of and payment for the Shares shall take place as follows:
- 5.1.1 In respect of offers:
- 5.1.1.1 If the purchase price is payable in cash, the purchase price shall be payable within 30 (thirty) days after the later of the date of –
- 5.1.1.1.1 acceptance of the offer by the participant; or
- 5.1.1.1.2 if the participant is required to render services to the Company for a certain period from the offer date, the date on which the participant completed the requisite period of service.
- 5.1.1.2 If the Trustees made a loan or granted credit to the participant to acquire the Shares, the outstanding amount (including accrued interest, if any) shall be repaid by the participant within 12 (twelve) months after the later of the date of –
- 5.1.1.2.1 acceptance of the offer by the participant; or
- 5.1.1.2.2 if the participant is required to render services to the Company for a certain period from the offer date, the date on which the participant completed the requisite period of service.
- 5.1.2 In respect of options:
- 5.1.2.1 if no provision is made for a deferred delivery and payment date after exercise of the option, the exercise price shall be paid within 30 (thirty) days after the later of the date of –
- 5.1.2.1.1 exercise of the option by the participant; or
- 5.1.2.1.2 if the participant is required to render services to the Company for a certain period from the option date, the date on which the participant completed the requisite period of service.
- 5.1.2.2 if the option is subject to a deferred delivery and payment date after exercise of the option, the exercise price shall be paid within 12 (twelve) months after the later of the date of –
- 5.1.2.2.1 exercise of the option by the participant. or
- 5.1.2.2.2 if the participant is required to render services to the Company for a certain period from the option date, the date on which the participant completed the requisite period of service.
- 5.2 A participant may nevertheless pay the outstanding balance of the share debt before the due date for payment, provided, *inter alia*, that the Trustees may only release the relevant Shares in accordance with the terms and conditions of the unique offer made to the Participant, which offer shall set out the period of the restrictions and the percentage that such restrictions shall apply to, if any.
- 5.3 Transfer or allotment and issue of scheme Shares to any Participant entitled thereto will be effected within 14 days after acceptance of the offer, subject to a pledge of the Share in favour of the Trust as security for the due payment of the share debt. The pledge of the shares will be upon terms which includes that dividends declared in respect of the Shares shall be paid to the Trust by way of a reduction of the Participant's Share debt.
- 5.4 Until the purchase price for the Shares has been paid to the Trustees, the Shares may, subject to certain exceptions, not be sold or transferred, in any way mortgaged, pledged or otherwise encumbered and any voting rights in respect of such Shares shall vest in and be exercised by the Trustees.

# Salient features of the Cape Empowerment Limited Share Incentive Scheme

- 5.5 If the Shares are no longer subject to any restrictions on the sale thereof, the relevant Shares shall, upon a Participant paying the Share debt in full, cease to be scheme Shares and shall be released to the Participant entitled thereto, provided that if the Participant wishes to dispose of his Scheme Shares, he shall first offer such Shares to the Trust at the same price and otherwise on the same terms and conditions at which he wishes to dispose thereof.
- 5.6 The Trustees may, subject to the Listings Requirements of the JSE, in their discretion, by agreement with the Company –
- 5.6.1 waive any and all restrictions on the sale, transfer or disposal of any scheme Shares in respect of which an offer was made or an option was granted;
- 5.6.2 and the Participant, alter the terms and conditions upon which the offer was made or the option was granted, provided that the purchase price for the Shares shall at all times remain in accordance with the mechanism set out in paragraph 4 above.

## 6 Alternative mechanisms

- 6.1 The Trustees have the discretion to utilize a variety of alternative mechanisms to further the objects of the Share Scheme. Any alternative mechanisms so utilized shall be subject to the provisions of the Listings Requirements of the JSE.
- 6.2 Such mechanisms include, without limitation –
- 6.2.1 the conclusion of derivative transactions relating to Shares, with Participants and/or third parties;
- 6.2.2 the ability to cash settle the net equity value in any transactions between the Trust and a Participant;
- 6.2.3 the ability to scrip settle the net equity value in any transactions between the Trust and a Participant;
- 6.2.4 the creation of segregated portfolios of underlying Shares and the issue to Participants of units in the Trust in respect of such portfolios.

## 7 Participation in rights issues, capitalisation issues and special distributions

Mechanisms are created in the Share Scheme such that Participants shall effectively be entitled to participate in any rights issues, capitalisation issues and special distributions in accordance with the terms thereof. These mechanisms are summarized below:

- 7.1 In respect of rights issues, each Participant shall be entitled to participate in respect of all scheme shares and capitalization shares as if those shares were ordinary shares in the issued capital of the company and the purchase price of the scheme shares have already been paid in full; and
- 7.2 In respect of capitalization issues, every Participant shall be entitled to participate in respect of all scheme shares and capitalization shares as if the purchase price of the scheme shares has already been paid in full. No Participant shall be entitled to renounce his rights to any capitalization shares or dispose thereof in any other way and all capitalization shares shall be issued subject to the provisions of the Trust Deed.

## 8 Restructuring

In the event of corporate action or a restructuring of the company or the group of which it form part, the Trustees have the right to terminate the Scheme or to restructure or replace the rights of Participants thereunder, provided that such action must always leave Participants in substantially the same commercial position.

## 9 Amendments

- 9.1 The terms of the Share Scheme may be amended from time to time by the directors and the Trustees, provided that –
- 9.1.1 the terms or conditions of allotment of any scheme Shares or capitalisation Shares of the Company or of any offer or option may not be altered without such consent on the part of the Participants concerned (treated as a separate class) as would be required under the Company's articles of association for a variation or cancellation of the rights attached to those Shares;

- 9.1.2 no amendment may be made to the deed without the prior approval of the JSE, if so required in terms of the rules of the JSE;
- 9.1.3 no amendment in respect of the following matters shall operate unless such amendment has received the approval of the shareholders in general meeting –
  - 9.1.3.1 the persons and the category of the persons who may become Participants under the Share Scheme;
  - 9.1.3.2 the total number of Shares which may be used for the purposes of the Share Scheme which, when amendment is being made to the Trust Deed, must be stated together with the percentage of the issued shares that it represents at that time;
  - 9.1.3.3 entitlement to Shares for any one participant under the Share Scheme;
  - 9.1.3.4 the amount, if any, payable on application or acceptance of an offer or granting of an option; and
  - 9.1.3.5 the basis for determining the purchase price, subscription price or option price or
  - 9.1.3.6 the period in which payment or loans to provide the same, may be paid.
- 9.2 Notwithstanding the foregoing, if it should become necessary or desirable by reason of the enactment of any new act or regulation at any time after the signing of the Trust Deed, to amend the provisions of the Trust Deed so as to preserve the substance of the provisions contained in the Trust Deed but to amend the form so as to achieve the objectives embodied in the Trust Deed in the best manner having regard to such new legislation, and without prejudice to the Participants concerned, then the directors and Trustees may amend the Trust Deed accordingly.

## 10 Trustees

- 10.1 There shall, at all times, be a minimum of 2 Trustees in office unless the Trustee is a juristic person, in which case there need be only one trustee. The first trustees of the Share Scheme shall be Allan Hannie and Gasant Orrie, who are both practicing directors at Cliffe Dekker Hofmeyr Inc.
- 10.2 To the extent required in terms of the listings requirements of the JSE from time to time –
  - 10.2.1 executive directors of the Company or Participants under the Share Scheme may not be appointed as Trustees
  - 10.2.2 a Trustee may not be or become a participant under the Share Scheme while acting as Trustee; and
  - 10.2.3 non-executive directors of the Company may be appointed as Trustees provided that they are not Participants under the Share Scheme.

## 11 Annual disclosure

The Company shall disclose in its annual financial statements:

- 11.1 the number of Shares reserved for the Share Scheme remaining and issued on the last day of each financial year;
- 11.2 the number of Shares issued by the Trust to Participants, which Shares are still subject to the Shares of the Trust;
- 11.3 the number of Shares sold by the Trust to Participants during each financial year;
- 11.4 the number of Shares available for sale by the Trustees to proposed Participants; and
- 11.5 such other disclosures as may be required in terms of the Listings Requirements of the JSE from time to time.

# Proxy form



## CAPE EMPOWERMENT LIMITED

(previously Dynamic Cables RSA Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number 1987/001807/06)  
(Share code CAP ISIN: ZAE 000145066)  
("CEL" or "Company")

### ANNUAL GENERAL MEETING

16 September 2010 at 15h00.

Proxy form – for use only by certified shareholders and own name dematerialised shareholders at the annual general meeting of shareholders of the Company to be held at Dynamic Cables, 5 Fitzmaurice Avenue, Epping, Cape Town at 15:00 on 16 September 2010 ("the twenty second annual general meeting")

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend the meeting and speak and, on a poll, to vote in his/her stead. A proxy need not be a member of the company.

I/We, \_\_\_\_\_ of \_\_\_\_\_  
being a member/s of Cape Empowerment Limited and entitled to \_\_\_\_\_ votes  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or, failing him/her \_\_\_\_\_ of \_\_\_\_\_

or, failing him/her, the chairman of the meeting, as my/or proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the offices of Dynamic Cables, 5 Fitzmaurice Avenue, Epping, Cape Town at 15h00 on 16 September 2010 and at any adjournment thereof, as follows:

PROPOSED RESOLUTIONS	In Favour	Against	Abstain
Ordinary resolution number one to approve the annual financial statements and directors report			
Ordinary resolution number two to re-elect the retiring directors:			
TD Rai			
MJ Brown			
Ordinary resolution number three to place the unissued ordinary shares under the directors' authority			
Ordinary resolution number four to approve the authority of the directors to allot and issue shares for cash			
Ordinary resolution number five to approve the remuneration of the auditors			
Ordinary resolution number six to approve the directors fees			
Ordinary resolution number seven to adopt the Cape Empowerment Limited Share Incentive Trust			
Special resolution number one to give the directors a general authority to repurchase shares			
Ordinary resolution number eight to authorise the directors to do all such things necessary to implement the resolutions in this notice			

(Indicate instructions to proxy by way of a cross in the spaces provided above, failing which the proxy may vote as he/she thinks fit.)

Signed by me/us this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Name of shareholder (please print) \_\_\_\_\_

Signature \_\_\_\_\_

# Notes to the proxy form

## Proxy Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the spaces provided, with or without deleting "the chairman of the twenty second annual general meeting," but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the twenty second annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are filled in the proxy shall be exercised by the chairman of the twenty second annual general meeting.
2. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercised by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercised thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast in respect of which abstentions recorded may not exceed the total votes exercisable by the shareholder or his proxy.
3. Forms of proxy must be lodged with or posted to the Company's share certificate transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, (PO BOX 61763, Marshalltown, 2107), by not later than 12h00 on Friday 10 September 2010, in accordance with the instructions thereon.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting, speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary proof establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of the company or waived by the chairman of the twenty second annual general meeting.
6. Any alterations to the form of proxy must be initialled by the signatories.
7. Dematerialised shareholders, other than those with own name registration, who wish to attend the annual general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting in terms of the custody agreement between such shareholders and their CSDP or brokers. Such shareholders who wish to be represented by proxy at the annual general meeting should provide their CSDP or broker with their voting instructions in terms of the custody agreement between such shareholders and their CSDP or broker.