

REUNERT

REUNERT LIMITED

Annual Report
2003

Vision

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

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

Contents

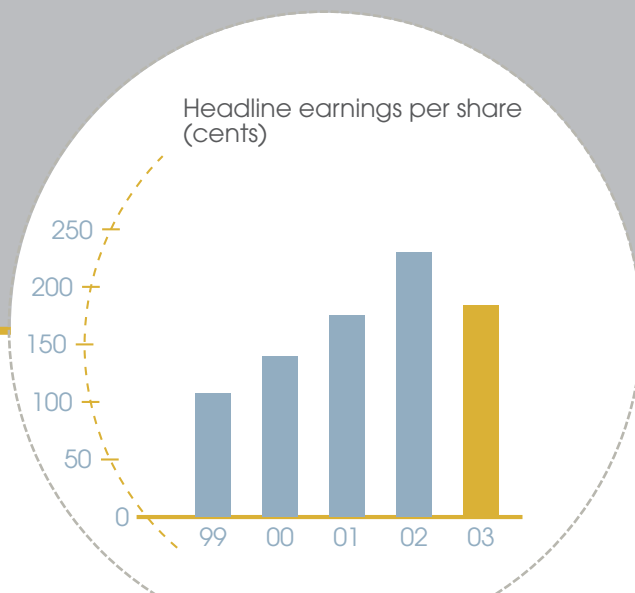
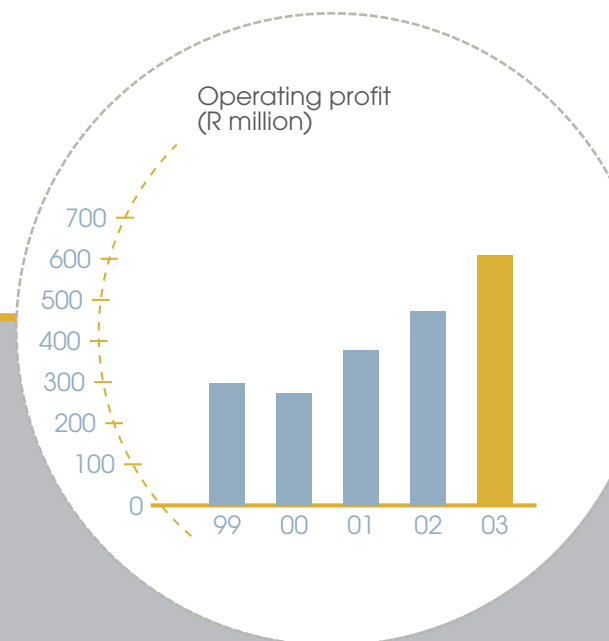
Highlights	1	Notes to the annual financial statements	53
Letter to shareholders	2	Principal subsidiaries	85
Board and governance structure	6	Share ownership analysis	86
Group overview	8	Shareholders' diary	87
Building and developing people	18	Corporate administration and information	88
Corporate governance	23	Notice of annual general meeting	89
Value added statement	28	Currency conversion table	92
Segmental analysis	29	Proxy enclose	
Five-year financial review	32		
Summary of statistics	34		
Definitions	36		
Directors' responsibility	37		
Report of the independent auditors	38		
Secretaries' certification	38		
Statutory information	39		
Accounting policies	41		
Income statements	46		
Balance sheets	47		
Cash flow statements	48		
Notes to the cash flow statements	50		
Statement of changes in equity	52		

REUNERT

Annual Report 2003

Highlights

- Revenue grew by 21%
- Operating profit increased by 29%
- EBITDA up by 27% to R712 million per share
- Headline earnings per share down 20%
- Total dividends of 120 cents per share declared



Letter to shareholders



“The group continues to generate strong positive cash-flows and this has enabled Reunert to maintain its final dividend at 88 cents per share.”

Derek Cooper – chairman

Dear shareholder

Strong performances from Reunert's own managed operations saw revenue for 2003 increasing by 21% to R6,1 billion. The group has once again improved its margins that have resulted in strong operating profit growth of 29%. This achievement was unfortunately not sufficient to offset the substantial loss incurred by our associate company, Siemens Telecommunications (Siemens). Consequently Reunert has reported a headline earnings per share decline of 20% to 183,5 cents per share for the year ended 30 September 2003.

The group continues to generate strong positive cash-flows and this has enabled Reunert to maintain its final dividend at 88 cents per share bringing the total dividend for the year to 120 cents per share (2002:118 cents per share). Cash holdings at 30 September 2003 amounted to R481 million.

Review of results

The group's results were adversely affected by the strong rand, losses incurred in certain US dollar based contracts in Siemens and the introduction of the AC133 accounting standard.

The impact on attributable earnings of applying AC133 was a charge of R31 million. This accounted for 7 of the 20% decline in headline earnings. The need for this adjustment arose as a result of the interest rate reductions in the last six weeks of the financial year and the strengthening of the rand in the last week of September 2003.

Despite that, earnings before interest, tax, depreciation and amortisation (EBITDA) as a percentage of turnover improved from 11,1% to 11,7%. The majority of our businesses experienced increased demand for products and services. In addition, the ability to react quickly to changes in a volatile market environment enabled Circuit Breaker Industries (CBI), African Cables, Nashua and Nashua Mobile to achieve record profit margins.

Group exports grew by 60% to R519 million, 9% of revenue, mainly due to the significant export orders generated by the defence electronics division, Reutech.

Working capital decreased by R210 million during the year, primarily as a result of further

improvements in working capital management at African Cables, Nashua and Panasonic.

Operating overview

Electrical engineering had an excellent year with operating profit increasing by 60% to R195 million.

CBI continues its drive to add new products to its portfolio. Management resources and money are being invested in order to grow revenues outside their traditional circuit breaker business. R28 million was spent during the year on research and development for the further advancement of its own technologies, and during the year Mitsubishi motor control and factory automation products were added to its range. Export revenue increased by 13%, and with volumes growing at a significantly higher rate, helped to offset the impact of the rand's appreciation. Products are marketed in Africa, Europe, Asia and North America and CBI is currently establishing a platform from which to penetrate the Australasian market.

At the beginning of the year Reunert acquired Marconi's 50,9% and Pirelli Cables and Systems' 10,5% stakes in telecommunications cable manufacturer ATC, increasing its holding to 100%. The demand for telecommunications cables worldwide has, for the time being, decreased considerably; nevertheless Reunert is confident that the market will eventually return. A major restructuring process was undertaken to align the cost structure with current demand. ATC is therefore currently in holding mode, in anticipation that demand will gain momentum. In the short term, the market is expected to remain sluggish until the second network operator comes on stream. ATC is trading on a cash-positive basis.

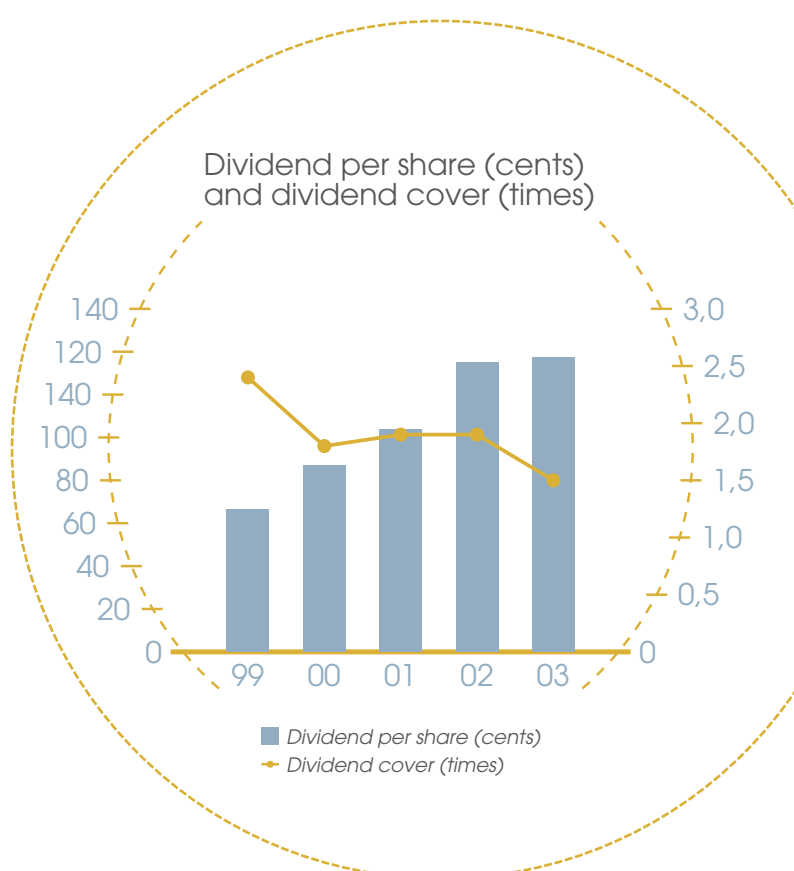
As part of the group's commitment to black economic empowerment, a 25,1% stake in ATC was subsequently sold to Kgorong Investment Holdings.

Power cable manufacturer African Cables has had a good year and is entering the new financial year with a strong order book. City Power Johannesburg

recently awarded its cable supply requirements for the next three years to African Cables. The demand for cables in the rest of Africa presents a significant opportunity for African Cables to grow its export revenue.

Office systems performed strongly and improved profit margins by a further 1%. Nashua's strong competitive position is constantly being evaluated and benchmarked. Building the powerful Nashua brand is a significant part of overall expenditure and is an investment which we make with confidence. Nashua's distribution channel consists of a well-established network of franchisees, which we have recently augmented with the addition of a direct corporate outlet in the Midrand area of Gauteng.

The consumer products and services division has had a year of mixed fortunes. The strong performance from cellular service provider Nashua Mobile was offset by weak performance from Reunert Consumer and Commercial Holdings (RC&C).



Letter to shareholders continued

“The majority of our businesses experienced increased demand for products and services.”

The Panasonic consumer business within RC&C has felt the brunt of the strengthening rand. Some imported products had to be sold below their rand cost as a result of forward cover being taken out in anticipation of a weakening rand. A review of this strategy has reduced risk in this regard, whilst also ensuring the elimination of unacceptable exposure should the rand weaken again.

The division is in a much better position than a year ago. An improved Panasonic product offering is being sourced at lower exchange rates and shorter lead times. Management anticipates that the reduced interest rates will stimulate demand. The Panasonic business systems division is growing consistently. The establishment of branch networks in Johannesburg, Cape Town and Durban has improved the distribution channels. RC&C is confident of good performance in 2004.

Nashua Mobile was not influenced by currency fluctuations and enjoys the benefit of a strong customer base at the upper end of the market. The average revenue per user increased to an all-time high of R575 while “churn” rates of customers not renewing contracts after 24 months decreased to 11,6%.

The information and communication technologies division reported an operating loss of R65 million with revenue down by 28%. Delays in anticipated contracts, combined with a stronger rand, contributed to Sietel reporting a significant decline in revenue. In certain cases, contracts had to be executed below cost. Difficulties with accessing

customer sites and delays in the erection of base stations resulted in substantial cost overruns.

For 2004, the outlook for Siemens has improved. Although the fixed-line business is under pressure, the mobile business continues to grow. Cell C has contracted Siemens for the next phases of its network expansion programme. Vodacom’s strong drive into other African markets, notably Mozambique and possibly Nigeria, whilst challenging the resources of Siemens gives us confidence that they will achieve acceptable levels of profitability in the new financial year.

The defence electronics division, Reutech, entered 2003 with a strong export order book, only to see excellent profit margins being steadily eroded by the strengthening rand.

Reutech, which is a significant exporter, will find it difficult to be profitable at current exchange rates as its products are priced and sold in US dollars. Companies such as Fuchs Electronics no longer enjoy a competitive price advantage and will be marginally profitable. Reutech Radar Systems will continue to do well with a strong order book and the majority of its business based in South Africa. Reunert Defence Logistics is pursuing several exciting prospects, some of which are expected to materialise in the new financial year.

Investments

The recently announced acquisition of a minority interest of 31,7% in CS Computer Services Holdings (CSH) increases our presence in the information and communication technologies sector. Opportunities exist to leverage the synergies between certain of Reunert’s operations and CSH. A very similar client base to that of Nashua should lead to exciting cross-selling opportunities over time.

Prospects

Siemens Telecommunications, ATC and Panasonic are all expected to return to profitability and should therefore influence group results positively for the new financial year. All other businesses are

expected to produce moderate growth over the past year's high base with the exception of Reutech, which will be hard-pressed to repeat its recent past performance. Consequently, in the new financial year headline earnings per share should show acceptable growth.

Black economic empowerment

Black economic empowerment (BEE) transactions have been concluded in Reutech Radar Systems, Reunert Defence Logistics and ATC. It is envisaged that further BEE partnerships will be established over the next two to three financial years and at the Reunert Limited level, the feasibility of introducing BEE partners is constantly evaluated. Your board is committed to BEE as a means of redressing inequities of the past and as a critical factor in South Africa realising its full economic potential. We welcome the Department of Trade and Industry's broadly-based scorecard approach to black economic empowerment.

Employment equity plans are being implemented in all our businesses and at community level, the work done by the Reunert College continues. Another 30 well-equipped black students will move on to receive tertiary education in 2004 thanks to our commitment.


Appreciation

We would like, on your behalf, to thank all our employees who have excelled themselves in the past year in serving all our stakeholders.

We are privileged to enjoy the support of an able and strong board of directors. It is comforting to know that they are always available, sometimes at short notice, to participate and contribute to the well-being and prosperity of the company.

We would like to take this opportunity to wish all our stakeholders a peaceful and prosperous 2004. At Reunert we shall endeavour to add to your prosperity in the new financial year.

For and on behalf of the board



Derek Cooper
Chairman



Gerrit Pretorius
Chief executive

Sandton
26 November 2003



"Working capital decreased by R210 million during the year, primarily as a result of further improvements in working capital management at African Cables, Nashua and Panasonic."

Gerrit Pretorius – chief executive

Board and governance structure



Executive directors

1

G Pretorius (55)

Chief executive
BSc, BEng, LLB, PMD
Appointed to the board in 1990

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

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

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

4

DJ Rawlinson (54)

Financial director
CA(SA)
Appointed to the board in 1992

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

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

2

BP Gallagher (53)

Executive director
BCom, CA(SA)
Appointed to the board in 1993

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

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

3

GJ Oosthuizen (49)

Commercial director
Bluris, LLB
Appointed to the board in 1997

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

In 1996 he was appointed executive director: human resources at PPC Limited and the following year returned to Reunert as an executive director.

Gerrit's current responsibilities include general commercial work, corporate communications and legal affairs.



Non-executive directors

Derek Cooper (63)

Chairman
CA(SA)
Appointed to the board in 1998

Derek was appointed non-executive chairman of Reunert Limited in May 1999 after he became chairman (for the first time) in the mid-1980s.

He started at Barlow Rand Limited in 1964 and held various positions, culminating in the appointment as vice-chairman and managing director of Barlow Rand Limited in 1992. After the unbundling of the conglomerate of Barlow Rand Limited, he was appointed chairman of CG Smith Limited in 1993. He held this position until the unbundling of this group in 2000.

Derek is chairman of Liberty Holdings, Liberty Group and Standard Bank Group.

MJ Shaw (65)

Non-executive, independent director
CA(SA)
Director of companies
Appointed to the board in 2001

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

In 1991 he became chief executive, a position he held until 1999. Thereafter he acted as chairman of the board until his retirement in 2001. He serves as a board member of a number of South African listed companies.

BP Connellan (63)

Non-executive, independent director
CA(SA)
Director of companies
Appointed to the board in 1999

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

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

SD Jagoe (52)

Non-executive, independent director
BSc (Eng), MBA
Merchant banker
Appointed to the board in 2000

Sean is a senior advisor in Morgan Stanley's Johannesburg office, with 22 years' experience in banking and finance. Prior to joining Morgan Stanley, he was head of mergers and acquisitions at Deutsche Morgan Grenfell, head of corporate finance at Rand Merchant Bank and chief professional officer with the Industrial Development Corporation.

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

KJ Makwetla (62)

Non-executive, independent director
Social Work Diploma, PMD (Harvard)
Appointed to the board in 2000

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

He is chairman of the Limpopo Economic Development Enterprise and of Johannesburg Property Company, and also serves on the boards of Lebowa Platinum, Potgietersrus Platinum and New Era Life Insurance. In his various capacities, Bobby has contributed extensively to black economic empowerment issues at governmental level.

CL Valkin (69)

Non-executive, independent director
BCom, LLB
Attorney
Appointed to the board in 2000

Charles completed his law studies at the University of the Witwatersrand and was admitted as an attorney in 1963. He served in the Law Society of the Transvaal between 1975 and 1981.

Charles is now a senior partner at Bowman Gilfillan Inc and specialises in acquisitions and mergers, corporate law and finance law.

Dr JC van der Horst (59)

Non-executive, independent director
BA, LL.D
Director of companies
Appointed to the board in 1993

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

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

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

Audit committee

MJ Shaw (Chairman), BP Connellan, SD Jagoe, G Pretorius, DJ Rawlinson

Remuneration committee

SD Jagoe (Chairman), DE Cooper, JC van der Horst

Executive and risk committee

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

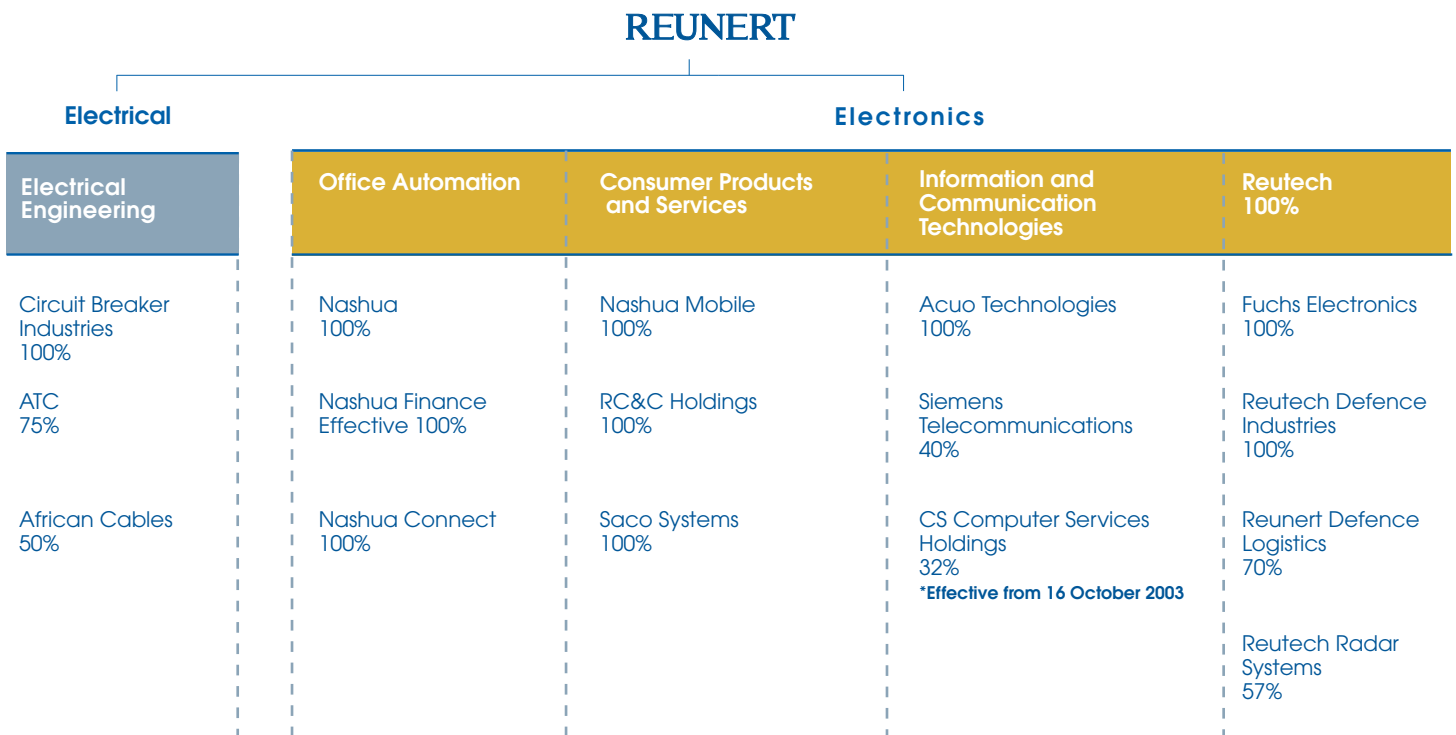
Group overview

Reunert Limited is listed on the JSE Securities Exchange South Africa (JSE) under General Industrials in the electronic and electrical equipment sector. It manages a group of ten core businesses focused on electronics and electrical engineering. Established in 1888 by pioneers Theodore Reunert and Otto Lenz, the group has played a major role in the South African economy for more than a century and its products are leaders in the various markets it serves.

Originally listed in the engineering sector of the JSE in 1948, the company was acquired by Barlow Rand in 1980 and listed on the electronics sector

three years later. Reunert was unbundled from Barlow Rand in 1993. Today, Reunert is represented through its different operations in electrical engineering and cables, office automation solutions, consumer and commercial products and services, defence electronics, and information and communication technologies.

Reunert's turnover in 2003 exceeded R6 billion, which was achieved by serving local and international markets. Reunert has over 4 900 employees, most of whom are qualified and experienced engineers, technicians, research and development professionals and field support staff.





CIRCUIT BREAKER INDUSTRIES

Circuit Breaker Industries (CBI) is the market leader in the manufacture and supply of low-voltage switchgear for electrical installation protection and earth leakage protection and a world leader in the field of hydraulic-magnetic circuit breaker and electronic earth leakage technology. CBI offers a wide range of metering solutions, including prepayment meters. The company entered the field of surge and lightning protection after acquiring L&T Surge in 2001. CBI has exclusive distribution rights for Mitsubishi motor control gear and factory automation equipment in sub-Saharan Africa.

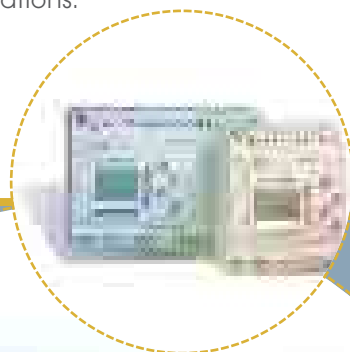
Export sales account for 22% of the manufactured products. The target is to increase international

sales to 25% of production in the 2004 financial year. CBI has registered its trademarks in several countries where business prospects are pursued. More than 90% of sales of manufactured products originate from technology developed and owned by CBI. Brand names include Hy-Mag, Ecolec, Samite and Fuchs.

The head office and component manufacturing operations are based at Johannesburg. The company has three assembly plants at Qwa Qwa in the Free State and service branches in Cape Town, Durban, Bloemfontein and Port Elizabeth. CBI sales offices in Europe and the United States complement these operations. CBI employs 1 379 people.

www.cbi.co.za or
www.cbibreakers.com

Managing director: Circuit Breaker
Industries Limited
Helmuth Fischer (56)
Dipl Ing, Dipl Wirtsch Ing
With CBI since 1984



Group overview continued



ATC

Reunert took complete ownership of ATC after acquiring the 50,9% shareholding held by Marconi Communications and the 10,5% stake held by Pirelli Cables and Systems. As part of its black economic empowerment drive, a 25,1% shareholding was sold to Kgorong Investment Holdings.

ATC was founded in 1955 by a group of British cable manufacturers as African Telephone Cables. Its factory and head office, based at Brits, north west of Johannesburg, was established in 1972.

ATC specialises in the manufacture of copper and optical fibre telecommunication cable for public network operators. The company also manufactures an impressive range of measurement, instrumentation, control, data and security cables for use in commerce and industry. The company employs 368 people.

MANAGING DIRECTOR: ATC (Pty) Limited

Koos Vorster (54)

BCom, CIS, MBL

First employed by ATC in 1971

www.atc.co.za



AFRICAN CABLES

African Cables is one of the forerunners in the South African cable industry and is engaged in the design, development, manufacture and installation of insulated power cables. Pirelli Cables and Systems, holding a 50% share, is the company's international technology partner. The company is based at Vereeniging in Gauteng and employs 575 people.

African Cables holds a 73% share in Cafca, a Zimbabwean cable manufacturer. The company is listed on the Zimbabwe Stock Exchange in Harare, the JSE and the London Stock Exchange.

MANAGING DIRECTOR: African Cables Limited

Ernst Schutte (54)

BSc Eng (Elec)

With the Reunert group since 1999

www.africancables.co.za



NASHUA

The advancement of digital technology has enabled Nashua Limited to provide document storage, transmission and printing solutions in a networked environment. Products are value-added and include such respected international brands as Ricoh. Nashua is a leading supplier of office automation products, including digital and analogue photocopiers, facsimile machines, laser printers and consumables such as paper and toner. After acquiring Royce Imaging, Nashua entered the refilled ink cartridge market.

Nashua has recently introduced new-generation software solutions designed to increase the productivity of managing document flow.

Nashua has a well-established network of 56 franchises in South Africa, Namibia, Swaziland, Lesotho, Botswana, Zimbabwe and Zambia. Major customers account for 96 of the *Financial Mail's* top 100 companies. Nashua employs 350 people at its Midrand head office in Gauteng.

www.nashua.co.za

Managing director: Nashua Limited
Chris Scoble (42)
BBusSci
With Nashua since 1985

NASHUA FINANCE

RC&C Finance Company, trading as Nashua Finance, provides asset-based financial services to Nashua, Panasonic and Siemens Telecommunications customers. Based at Midrand in Gauteng, the company employs 41 people, and is managed by Mike Purnell (40), CA(SA).



Group overview continued



NASHUA CONNECT

Nashua Connect provides digital solutions arising from the convergence of technology. Established in July 2000 the company provides information technology (IT) solutions in specialist areas, including mobile services, technical services and enterprise content management services.

Nashua Connect adds technology competence to Nashua and Nashua Mobile and offers IT services to other Reunert subsidiaries. Other key customers include some of the largest financial institutions in South Africa. The company employs 53 people. The company is managed by Gustav Vermaas (37), BCom, ACMA (UK).



NASHUA MOBILE

Nashua Mobile is one of South Africa's leading independent cellular telephony service providers, marketing and selling the cellular offerings of all three South African network operators, Vodacom, MTN and Cell C. Nashua Mobile's main focus is on providing cellular services to business and high airtime users. In addition, Nashua Mobile continues to develop and market products and services designed both to improve the communications abilities of customers and to reduce their expenditure. With the convergence of voice, data and multi-media Nashua Mobile is ideally positioned to enhance its total communications service offering.

Nashua Mobile's customers are serviced through an extensive network of more than 150 touchpoints, consisting of regional offices, franchises and dealers throughout South Africa. Nashua Mobile has grown its base to more than 350 000 subscribers. The company employs 576 people and its head office is based at Midrand in Gauteng. Nashua Mobile was voted one of South Africa's best companies to work for in the *Finance Week* and Corporate Research Foundation survey.



www.nashuamobile.com

Managing director: Nashua
Mobile (Pty) Limited
Mark Taylor (40)



RC&C HOLDINGS



Reunert Consumer and Commercial Holdings is the exclusive importer and distributor of such well-known brands as Panasonic and Technics in southern Africa. Recent additions to the product offering are Futronic and Nintendo. Futronic is targeting the value-for-money, entry-level consumer electronics market, whereas Nintendo is the exclusive distributor of Nintendo Games hardware and software.

The consumer is thus offered a wide range of products such as television sets, hi-fi equipment, digital cameras, interactive entertainment products, home appliances and gaming products from the foremost international manufacturers.

A comprehensive range of business systems products such as office automation equipment, telecommunications products and systems, broadcasting and security systems and air-conditioning units are also available for a variety of commercial applications.

Most of the products used are leading-edge technology products from Matsushita Electric Industrial Corporation (MEI), supplemented, where required, by third-party products or technologies. All products are distributed through major chain stores, discounters, franchises, independent buying

groups and specialised dealers or directly through Panasonic Business Systems.

The head office operations are based at Midrand in Gauteng. The company employs 794 people.

GROUP MANAGING DIRECTOR: Reunert Consumer and Commercial Holdings Limited

Martin Maddox (42)

BA Econ (Hons)

With the Reunert group since 1983

WEBSITES

www.panasonic.co.za

www.sdlink.co.za

www.futronic.co.za

www.nintendo.co.za

Group overview continued



SACO SYSTEMS

SACO Systems designs and supplies tag, track and trace solutions to a wide range of industries that need to track assets inside their companies or over a large geographical area. In addition, SACO combines access control, closed-circuit television (CCTV) technology and time-and-attendance systems in a single resource management solution. SACO is a dominant player in the southern African market and has made significant inroads into the British market for asset tracking and distribution management products.

During the past year, SACO continued to create customer awareness and further consolidate its position as that of market leader. Through sustained advertising, new industries and tagging opportunities have been identified.

Based at Midrand in Gauteng, the company employs 57 people.

MANAGING DIRECTOR: SACO Systems (Pty) Limited
Bill Reeler (49)
BSc Eng Elec (Hons)
With the Reunert group since 1981

www.saco.co.za



ACUO TECHNOLOGIES

Based at Stellenbosch in the Western Cape, with 10 employees at present, Acuo Technologies was established in February 2002. Acuo is a specialist software engineering company providing turnkey software system solutions and software system integration services for telecommunications and other markets. The company currently provides development services to Nashua Mobile and Reutech Radar Systems (among others), involving real-time software and remote management and monitoring, as well as transaction management systems.

The company's areas of expertise include Microsoft.NET, Biztalk, Java, J2EE and Linux.

GENERAL MANAGER: Acuo Technologies (Pty) Limited
Carl Kies (40)

MEng

Employed by the Reunert group from 1988 to 1993 and from 2002

www.acuo.co.za



SIEMENS TELECOMMUNICATIONS

Reunert holds a 40% stake in Siemens Telecommunications, while Siemens SA holds the remaining 60%.

Siemens Telecommunications is involved in information and communication technology (ICT).

The company is a leading supplier of fixed and mobile communication systems and infrastructure for telecommunications operators. It is a major supplier to Telkom and the second fixed-line network operator participant, Easitel. It is the principal supplier to Vodacom and Cell C. Siemens has the integration skills and the ability to design, install and commission both GSM and fixed networks to world-class standards.

In addition, Siemens is major supplier to several fixed line and mobile operators in the rest of sub-Saharan Africa, as well as the leading provider of corporate and enterprise networks.

CHIEF EXECUTIVE OFFICER: Siemens Telecommunications (Pty) Limited
Pete da Silva (44)
Dip Computer Science, Dip Light Current
With Siemens since 1977

www.siemens.co.za

CS COMPUTER SERVICES

Reunert acquired a strategic shareholding of 31,7% in CS Computer Services Holdings Limited after year-end. Worldwide African Investment Holdings, as black economic empowerment partner, holds 25% and management 6,5%. Institutional and retail investors hold the remainder of the shares.

CS Holdings is listed on the JSE in the Software Computer and Services Sector. CS offers its clients the full complement of integrated processes, technology and people business solutions through the services rendered by its three divisions, CS Systems Integration, CS IT Solutions and CS Education Solutions. The service offerings of these divisions are integrated and mutually supportive.

CHIEF EXECUTIVE OFFICER: CS Computer Services Holdings Limited
Annette van der Laan (41)
CA(SA)
Founded CS in 1990

WWW.CS.CO.ZA

Group overview continued



FUCHS ELECTRONICS

Fuchs Electronics develops and manufactures a wide range of electronic fusing systems. It is a world leader in modern electronic fusing for all tube-launched ammunition rounds. Products include naval, artillery, mortar and rocket applications.

More than 90% of the company's revenue is generated through exports to Asia, Europe, South America and the Middle East. Fuchs Electronics owns the intellectual property of all the products it manufactures and markets. Based at Alberton in Gauteng, the company employs 262 people.

MANAGING DIRECTOR: Fuchs Electronics (Pty) Limited
Andreas Theodorou (54)
Dip Elec, Dip Datametrics
With the Reunert group since 1975

www.fuchs.co.za



REUTECH DEFENCE INDUSTRIES

Reutech Defence Industries, located at New Germany in KwaZulu-Natal, designs and manufactures state-of-the-art, very-high-frequency (VHF) and ultra-high-frequency (UHF) tactical airborne and ground-based radio communication systems and electronic air weapon systems, specialising in high-tech fusing and pre-fragmentation warheads. The company employs 144 people.

MANAGING DIRECTOR: Reutech Defence Industries (Pty) Limited
Martin de Beer (38)
BSc Eng (Elec)
With the Reunert group since 1989

www.rdi.co.za



REUNERT DEFENCE LOGISTICS

Reunert Defence Logistics (RDL) is a system engineering and support company. The company's services cover the entire spectrum of logistic support and management; the development and manufacture of gun and fire-control systems for armoured vehicles and naval guns; and the supply and support of Alcatel carrier internet working equipment.

Reunert Limited holds 70% and Kgorong Investment Holdings (Pty) Limited 30%. RDL is based at Midrand and has support facilities throughout South Africa. The company employs 221 people.

MANAGING DIRECTOR: Reunert Defence Logistics (Pty) Limited
Selwyn Newnes (46)
BCompt
With the Reunert group since 1984

www.rdlog.co.za

REUTECH RADAR SYSTEMS

Reunert owns 57% of Reutech Radar Systems (RRS), while the European Aeronautic Defence and Space Company (EADS) has 33% and the remaining 10% is held by Kgorong Investment Holdings, a black-owned group.

Based at Stellenbosch in the Western Cape, RRS specialises in ground based and ship-borne radar systems and is active in the air defence, air space control and air traffic control markets. Through a technology partnership with EADS, RRS products are incorporated into world-class systems. The company employs 88 people.

CHIEF EXECUTIVE OFFICER: Reutech Radar Systems (Pty) Limited
Piet Smit (41)
MEng, MBA
Appointed chief executive of the Reutech group of companies effective 1 January 2004.
With the Reunert group since 1987

www.rrs.co.za

Building and developing people

Despite the highly technological emphasis of our various businesses, Reunert retains a notably strong focus on building and developing human capital, whether in partnership with our employees in the workplace, or in partnership with the communities in which we operate.

Reunert College

Established in 1993 as an academic advancement programme for matriculants from disadvantaged communities, Reunert College has become the jewel of the group's social development activities. The college's primary focus is to assist learners from historically disadvantaged communities to improve their matriculation grades for the academic subjects of mathematics, science and English. The college also provides an academic bridging year to assist those students who want to enrol for tertiary education in science and technology fields.

To date, more than 500 learners have participated directly in the college's matriculation-orientated academic advancement courses at its Boksburg and Alrode campuses. In addition, learners from surrounding communities are also accommodated in the study-group system through which high-school learners receive their course notes and study guides, and meet weekly on Saturday mornings for formal instruction and guidance. This latter initiative involves the college's own teachers, acting as voluntary facilitators, and community teachers. Fifty-seven learners benefited from this Reunert commitment during 2003.

The participating learners' average matriculation pass rate achieved to date exceeds 98%, which is substantially above the national average achieved for maths and science. In addition, Reunert College students regularly achieve distinctions in higher-grade mathematics and science. As a result, several students have been able to enter the engineering field and a few others are currently studying at a university or technikon.

Other subjects offered by the college include accounting, business economics, computer skills,

English and technical drawing, as well as communication and life skills. In addition, drama, art, debating, choir singing and soccer are among the extramural activities provided for college learners.

The Reunert College is accredited for experiential training by the technikons of the Witwatersrand, the Vaal Triangle and Pretoria. The college is also an examination centre registered with the Gauteng Department of Education (GDE) and its learnership in electronics is accredited with the City and Guilds in the United Kingdom. Most of the students qualify in the field of electrical engineering, followed by mechanical and industrial engineering.

Bursaries

The Reunert Bursary Fund is an essential part of the college and more than 360 bursaries have been awarded since its inception. The group has subsequently employed many of our bursary students, either as part of their practical or experiential training, or as permanent employees.

African Cables has granted 261 bursaries in the past eight years in a wide range of disciplines. ATC's R300 000 annual bursary scheme currently supports about 50 beneficiaries.

Mentorships

During 2003 Reunert introduced a trendsetting employee mentorship programme, a developmental process aimed at guiding less experienced employees by other, more experienced employees, or mentors. The programme was implemented predominantly to retain and develop high-performing staff, especially people from previously disadvantaged communities. The programme assists with the effective integration of new employees, as well as those joining the group as a result of acquisitions and mergers.

The resulting increase and improvement in communication across different employee levels and disciplines throughout the group has helped to motivate employees and to entrench a much

stronger corporate knowledge and culture. Other benefits of mentorship include the development of more effective career guidance and succession planning systems, as well as the provision of greater support for the essential competencies that are being built through our ongoing skills development programme.

Our highly successful employee mentorship programme was started in early-2003. It has become so effective that there is currently a waiting list in the group companies for employees at all levels to participate in this programme.

The mentorship programme is unique because most corporate mentorship programmes only aim at training mentors who eventually will interact with their protégés, but, in the case of Reunert, both the protégé and the mentor undergo an initial programme, which is one of the key reasons for our success thus far.

While mentorship programmes have been in place in many companies since the early-1990s (even before that in the United States of America), a common mistake has been to focus too much on trying to foster better understanding between different cultural groups. Our experience has shown that an understanding between people is important, but the most important goal is the need to create a common and sustainable company-wide business culture.

This common culture should be built around productivity and value-adding with the understanding that employees will only stay and prosper in a particular organisation if they sincerely believe they are making a positive contribution. An employee who is able to add value in his or her job is respected by his or her colleagues and, accordingly, will seldom be tempted to leave his or her employer.

At Reunert, this innovative process starts with cultural interaction at the college where students, through life-skills training, develop an excellent perspective of such issues as the importance of

developing a solid work ethic and shared values about contributing towards the sustainable well-being and growth of a company, as well as workplace satisfaction, being part of a successful team and what making a contribution means for developing and maintaining one's self-esteem. We are currently evaluating the feasibility of implementing an adapted version of the mentorship programme into the college.

As a result of such positive interventions, it is our sincere belief that we shall be able to recruit, employ and develop employees from different backgrounds who will be happy to work for any Reunert company. With a solid grounding in the group's core values, as well as the self-esteem derived from being empowered to add value, Reunert believes these employees will not be lured away by the prospects of short-term gains at the expense of longer-term personal growth and development.

Other training and development initiatives

In addition to the excellent work being undertaken by the college, several Reunert companies are actively involved in driving beneficial education and training programmes in their local communities.

In co-operation with Riverside High School near Vereeniging, which was chosen for its excellent academic record, as well as its teaching staff's qualifications in remedial education, African Cables has been sponsoring a Saturday school in order to improve the competence in English, mathematics and science of children from designated groups in grades 8 to 12. With an improved grade in these three subjects, more children from designated groups will have access to a university or technikon education.

As a result of the supplementary and remedial education these children received, they showed a marked improvement in their results. Many of these children, after completing a year at the Saturday school, were accommodated in the traditional

Building and developing people continued

Model C schools, where they were able to adapt to the new academic environment and progress towards undertaking a university or technikon education.

Since 1994 African Cables has assisted 447 children from designated groups, an investment that will generate significant returns in the future.

ATC has embarked on a joint process with other companies in the cable industry to develop a dedicated curriculum for a cable-maker learnership. The exercise is undertaken under the auspices of Manufacturing and Engineering Sectoral Education and Training Authority (MERSETA). Technikon South Africa (Technisa) will develop the required course content. Learners embarking on this learnership will have to have a basic education equivalent to level two as defined by the National Qualifications Framework (NQF).

The group therefore plans to reintroduce compulsory adult basic education and training (ABET) for employees who have not yet achieved NQF level-two competency. Reunert's ABET programme will be conducted through a computer-based electronic system.

Reunert's commitment to training and development and the expertise available in the group are widely recognised in South Africa. Reunert's training managers are represented on committees and subcommittees of both SETAs (sectoral education and training authorities) applicable to the group's operations. The Reunert training and development manager serves as one of three industry appointed representatives of the National Skills Authority.

Aids

While Reunert's principal social investment efforts are focused on supporting and advancing education and training programmes in underresourced communities, group companies are also encouraged, where feasible, to develop other community development and support

initiatives. Nashua, for example, has selected the Aids challenge as the focus of its social investment programme because of the critical status of this epidemic in South Africa.

Nashua's social investment efforts therefore continue to be concentrated on the supporting programmes and organisation that exist to counter and manage the HIV/Aids pandemic, a scourge that affects, and will continue to affect, every South African corporate entity. Recognising that it could play a more positive role, Nashua launched the Nashua versus Aids campaign in March 2001. Nkosi's Haven was selected as the beneficiary of this initiative and Nashua continues to support this organisation.

The initial Nashua vs Aids campaign raised more than R500 000, including the purchase of an adjacent building for the much-needed expansion of the Aids sanctuary. These funds were released in a controlled manner to the haven in accordance with their renovations and financial requirements. The new Nashua Nkosi's Haven was opened ceremonially in November 2002.

Nashua continues to support Nkosi's Haven. Its most recent show of support was its donation to the haven of the financial proceeds from the recent fundraising event, the Nashua Corporate Soccer Festival. Nashua retains an active, hands-on approach to sponsorships and donations, and chooses to manage the resources itself. Rather than hand over money, Nashua uses funds to purchase those essential items most needed by the Aids haven.

As a continuation of its focus on the HIV/Aids pandemic, Nashua also launched its own internal Aids awareness campaign. Initially designed to educate its own employees, this effort has since been extended into the community. The most recent efforts have included a focus on senior-primary schoolchildren. The slogan, *Spread the word and not the disease*, epitomises the fundamental message behind these efforts.

Nashua's Aids awareness programme was extended to the Alexandra and Ivory Park regions of central Gauteng in July 2002. Similar efforts were introduced during 2003 and were focused on individual schools in other regions of central Gauteng. Where the Alex/Ivory Park effort combined schools in a mass gathering, current efforts saw the Nashua internal Aids committee targeting six schools in the greater Thembisa area over two days. Joined by the Hecate drama group performing their *Secrets and Lies* dramatic play, they educated and enlightened various grade-seven classes.

Reunert is fortunate not to have experienced any significant direct effect on its businesses from the Aids pandemic. The group enforces a non-discriminatory Aids policy and most group companies have established Aids education programmes to provide staff with up-to-date information on HIV and Aids prevention and suffering.

Other social involvement

Group companies are encouraged to become involved in their local communities. Companies are involved in fundraising, crime prevention and several other community support initiatives. African Cables is involved with the Anchor/Tshiya Savings and Credit Co-operative in the Vaal Triangle area. This community organisation has been developed with the threefold objective of helping the community to achieve economic empowerment, freeing workers from the burdens of debts, loan sharks and pyramid schemes, and of creating economic self-sufficiency.

Nashua has for many years supported the efforts of the Reach for a Dream Foundation. From office equipment to golf-day sponsorships to flights for families of terminally ill children, often in conjunction with other sponsors, Nashua has always extended a generous hand.

Black economic empowerment

Reunert has adopted a multi-level approach to developing and progressing programmes for the advancement of black economic empowerment

(BEE). At the level of the listed company, Reunert continues to actively seek appropriate shareholder groups who can add value to the group's business strategy and operations.

At the level of our operating companies, several companies have already secured the participation of strategic BEE shareholders. Kgorong Investment Holdings – currently holds 10% of Reutech Radar Systems (RRS), 25% in ATC and 30% of Reunert Defence Logistics (RDL). In addition, Kgorong holds two seats on each of the RDL, ATC and RRS boards of directors.

Wherever possible, group companies outsource to, or partner, with BEE companies. African Cables helped to establish Bogabane Engineering, which currently operates from the African Cables business premises. Other small, micro and medium enterprises (SMMEs) used by African Cables include Atlehang Ma Afrika, Dooocks Construction and XYLO. These companies employ 64 people and African Cables' business orders placed with these SMMEs during the 2003 financial year amounted to almost R4 million.

Other group companies, where possible, are also using local SMMEs owned and operated by BEE individuals and groups.

Employment equity

At a company level, all operating companies are committed to employment equity in terms of the Employment Equity Act of 1998 and continue to progress well in training and promoting staff within a framework of equity as defined by the Act. Within each group operating company, staff have been identified for, and provided with, further training at various levels. Promotion from within, and on merit, is the group's primary means of job advancement, and is free from any form of discrimination.

Preferential recruitment is given to suitably qualified people from designated groups, which encompass Africans, Indians, Coloureds, women and people with disabilities.

Building and developing people continued

The group, through selection, recruitment, training and internal promotions, is creating a pool of employees from designated groups with the requisite competence to perform at all levels within the organisation.

Human resources

The Reunert group integrates much of its philosophy and many of its practices in the fields of corporate social investment and human resources development with the conviction that we can unlock greater synergy when we focus on the greater need to develop and support people, thereby bringing them yet closer to fulfilling their dreams and their potential. Integral to our human resources development commitments, we maintain a successful training and development committee that serves the existing and projected future human capital interests of the entire group.

The primary aim of our group training and development committee is to first meet the statutory requirements of the Skills Development Act of 1998. We must, for example, design, implement and maintain dedicated training and development programmes for each employee. All group companies have established their mandatory training and development programmes for each of their employees.

In addition, our employees, including senior managers, are also assessed frequently with the overriding objective of enabling them to make a maximum contribution to the group's development and to the development of their own successful careers. In some instances, we send employees to specialised training institutions both in South Africa and overseas to advance their education and training. Extensive programmes are also maintained internally to train and develop employees.

Sound structures and communication are maintained with the 24 trade unions recognised by the group. Consequently, Reunert has continued to enjoy a low incidence of industrial action during the last few years.

In addition, members of our group pension fund have individual choice in selecting their investment portfolios. Each quarter, the investment performance of each of the group's benefit funds is communicated to staff in order to allow them to switch investment portfolios if required. This commitment enables all employees to maintain responsibility for their own retirement planning.

Corporate governance

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

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

Board, directors and committees

Composition of the board

The Reunert board consists of 11 directors, seven of whom are non-executive, independent directors. Mr CL Valkin is a partner in a law firm that provides professional advice to Reunert from time to time. Mr MJ Shaw is past chief executive and past chairman of the auditing firm Deloitte & Touche

which firm is conducting the group's external audit. Messrs DE Cooper, BP Connellan and MJ Shaw are directors of SCMB and Absa which provide banking services to the group.

The directors bring a wide range of experience, wisdom and professional skills to the board. The composition of the board with a brief curriculum vitae of each director is listed on pages 6 and 7.

Independence of the board

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

The board meets at least once a quarter. All of the directors attended the meetings held in 2003 personally or by way of telephone conferencing, except for the instances indicated in the table below.

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

Date		Apologies tendered
26 November 2002	Board meeting	CL Valkin
11 February 2003	Board meeting and AGM	
7 May 2003	Board meeting	JC van der Horst
18 July 2003	Special board meeting	MJ Shaw, SD Jagoe and GJ Oosthuizen
9 September 2003	Board meeting	

Corporate governance continued

Role and function of the board

The Reunert board of directors, among other functions:

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

All the directors attended the annual general meeting held in February 2003.

Appointment and re-election of directors

Directors are subject to retirement by rotation and re-election by shareholders at an annual general meeting at least once every three years in accordance with the company's articles of association. The curriculum vitae of the directors concerned will be made available prior to re-election.

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

Mr CL Valkin will have reached retirement age at the annual general meeting to be held on 10 February 2004 and will not be available for re-election.

Messrs SD Jagoe, KJ Makwetla and GJ Oosthuizen retire by rotation in accordance with the company's articles of association at the

forthcoming annual general meeting. The remuneration committee has recommended that they be re-elected and they have offered themselves available for re-election at this meeting.

Detail of remuneration, fees or other benefits earned by directors in the past year are given on page 69.

Board committees

The board has three subcommittees: the audit committee, the remuneration committee and the executive management and risk committee. Minutes are kept of all committee meetings.

These committees can at their own discretion seek independent, outside professional advice as and when necessary. The committees are directly responsible to the board.

Audit committee

MJ Shaw (chairman), BP Connellan, SD Jagoe, G Pretorius, DJ Rawlinson

The group audit committee, chaired by an independent non-executive director and comprising both executive and independent non-executive directors, meets at least twice a year to review the group's control systems. The committee reviews the group's internal and external audit reports and agrees on the scope of the audits. Furthermore, the committee reviews audit, accounting and financial reporting issues and ensures an effective internal control environment exists in the group. During the year the following meetings took place:

Date	Apologies tendered
18 November 2002	
1 April 2003	G Pretorius
7 May 2003	

Remuneration committee

SD Jagoe (chairman), DE Cooper, JC van der Horst

This committee comprises independent non-executive directors only and meets at least twice a year to make recommendations to the board on the framework of executive remuneration. These recommendations include the granting of share options in terms of the Reunert Share Option Scheme and performance-based incentives. The chief executive attends these meetings by invitation.

The past financial year the remuneration committee met three times. No apologies were tendered.

Date

26 November 2002

11 February 2003

9 September 2003

The remuneration philosophy is to ensure that the company's executive directors and other senior executives are appropriately rewarded for their individual and joint contributions to the group's overall performance, while also having due regard to the interests of the shareholders and to the financial and commercial well-being of the group.

The committee makes recommendations to the board on the composition of the board and identifying and nominating candidates to fill any vacancies. In addition, the committee is tasked to advise the board on succession planning.

Executive management and risk committee

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

The executive management committee comprises executive directors only. The committee usually meets weekly to attend to and oversee all group matters.

In total, 17 formal meetings were held during the past year with executive directors and senior executives to guide and control the overall direction of the group and to identify potential risk areas.

Company secretary

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

Sponsor

The company has appointed Rand Merchant Bank (RMB) as its sponsor. RMB's services include advising the board on the interpretation of, and compliance with, the listing requirements of the JSE Securities Exchange South Africa (JSE) and reviewing all notices required in terms of its statutes and the JSE rules and regulations.

External audit

The board has appointed Messrs Deloitte & Touche to perform an independent and objective audit on the group's financial statements. The statements are prepared in terms of South African Generally Accepted Accounting Practice (GAAP). Interim reports to shareholders are not audited, but are discussed with the auditors.

The board acknowledges its responsibility for ensuring that management implements and monitors the effectiveness of systems of internal, financial and operating controls. The board, via the audit committee, receives regular reviews from management on the effectiveness of established controls and procedures to ensure the accuracy and integrity of the accounting records and monitors the group's businesses and their performance.

Corporate governance continued

Accounting and internal control

Accounting and internal controls focus on critical risk areas. The controls are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and those financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

The identification of risks and the implementation and monitoring of adequate systems of internal, financial and operating controls to manage such risks are delegated to senior executive management. The audit committee reviews these matters periodically.

The controls are designed to provide reasonable assurance regarding:

- safeguarding assets against unauthorised use or disposition;
- compliance with statutory laws and regulations;
- the maintenance of proper accounting records; and
- the adequacy and reliability of financial information.

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

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

Internal audit

Comprehensive internal controls have been instituted to assist management and the directors in fulfilling their responsibility for the preparation of annual financial statements, safeguarding assets and providing answers on transactions that are

executed and recorded in terms of company policies and procedures.

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

Internal audit has an audit and financial review plan, which entails performing periodic detailed internal audits randomly at business units and supervising the internal audit function in the group. It maintains an appropriate degree of independence and has unrestricted access to members of the audit committee. A detailed plan of internal audit activities and summarised audit reports are presented at all audit committee meetings.

Risk management

The board is responsible for the total process of risk management and its effectiveness. The executive management and risk committee tables and discusses all significant potential risks. Management is held accountable for designing, implementing and monitoring the risk management process and integrating it into the daily activities of Reunert and its subsidiary companies.

All group operations are required to regularly identify all significant business risks. These risks are discussed, monitored and updated at monthly management meetings.

Non-financial matters

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

The Community Growth Fund has once again approved Reunert as a socially responsible company.

Employment equity

The group supports employment equity and is committed to providing equal opportunities for all group employees. All business units have employment equity programmes that comply with the objectives and requirements of the legislation. Various skills development and training programmes exist within the group. An in-depth review on Reunert's focus on people development appears on pages 18 to 22.

Communications with stakeholders

Reunert is committed to ongoing and effective communication with all stakeholders. It subscribes to a policy of open, frank and timeous communication in line with JSE guidelines and sound corporate governance practice.

A wide range of channels is used to disseminate information according to the preferences of the intended target audiences. These include ongoing dialogue with institutional investors, analysts and the media, a corporate website (<http://www.reunert.com>) with up-to-date information on the company and its subsidiary companies.

Dealing in the company's shares and closed periods

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

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

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

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

Code of ethics

The board is involved in the process of discussing and approving a formal code of ethics. In the meanwhile employees are required to act within the guidelines laid down in the company's reserved matters.

The corporate code of ethics will include the ethical standards to which the group subscribes, as well as a code of conduct setting out policies, procedures and rules relating to daily operational issues.

Value added statement

	2003 Rm	%	2002 Rm	%	% change 2003 over 2002
Revenue	6 103,9		5 062,9		21
Paid to suppliers for materials and services	4 469,2		3 846,3		16
Value added	1 634,7		1 216,6		34
Income from investments and associates	12,7		130,1		(90)
TOTAL WEALTH CREATED	1 647,4	100	1 346,7	100	22
DISTRIBUTED AS FOLLOWS:					
EMPLOYEES					
Remuneration and service benefits	590,7		473,1		
Add: PAYE collected on behalf of government	108,1		90,2		
Gross remuneration and service benefits	698,8	42	563,3	42	24
PROVIDERS OF CAPITAL					
Dividends to Reunert shareholders	226,2	14	181,4	14	25
Dividends to outside shareholders in subsidiaries	32,2	2	19,6	1	64
Interest paid on borrowings	50,1	3	22,7	2	121
	308,5	19	223,7	17	38
PAYMENTS TO GOVERNMENT					
Taxation on profits	224,4		177,3		
RSC levies	11,1		8,9		
VAT, customs duties and other taxes	258,7		126,1		
	494,2	30	312,3	23	58
RETAINED IN THE GROUP TO DEVELOP FUTURE GROWTH					
Depreciation	58,4	4	46,2	3	26
Accumulated profit	87,5	5	201,2	15	(57)
	145,9	9	247,4	18	(41)
TOTAL WEALTH DISTRIBUTED	1 647,4	100	1 346,7	100	22

Segmental analysis

BUSINESS AND GEOGRAPHIC SEGMENTS

BUSINESS SEGMENTS

For management purposes, the group is currently organised into five operating divisions: Electrical engineering (Circuit Breaker Industries, ATC and African Cables), Office systems (Nashua Office Automation, Nashua Connect and RC&C Finance Company), Consumer products and services (Nashua Mobile, RC&C Holdings and Saco Systems), Information and communication technologies (Siemens Telecommunications and Acuo Technologies) and Reutech. The group overview on pages 8 to 17 gives details of the activities of each division.

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

Segment information about these businesses is presented below.

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

REVENUE INCLUDING ASSOCIATE COMPANIES

Rm	2003	%	2002	%	% change
ELECTRICAL ENGINEERING	1 367,7	18	1 185,1	17	15
ELECTRONICS					
Office systems	952,9	13	876,6	12	9
Consumer products and services	3 192,5	42	2 782,1	39	15
Information and communication technologies	1 413,7	19	1 959,5	27	(28)
Reutech	615,7	8	375,3	5	64
Total Electronics	6 174,8	82	5 993,5	83	3
Total operations	7 542,5	100	7 178,6	100	5
Less: Reunert's attributable portion of associate companies' revenue	(1 438,6)		(2 115,7)		
Revenue as reported	6 103,9		5 062,9		

OPERATING PROFIT BEFORE GOODWILL AMORTISATION INCLUDING ASSOCIATE COMPANIES

Rm	2003	%	2002	%	% change
ELECTRICAL ENGINEERING	195,2	34	122,4	18	60
ELECTRONICS					
Office systems	157,4	27	147,2	21	7
Consumer products and services	173,7	30	175,2	25	(1)
Information and communication technologies	(64,6)	(11)	209,0	30	(131)
Reutech	117,9	20	38,5	6	206
Total Electronics	384,4	66	569,9	82	(33)
Total operations	579,6	100	692,3	100	(16)
Less: Reunert's attributable portion of associate companies' operating loss/(profit)	74,3		(178,8)		
Operating profit before amortisation of goodwill as reported	653,9		513,5		

Segmental analysis continued

TOTAL ASSETS (EXCLUDING CASH AND DEFERRED TAX) INCLUDING ASSOCIATE COMPANIES

Rm	2003	2002
ELECTRICAL ENGINEERING	548,3	566,3
ELECTRONICS		
Office systems	1 478,1	1 282,7
Consumer products and services	825,4	933,0
Information and communication technologies	525,2	781,4
Reutech	154,4	147,7
Total Electronics	2 983,1	3 144,8
Total operations	3 531,4	3 711,1
Less: Reunert's attributable portion of associate companies' assets	(411,5)	(715,8)
Total assets (excluding cash and deferred tax) as reported	3 119,9	2 995,3

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

Rm	2003	2002
ELECTRICAL ENGINEERING	185,3	178,6
ELECTRONICS		
Office systems	309,2	214,0
Consumer products and services	602,3	604,6
Information and communication technologies	232,8	286,6
Reutech	199,6	197,9
Total Electronics	1 343,9	1 303,1
Total operations	1 529,2	1 481,7
Less: Reunert's attributable portion of associate companies' liabilities	(232,4)	(303,7)
Trade and other payables, derivative liabilities and provisions, as reported	1 296,8	1 178,0

CAPITAL EXPENDITURE EXCLUDING ASSOCIATE COMPANIES

Rm	2003	2002
ELECTRICAL ENGINEERING	15,1	12,0
ELECTRONICS		
Office systems	3,7	3,4
Consumer products and services	19,6	23,0
Information and communication technologies	0,1	0,1
Reutech	6,1	3,5
Total Electronics	29,5	30,0
Capital expenditure as reported	44,6	42,0

DEPRECIATION EXCLUDING ASSOCIATE COMPANIES

Rm	2003	2002
ELECTRICAL ENGINEERING	29,5	24,8
ELECTRONICS		
Office systems	3,7	1,9
Consumer products and services	20,8	17,3
Information and communication technologies	0,1	–
Reutech	4,3	2,2
Total Electronics	28,9	21,4
Depreciation as reported	58,4	46,2

AMORTISATION EXCLUDING ASSOCIATE COMPANIES

Rm	2003	2002
ELECTRICAL ENGINEERING	(0,8)	1,0
ELECTRONICS		
Office systems	3,8	2,2
Consumer products and services	29,4	26,7
Information and communication technologies	13,8	11,5
Reutech	–	–
Total Electronics	47,0	40,4
Amortisation as reported	46,2	41,4

NUMBER OF EMPLOYEES EXCLUDING ASSOCIATE COMPANIES

	2003	2002
ELECTRICAL ENGINEERING	2 322	1 926
ELECTRONICS		
Office systems	444	391
Consumer products and services	1 427	1 210
Information and communication technologies	10	9
Reutech	715	782
Total Electronics	2 596	2 392
Number of employees as reported	4 918	4 318

Five-year financial review

	2003 Rm	2002 Rm	2001 Rm	2000* Rm	1999 Rm
ASSETS					
Property, plant and equipment	213,7	157,1	161,8	154,2	236,5
Goodwill	306,9	360,0	10,9		
Investments	20,8	151,6	188,4	176,4	135,4
RC&C Finance Company accounts receivable	1 220,0	953,9	745,1	751,6	
Deferred taxation assets	33,1	25,9	42,0	22,6	29,2
Cash and cash equivalents	484,8	283,5	303,5	222,8	958,0
Other current assets	1 358,5	1 372,7	1 092,0	933,3	1 260,3
Total assets	3 637,8	3 304,7	2 543,7	2 260,9	2 619,4
EQUITY AND LIABILITIES					
Ordinary and preference shareholders	1 156,5	1 071,1	878,5	919,7	674,4
Outside shareholders	121,2	103,5	137,9	101,2	217,8
Interest of all shareholders	1 277,7	1 174,6	1 016,4	1 020,9	892,2
Deferred taxation liabilities	63,8	45,9	48,6	31,3	5,8
Long-term borrowings	–	–	2,7	4,1	4,5
RC&C Finance Company short-term borrowings	900,7	838,0	324,0	147,2	
Current liabilities	1 395,6	1 246,2	1 152,0	1 057,4	1 716,9
Total equity and liabilities	3 637,8	3 304,7	2 543,7	2 260,9	2 619,4
RESULTS					
Revenue	6 103,9	5 062,9	4 229,8	3 340,1	4 565,5
Operating profit	607,7	472,1	379,2	273,2	296,6
Net interest and dividend income	45,2	36,5	59,1	58,8	95,7
Profit before abnormal items	652,9	508,6	438,3	332,0	392,3
Abnormal items	–	(18,7)	–	77,4	88,6
Profit before taxation	652,9	489,9	438,3	409,4	480,9
Taxation	(224,4)	(177,3)	(145,6)	(114,0)	(147,6)
Profit after taxation	428,5	312,6	292,7	295,4	333,3
Share of associate companies' (losses)/profits	(82,6)	89,6	81,8	73,8	79,5
Profit after taxation including associate companies	345,9	402,2	374,5	369,2	412,8
Interest of outside shareholders	(50,5)	(31,6)	(42,3)	(4,2)	(53,6)
Earnings attributable to shareholders of Reunert Limited	295,4	370,6	332,2	365,0	359,2
Headline earnings attributable to shareholders of Reunert Limited	345,6	429,3	335,2	284,3	274,2
Headline earnings per share (cents)	183,5	229,5	174,8	139,6	136,8
Pro forma headline earnings per share (cents)	183,5	229,5	174,8	139,6	107,7**
Basic earnings per share (cents)	156,9	198,1	173,3	179,2	179,2

	2003 Rm	2002 Rm	2001 Rm	2000* Rm	1999 Rm
CONSOLIDATED CASH FLOW STATEMENTS					
Net cash inflow/(outflow) from operating activities	258,3	(58,9)	197,6	360,4	373,5
Investments net of disposals to maintain operating capacity	(15,6)	1,9	(9,8)	(33,2)	28,5
Cash available for investments to increase operating capacity	242,7	(57,0)	187,8	327,2	402,0
Investments to (increase)/decrease operating capacity (net)	(87,2)	(468,2)	(75,9)	83,0	49,6
Net cash internally generated/(utilised)	155,5	(525,2)	111,9	410,2	451,6

* The 2000 and 2001 information has been restated to take account of the effect of the new accounting policies adopted on 1 October 2001 of depreciating all properties and accounting for dividends in the period that the declaration takes place.

** The ordinary shareholders of Reunert Limited received a special dividend of R510 million (R2,50 per share) on 29 October 1999. This payment had a major distorting effect on the comparability of the results of 2000 and prior years. Had this dividend been paid on 29 October 1998, the after-tax effect, calculated using an average interest rate of 16%, would have been to reduce headline earnings for 1999 of R274,2 million by R58,3 million.

Summary of statistics

	2003	2002	2001	2000*	1999
SHARES					
Number of ordinary shares on which earnings per share is based (million)	188,3	187,0	191,7	203,7	200,4
Net worth per share (cents) – tangible only	450	380	464	454	336
Net worth per share (cents) – including intangibles	612	572	470	454	336
Headline earnings per share (cents)	183,5	229,5	174,8	139,6	136,8
Pro forma headline earnings per share (cents)	183,5	229,5	174,8	139,6	107,7
Basic earnings per share (cents)	156,9	198,1	173,3	179,2	179,2
Dividends per share (cents)					
– normal for the year	120,0	118,0	91,0	76,0	58,0
– special	–	–	–	–	250,0
Dividend cover (times)	1,5	1,9	1,9	1,8	2,4
Cash flow per share (cents)	417,7	187,7	187,9	179,9	241,4
Ordinary shares in issue (million)	206,0	204,4	204,1	204,0	200,5
Number of transactions – JSE	11 308	12 765	9 245	9 735	9 150
Number of shares traded (million)	76,4	76,4	67,0	79,0	122,8
Value of shares traded (R million)	1 380,4	1 438,2	969,2	691,2	987,6
Number of shares traded as a percentage of issued shares	37,1	37,4	32,9	39,0	61,2
Market price per share (cents)					
– year-end	1 710	1 860	1 615	1 125	800
– highest	2 230	2 220	1 850	1 230	1 000
– lowest	1 560	1 610	980	540	490
Earnings yield (%) at year-end	10,7	12,3	10,8	12,4	17,1
Dividend yield (%) at year-end	7,0	6,3	5,6	6,8	7,3
Price: Earnings ratio (times)	9,3	8,1	9,2	8,1	5,8
Market capitalisation (R millions)	3 523	3 802	3 295	2 295	1 604
JSE actuaries electronics sector index (adjusted base 1999 = 2 346)	3 852	3 887	3 727	2 937	2 346
OTHER					
Number of employees	4 918	4 318	4 148	3 716	6 775
Revenue per employee (R000)	1 241	1 173	1 020	899	674
Operating profit per employee (R000)	124	109	91	74	44
Wealth created per employee (R000)	335	312	297	296	239
Employment cost per employee (R000)	142	130	118	109	119

	2003	2002	2001	2000*	1999
PROFITABILITY, ASSET MANAGEMENT, LIQUIDITY AND LEVERAGE					
EBITDA as a percentage of turnover (%)	11,7	11,1	10,1	9,2	8,0
Operating margin (%)	10,0	9,3	9,0	8,2	6,5
Net asset turn (times)	6,8	5,9	5,2	4,8	7,5
Return on ordinary shareholders' funds (%)	31,0	44,1	37,3	26,1	34,0
Return on net operating assets (%)	63,5	70,0	57,4	50,2	62,3
Return on net operating assets excluding investments in associates (%)	78,4	71,5	57,7	48,0	61,7
Taxation as a percentage of profit before taxation (excluding abnormal items)	34,4	34,9	33,2	34,3	37,6
Total liabilities to total shareholders' funds (%)	179,8	177,4	145,2	118,0	192,9
Net borrowings/(cash) to total shareholders' funds (%)	32,8	47,5	3,4	(7,1)	(104,7)
Current ratio	1,6	1,6	1,5	1,4	1,3
Interest cover (times)	12,1	25,5	34,3	9,6	N/A

* Only the 2000 and 2001 statistics have been restated to take account of the change of accounting policies adopted on 1 October 2001 of depreciating all properties and accounting for dividends in the period that the declaration takes place.

Definitions

Net worth per share

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

EBITDA

Earnings before interest, taxation, depreciation and amortisation of intangible assets.

Operating margin

Operating profit divided by revenue.

Total assets

Property, plant and equipment, investments and current assets.

Net assets

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

Net operating assets

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

Net asset turn

Revenue divided by average net operating assets.

Return on ordinary shareholders' funds

Headline earnings divided by average ordinary shareholders' funds.

Return on net operating assets

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

Return on net operating assets excluding investments in associates

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

Current ratio

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

Net interest cover

Operating profit and dividends from associates divided by net interest paid.

Total liabilities

Total liabilities excluding deferred taxation.

Total borrowings

Interest-bearing debt.

Net borrowings

Total borrowings net of cash and short-term investments.

Cash flow per share

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

Dividend cover

Headline earnings per share divided by dividends per share.

Earnings yield

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

Dividend yield

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

Market capitalisation

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

Headline earnings per share

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

Financial statements

Directors' responsibility

FOR THE YEAR ENDED 30 SEPTEMBER 2003

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

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

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

The annual financial statements, prepared in terms of South African Statements of Generally Accepted Accounting Practice, are examined by our auditors in conformity with statements of South African Auditing Standards.

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

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

In terms of Section 11.26 of the Listings Requirements of the JSE Securities Exchange, the directors, whose names are given on pages 6 and 7 the annual report of which this statement of directors' responsibility forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of Reunert and its subsidiaries since the date of posting this annual report.

The annual financial statements appearing on pages 39 to 85 were approved by the board of directors on 26 November 2003 and are signed on its behalf by:



Derek Cooper

Chairman



G Pretorius

Chief executive

Sandton

26 November 2003

Report of the independent auditors

FOR THE YEAR ENDED 30 SEPTEMBER 2003

TO THE MEMBERS OF REUNERT LIMITED

We have audited the annual financial statements and group annual financial statements set out on pages 39 to 85 for the year ended 30 September 2003. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company and the group at 30 September 2003, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.



Deloitte & Touche

Chartered Accountants (SA)

Registered Accountants and Auditors

Sandton

26 November 2003

Secretaries' certification

FOR THE YEAR ENDED 30 SEPTEMBER 2003

The company has lodged with the Registrar all such returns as are required by a public company in terms of the Companies Act.



For Reunert Management Services Limited

Company secretaries

Statutory information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

AUTHORISED AND ISSUED CAPITAL

The authorised capital of the company remained unchanged. During the year 1 350 500 ordinary shares were issued at R5,45 per share, 25 000 at R14,10 per share, 90 000 at R15,80 per share and 125 000 at R15,99 per share. Options exercised in terms of the Reunert 1985 Share Option Scheme accounted for this increase.

DIVIDENDS

An interim ordinary dividend No 154 of 32 cents per share was declared on 7 May 2003 and a final ordinary dividend No 155 of 88 cents per share was declared on 26 November 2003.

A total distribution of 120 cents (2002: 118 cents) per ordinary share was declared relating to the 2003 financial year.

An interim 5,5% cumulative preference dividend No 36 was declared on 4 July 2003 and a final dividend No 37 was declared on 26 November 2003.

SUBSIDIARY COMPANIES

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

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

SPECIAL RESOLUTIONS OF SUBSIDIARIES

During this financial year the following special resolutions were passed by subsidiaries of Reunert Limited: IQ Works (Pty) Limited changed its name to Nashua Connect (Pty) Limited. ATC (Pty) Limited allowed for the creation of A and B shares, with the A shares owning the assets of the copper cabling business and the B shares owning the optical fibre cabling business. A similar resolution was passed in

Reutech Engineering Services (Pty) Limited, the owner of all the shares in ATC (Pty) Limited. RC&C Finance Company (Pty) Limited passed a resolution increasing the authorised share capital of the A shares, which would allow Reunert Limited to purchase more share capital in the company and, in so doing, increase the capital structure of RC&C Finance Company (Pty) Limited.

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

DIRECTORATE

Messrs SD Jagoe, KJ Makwetla, CL Valkin and GJ Oosthuizen retire by rotation at the forthcoming annual general meeting and all except C Valkin offer themselves for re-election. Mr Valkin will retire after the annual general meeting having reached the mandatory retirement age for directors.

INTERESTS OF DIRECTORS

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

	Direct beneficial	
	2003	2002
DE Cooper	-	-
BP Connellan	33 914	33 914
BP Gallagher	272 684	206 084
SD Jagoe	-	-
KJ Makwetla	-	-
GJ Oosthuizen	97 400	30 800
G Pretorius	445 500	390 500
DJ Rawlinson	308 300	241 700
MJ Shaw	-	-
JC van der Horst	-	-
CL Valkin	-	-
	1 157 798	902 998

Statutory information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Indirect beneficial	
	2003	2002
DE Cooper	35 688	35 688
BP Connellan	10 000	10 000
BP Gallagher	-	-
SD Jagoe	20 000	11 000
KJ Makwetla	-	-
GJ Oosthuizen	-	-
G Pretorius	-	-
DJ Rawlinson	20 137	20 137
MJ Shaw	-	-
JC van der Horst	-	-
CL Valkin	-	-
	65 825	76 825

These holdings have remained unchanged up to 26 November 2003.

There were no non-beneficial interests in either period.

Executive directors of the company held unexercised options to subscribe for 1 600 200 (2002: 1 355 000) ordinary shares in terms of the Reunert 1985 Share Option Scheme. These options are due to expire as follows:

510 200 on 26 October 2009
 250 000 on 1 February 2011
 340 000 on 26 September 2011
 500 000 on 13 May 2013

The directors have no interest in the contracts entered into during the year. For further information on share options by director, see note 26 to the annual financial statements.

SUBSEQUENT EVENT

In mid-October 2003 Reunert Limited purchased 77 741 400 shares representing a 31,7% interest in CS Computer Services Holdings Limited for R42,8 million.

ATTRIBUTABLE INTEREST

The attributable interest of the company in the profits and losses of its consolidated subsidiaries for the year ended 30 September 2003 is:

	2003 Rm	2002 Rm
In the aggregate net income	241,1	234,1
In the aggregate net losses	(29,0)	(3,5)
	212,1	230,6

Accounting policies

FOR THE YEAR ENDED 30 SEPTEMBER 2003

These financial statements are presented in South African rand since that is the currency in which the majority of the group's transactions are denominated.

The financial statements for the current period cover the year ended 30 September 2003.

The principal accounting policies of the group, which are set out below, comply with currently applicable South African Statements of Generally Accepted Accounting Practice. These policies are, in all material respects, consistent with those applied in the previous year except as detailed in note 8 to the annual financial statements.

1. BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis of accounting as modified for certain financial instruments which are stated at fair value.

2. COMPARATIVE FIGURES

When an accounting policy is changed, comparative figures are restated. The adoption of the new policy AC133 does not require restatement.

3. BASIS OF CONSOLIDATION

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

A subsidiary is an enterprise over which the group has control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

Where the ability of certain foreign subsidiaries to transfer funds to South Africa is severely restricted, these subsidiaries are not consolidated and the results of these subsidiaries are brought to account to the extent of dividends received.

Outside shareholders are measured as a percentage of the equity of relevant subsidiaries.

All intercompany trading within the group is eliminated in the consolidated statements.

4. GOODWILL

Positive goodwill, being the excess of cost of acquisition of subsidiaries, associates and joint ventures and other businesses over the attributable fair value of the net assets at the date of acquisition, is capitalised and amortised over the expected useful life of the asset, not exceeding 20 years.

Where negative goodwill relates to expectations of future losses and expenses identified at acquisition, these are recognised in income as the losses and expenses are incurred. The portion not relating to future losses and expenses is recognised as follows:

- the amount not exceeding the fair values of identified non-monetary assets is recognised over the remaining average useful life of identifiable acquired depreciable or amortisable assets;
- the amount in excess of the fair values of these assets is recognised in income immediately.

On disposal of a subsidiary, associate or joint venture the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

5. JOINT VENTURES

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

Joint control is the contractually arranged sharing of control over an economic activity.

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

Intergroup transactions with joint ventures are accounted for as follows:

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

Where sales are made by the joint venture to the rest of the group, no profits made by the joint

Accounting policies

FOR THE YEAR ENDED 30 SEPTEMBER 2003

venture are recognised in the group accounts until the asset has been sold to an independent party.

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

6. ASSOCIATE COMPANIES

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

Associate companies are accounted for by the equity method from their audited or unaudited financial statements to 30 September.

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

7. INVESTMENTS

All investments are initially recognised at cost, which includes transaction costs. After initial recognition investments held for trading and those available for sale are measured at their fair values. The following categories of investments are measured at amortised cost using the investment rate method if they have a fixed maturity or at cost if there is no fixed maturity:

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

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

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost to the group less accumulated depreciation. Major improvements to existing buildings, plant and equipment are capitalised.

When the recoverable amount of an asset has declined below its carrying amount, the carrying

amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flows are discounted to their present values.

Investment properties are depreciated. The group defines investment properties as those held to earn rentals or for capital appreciation or both. Where market conditions indicate a permanent decline in value, these properties are written down to this value.

Depreciation is calculated on cost over the estimated useful lives of the assets. The methods and rates used are determined by conditions in the relevant industry.

9. CAPITALISATION OF LEASED ASSETS

Assets subject to financial lease agreements, where considered material and where the group assumes substantially all the benefits and risks of ownership, are capitalised at the fair value of the leased assets and the corresponding liability raised.

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

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under the operating leases are charged to income on a straight-line basis over the term of the relevant lease.

10. INVENTORY AND CONTRACTS IN PROGRESS

Inventory is stated at the lower of cost and net realisable value. The basis of determining cost is mainly the first-in first-out basis. The values of finished goods and work in progress include direct costs and relevant overhead expenditure.

Redundant and slow-moving inventory is identified and written down with regard to its estimated economic or realisable value. Consumables are written down with regard to their age, condition and utility.

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

11. DEFERRED TAXATION

The charge for taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed. Deferred tax is accounted for using the balance sheet liability method. Temporary differences arise from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of assessable tax profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, to the extent that it is not deductible for tax purposes or from the initial recognition of other assets and liabilities which affects neither the tax profit nor the accounting profit at the time of the transaction.

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current assets and liabilities on a net basis.

12. REVENUE RECOGNITION

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, while revenue from services is recognised when the services are rendered.

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

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

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

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

Capitalisation share awards are included in dividend income in the income statement.

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

13. REVENUE

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

14. FOREIGN CURRENCIES

14.1 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the dates of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

14.2 FOREIGN CURRENCY BALANCES

Foreign monetary assets and liabilities of South African companies are translated into South African rand at rates ruling at 30 September.

Accounting policies

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

14.3 FOREIGN ENTITIES

Financial statements of foreign subsidiaries are translated into South African rand as follows:

- assets and liabilities at rates of exchange ruling at the group's financial year-end;
- income, expenditure and cash flow items at the weighted average rates of exchange during the financial year.

Differences arising on translation are reflected in non-distributable reserves.

Goodwill and fair value adjustments are considered to relate to the foreign entity.

15. BORROWING COSTS

Interest on borrowings raised specifically to finance the construction of qualifying assets to prepare them for sale or use, is capitalised as part of the cost of these assets up to the date that the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

16. PROVISIONS

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

17. FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, borrowings and derivative instruments. Financial instruments are initially measured at cost. Details of the subsequent measurement of different classes of financial

instruments are dealt with below and in the relevant notes above.

Cash and cash equivalents are measured at fair value.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Derivative financial instruments, principally forward foreign exchange contracts and interest rate swap agreements, are used by the group in its management of financial risks. The risks being hedged by the forward foreign exchange contracts are exchange losses due to unfavourable movements between the rand and the foreign currency. Gains and losses from the cash flow hedges are recognised directly in equity, while gains and losses arising from fair value hedges are recognised in net profit or loss. The risks being hedged by interest rate swaps are increases in interest expenses due to higher interest rates being charged on borrowings. Gains and losses arising from the changes in the fair values of interest rate swaps are recognised in net profit or loss as they arise.

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

Financial liabilities, other than derivative instruments are recognised at amortised cost, comprising original debt less principal payments and amortisations.

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

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

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct

issue costs. Trade and other payables are stated at their nominal value.

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

18. RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to operating profit in the year in which it is incurred.

19. ABNORMAL ITEMS

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

20. EXTRAORDINARY ITEMS

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the group and therefore are not expected to occur frequently or regularly.

The following two events give rise to extraordinary items:

- the expropriation of assets;
- an earthquake or other natural disaster.

21. RETIREMENT BENEFIT COSTS

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

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

sheet date. Actuarial gains and losses which exceed 10% of the greater of the present value of the group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

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

22. INFLATION ACCOUNTING

At present inflation is at historically low levels which means that any distortion caused by inflation is likely to be minimal. In addition, conventionally prepared financial statements still form the basis upon which business decisions are made and the yardstick by which companies are judged. Until a method of accounting for the effect of changing prices is developed which is meaningful, standardised, generally accepted and of benefit to users of financial statements, the group prefers to refrain from any attempt to disclose such effect.

Income statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

		GROUP		COMPANY	
	Notes	2003 Rm	2002 Rm	2003 Rm	2002 Rm
REVENUE	1	6 103,9	5 062,9	2 399,1	2 236,6
COST OF SALES		4 185,7	3 639,7	1 538,7	1 513,9
GROSS PROFIT		1 918,2	1 423,2	860,4	722,7
Other income		14,6	21,8	11,8	4,2
Other expenses		(1 325,1)	(972,9)	(626,0)	(529,3)
OPERATING PROFIT	2	607,7	472,1	246,2	197,6
Interest and dividends received	3	95,3	59,2	279,2	165,1
Interest paid	4	(50,1)	(22,7)	(11,4)	(13,7)
PROFIT BEFORE ABNORMAL ITEMS		652,9	508,6	514,0	349,0
Abnormal items	5	-	(18,7)	(9,7)	10,1
PROFIT BEFORE TAXATION		652,9	489,9	504,3	359,1
Taxation	6	(224,4)	(177,3)	(59,4)	(74,9)
PROFIT AFTER TAXATION		428,5	312,6	444,9	284,2
Share of associate companies' (losses)/profits	14	(82,6)	89,6		
PROFIT AFTER TAXATION INCLUDING ASSOCIATE COMPANIES		345,9	402,2	444,9	284,2
Earnings attributable to outside shareholders in subsidiaries		(50,5)	(31,6)		
EARNINGS ATTRIBUTABLE TO REUNERT LIMITED SHAREHOLDERS		295,4	370,6	444,9	284,2
BASIC EARNINGS PER SHARE (CENTS)	9	156,9	198,1		
DILUTED BASIC EARNINGS PER SHARE (CENTS)	9	154,7	194,6		
HEADLINE EARNINGS PER SHARE (CENTS)	10	183,5	229,5		
DILUTED HEADLINE EARNINGS PER SHARE (CENTS)	10	181,0	225,4		
DIVIDENDS DECLARED PER SHARE (CENTS)	7	120,0	97,0		
FINAL DIVIDEND PROPOSED FOR THE YEAR PER SHARE (CENTS)	7	88,0	88,0		

Balance sheets

AT 30 SEPTEMBER 2003

		GROUP		COMPANY	
	Notes	2003 Rm	2002 Rm	2003 Rm	2002 Rm
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11	213,7	157,1	66,2	63,4
Goodwill	12	306,9	360,0	20,1	21,5
Interest in subsidiaries	13			684,2	304,5
Interest in associates	14	–	131,1	158,5	163,6
Other investments	15	20,8	20,5	20,5	20,2
RC&C Finance Company accounts receivable	16	1 220,0	953,9		
Deferred taxation assets	17	33,1	25,9	23,6	24,7
		1 794,5	1 648,5	973,1	597,9
CURRENT ASSETS					
Derivative assets		0,1		0,9	
Inventory and contracts in progress	18	531,8	659,8	351,4	481,4
Accounts receivable	19	826,6	712,9	266,2	231,2
Cash and cash equivalents	20	484,8	283,5	37,7	80,1
		1 843,3	1 656,2	656,2	792,7
TOTAL ASSETS		3 637,8	3 304,7	1 629,3	1 390,6
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital and premium	21	48,8	37,8	283,4	272,4
Non-distributable reserves	22	2,9	68,1	0,3	0,3
Accumulated profit		1 104,8	965,2	758,4	555,6
		1 156,5	1 071,1	1 042,1	828,3
INTEREST OF OUTSIDE SHAREHOLDERS IN SUBSIDIARIES					
		121,2	103,5		
NON-CURRENT LIABILITIES					
Deferred taxation liabilities	17	63,8	45,9	–	–
CURRENT LIABILITIES					
Derivative liabilities		49,6		27,3	
Short-term loans and bank overdrafts		3,4	2,8	1,7	–
RC&C Finance Company short-term borrowings		900,7	838,0		
Provisions	23	105,5	114,1	8,2	19,6
Trade and other payables		1 141,7	1 063,9	525,0	509,1
Taxation		95,4	65,4	25,0	33,6
		2 296,3	2 084,2	587,2	562,3
TOTAL EQUITY AND LIABILITIES		3 637,8	3 304,7	1 629,3	1 390,6

Cash flow statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

		GROUP		COMPANY	
	Notes	2003 Rm	2002 Rm	2003 Rm	2002 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations before working capital changes	A	709,5	572,2	256,1	226,0
(Increase)/reduction in net working capital		(59,3)	(366,0)	143,5	67,5
Increase in RC&C Finance Company accounts receivable – after increasing opening balance due to first time compliance with AC133 by R3,7 million		(269,8)	(208,8)		
Working capital changes	B	210,5	(157,2)	143,5	67,5
Cash generated from operations		650,2	206,2	399,6	293,5
Interest received		95,1	55,8	26,1	14,0
Interest paid		(50,1)	(22,7)	(11,4)	(13,7)
Dividends received		0,2	111,8	253,1	151,1
Taxation paid	C	(178,7)	(209,0)	(69,0)	(94,8)
Dividends paid (including outside shareholders)	D	(258,4)	(201,0)	(246,9)	(198,1)
Net cash inflow/(outflow) from operating activities		258,3	(58,9)	351,5	152,0
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operating capacity		(15,6)	1,9	(385,0)	285,8
– Repayment of non-current loans		0,9	14,0	0,9	13,9
– Non-current loans granted		(3,3)	–	(3,3)	–
– Replacement of fixed assets		(17,5)	(15,9)	(12,0)	(6,9)
– Proceeds on disposal of fixed assets, investments and other capital items		4,3	3,8	3,8	0,3
– Net loans (to)/from subsidiaries				(374,4)	278,5
Investments to increase operating capacity		(87,2)	(468,2)	(21,6)	(429,9)
– Expansion capital expenditure		(27,1)	(26,1)	(4,0)	(3,7)
– Increase in investments		–	(2,9)	–	–
– Disposal of businesses	E	1,2	0,8	–	0,8
– Acquisition of subsidiaries and businesses	F	(61,3)	(440,0)	(17,6)	(427,0)
Net cash outflow from investing activities		(102,8)	(466,3)	(406,6)	(144,1)

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
CASH FLOWS FROM FINANCING ACTIVITIES				
Funds provided by shareholders				
– Ordinary shareholders in Reunert	11,0	2,8	11,0	2,8
– Loan advanced by outside shareholder		2,1		
– Loan repaid to outside shareholder	(2,1)			
Long-term liabilities – repaid	(26,4)	(2,7)	–	–
<i>Net cash (outflow)/inflow from financing activities</i>	(17,5)	2,2	11,0	2,8
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	138,0	(523,0)	(44,1)	10,7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(557,3)	(34,3)	80,1	69,4
CASH AND CASH EQUIVALENTS AT END OF YEAR*	(419,3)	(557,3)	36,0	80,1
Net cash flows from operating activities before dividends paid and excluding movements in RC&C Finance Company accounts receivable	786,5	350,9		
Operating cash flow per share (cents)	417,7	187,7		
* CASH AND CASH EQUIVALENTS ARE MADE UP OF:				
Cash and cash equivalents	484,8	283,5	37,7	80,1
Short-term loans and bank overdrafts	(3,4)	(2,8)	(1,7)	–
Net cash resources of the group/company excluding RC&C Finance Company	481,4	280,7	36,0	80,1
RC&C Finance Company short-term borrowings	(900,7)	(838,0)		
Net (borrowings)/cash and cash equivalents of the group/company	(419,3)	(557,3)	36,0	80,1

Notes to the cash flow statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
A. RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES				
Profit before taxation	652,9	489,9	504,3	359,1
Adjusted for:				
– Net interest received	(45,0)	(33,1)	(14,7)	(0,3)
– Dividends received	(0,2)	(3,4)	(253,1)	(151,1)
– Depreciation	58,4	46,2	16,3	19,0
– Amortisation of goodwill	46,2	41,4	5,1	4,7
– Surplus on disposal of plant, vehicles and equipment	(0,2)	(2,1)	(0,3)	(0,1)
– Provision against investments in subsidiaries			9,7	(10,1)
– Net (reversal)/creation of provisions	(1,3)	14,6	(10,2)	4,8
– Other movements	(1,3)	18,7	(1,0)	–
CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES	709,5	572,2	256,1	226,0
B. WORKING CAPITAL CHANGES				
– Inventory and contracts in progress	169,6	(161,5)	133,5	(121,5)
– Accounts receivable – after increasing opening balances due to first time compliance with AC133 by: group R72,4 million, company R51,2 million	11,8	(118,0)	15,3	66,1
– Accounts payable and provisions – after increasing opening balances due to first time compliance with AC133 by: group R59,2 million, company R44,4 million	29,1	122,3	(5,3)	122,9
WORKING CAPITAL CHANGES	210,5	(157,2)	143,5	67,5
C. TAXATION PAID IS RECONCILED TO THE AMOUNTS DISCLOSED IN THE INCOME STATEMENT AS FOLLOWS:				
– Net amounts unpaid, at beginning of year	(65,4)	(110,5)	(33,6)	(49,3)
– Current taxation per the income statement	(216,7)	(163,9)	(60,4)	(79,1)
– Taxation owing to subsidiary acquired at date of purchase	8,0			
– Net amounts unpaid, at end of year	95,4	65,4	25,0	33,6
CASH AMOUNTS PAID	(178,7)	(209,0)	(69,0)	(94,8)

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
D. DIVIDENDS PAID ARE RECONCILED TO THE AMOUNTS DISCLOSED IN THE STATEMENT OF CHANGES IN EQUITY AS FOLLOWS:				
- Charge per the statement of changes in equity	(226,2)	(181,4)	(246,9)	(198,1)
- Dividends paid to outside shareholders	(32,2)	(19,6)		
CASH AMOUNTS PAID	(258,4)	(201,0)	(246,9)	(198,1)
E. ANALYSIS OF DISPOSAL OF BUSINESSES				
Inventory	0,4	0,5	-	0,5
Accounts receivable	0,8	0,5	-	0,5
Accounts payable	-	(0,2)	-	(0,2)
Cash on hand at time of disposal	-	0,2	-	0,2
CASH AMOUNTS RECEIVED	1,2	1,0	-	1,0
Less: Cash on hand at time of disposal	-	(0,2)	-	(0,2)
NET CASH RECEIVED	1,2	0,8	-	0,8
F. ANALYSIS OF ACQUISITION OF SUBSIDIARIES AND BUSINESSES				
Inventory	(42,0)	(1,7)	(3,6)	(1,7)
Accounts receivable	(52,9)	-	-	-
Accounts payable	34,5	(4,1)	6,0	-
Property, plant and equipment	(72,3)	(1,3)	(3,2)	(1,3)
Intercompany balances			(15,3)	-
Taxation owing to subsidiary acquired at date of purchase	(8,0)	-		
Long-term liabilities	26,4	-	-	-
Loan taken over by purchaser	21,8	-	-	-
Attributable share of net assets at date of acquisition	54,2	(60,4)	5,1	(56,6)
Goodwill on acquisitions	(6,4)	(390,5)	(12,9)	(383,6)
Increased capital of subsidiary	-	-	-	(5,0)
COST OF INVESTMENT	(44,7)	(458,0)	(23,9)	(448,2)
CASH PAID IN CURRENT YEAR, OWING FROM PRIOR YEAR		(3,2)		-
AMOUNTS STILL OWING TO VENDORS	5,2	21,2	6,3	21,2
LOAN TAKEN OVER BY PURCHASER STILL TO BE REPAID	(21,8)	-	-	-
NET CASH PAID	(61,3)	(440,0)	(17,6)	(427,0)

Statement of changes in equity

AT 30 SEPTEMBER 2003

	GROUP			
	Share capital and premium Rm	Non- distribut- able reserves Rm	Accumu- lated profit Rm	Total Rm
Balance at 30 September 2001	35,0	99,8	743,7	878,5
Net profit for the year			370,6	370,6
Dividends paid			(181,4)	(181,4)
Movement on reserves (note 22)		(31,7)	32,3	0,6
Issue of shares	2,8			2,8
Balance at 30 September 2002	37,8	68,1	965,2	1 071,1
Changes to opening reserves for first time compliance with AC133 (note 8)			6,7	6,7
Net profit for the year			295,4	295,4
Dividends paid			(226,2)	(226,2)
Movement on reserves (note 22)		(65,2)	63,7	(1,5)
Issue of shares	11,0			11,0
Balance at 30 September 2003	48,8	2,9	1 104,8	1 156,5

	COMPANY			
	Share capital and premium Rm	Non- distribut- able reserves Rm	Accumu- lated profit Rm	Total Rm
Balance at 30 September 2001	269,6	0,3	469,5	739,4
Net profit for the year			284,2	284,2
Dividends paid			(198,1)	(198,1)
Issue of shares	2,8			2,8
Balance at 30 September 2002	272,4	0,3	555,6	828,3
Changes to opening reserves for first time compliance with AC133			4,8	4,8
Net profit for the year			444,9	444,9
Dividends paid			(246,9)	(246,9)
Issue of shares	11,0			11,0
Balance at 30 September 2003	283,4	0,3	758,4	1 042,1

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
1. REVENUE				
Revenue excludes revenue of associate companies and includes export revenue of R519,2 million (2002: R323,9 million) and interest received by RC&C Finance Company (Pty) Limited of R196,8 million (2002: R150,8 million).				
2. OPERATING PROFIT IS STATED AFTER:				
Administration, management and other fees	14,6	9,5	10,6	6,7
Auditors' remuneration:				
Audit fees	5,4	4,7	2,6	2,5
Other fees	1,5	0,6	0,1	0,2
Expenses	0,1	0,1	-	-
	7,0	5,4	2,7	2,7
Depreciation:				
Land and buildings	3,0	1,6	0,8	2,2
Plant and equipment	52,6	42,1	14,0	15,5
Vehicles	2,8	2,5	1,5	1,3
	58,4	46,2	16,3	19,0
Rental income from investment properties (included in revenue)	(1,3)	(1,4)	-	-
Direct operating expenses arising from investment properties that generated rental income	1,5	0,5	-	-
Direct operating expenses arising from investment properties that did not generate rental income	0,8	0,4	-	0,1
Goodwill amortised	46,2	41,4	5,1	4,7
Net realised (losses)/gains on currency exchange differences	(111,5)	6,2	(72,3)	3,3
Net unrealised gains on currency exchange differences	8,8	4,9	11,0	3,2
Net realised (losses)/gains on fair value adjustments to derivative instruments	(65,5)	-	4,2	-
Net unrealised losses on fair value adjustments to derivative instruments	(49,5)	-	(26,4)	-
	(217,7)	11,1	(83,5)	6,5

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
2. OPERATING PROFIT IS STATED AFTER: (continued)				
Income from subsidiaries:				
Fees			3,0	0,8
Rental (included in revenue)			4,2	4,6
			7,2	5,4
Operating lease charges:				
Land and buildings	19,7	15,8	10,8	8,8
Vehicles and other	0,6	1,7	1,1	1,6
	20,3	17,5	11,9	10,4
Research and development expenditure:				
Financed by revenue from customers	34,6	57,3	–	0,3
Not financed by revenue from customers	39,0	38,2	28,1	27,0
	73,6	95,5	28,1	27,3
Net surplus on disposal of property, plant and equipment	0,2	2,1	0,3	0,1
Staff costs:				
Salaries and wages	582,5	462,6	113,0	97,8
Pension and provident fund contributions	52,6	41,8	6,8	5,5
Other staff costs	61,7	57,0	19,6	17,9
	696,8	561,4	139,4	121,2
Number of employees	4 918	4 318	1 412	1 336
3. INTEREST AND DIVIDENDS RECEIVED				
Dividends received:				
– unlisted associate companies			–	108,4
– unlisted subsidiaries			253,1	42,7
– other	0,2	3,4	–	–
	0,2	3,4	253,1	151,1
Interest received:				
– subsidiaries			17,9	1,6
– associate companies	6,0	6,3		
– RC&C Finance Company (Pty) Limited	51,8	23,0	–	0,5
– other	37,3	26,5	8,2	11,9
	95,3	59,2	279,2	165,1

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
4. INTEREST PAID				
Long-term liabilities	0,3	0,9	-	-
RC&C Finance Company (Pty) Limited			0,2	-
Short-term loans and bank overdrafts	49,8	21,8	11,2	13,7
	50,1	22,7	11,4	13,7
Interest paid by RC&C Finance Company (Pty) Limited included in cost of sales	147,6	89,9		
5. ABNORMAL ITEMS				
(Raising)/reversal of provision for losses in subsidiaries			(9,7)	10,1
Group's attributable share of the impairment of fixed assets in an equity accounted associate	-	(18,7)		
Gross abnormal items	-	(18,7)	(9,7)	10,1
Taxation	-	-	-	-
Net abnormal items	-	(18,7)	(9,7)	10,1
6. TAXATION				
South African normal taxation:				
Current	216,9	154,5	77,6	66,0
Deferred	(2,7)	8,8	(0,6)	(4,1)
Secondary tax on companies	23,5	15,2	5,1	12,0
Adjustment for prior years – current	(24,0)	(6,0)	(22,3)	1,1
– STC	0,2	-	-	-
– deferred	10,4	4,6	(0,4)	(0,1)
	224,3	177,1	59,4	74,9
Foreign normal taxation:				
Current	0,1	0,2		
	224,4	177,3	59,4	74,9
Reconciliation of rate of taxation	%	%	%	%
Apparent rate of taxation excluding abnormal items	34,4	34,9	11,8	21,5
Applicable to dividends received	-	0,2	15,1	13,0
Effective rate of taxation:	34,4	35,1	26,9	34,5
Movement in rate of taxation due to				
– disallowable charges	(1,9)	(2,4)	(0,3)	(0,8)
– secondary tax on companies	(3,6)	(3,0)	(1,0)	(3,4)
– adjustments from prior year	2,1	0,3	4,4	(0,3)
– tax losses not recognised	(1,0)			
South African normal tax rate	30,0	30,0	30,0	30,0

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
7. DIVIDENDS DECLARED DURING THE YEAR				
Ordinary:				
Final 2002 – 88,0 cents per share (2001: 67,0 cents)	181,1	136,7	181,1	136,7
Interim 2003 – 32,0 cents per share (2002: 30,0 cents)	65,8	61,4	65,8	61,4
Attributable to Reunert shares held by a subsidiary	(20,7)	(16,7)		
	226,2	181,4	246,9	198,1
Final ordinary dividend proposed				
88,0 cents per share (2002: 88,0 cents)	181,3	179,9	181,3	179,9
Attributable to Reunert shares held by a subsidiary	(15,1)	(15,1)		
	166,2	164,8	181,3	179,9

8. ACCOUNTING POLICY CHANGES

Reunert has adopted South African Statements of Generally Accepted Accounting Practice (SA GAAP) which became effective during the current financial year. This has resulted in changes to accounting policies.

The main change involves the adoption of AC133 on financial instruments. In terms of the transitional provisions of this statement the comparative figures do not need to be restated. The statement, however, does require the balances at the end of the previous financial year to be valued in terms of the statement. This has resulted in an increase in the group's accumulated profit on 1 October 2002 of R6,7 million (see statement of changes in equity). The effect in the current year has been to reduce operating profit by R44,5 million, the tax charge by R13,3 million and earnings attributable to ordinary shareholders by R31,2 million.

The group's accounting policies are in accordance with SA GAAP and, except for the above changes, are consistent with those of the prior period.

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
9. NUMBER OF SHARES USED TO CALCULATE EARNINGS PER SHARE				
Weighted average number of shares in issue used to determine basic earnings per share and headline earnings per share (millions of shares)	188,3	187,0		
Adjusted by the dilutive effect of unexercised share options available to executives employed in the group (millions of shares)	2,6	3,4		
Weighted average number of shares used to determine diluted earnings per share and diluted headline earnings per share (millions of shares)	190,9	190,4		
10. HEADLINE EARNINGS				
Headline earnings are determined by eliminating the effect of the following items in attributable earnings:				
Earnings attributable to Reunert Limited shareholders	295,4	370,6		
Adjusted for:	50,1	58,0		
Surplus on sale of fixed assets	(0,2)	(2,1)		
Goodwill	50,3	41,4		
Attributable portion of impairment (note 5)		18,7		
Tax	0,1	0,6		
Outside shareholders' portion	-	0,1		
Headline earnings attributable to Reunert Limited shareholders	345,6	429,3		

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP			COMPANY		
	Cost	Accumu- lated depre- ciation	Book value	Cost	Accumu- lated depre- ciation	Book value
	Rm	Rm	Rm	Rm	Rm	Rm
11. PROPERTY, PLANT AND EQUIPMENT						
2003						
Freehold land and buildings						
– investment	24,0	8,6	15,4	–	–	–
– owner occupied	100,4	33,7	66,7	47,0	12,7	34,3
Leasehold land and buildings						
– owner occupied	2,0	1,1	0,9	0,3	0,3	–
Plant and equipment	629,1	503,0	126,1	202,7	172,9	29,8
Vehicles	17,9	13,3	4,6	8,0	5,9	2,1
	773,4	559,7	213,7	258,0	191,8	66,2
2002						
Freehold land and buildings						
– investment	15,1	5,3	9,8	–	–	–
– owner occupied	80,6	27,1	53,5	47,2	12,3	34,9
Leasehold land and buildings						
– owner occupied	2,2	0,8	1,4	0,3	0,1	0,2
Plant and equipment	409,7	322,5	87,2	189,2	163,6	25,6
Vehicles	15,0	9,8	5,2	7,2	4,5	2,7
	522,6	365,5	157,1	243,9	180,5	63,4

	Land and buildings Invest- ment Rm	Owner occupied Rm	Plant and equip- ment Rm	Vehicles Rm	2003 Rm	2002 Rm
11. PROPERTY, PLANT AND EQUIPMENT (continued)						
MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT						
<i>Group</i>						
Net book value at beginning of the year	9,8	54,9	87,2	5,2	157,1	161,8
Acquisition of businesses	5,0	15,2	51,9	0,2	72,3	1,3
Additions	0,3	2,1	39,7	2,5	44,6	42,0
Disposals	–	(1,3)	(0,1)	(0,5)	(1,9)	(1,8)
	15,1	70,9	178,7	7,4	272,1	203,3
Depreciation	0,3	(3,3)	(52,6)	(2,8)	(58,4)	(46,2)
	15,4	67,6	126,1	4,6	213,7	157,1
<i>Company</i>						
Net book value at beginning of the year	–	35,1	25,6	2,7	63,4	70,7
Acquisition of businesses	–	–	3,2	–	3,2	1,3
Additions	–	–	15,0	1,0	16,0	10,6
Disposals	–	–	–	(0,1)	(0,1)	(0,2)
	–	35,1	43,8	3,6	82,5	82,4
Depreciation	–	(0,8)	(14,0)	(1,5)	(16,3)	(19,0)
	–	34,3	29,8	2,1	66,2	63,4

NOTES:

1. A register of group property may be inspected at the registered office of the company.
2. The open market value of investment properties amounts to R23,3 million (2002: R11,8 million). Six of the group's properties are investment properties. The open market values were obtained as follows: One was sold in October 2003 for a net R9,7 million. Four (R9,7 million) were valued by reference to market evidence of transaction prices for similar properties. One (R3,9 million) was valued by an independent valuer who holds a recognised and relevant qualification and who has recent experience in the location and category of the investment property being valued.
3. Property, plant and equipment depreciation rates are used for the following categories:

Buildings	3 to 20%
Plant	10 to 20%
Office equipment	10 to 20%
Computer equipment	33 to 50%
Furniture	15 to 20%
Vehicles	20 to 25%
4. The insurable value of the group's fixed assets as at 30 September 2003 amounted to R2,8 billion (2002: R1,8 billion). This is based on the cost of replacement of such assets, except for motor vehicles and certain selected assets which are included at market value.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
12. GOODWILL				
Carrying value at the beginning of the year	360,0	10,9	21,5	1,0
Add: Acquisition of businesses, associates and subsidiaries	6,4	390,5	12,9	25,2
Less: Adjustments to the purchase price of a business acquired in the prior year	(9,2)	–	(9,2)	–
Less: Amortisation for the year	(46,2)	(41,4)	(5,1)	(4,7)
Attributable to losses in associate	(4,1)			
Carrying value at the end of the year	306,9	360,0	20,1	21,5
Goodwill at cost	396,8	403,7	30,9	27,2
Accumulated amortisation	(89,9)	(43,7)	(10,8)	(5,7)
	306,9	360,0	20,1	21,5
Carrying value attributable to:				
– associates	108,4	126,3	–	–
– subsidiaries and other	198,5	233,7	20,1	21,5
	306,9	360,0	20,1	21,5
Goodwill is amortised over periods varying between one and ten years.				
13. INTEREST IN SUBSIDIARIES				
(See Annexure A)				
Shares at cost less amounts written off			543,0	543,3
Amounts owing by subsidiaries			338,4	158,8
Provision for goodwill write-off			(45,9)	(45,9)
			835,5	656,2
Provision for losses			(47,9)	(38,2)
			787,6	618,0
Amounts owing to subsidiaries			(103,4)	(313,5)
			684,2	304,5

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
14. INTEREST IN ASSOCIATES				
UNLISTED ASSOCIATE COMPANIES:				
Shares at cost	158,5	202,8	158,5	163,6
Less: Transfer to goodwill on consolidation	(133,6)	(137,7)		
Adjustment to carrying value	-	2,7		
Attributable interest in accumulated profit	(24,9)	58,6		
Accumulated profit at beginning of year	58,6	96,1		
Profit after tax and abnormal items				
- audited	(82,6)	115,8		
- unaudited	-	(44,9)		
Retained income of associates that became subsidiaries during the year	(0,9)	-		
Dividends	-	(108,4)		
Attributable to outside shareholders in subsidiaries	-	4,7		
Total of unlisted associate companies	-	131,1	158,5	163,6
Directors' valuation - unlisted associate companies	520,0	586,9	520,0	163,6
Attributable earnings from unlisted associate companies	(82,6)	70,9		

	GROUP			
	Number of shares held	Percentage interest		
	2003 Rm	2002 Rm	2003	2002
Details of share investments				
ASSOCIATE COMPANIES				
ATC (Pty) Limited (became a subsidiary with effect from 1 January 2003)	-	123 418	-	39
Electric Products International (Pty) Limited	2 400	2 400	24	24
Siemens Telecommunications (Pty) Limited	56 000	56 000	40	40
Nashua Connect (Pty) Limited (previously IQ Works (Pty) Limited) (became a subsidiary with effect from 1 December 2002)	-	501	-	50

	Year-end	Carrying value 2003	2002
Details of share investments			
ASSOCIATE COMPANIES			
ATC (Pty) Limited		-	59,1
Electric Products International (Pty) Limited	30 September	-	-
Siemens Telecommunications (Pty) Limited	30 September	-	72,0
Nashua Connect (Pty) Limited		-	-
		-	131,1

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
15. OTHER INVESTMENTS				
Reunert 1988 Share Purchase Trust Loan	9,0	6,4	9,0	6,4
Other loans and investments	11,8	14,1	11,5	13,8
Total investments	20,8	20,5	20,5	20,2
Directors' valuation – other investments	20,8	20,5	20,5	20,2
16. RC&C FINANCE COMPANY ACCOUNTS RECEIVABLE				
Discounted deals:				
Collectable within one year	388,0	296,3		
Collectable after one year	761,1	582,1		
	1 149,1	878,4		
Accounts receivable:				
Collectable within one year	46,2	41,9		
Collectable after one year	24,7	33,6		
	70,9	75,5		
	1 220,0	953,9		
The discounted deals comprise the present value of discounted rental agreements which are repayable over varying periods up to a maximum of five years from balance sheet date.				
17. DEFERRED TAXATION ASSETS/(LIABILITIES)				
MOVEMENT OF GROUP DEFERRED TAXATION				
Balance at beginning of year	(20,0)	(6,6)	24,7	20,5
Restatement of balance at beginning of year due to first time compliance with AC133	(3,0)		(2,1)	
Current tax charge/(reversal)	2,7	(8,8)	0,6	4,1
Adjustment for prior years	(10,4)	(4,6)	0,4	0,1
	(30,7)	(20,0)	23,6	24,7
Deferred taxation liabilities	63,8	45,9	–	–
Deferred taxation assets	33,1	25,9	23,6	24,7
ANALYSIS OF DEFERRED TAXATION				
Capital allowances	(41,3)	(32,8)	(0,8)	(1,2)
Provisions and accruals	11,7	11,3	23,7	23,6
Advance income offset by allowed future expenditure	3,6	4,1	0,5	0,2
Other (net)	(4,7)	(2,6)	0,2	2,1
	(30,7)	(20,0)	23,6	24,7

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
18. INVENTORY AND CONTRACTS IN PROGRESS				
Raw materials and components	120,7	98,9	63,1	54,8
Finished goods	110,9	115,7	44,7	53,7
Merchandise	242,6	373,5	242,1	373,4
Consumable stores	2,2	1,4	0,5	0,6
Contracts and other work in progress	55,4	70,3	1,0	(1,1)
	531,8	659,8	351,4	481,4
The value of inventory has been determined on the following bases:				
First-in first-out	405,1	525,4	347,6	476,5
Average	34,6	28,1	2,6	2,6
Net realisable value	45,3	35,4	1,2	2,3
Other	46,8	70,9	-	-
	531,8	659,8	351,4	481,4
19. ACCOUNTS RECEIVABLE				
Trade receivables	602,4	516,2	232,3	191,1
Claims, prepayments and other receivables	224,2	196,7	33,9	40,1
	826,6	712,9	266,2	231,2
20. CASH AND CASH EQUIVALENTS				
Bank balances and cash	484,8	283,5	37,7	80,1

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
21. SHARE CAPITAL AND PREMIUM				
AUTHORISED SHARE CAPITAL				
235 000 000 (2002: 235 000 000) ordinary shares of 10 cents each	23,5	23,5	23,5	23,5
350 000 (2002: 350 000) 5,5% cumulative preference shares of R2 each	0,7	0,7	0,7	0,7
31 057 729 (2002: 31 057 729) redeemable preference shares of 1 cent each	0,3	0,3	0,3	0,3
	24,5	24,5	24,5	24,5
ISSUED SHARE CAPITAL				
206 015 764 (2002: 204 425 264) ordinary shares of 10 cents each	20,6	20,4	20,6	20,4
350 000 (2002: 350 000) 5,5% cumulative preference shares of R2 each	0,7	0,7	0,7	0,7
	21,3	21,1	21,3	21,1
SHARE PREMIUM				
At beginning of year	251,3	248,5	251,3	248,5
Arising on the issue of ordinary shares	10,8	2,8	10,8	2,8
At end of year	262,1	251,3	262,1	251,3
Reunert Limited shares bought back by a subsidiary 17 168 058 (2002: 17 168 058)	(234,6)	(234,6)		
Total issued share capital and premium	48,8	37,8	283,4	272,4

	COMPANY Number of shares	
	2003	2002
UNISSUED ORDINARY SHARES		
Total shares reserved to meet the requirements of the Reunert 1985 Share Option Scheme and the Reunert 1988 Share Purchase Scheme	12 000 000	12 000 000
Ordinary shares under the general authority of the directors until the forthcoming annual general meeting	16 984 236	18 574 736
	28 984 236	30 574 736

21. SHARE CAPITAL AND PREMIUM (continued)

THE REUNERT 1985 SHARE OPTION SCHEME

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

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

Exercise price	Number of options unexercised at the beginning of year Thousands	Options granted during the year Thousands	Options exercised during the year Thousands	Options that lapsed during the year Thousands	Number of options unexercised at the end of year Thousands	Amount received for options exercised R thousands
2003						
R14,90	10	-	-	-	10	-
R14,00	30	-	-	-	30	-
R5,45	4 085	-	(1 351)	(133)	2 601	7 360
R14,10	2 375	-	(25)	(150)	2 200	353
R15,80	1 445	-	(90)	(65)	1 290	1 422
R17,70	290	-	-	(40)	250	-
R15,99	-	1 940	(125)	(10)	1 805	1 999
R17,30	-	200	-	-	200	-
	8 235	2 140	(1 591)	(398)	8 386	11 134
2002						
R14,90	85	-	(75)	-	10	1 110
R14,00	30	-	-	-	30	-
R5,45	4 415	-	(300)	(30)	4 085	1 605
R14,10	2 425	-	-	(50)	2 375	-
R15,80	1 470	-	-	(25)	1 445	-
R17,70	-	290	-	-	290	-
	8 425	290	(375)	(105)	8 235	2 715

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

21. SHARE CAPITAL AND PREMIUM (continued)

Exercise price	Number of options exercisable per annum Thousands	Dates	Period options exercisable Expiry date	Options vested at the beginning of the year Thousands	Options vested at the end of the year Thousands
R14,90	–	Immediately	27 June 2004	10	10
R14,00	–	Immediately	5 May 2007	30	30
R5,45	1 221	22 October 2003 to 22 October 2004	22 October 2009	–	100
R14,10	708	1 February 2004 to 1 February 2006	1 February 2011	–	75
R15,80	427	26 September 2004 to 26 September 2006	26 September 2011	–	10
R17,70	47	19 November 2004 to 19 November 2006	19 November 2011	–	110
R15,99	602	13 May 2006 to 13 May 2008	13 May 2013	–	–
R17,30	67	27 July 2006 to 27 July 2008	27 July 2013	–	–
				40	335

LOANS GRANTED BY REUNERT LIMITED IN RESPECT OF THE SHARE OPTION SCHEME

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

	2003 Rm	2002 Rm
Amount of loans granted during the year	5,1	–

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
22. NON-DISTRIBUTABLE RESERVES				
On acquisition of subsidiaries, being excess of net assets over cost of shares at dates of acquisition	-	0,1		
Statutory and other reserves				
- at beginning of year	1,4	0,8	-	-
- movement	(1,4)	0,6	-	-
	-	1,4	-	-
Capital redemption reserve	2,9	2,9	0,3	0,3
Share of associate companies' accumulated profits				
- at beginning of year	63,7	96,0		
- associate earnings transferred this year	(63,7)	(32,3)		
	-	63,7		
	2,9	68,1	0,3	0,3

Description of nature of obligation	Carrying amount at beginning of year Rm	Additional provisions created in the year Rm	Amounts used during the year Rm	Unused amounts reversed during the year Rm	Carrying amount at end of the year Rm
-------------------------------------	--	---	------------------------------------	---	--

23. PROVISIONS

GROUP

Contract completion	4,4	5,0	(2,7)	(1,2)	5,5
Debtor recourse guarantee	48,0	-	-	(10,3)	37,7
Unfunded pension obligations	1,5	0,8	-	-	2,3
Warranty	45,8	8,3	(1,4)	(3,6)	49,1
Other	14,4	1,4	(3,2)	(1,7)	10,9
	114,1	15,5	(7,3)	(16,8)	105,5

COMPANY

Contract completion	0,9	-	-	-	0,9
Debtor recourse guarantee	10,3	-	-	(10,3)	-
Warranty	0,8	-	-	(0,4)	0,4
Other	7,6	2,2	(1,2)	(1,7)	6,9
	19,6	2,2	(1,2)	(12,4)	8,2

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP		COMPANY	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
24. COMMITMENTS				
Expenditure on property, plant and equipment				
Contracted	16,2	9,4	12,7	5,3
Authorised not yet contracted	0,4	9,5	0,1	8,6
	16,6	18,9	12,8	13,9
The above expenditure, to occur in 2004 and 2005, will be financed from existing group resources.				
Operating lease commitments in respect of land and buildings, motor vehicles and other assets				
– one year	23,6	17,5	14,4	13,3
– two to five years	48,8	44,5	13,4	27,4
– greater than five years	9,0	3,2	–	–
	81,4	65,2	27,8	40,7
Land and buildings	75,0	63,2	27,7	39,6
Motor vehicles	0,1	0,5	0,1	0,3
Other	6,3	1,5	–	0,8
Total operating lease commitments	81,4	65,2	27,8	40,7
25. CONTINGENT LIABILITIES				
Guarantees on behalf of third parties	3,6	–	–	–
Guarantees on behalf of group subsidiary companies	–	–	59,4	50,0
Sureties for staff loans	0,1	0,3	–	–
Total contingent liabilities	3,7	0,3	59,4	50,0

	Salary	Bonus and performance related payments	Other benefits	Retirement and medical contributions	Total
	R thousands	R thousands	R thousands	R thousands	R thousands

26. DIRECTORS' REMUNERATION AND INTERESTS

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

EXECUTIVE DIRECTORS

*The directors' remuneration for the
year ended 30 September 2003*

G Pretorius	1 743	783	169	386	3 081
BP Gallagher	891	429	168	238	1 726
GJ Oosthuizen	811	377	125	194	1 507
DJ Rawlinson	878	416	245	228	1 767
	4 323	2 005	707	1 046	8 081

*The directors' remuneration for the
year ended 30 September 2002*

G Pretorius	1 514	1 165	193	347	3 219
BP Gallagher	763	640	207	220	1 830
GJ Oosthuizen	718	570	141	175	1 604
DJ Rawlinson	757	600	186	196	1 739
	3 752	2 975	727	938	8 392

Total paid
for the year
(all directors' fees)
2003 2002
R thousands R thousands

NON-EXECUTIVE DIRECTORS

*The directors' remuneration for the
year ended 30 September*

DE Cooper	300	250
BP Connellan	80	50
PTW Curtis	-	29
SD Jagoe	100	60
KJ Makwetla	60	40
MJ Shaw	90	60
JC van der Horst	60	40
CL Valkin	60	40
	750	569

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

26. DIRECTORS' REMUNERATION AND INTERESTS (continued)**SHARE OPTIONS***Executive directors*

	Balance of unexercised share options as at 1 October 2002	Number of share options allocated during the year	Number of options exercised during the year	Balance of unexercised share options as at 30 September 2003	Option price R	Date of allocation	Date from which exercisable
G Pretorius	165 000	–	55 000	110 000	5,45	26 October 1999	26 October 2002
	100 000	–	–	100 000	14,10	1 February 2001	1 February 2004
	150 000	–	–	150 000	15,80	26 September 2001	26 September 2004
		200 000	–	200 000	15,99	13 May 2003	13 May 2006
BP Gallagher	200 000	–	*66 600	133 400	5,45	26 October 1999	26 October 2003
	50 000	–	–	50 000	14,10	1 February 2001	1 February 2004
	70 000	–	–	70 000	15,80	26 September 2001	26 September 2004
		100 000	–	100 000	15,99	13 May 2003	13 May 2006
GJ Oosthuizen	200 000	–	*66 600	133 400	5,45	26 October 1999	26 October 2003
	50 000	–	–	50 000	14,10	1 February 2001	1 February 2004
	90 000	–	–	90 000	15,80	26 September 2001	26 September 2004
		100 000	–	100 000	15,99	13 May 2003	13 May 2006
DJ Rawlinson	200 000	–	66 600	133 400	5,45	26 October 1999	26 October 2003
	50 000	–	–	50 000	14,10	1 February 2001	1 February 2004
	30 000	–	–	30 000	15,80	26 September 2001	26 September 2004
		100 000	–	100 000	15,99	13 May 2003	13 May 2006
	1 355 000	500 000	254 800	1 600 200			

* The loans granted on the exercise of these options were not fully repaid by the year-end. The shares may only be released when the loans have been fully repaid.

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

Predetermined compensation on termination of service will be payable to the executive directors, but in all instances, the notice periods are less than one year.

27. RETIREMENT BENEFIT INFORMATION

In line with the group's policy to provide retirement benefits for its employees, 99% (2002: 94%) of the group's employees belong to various retirement schemes.

Industrial legislation requires that certain employees be members of designated industrial schemes. At year end 34% (2002: 25%) of the group's employees were members of such schemes, most notably the Engineering Industries Pension Fund and Metal Industries Provident Fund. The total employer contributions for the year to these funds amounted to R5,7 million (2002: R4,0 million).

32% (2002: 29%) of the group's total employees, are members of the Lincoln Wood Provident Fund or the Reunert Retirement Fund, which consists of both the Reunert Pension Fund and Reunert Provident Fund.

The Reunert Retirement Fund is a defined contribution plan, apart from death benefits that are paid by the Pension Fund, which is registered in terms of the Pension Funds Act, 1956. The fund was last reviewed by the actuary at 29 February 2000 and found to be in a sound financial position. The employer's contribution rate to the provident fund remained at 10% of the employees' pensionable earnings, whilst the employees' contribution to the pension fund remained at 6%. The total employer contribution to this fund amounted to R17,1 million (2002: R13,7 million).

The Lincoln Wood Provident Fund is a defined benefit plan registered in terms of the Pension Funds Act, 1956. The employer's contribution rate is 14,5% (2002: 14,5%) of employees' pensionable earnings, with the employees' contributions remaining at 6%. The total employer contribution to this fund amounted to R1,7 million (2002: R1,6 million).

The Lincoln Wood Provident Fund was actuarially valued in terms of the Pension Funds Second Amendment Act, 2001, at 28 February 2002, at which date the fund was found to be in deficit. An investigation is currently under way to determine whether there was improper use of past surplus and whether this would be relevant in the case of a fund that is in deficit. This review, which will take place under the guidance of the fund's actuary, is expected to be completed during 2004.

The remaining 33% (2002: 40%) of the group's total employees, who are not members of the abovementioned schemes, participate in other benefit plans, which consist of four defined contribution plans. All are subject to the Pension Funds Act, 1956. The total employer contributions to these funds amounted to R22,8 million (2002: R14,0 million).

3% of the group's employees belong to defined benefit funds, with 2% belonging to the Engineering Industries Pension Fund, which is currently in surplus. The rules of this fund do not allow the group access to this surplus. Details relating to the group's defined benefit fund, which is not a designated industrial scheme are as follows:

DEFINED BENEFIT PLAN

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

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Year ended 30 September 2003 Rm	Year ended September 2002 Rm
27. RETIREMENT BENEFIT INFORMATION (continued)		
Amounts recognised in income in respect of that scheme are as follows:		
Current service cost	3,1	2,8
Interest costs	7,9	6,6
Expected return on plan assets	(7,5)	(5,8)
	3,5	3,6
The charge for the year has been included in other expenses.		
Actual return on plan assets	(8,0)	14,4
The amount included in the balance sheet arising from the group's obligation in respect of defined benefit retirement plans is as follows:		
	2003 Rm	2002 Rm
Present value of funded obligations	72,9	63,8
Unrecognised actuarial (losses)/gains	(11,0)	5,6
Fair value of plan assets	(59,6)	(67,9)
Unfunded pension obligations	2,3	1,5
At the beginning of year	1,5	7,1
Prior year provision released	-	(6,5)
Amounts charged to income	3,5	3,6
Contributions	(2,7)	(2,7)
At the end of year	2,3	1,5
	2003 %	2002 %
Key assumptions used:		
Discount rate	12	11
Inflation rate	7	6
Expected return on plan assets	11	10
Expected rate of salary increases	8,5	7,5
Future pension increases	6,67	5,7

The next statutory valuation will be performed as at 28 February 2005.

	2003 Total Rm	2003 Reunert share Rm	2002 Total Rm	2002 Reunert share Rm
28. SUMMARISED FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATE COMPANIES				
INCOME STATEMENT				
Revenue	3 598,1	1 438,6	5 526,7	2 115,7
Profit after tax	(206,6)	(82,6)	236,1	70,9
Dividends	–	–	271,0	108,4
BALANCE SHEET				
Interest of shareholders	(10,3)	–	300,6	118,5
Long-term liabilities	74,3	29,7	95,7	38,4
Property, plant and equipment	145,5	58,2	260,2	103,4
Deferred taxation asset	92,8	37,1	45,7	18,3
Net current assets	(174,3)	(69,7)	96,3	37,4

29. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

TRADING WITH SHAREHOLDERS

Counterparty	Relationship	Sales Rm	Purchases Rm	Accounts payable Rm	Accounts receivable Rm	Royalties Rm
Pirelli Cable Holding NV (Pirelli)	Pirelli is joint owner of Afcab Holdings which owns African Cables	–	7,0	(0,3)	–	2,6
BICC CAFCA Limited (Cafca)	African Cables owns 73% of Cafca	2,6	3,8	–	1,5	–
EADS Deutschland GmbH (EADS)	EADS owns 33% of Reutech Radar Systems	14,2	–	–	0,2	–

All prices are determined on an arm's length basis.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

Counterparty	Relationship	Interest earned by Reunert Rm	Interest paid by Reunert Rm	Balance at year-end Rm
--------------	--------------	--	--------------------------------------	------------------------------

29. RELATED PARTY TRANSACTIONS (continued)

FINANCING TRANSACTIONS WITH ASSOCIATE COMPANIES

Siemens Telecommunications (Pty) Limited (Siemens)	Reunert owns 40,0% of Siemens	6,0	-	-
---	----------------------------------	-----	---	---

Siemens are equity accounted in the group results.

Siemens borrows money from RFCL with the full knowledge and approval of all its shareholders.

The interest rates used are the daily money market call rates.

30. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

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

TREASURY RISK

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

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

Derivative contracts are entered into to hedge interest rate risk only in RCCF.

Foreign currency commitments and receivables are covered by forward exchange contracts when there is a risk that the rand will weaken or revalue respectively. Derivative contracts, other than forward exchange contracts, are not entered into to hedge currency risks.

The contract amounts of forward exchange contracts outstanding at the balance sheet date were:

	2003 Rm	2002 Rm
To pay	355,5	527,2
To receive	-	-

30. FINANCIAL INSTRUMENTS (continued)

Forward exchange contracts at 30 September 2003 and 2002 are summarised below:

	Foreign amount m	Fair value Rm	Contract value Rm	Gains/ (losses) Rm
2003				
<i>Imports – trade</i>				
USD	19,4	137,5	158,1	(20,6)
Euro	16,9	139,6	146,8	(7,2)
GBP	0,4	4,7	4,9	(0,2)
Yen	646,0	41,4	44,2	(2,8)
CHF	0,7	0,6	0,6	–
SEK	0,2	0,9	0,9	–
Total		324,7	355,5	(30,8)
	Rm			
Accounts receivable in foreign currencies	10,9			
Of which covered by forward exchange contracts	–			
Accounts payable in foreign currencies	330,2			
Of which covered by forward exchange contracts	324,7			
	Foreign amount m	Fair value Rm	Contract value Rm	Gains/ (losses) Rm
2002				
<i>Imports – trade</i>				
USD	28,9	312,7	315,3	(2,6)
Euro	9,7	102,8	102,3	0,5
GBP	0,6	10,1	9,9	0,2
Yen	1 073,9	95,7	95,4	0,3
CHF	2,4	4,4	4,3	0,1
Total		525,7	527,2	(1,5)
	Rm			
Accounts receivable in foreign currencies	23,0			
Of which covered by forward exchange contracts	–			
Accounts payable in foreign currencies	532,2			
Of which covered by forward exchange contracts	525,7			

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

30. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

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

Where the recoverability of accounts receivable is considered doubtful, these are provided for.

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

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

	2003 %	2002 %
South Africa	97,6	96,3
Rest of Africa	0,6	0,5
Europe	1,2	1,4
Asia	0,2	0,9
USA	0,4	0,9
Total	100,0	100,0

30. FINANCIAL INSTRUMENTS (continued)

INTEREST RATE RISK: RC&C FINANCE COMPANY LIMITED

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

Most of the company's discounted deals are sold on a fixed interest rate basis. The company's policy is to lock in at least 75% of such exposure by way of taking out fixed loans or by using interest rate swaps to achieve this objective. Contracts with open portions of R571 million (2002: R497 million) for periods up until 4 April 2007 (2002: 21 August 2006) have been entered into. The average fixed rate of the in-the-market swap is 10,98% (2002: 12,70%) and 10,15% (2002: 13,90%) for the out-of-the-market swaps.

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

	2003				
	Weighted average effective interest rate %	Floating interest rate Rm	Fixed interest rate Rm	Non- interest- bearing Rm	Total Rm
ASSETS					
Cash and cash equivalents	9,3	484,8			484,8
Accounts receivable (non-RCCF)				802,4	802,4
Accounts receivable (RCCF)	14,5	257,0	960,0	3,0	1220,0
Other investments	8,6	16,9		3,9	20,8
Total financial assets		758,7	960,0	809,3	2528,0
LIABILITIES					
Trade and other payables				(1 030,4)	(1 030,4)
Bank overdrafts	11,7	(3,4)			(3,4)
RCCF Borrowings	12,2	(900,7)			(900,7)
TOTAL FINANCIAL LIABILITIES		(904,1)		(1 030,4)	(1 934,5)
NET FINANCIAL ASSETS/(LIABILITIES)		(145,4)	960,0	(221,1)	593,5

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

30. FINANCIAL INSTRUMENTS 2003 (continued)

RCCF utilises fixed interest loans or interest rate swaps to fix at least 75% of its fixed interest discounted debtors book.

Details of the interest rate swaps are:

	Contracts expiring in:		
	<1 year Rm	1 - 5 years Rm	Total Rm
R million	(206,0)	(365,0)	(571,0)
Average fixed interest rate (%)	11,0	11,0	11,0

	2002				
	Weighted average effective interest rate %	Floating interest rate Rm	Fixed interest rate Rm	Non- interest- bearing Rm	Total Rm
ASSETS					
Cash and cash equivalents	11,5	283,5			283,5
Accounts receivable (non-RCCF)				670,7	670,7
Accounts receivable (RCCF)	18,0	171,1	774,9	7,9	953,9
Other investments	9,1	14,3		6,2	20,5
TOTAL FINANCIAL ASSETS		468,9	774,9	684,8	1 928,6
LIABILITIES					
Trade and other payables				(969,9)	(969,9)
Bank overdrafts	13,2	(2,8)			(2,8)
RCCF borrowings	13,7	(838,0)			(838,0)
TOTAL FINANCIAL LIABILITIES		(840,8)		(969,9)	(1 810,7)
NET FINANCIAL ASSETS/(LIABILITIES)		(371,9)	774,9	(285,1)	117,9

30. FINANCIAL INSTRUMENTS (continued)**MATURITY PROFILE OF FINANCIAL INSTRUMENTS**

The maturity profile of financial instruments at 30 September 2003 are summarised below:

	2003			Total Rm
	<1 year Rm	1 - 5 years Rm	>5 years Rm	
Cash and cash equivalents	484,8			484,8
Accounts receivable (non-RCCF)	802,4			802,4
Accounts receivable (RCCF)	405,0	663,0	152,0	1 220,0
Other financial assets	11,9	5,6	3,3	20,8
Trade and other payables	(1 030,4)			(1 030,4)
Bank overdrafts	(3,4)			(3,4)
RCCF borrowings	(900,7)			(900,7)
Derivative instruments				
Recognised transactions				
FECs				
– Buy	(30,8)			(30,8)
Interest rate swaps	(14,9)			(14,9)
Other derivative instruments	(3,8)			(3,8)

The maturity profile of financial instruments at 30 September 2002 are summarised below:

	2002			Total Rm
	<1 year Rm	1 - 5 years Rm	>5 years Rm	
Cash and cash equivalents	283,5			283,5
Accounts receivable (non-RCCF)	670,7			670,7
Accounts receivable (RCCF)	306,6	636,9	10,4	953,9
Other financial assets	14,3		6,2	20,5
Trade and other payables	(969,9)			(969,9)
Bank overdrafts	(2,8)			(2,8)
RCCF borrowings	(838,0)			(838,0)

LIQUIDITY RISK

Adequate reserves, banking facilities and reserve borrowing facilities are maintained by continuously monitoring forecast and actual cash flows.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	GROUP			
	2003		2002	
	Maximum permissible Rm	Actual Rm	Maximum permissible Rm	Actual Rm
30. FINANCIAL INSTRUMENTS (continued)				
BORROWING CAPACITY				
THE BORROWINGS OF THE GROUP ARE LIMITED IN TERMS OF THE COMPANY'S ARTICLES OF ASSOCIATION				
Long-term liabilities		-		-
Short-term loans and bank overdrafts		3,4		2,8
RC&C Finance Company debtors guarantee given by Reunert Limited		60,4		31,8
Contingent liabilities (see note 26)		3,7		0,3
	1 142,2	67,5	1 029,8	34,9

Type of instrument	2003		2002	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
FAIR VALUE OF FINANCIAL INSTRUMENTS				
Cash and cash equivalents	484,8	484,8	280,7	280,7
Accounts receivable	802,4	802,4	670,7	670,7
RCCF accounts receivable	1 220,0	1 220,0	953,9	953,9
Other investments	20,8	19,4	20,5	19,2
Accounts payable	(1 030,4)	(1 030,4)	(969,9)	(969,9)
RCCF short-term borrowings	(900,7)	(900,7)	(838,0)	(838,0)
Derivative instruments				
Forward exchange contracts	(30,8)	(30,8)		(1,5)
Interest rate swaps*	(14,9)	(14,9)		13,5
Other	(3,8)	(3,8)		

* The market value of in-the-market swap is R14,9 million (2002: R13,7 million) and the market value of out-of the market swaps is R- (2002: R0,2 million).

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

CASH AND CASH EQUIVALENTS

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

30. FINANCIAL INSTRUMENTS (continued)

ACCOUNTS RECEIVABLE

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

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

OTHER INVESTMENTS

The fair value of the interest-bearing loans has been determined by discounting the future cash flows of these loans back to present values using current market related interest rates. The remainder of the investments are non-interest bearing. The fair value of these loans and minor unlisted share investments can not be determined as the loans have no repayment terms, in which case it is assumed that the carrying value approximate fair value.

ACCOUNTS PAYABLE

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

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

The carrying value of the long-term RCCF borrowings approximate fair value because the interest rates inherent in the deals are at market related rates and these rates are used to discount the borrowings back to present values.

FORWARD EXCHANGE CONTRACTS

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

INTEREST RATE SWAPS

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

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

31. UNCONSOLIDATED SUBSIDIARY

BICC CAFCA LIMITED (CAFCA)

The financial statements of Cafca, a company incorporated in Zimbabwe have not been consolidated in the group financial statements as the directors consider this prudent in the light of the fact that there are restrictions on the remittability of funds from Zimbabwe.

	%
Effective holding (held via African Cables Limited)	72,4
Attributable Reunert group holding	36,2
	R million
Shares at cost	7,3
Less: Amount written off	(7,3)
Carrying value of investment	-

The abridged hyperinflationary accounted income statement for the year to June 2003 and the balance sheet as at 30 June 2003 are reflected below:

	2003 Z\$m	2002* Z\$m
INCOME STATEMENT		
Revenue	23 957	19 342
Profit before interest and tax	6 170	1 051
Interest paid	4 137	(491)
Profit before tax	2 033	1 542
Income tax expense	1 132	721
Net profit	901	821

	2003 Z\$m	2002* Z\$m
31. UNCONSOLIDATED SUBSIDIARY (continued)		
BALANCE SHEET		
ASSETS		
<i>Non-current assets</i>		
Property, plant and equipment	4 460	4 861
	4 460	4 861
<i>Current assets</i>		
Inventory	2 199	2 221
Accounts receivable	5 181	7 612
	7 380	9 833
TOTAL ASSETS	11 840	14 694
EQUITY AND LIABILITIES		
Share capital and reserves	7 182	6 270
<i>Non-current liabilities</i>		
Deferred tax liabilities	1 182	1 633
	1 182	1 633
<i>Current liabilities</i>		
Payables	3 332	4 592
Net debt	144	2 199
	3 476	6 791
TOTAL EQUITY AND LIABILITIES	11 840	14 694

The official exchange rate at 30 June 2003 was R1: Z\$115 (30 June 2002: R1: Z\$5,47)

The approximate parallel rate at 30 June 2003 was R1: Z\$865 (30 June 2002: R1: Z\$73)

The Zimbabwean inflation rate used to inflate the 2002 information to compare with 2003 is 365%.

* The 2002 information has been restated in terms of AC124 on Financial Reporting in Hyperinflationary Economies.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

32. ACQUISITION OF SUBSIDIARIES AND OTHER BUSINESSES

In January 2003 the group acquired Marconi Plc's 51% shareholding in ATC (Pty) Limited at a cost of R43,4 million. This brought the group's total effective shareholding in ATC to 89,5%. In July 2003 the group acquired the remaining 10,5% of the ATC shares previously held by Pirelli, by Reutech Engineering Services (Pty) Limited (RES), a wholly-owned subsidiary of Reunert Limited, purchasing African Cables' (a consolidated subsidiary effectively held 50% by Reunert, with Pirelli being the other shareholder) 21% stake in ATC for R19,3 million. At this point RES owned 100% of ATC. In August 2003 Reunert sold to Kgorong Investment Holdings (Pty) Limited, a black-owned group, an effective 25,1% of ATC for R22,8 million. This reduced the Reunert group's holding in ATC to 74,9%. Negative goodwill of R8,4 million arose on these transactions. The group views all of these as one transaction, necessary to allow Kgorong to acquire its effective investment in 25,1% of ATC.

In November 2002 the group acquired the remaining 50% of the share capital of IQ Works (Pty) Limited (now called Nashua Connect) not previously held by it from the IQ Business Group for R4,4 million, including goodwill of R1,9 million. In February 2003 the group acquired the assets of the Cape Town Panasonic franchise, including estimated goodwill of R12,9 million for R19,7 million.

	ATC Rm	Nashua Connect Rm	Cape Town Panasonic franchise Rm	Total Rm
NET ASSETS ACQUIRED				
Property, plant and equipment	67,3	1,8	3,2	72,3
Inventory	38,4		3,6	42,0
Accounts receivable	45,6	7,3		52,9
Amounts owing by the South African Revenue Services	8,0			8,0
Payables and provisions	(31,7)	(2,8)		(34,5)
Net cash/(overdraft)	4,6	(4,6)		-
Long-term borrowings	(26,4)			(26,4)
Loan taken over by purchaser	(21,8)			(21,8)
Attributable share of net assets at date of acquisition	(55,0)	0,8		(54,2)
(Negative goodwill)/goodwill on acquisition	(8,4)	1,9	12,9	6,4
Cost of investment	20,6	4,4	19,7	44,7

Principal subsidiaries – Annexure A

AT 30 SEPTEMBER 2003

	Issued capital R (unless otherwise stated)	Effective percentage holding 2003 %	2002 %	Interest of holding company Shares 2003 Rm	2002 Rm	Indebtedness 2003 Rm	2002 Rm
OFFICE SYSTEMS							
Nashua Limited	947 794	100	100	6,3	6,3	(13,1)	(9,4)
Royce Imaging Industries (Pty) Limited	100	100	100			18,3	18,3
RC&C Finance Company (Pty) Limited	4 000	10*	10*	13,0	13,0	(0,5)	(0,9)
Nashua Connect (Pty) Limited (formerly IQ Works (Pty) Limited)	1 000	100	50			10,0	
CONSUMER PRODUCTS AND SERVICES							
Nashua Mobile (Pty) Limited	9 741 983	100	100	267,8	267,8	0,5	
Reunert Consumer and Commercial Holdings Limited	100	100	100	45,0	45,0	(43,1)	(43,1)
NPC (Electronics) Limited	33 000	100	100	0,2	0,2	1,2	(2,7)
NPC (Airconditioning) Limited	200 000	100	100	2,2	2,2	(5,3)	(0,7)
Pansolutions (Pty) Limited	100	100	100			(2,4)	(1,0)
Futronic (Pty) Limited	100	100	100			0,3	
RC&C Manufacturing Company (Pty) Limited	100	100	100			(2,1)	
RC&C (Parow Factory) Properties (Pty) Limited	2	100	100	0,5	0,5		
Saco Systems Limited (Incorporated in the UK)	£16 556	100	100			3,8	5,2
Saco Systems (Pty) Limited	96 000	100	100			(0,2)	(0,7)
INFORMATION AND COMMUNICATION TECHNOLOGIES							
Acuo Technologies (Pty) Limited	4 000	100	100			(1,4)	(0,5)
REUTECH							
Fuchs Electronics (Pty) Limited	50 000	100	100				
Reutech Defence Industries (Pty) Limited	600 000	100	100	0,3	0,3	0,4	0,4
Reunert Defence Logistics (Pty) Limited	2 000	70	70			(0,2)	4,9
Reutech Radar Systems (Pty) Limited	200	57	57	8,6	8,6	0,9	
Reutech Limited	30 000 000	100	100	5,0	5,0	0,5	
ELECTRICAL ENGINEERING							
Circuit Breaker Industries Limited	46	100	100				3,8
Heinemann Holdings Limited	35 000	100	100	16,4	16,4		
Circuit Breaker Industries GmbH (Incorporated in Germany)	€25 565	100	100				
Circuit Breaker Industries Inc. (Incorporated in the USA)	\$50 000	100	100				
African Cables Limited	9 886 098	50	50				
Afcab Holdings (Pty) Limited	4 000	50	50			99,9	99,9
ATC (Pty) Limited	316 458	74,9					
Reutech Engineering Services (Pty) Limited	32 000	74,9	100	0,6	0,8		8,7
INVESTMENTS AND SERVICES							
Reunert Finance Company Limited	4 000 000	100	100	4,0	4,0	177,1	(120,2)
Bargenel Investments Limited	7	100	100	168,0	168,0	(12,9)	(104,3)
Reunert Management Services Limited	4 000	100	100			(0,1)	(0,1)
Sundry				5,1	5,2	3,4	(12,3)
				543,0	543,3	235,0	(154,7)
Indebtedness (net)				235,0	(154,7)		
Provision for goodwill write-off				(45,9)	(45,9)		
Provision for losses				(47,9)	(38,2)		
Interest in subsidiaries				684,2	304,5		

* Reunert Limited owns 10% of the total share capital, but 100% of the "A" shares, which is the class of shares entitled to share in the dividends of the company.

Share ownership analysis

AT 30 SEPTEMBER 2003

	Ordinary shares	
	2003	2002
	%	%
MAJOR HOLDINGS THROUGH MANAGERS IN EXCESS OF 5% (CURRENT AND PRIOR YEAR)		
RMB Asset Management (SA)	19,5	17,5
Old Mutual Asset Management (SA)	17,0	23,1
Investec Asset Management (SA)	14,7	10,3
Stanlib Limited (SA)	7,0	5,8
Sanlam Investment Managers (SA)	4,9	5,8

The 20 largest shareholders account for 90,6% of the total shares in issue. Included in these 20 shareholders are Bargenel (Pty) Limited and the Reunert Share Option Scheme. Refer to non-public holding below for their percentage holding.

	Ordinary shares		5,5% cumulative preference shares	
	Number of	%	Number of	%
	shareholders	shareholding	shareholders	shareholding
SHAREHOLDER SPREAD				
Public shareholders	10 711	70,7	64	85,0
Non-public shareholders	56	29,3	1	15,0
– Total directors	6	0,6		
– Reunert share purchase trust	47	1,4		
– Bargenel (Share buyback)	1	8,3		
– Public Investment Commissioners (SA)	1	12,0		
– Old Mutual Life Assurance Company SA Limited	1	7,0		
– Old Sillery (Pty) Limited			1	15,0
	10 767	100,0	65	100,0

	Ordinary shares		5,5% cumulative preference shares	
	shares	%	shares	%
	(millions)		(thousands)	
BENEFICIAL HOLDINGS IN EXCESS OF 5% OF ISSUED SHARE CAPITAL				
Public Investment Commissioners (SA)	24,8	12,0		
Bargenel Investments (Pty) Limited	17,2	8,3		
Old Mutual Life Assurance Company SA Limited	14,4	7,0		
Old Sillery (Pty) Limited			52,5	15,0
Newshelf 614 (Pty) Limited			34,2	9,8
HF Richardson			31,9	9,1
DF Foster			24,5	7,0
R Glyn			21,8	6,2
J Fisher			19,9	5,7
JEG Wright			18,2	5,2

Shareholders' diary

REPORTING

Annual general meeting	10 February 2004
Financial year-end	30 September 2004
Announcement of interim results for 2004	18 May 2004
Announcement of final results for 2003	16 November 2004
Annual report for 2004 posted by	10 December 2004

DIVIDENDS

FINAL FOR 2003

Ordinary shares

Declared	Wednesday, 26 November 2003
Last date to trade (cum dividend)	Friday, 16 January 2004
First date of trading (ex dividend)	Monday, 19 January 2004
Record date	Friday, 23 January 2004
Payment date	Monday, 26 January 2004

Shareholders may not dematerialise or rematerialise their holdings of Reunert shares between Monday, 19 January 2004 and Friday, 23 January 2004, both days inclusive.

5,5% cumulative preference shares

Declared	26 November 2003
Payable	17 January 2004

INTERIM FOR 2004

Ordinary and 5,5% cumulative preference shares

Declared	17 May 2003
Payable	June 2004

Please note that reporting dates are subject to change

Corporate administration and information

REUNERT LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1913/004355/06)
Share code: RLO
ISIN: ZAE000005914

GROUP SECRETARY AND ADMINISTRATION

Reunert Management Services Limited

BUSINESS ADDRESS AND REGISTERED OFFICE

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

POSTAL ADDRESS

PO Box 784391
Sandton 2146
South Africa

RG Drakes (56)
CA(SA) (Hons)
Financial Director
Reunert Management Services Limited

Telephone: +27 11 517 9000
Telefax: +27 11 804 1391
e-mail: robd@reunert.co.za

SHARE TRANSFER SECRETARIES

Computershare Limited
70 Marshall Street
Johannesburg, South Africa

POSTAL ADDRESS

PO Box 61051
Marshalltown 2107
South Africa

Telephone: +27 11 370 5000
Telefax: +27 11 370 5847
e-mail: registrar@computershare.co.za

AUDITORS

Deloitte & Touche
Deloitte & Touche Place
The Woodlands
Corner Woodlands and Kelvin Drives
Woodmead 2199
South Africa

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

SPONSOR

Rand Merchant Bank,
A division of FirstRand Limited, Corporate Finance

PRINCIPAL BANKERS

Nedbank Limited
Standard Corporate and Merchant Bank

INFORMATION

Carina de Klerk (42)
BA Comm
Communication Manager

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

Visit our website at www.reunert.com

Notice of annual general meeting

If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the ninetieth annual general meeting of members of Reunert Limited will be held in the Reunert boardroom, Lincoln Wood Office Park, 6 – 10 Woodlands Drive, Woodmead, on Tuesday, 10 February 2004 at 10:00 for the following purposes:

1. To receive and adopt the audited group annual financial statements for the year ended 30 September 2003.
2. Re-election of directors:
 - 2.1. Approving the re-election of retiring directors (referred to in 2.2 below) by means of a single resolution.
 - 2.2. To re-elect the following directors of the company:
SD Jagoe
KJ Makwetla
GJ Oosthuizen

who retire by rotation at the annual general meeting, but, being eligible, offer themselves for re-election.

A brief curriculum vitae in respect of each director referred to above appears on pages 6 and 7 of the annual report.

3. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:
"That 12 000 000 (twelve million) of the unissued ordinary shares of 10 cents each in the authorised capital of the company be reserved to meet the requirements of the Reunert 1985 Share Option Scheme and the Reunert 1988 Share Purchase Scheme and that the directors be and they are hereby specifically authorised to allot and issue those shares in terms of the scheme for the purposes of the Reunert 1985

Share Option Scheme and the Reunert 1988 Share Purchase Scheme."

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

"That the executive directors of the company having been granted 500 000 options on 13 May 2003, made up of G Pretorius 200 000, BP Gallagher 100 000, GJ Oosthuizen 100 000 and DJ Rawlinson 100 000, in terms of the Reunert 1985 Share Option Scheme, the company hereby approves the allotment and issue to the said directors of any number of those shares pursuant to the exercise of such options."

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

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

- the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior arrangement between the company and the counter party (reported trades are prohibited);
- this authority shall not extend beyond 15 months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date;
- any such repurchase be implemented on the open market of the JSE;
- at any point in time, the company only appoints one agent to effect any repurchase(s) on its behalf;

Notice of annual general meeting

- the company or its subsidiary are not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- a paid press release giving such details as may be required in terms of the Listings Requirements of the JSE be published when the company or its subsidiaries have cumulatively repurchased 3% (three per cent) of the shares in issue and for every 3% in aggregate of the initial number of that class acquired thereafter;
- the general repurchase may not in the aggregate in any one financial year exceed 20% of the number of shares in the company's issued share capital at the time this authority is given provided that a subsidiary of the company may not hold at any one time more than 10% of the number of issued shares of the company;
- in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the company;
- the sponsor to the company provides a letter on the adequacy of working capital in terms of section 2.14 of the JSE Listings Requirements prior to any repurchases being implemented on the open market of the JSE;
- that such repurchase shall be subject to the Companies Act (Act 61 of 1973), as amended, and the applicable provisions of the Listings Requirements of the JSE;
- after such repurchase the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;

- the directors undertake that, for a period of 12 months following the date of the annual general meeting or for the period of the general authority, whichever is the longer, they will not undertake any such repurchases unless:

- the company and the group will, after payment for such maximum repurchases, be able to repay their debts in the ordinary course of business;
- the company's and the group's assets, fairly valued according to Generally Accepted Accounting Practice and on a basis consistent with the last financial year of the company, will, after such payment, exceed their liabilities;
- the company's and the group's ordinary share capital and reserves will, after such payment, be sufficient to meet their needs; and
- the company and the group will, after such payment, have sufficient working capital to meet their needs.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 6 and 7 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and by the Listings Requirements of the JSE.

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

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

VOTING AND PROXIES

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith.

ADDITIONAL DISCLOSURES

Other disclosures in terms of the JSE Listings Requirements:

The JSE Listings Requirements require the following disclosure, some of which are elsewhere in the annual report of which this notice forms part as set out below:

- Directors and management – pages 6 and 7;
- Major shareholders of Reunert – page 86;
- Directors' interests in securities – pages 39 and 40 and note 26;
- Share capital of the company – note 21;
- Litigation statement – page 37; and
- Material change – page 37.

The attached form of proxy is only to be completed by those shareholders who are:

- holding Reunert ordinary shares in certificated form; or
- are recorded on the electronic sub-register in "own-name" dematerialised form.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the annual general meeting, must instruct their CSDP or broker

to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Proxy forms should be forwarded to reach the share transfer secretaries, Computershare Limited, at least 24 hours before the time of the meeting.

By order of the board

Reunert Management Services Limited

Company Secretaries

Sandton

26 November 2003

CHANGE OF ADDRESS AND BANKING DETAILS

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

Currency conversion table

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

	2003	2002
US dollar	0,1441	0,0952
Pound sterling	0,0866	0,0604
Swiss franc	0,1904	0,1403
Japanese yen	16,0250	11,6152
Euro	0,1235	0,0963

Proxy form

REUNERT LIMITED

Incorporated in the Republic of South Africa
(Registration number 1913/004355/06)
Share code: RLO ISIN code ZAE000005914

Only for use by members who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name.

I/We

of

being a member/members of the abovementioned company do hereby appoint

of

or, failing him, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held in the Reunert boardroom, Lincoln Wood Office Park, 6 – 10 Woodlands Drive, Woodmead, Sandton, on 10 February 2004 at 10:00 or at any adjournment thereof.

I/We desire to vote as follows:

	For	Against	Abstain
1. Adopt annual financial statements			
2.1 Appoint directors by means of a single resolution			
2.2 Election of directors – SD Jagoe KJ Makwetla GJ Oosthuizen			
3. Ordinary resolution No 1			
4. Ordinary resolution No 2			
5. Special resolution			

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

Signed this _____ day of _____ 20____

Signature _____ Number of shares _____

Notes to proxy

1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint one or more proxies to attend, speak and upon a poll, vote in his/her stead or abstain from voting. The proxy need not be a member of the company.
2. To be valid this form of proxy must be completed and returned to Computershare Limited, 70 Marshall Street, Johannesburg 2001, Republic of South Africa, not later than 24 (twenty-four) hours (excluding Saturdays, Sundays and public holidays) prior to the meeting.
3. In case of a joint holding, the first-named only need sign.
4. A minor must be assisted by his/her guardian, unless proof of competency to sign has been recorded by the company.
5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
7. If this form of proxy is returned without any indication of how the proxy should vote, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting.

REUNERT

REUNERT LIMITED

www.reunert.com