REUNERT

REUNERT LIMITED

ANNUAL REPORT

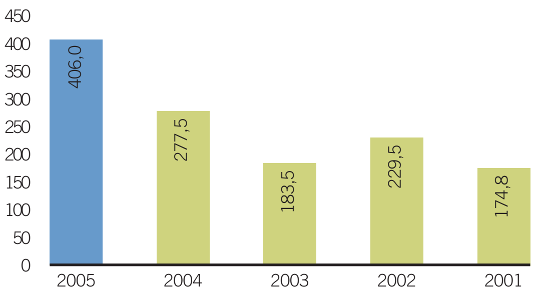
2005

CONTENTS

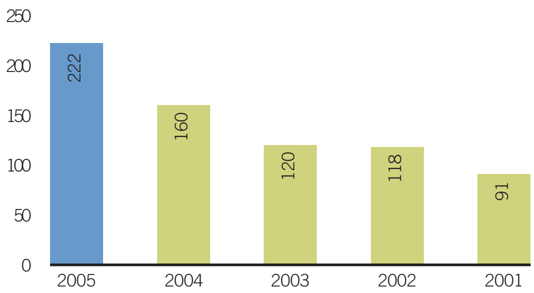
HIGHLIGHTS

- Outstanding performance by majority of Reunert operations
- Headline earnings per share up by 46% to 406 cents per share
- Total dividends of 222 cents per share declared
- Revenue grows by 13% to R7 billion
- EBITDA percentage improves from 13% to 13,7%
- Return on equity up from 49% to 58%

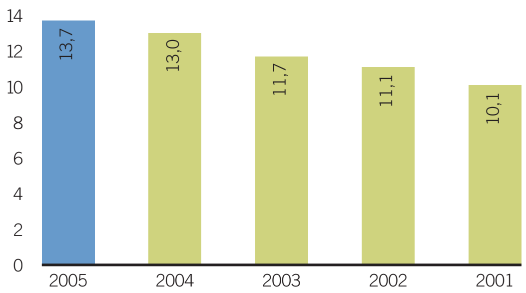
Headline earnings per share (cents)



Dividends per share (cents)



EBITDA as a percentage of revenue (%)



LETTER TO SHAREHOLDERS

Dear Shareholder

The past year has been exceptional for Reunert. Aided by strong domestic economic growth and the share buyback, headline earnings per share increased by 46% from 278 cents to 406 cents. Total dividends increased by 39% to 222 cents per share and a final dividend of 170 cents per share has been declared.

Low interest rates and subdued inflation contributed to a consumer boom which in turn encouraged business spending. Increased building activity together with continued investment in infrastructure created healthy demand for our products.

Export volumes grew, but showed little or no growth in monetary terms as a result of the continued strength of the rand. Exports represented 4% of total revenue. The strong currency made imported products more affordable benefiting the consumer which in turn led to higher volumes being sold.

Group revenue increased by 13% while operating profit was up by 29%. Participation by minorities decreased following the purchase of Pirelli's 50% share in African Cables at the end of last year. In December last year, 25,1% of ATC which includes African Cables was sold to empowerment company, Powerhouse Utilities.

Income from associates, reflecting the performance of Siemens Telecommunications showed a small improvement when compared to last year.

A lower tax rate and a reduced number of shares in issue helped towards achieving growth in headline earnings per share of 46%.

Black economic empowerment

Reunert is committed towards empowering previously disadvantaged groups. A balanced approach has been adopted and all aspects of empowerment are being addressed.

OPERATIONAL REVIEW

Electrical engineering

The electrical engineering division's revenue grew by 36% to R2 billion and operating profit increased by 49% to R324 million.

CBI and African Cables experienced a period of outstanding growth in demand for product. Residential construction grew by over 20% and the associated expansion in infrastructure stretched our capacity.

CBI erected a fourth assembly plant in Lesotho focused on assembling products geared for the export market. This new factory, coupled with a programme of automating certain processes, at all facilities, should provide CBI with sufficient capacity for the foreseeable future.

The investment made in Australia last year has proved successful with Heinemann Australia performing above expectations. More products are being introduced into that market with positive results. We would like to expand the business in Australia through acquisitions to increase our market exposure.

African Cables invested R7 million to add capacity with a further R31 million committed. The new year should see the benefit of that investment. We will continue to make further investments as and when appropriate. We fully expect demand, particularly from local councils and the platinum mines, to continue. The general market is buoyant with no sign of a slowdown.

The situation in Zimbabwe is at an all time low. Although Cafca, the Zimbabwean cable manufacturer in which we hold an effective 54% share, could relieve some of the capacity constraints at African Cables, current Zimbabwean government policies make that impossible.

Telecommunications manufacturer ATC finally turned the corner, showing a modest profit on low revenues. Towards the end of the year volumes picked up and should this trend continue, we anticipate ATC will do well in the coming year.

THE PAST YEAR HAS BEEN EXCEPTIONAL FOR REUNERT. AIDED BY STRONG DOMESTIC ECONOMIC GROWTH AND THE SHARE BUYBACK, HEADLINE EARNINGS PER SHARE INCREASED BY 46% FROM 278 CENTS TO 406 CENTS

Electronics

The electronic division's revenue increased by 4% to R6 billion, while operating profit grew 9% to R714 million.

Office systems

The office automation business goes from strength to strength. Nashua's volumes grew by 22% in the multi-function machine market. Its aggressive entry into the colour laser printer market resulted in the rapid gain of significant market share in little over a year. Total document volume benefited and now exceeds 300 million copies per month.

Discounting at Nashua Finance continued at a brisk pace and the accounts receivable book now exceeds R1 billion. Facilities provided by our three bankers were increased from R900 million to R1,2 billion. Bad debts are less than 1% and margins are reasonable. It is our intention to grow this business going forward.

Consumer products and services

The consumer businesses, Nashua Mobile and Reunert Consumer & Commercial Holdings, experienced strong demand for product and revenue improved by 11% to R3,8 billion. With a comprehensive range of products and services, we were able to satisfy most segments of the market and operating profit increased by 29% to R324 million.

At the top end of the consumer electronics' market the Matsushita product range is unrivalled. We are proud of our role in positioning Matsushita, and its associated brand Panasonic, as the leading consumer electronics brand in South Africa. The product offering is excellent and will continue to command a premium.

Futronic, at the more affordable end of the spectrum, made big inroads in the local market. Sales exceeded expectations demonstrating the wisdom of our strategy to address all segments of the market. The Akai brand was launched during the year and will focus on the middle range of the market.

Cellular service provider Nashua Mobile continued delivering quality service to more than 415 000 contract customers. Subsequent to year-end the longevity of Nashua Mobile was secured when we entered into a five-year agreement with Vodacom. Our aim is to continue as an independent service provider offering all the networks, all the tariffs, all the time.

Although the market for cellular phone services continues to surprise on the upside, simple calculations show that it cannot continue much longer. The South African population can only absorb so many phones before churn and serious price competition will set in. We believe that customer retention will become paramount. Margins in the telecommunications industry may well come under pressure and might result in severe competition and lower prices. Initiatives are in place to ensure we maintain our market position in the future.

Telecommunications

Siemens Telecommunications (Sietel), in which we hold a 40% stake, experienced good order intake. Revenue on an attributable basis increased by 7% to R993 million while operating profits remained flat and contributed R132 million.

On the infrastructure side Vodacom, Telkom and Cell C continue to invest providing a solid base for Sietel. The enterprise market is hugely competitive. The roll out of third generation (3G GSM) systems continues and the long awaited second network operator should come into being. We are confident that Sietel will increase the gap between itself and its nearest competitor.

Reutech

Reutech, representing the defence companies in the group, experienced a difficult year. Revenue was down 33% resulting in an operating profit of R2 million, down by 96%.

The under performance of Reutech was largely due to lack of government support for the local defence industry.

The South African government has to deal with its defence industry policies. Currently, foreign companies are benefiting and no policy exists for developing the local industry. It is a pity, because the capability exists domestically to counter any conceivable threat against South Africa.

We endeavour to contain the situation but are not overly optimistic. The government needs to decide what it wants. Without a local base a viable industry is not feasible.

Appreciation

Derek Cooper resigned as chairman at the end of May 2005 after many years of dedicated service. For his support, guidance and significant contribution, we thank him and wish him many years of health and happiness.

Kingsley Fuller joined the board on 1 June and was appointed chairman of the audit and risk committee.

To our loyal employees who achieved so much, we express our sincere gratitude. Without you it would not have been possible.

Prospects

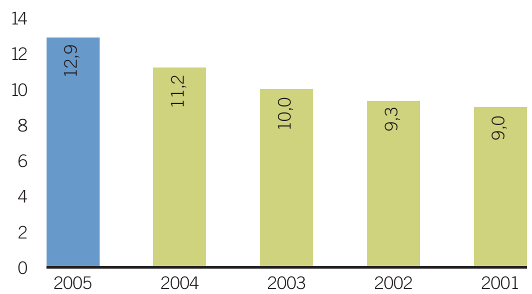
It remains our aim to grow headline earnings per share at a rate higher than inflation in a sustainable way. However, it is unlikely that this year's growth rate will be achieved in the coming financial year.

Martin Shaw
Chairman

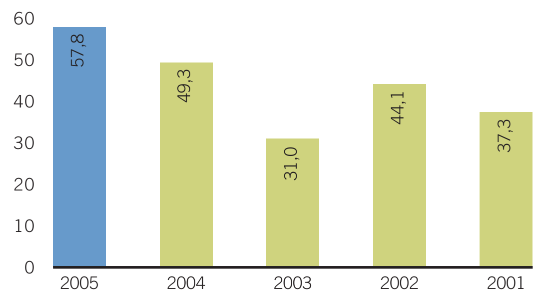
Gerrit Pretorius
Chief executive

Sandton
14 November 2005

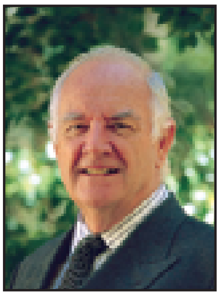
Operating margin (%)

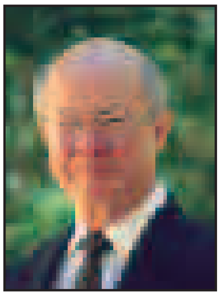


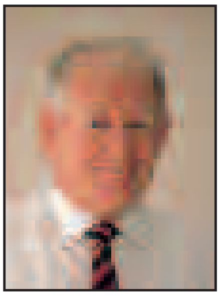
Return on ordinary shareholders' funds (%)

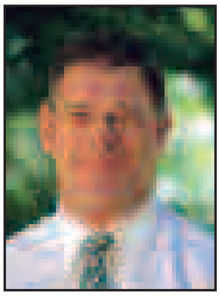


BOARD OF DIRECTORS


MJ Shaw (67)


BP Connellan (65)


KS Fuller (65)


SD Jagoe (54)


KJ Makwetla (64)


KC Morolo (42)


JC van der Horst (61)


G Pretorius (57)


BP Gallagher (55)


GJ Oosthuizen (51)


DJ Rawlinson (56)

NON-EXECUTIVE DIRECTORS

MJ Shaw (67)

Chairman, non-executive, independent director
CA(SA)
Director of companies
Appointed to the board in 2001 and as chairman from 1 June 2005
Born 13 September 1938

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

In 1991 he became chief executive, a position he held until 1999. Thereafter he acted as chairman of the board until his retirement in 2001.

He serves as a board member of Illovo Sugar Limited, JD Group Limited, Liberty Group Limited, Liberty Holdings Limited, Murray & Roberts Holdings Limited, Pretoria Portland Cement Company Limited and Standard Bank of SA Limited.

BP Connellan (65)

Non-executive, independent director
CA(SA)
Director of companies
Appointed to the board in 1999
Born 28 June 1940

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

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

KS Fuller (65)

Non-executive, independent director
CA(SA)
Appointed to the board from 1 June 2005
Born 5 December 1939

Kingsley joined Deloitte & Touche in East London in 1961 as an articled clerk. After qualifying as a CA(SA) in June 1963, he transferred to the Johannesburg office in 1964. He has held various positions in Deloitte & Touche culminating in his appointment as a senior partner at the Sandton office in 1990. He retired in 2003. Kingsley is the current chairman of the Board of Trustees of Deloitte & Touche Pension & Provident Fund and has been an active member of the Rotary Club of Benoni for 19 years.

SD Jagoe (54)

Non-executive, independent director
BSc (Eng), MBA
Merchant banker
Appointed to the board in 2000
Born 9 June 1951

Sean is a senior advisor in Morgan Stanley's Johannesburg office, with 24 years' experience in banking and finance. Prior to joining Morgan Stanley, he was head of mergers and acquisitions at Deutsche Morgan Grenfell, head of corporate finance at Rand Merchant Bank and chief professional officer with the Industrial Development Corporation.

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

KJ Makwetla (64)

Non-executive, independent director
Social Work Diploma, PMD (Harvard)
Appointed to the board in 2000
Born 14 September 1941

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

He serves on the boards of Lebowa Platinum, New Era Life Insurance and Potgietersrus Platinum. Bobby is chairman of Clear Channel Merafe (Pty) Limited and deputy chairman of Smokey Hills Trading (Pty) Limited. In his various capacities, Bobby has contributed extensively to black economic empowerment issues at governmental level.

KC Morolo (42)

Non-executive, independent director
MEng
Appointed to the board in August 2004
Born 6 August 1963

Khumo is general manager at Eskom in the generation department and responsible for a cluster comprising of two of the Eskom power stations: Matimba power station in Lephalale (previously Ellisras) and Arnot Power Station near Middelburg.

She holds a BSc mechanical engineering degree from Wits University and obtained her MEng (Engineering Management) qualification at the University of Pretoria in 1998.

Khumo started as management trainee at Liberty Life becoming a computer programmer in 1989. In 1994 she moved to Eskom as a consulting engineer. She was promoted to engineering manager at Matimba power station in 1999 and progressed to become power station manager in January 2002. Khumo was appointed general manager production in September 2003.

JC van der Horst (61)

Non-executive, independent director

BA, LLD

Director of companies

Appointed to the board in 1993

Born 4 February 1944

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

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

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

EXECUTIVE DIRECTORS

G Pretorius (57)

Chief executive

BSc, BEng, LLB, PMD

Appointed to the board in 1990

Born 24 August 1948

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

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

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

BP Gallagher (55)

Executive director

BCom, CA(SA)

Appointed to the board in 1993

Born 5 March 1950

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

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

GJ Oosthuizen (51)

Commercial director

BIuris, LLB

Appointed to the board in 1997

Born 31 March 1954

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

DJ Rawlinson (56)

Financial director

CA(SA)

Appointed to the board in 1992

Born 23 February 1949

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

He has been involved 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.

COMMITTEES

Audit and risk committee

KS Fuller (chairman), BP Connellan, SD Jagoe, G Pretorius, DJ Rawlinson.

Remuneration committee

SD Jagoe (chairman), MJ Shaw, JC van der Horst.

Nomination committee

MJ Shaw (chairman), SD Jagoe, JC van der Horst.

Group executive and risk management committee

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

GROUP OVERVIEW

Reunert Limited is listed on the JSE Limited (JSE) in the electronic and electrical equipment sector. It manages a number of 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 Barlows in 1993.

In the late 90s the group, once again, entered a restructuring process streamlining its very diverse businesses into more focused operations. Since the restructuring began in 1997, various non-core or unprofitable businesses were disposed of or closed.

Today, the companies remaining in the Reunert group are focused specifically on electronics and electrical engineering. Reunert owns Nashua, Nashua Mobile, RC&C Holdings and CBI. Reutech represents the defence electronics business. Reunert holds a 75% share in ATC which includes African Cables and has a 40% stake in Siemens Telecommunications.

Reunert's revenue in 2005 was R7 billion serving local and international markets. Reunert has over 5 000 employees, many of whom are highly qualified and experienced engineers, technicians, research and development experts and field support staff.

REUNERT

ELECTRICAL	ELECTRONICS			
ELECTRICAL ENGINEERING	**OFFICE SYSTEMS**	**CONSUMER PRODUCTS AND SERVICES**	**REUTECH**	**TELECOMMUNICATIONS**
Circuit Breaker Industries 100% Cables 75% • ATC • African Cables	Nashua 100% Nashua Finance 100% Nashua Kopano 74%	Nashua Mobile 100% Saco Systems 100% RC&C Holdings 100%	Fuchs Electronics 100% RDI Communications 100% RDL Technologies 70% Reutech Radar Systems 57%	Siemens Telecommunications 40% Acuo Technologies 100%

ELECTRICAL ENGINEERING

CIRCUIT BREAKER INDUSTRIES (CBI)

Circuit Breaker Industries (CBI) designs and manufactures low-voltage switchgear for the protection of installations and equipment from overload and short circuit. Products include a wide range of residual current devices for the protection of people against electrocution.

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. In addition, the company offers a wide range of metering solutions, including prepayment meters and one of the smallest electronic kWh meters in the world.

In July 2004 CBI acquired Heinemann Electric (Pty) Limited giving it a foothold in the Australian market targeting the mining and building construction industries. CBI is also involved in surge and lightning protection and has exclusive distribution rights for Mitsubishi switch gear, motor control gear and factory automation equipment in sub-Saharan Africa.

Export and international sales account for 25% of the manufactured products. The target is to increase these sales to 50% of production over the next few years. 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.

The head office and component manufacturing operations are based in Johannesburg. The company has three assembly plants at QwaQwa in the Free State and one in Lesotho. There are service branches in Cape Town, Durban, Bloemfontein and Port Elizabeth. CBI sales offices in Europe and the United States complement these operations. Heinemann Electric (Pty) Limited in Australia, consists of five branches.

Managing director: Circuit Breaker Industries Limited
Helmuth Fischer (58)
Dip Ing, Dipl. Wirtsch. Ing.
With CBI since 1984
Internet: www.cbi.co.za
www.cbibreakers.com

ATC

Reunert owns 74,9% of ATC which includes African Cables. Powerhouse Utilities (Pty) Limited, a black-owned company, holds the remaining 25,1%.

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

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.

Managing director: ATC (Pty) Limited
Koos Vorster (55)
BCom, CIS, MBL
First employed by ATC in 1971
Internet: 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, installation and maintenance of insulated power cables. The company is based at Vereeniging in Gauteng.

African Cables holds a 72% 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 (56)
BSc Eng (Elec)
With the Reunert group since 1999
Internet: www.africancables.co.za

ATC

african cables

ELECTRONICS

NASHUA

The advancement of digital technology has enabled Nashua Limited to provide document storage, transmission and printing solutions in a networked environment.

Products are sourced predominately from Ricoh, the market leader in Europe, Africa, Asia and Japan. The current product line up includes digital multifunction devices that are able to copy, fax, scan and print. Monochrome and colour networked printers have shown large growth over the past year. Other products in the range include plain paper facsimile, scanners and wide format plan printers.

Nashua continues to develop new-generation software solutions designed to increase the productivity of managed document storage and flow. Nashua has recently entered the Broadband market as a service provider.

Nashua has a well-established network of 56 franchises in South Africa, Namibia, Swaziland, Lesotho, Botswana, Zimbabwe and Zambia.

Managing director: Nashua Limited
Chris Scoble (44)
BBusSci
With Nashua since 1985
Internet: www.nashua.co.za

NASHUA FINANCE

RC&C Finance Company, trading as Nashua Finance, provides asset-based financial solutions to Nashua, Panasonic, Saco Systems and Siemens Telecommunications customers.
The company is based at Midrand in Gauteng.

General manager: RC&C Finance Company
Mike Purnell (42)
CA(SA)
With the Reunert group since 1995

NASHUA KOPANO

Kopano Copier Company, trading as Nashua Kopano, was established earlier this year as a black-empowered organisation. Nashua Direct's sales unit was merged with the former black-owned franchise, Nashua Kopano, who now owns 26% of the new entity.

NASHUA MOBILE

Nashua Mobile is one of South Africa's largest independent cellular service providers and one of the few to offer consumers the choice of all three networks namely Vodacom, MTN and Cell C.

This impartial, expert view is a key service differentiator in an increasingly complex market place. This is set to increase with greater deregulation, accelerated convergence of voice, data and multimedia as well as the advent of mobile number portability in 2006. Number portability, which will allow consumers to change networks and providers but keep their mobile number, will herald in a new era of service in the mobile industry.

Nashua Mobile, with long-term network agreements, eleven years of customer service experience, valuable partnerships and over 415 000 contract subscribers, is ideally positioned to grow and cement its place as South Africa's premier service provider.

To that end, the Midrand-based company has been restructured into three separately focussed business units: Corporate and Franchise, Retail and Specialised Services.

The corporate and franchise unit will continue to focus on corporate and medium-sized contract users, offering an array of business solutions.

The retail area is tasked with an aggressive expansion programme, aiming to increase Nashua Mobile's presence in the retail market, by opening over 50 additional outlets during the next year. Their main focus will be on accessibility for individual, high-value subscribers.

The specialised services unit will continue building on its success in least-cost routing and telemetry, whilst introducing more complex and integrated communications solutions to the market.

All three areas will focus on greater service and on expansion of the current 150 strategically placed Nashua Mobile outlets.

Managing director: Nashua Mobile (Pty) Limited
Mark Taylor (42)
With the Reunert group since 2002
Internet: www.nashuamobile.com

RC&C HOLDINGS

Reunert Consumer and Commercial Holdings (RC&C) is the exclusive importer and distributor of such well known brands as Panasonic, Futronic, Nintendo and Akai in southern Africa. Panasonic boasts an extensive range of upper end consumer products and business systems products, whereas Futronic and Akai are targeting the value-for-money, entry-level consumer electronics market. 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 and information technology equipment, telecommunications products and systems, broadcasting and security systems and airconditioning units are also available for a variety of commercial applications.

Most of these products use leading-edge technology from Matsushita Electric Industrial Corporation (MEI), supplemented, where required, by third-party products or technologies.

Products are distributed through major chain stores, discounters, franchises, independent buying groups and specialised dealers or directly through Pansolutions/Panasonic Business Systems. The head office operations are based at Midrand in Gauteng.

Group managing director: Reunert Consumer and Commercial Holdings Limited
Martin Maddox (44)
BA Econ (Hons)
With the Reunert group since 1983
Internet: www.panasonic.co.za
www.futronic.co.za www.nintendo.co.za
www.akai.co.za www.pansolutions.co.za
www.rccman.co.za

SACO SYSTEMS

SACO Systems designs and supplies radio frequency identification (RFID) based tag, track and trace solutions to a wide range of industries that need to track assets either 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 solutions.

During the past year, SACO developed and took to market a biometric fingerprint recognition system to add an additional level of security to its already wide range of access and time and attendance services.

Asset management of items as diverse as motor vehicles, medical waste containers and livestock has also been implemented.

Managing director: Saco Systems (Pty) Limited
Bill Reeler (51)
BSc Eng Elec (Hons)
With the Reunert group since 1981
Internet: www.saco.co.za

TELECOMMUNICATIONS

SIEMENS TELECOMMUNICATIONS

Siemens Telecommunications is a leading supplier of fixed and mobile voice and data networks with a comprehensive portfolio of products and services for service providers, enterprise networks and carriers. Reunert holds a 40% stake in Siemens Telecommunications (Pty) Limited, while Siemens Limited holds the remaining 60%.

Siemens is one of the largest players in the global telecommunications industry, offering customers seamless end-to-end solutions through a portfolio ranging from network infrastructure through services, applications and other communication solutions.

Siemens is the innovation leader in convergent technology products, services and solutions for mobile, fixed and enterprise networks. Key clients include Telkom, Vodacom, Cell C, Celtel and other operators in Africa as well as many of the top 100 South African corporates.

Chief executive officer: Siemens Telecommunications (Pty) Limited
Dr Jan Mrosik (41)
BAdmin, PhD (Elec)
With Siemens since 1996

ACUO TECHNOLOGIES

Acuo Technologies is a specialist software engineering company providing turnkey software system solutions and software system integration services for the office automation and telecommunications and other markets.

The company provides development services, involving real-time software, mobile distributed systems, remote management and monitoring, as well as transaction management systems. Acuo offers configurable product components including fingerprint biometric, transaction tracking and prepaid billing subsystems.

Being a Microsoft Certified Partner, the company's areas of development expertise include Microsoft.NET, Biztalk Server, MS CRM and Windows Mobile.

General manager: Acuo Technologies (Pty) Limited
Carl Kies (42)
MEng
First employed by the Reunert group in 1988
Internet: www.acuo.co.za

REUTECH

Managing director: Reutech Limited
Piet Smit (43)
MEng, MBA
With the Reunert group since 1987

FUCHS ELECTRONICS

Fuchs Electronics is recognised and globally respected for its innovation and excellence as a supplier of electronic fuze ordnance, electronic air weapon fuzes and pre-fragmented air weapons.

Its capabilities include design, development and manufacture of:

- electronic fuze ordnance and associated setting devices for all medium and large calibre tube launched ammunition; and
- electronic air weapon fuzes and pre-fragmented air weapons.

Fuchs' product range is suitable for use on naval, artillery, mortar, and rocket and air weapon applications. More than 80% 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 is based at Alberton in Gauteng.

Managing director: Fuchs Electronics (Pty) Limited
Mike Tucker (44)
BEng (Elec)
With the Reunert group since 1984
Internet: www.fuchs.co.za

RDI COMMUNICATIONS

RDI Communications, located at Pinetown in KwaZulu-Natal, specialises in technologically advanced tactical V/UHF communication systems for the defence environment.

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

RDI Communications has been a strategic supplier for communication products to the South African Defence Force (SANDF) for almost 40 years. The company is also an approved supplier to many international customers.

Managing director: RDI Communications (Pty) Limited
Martin de Beer (40)
BSc Eng (Elec)
With the Reunert group since 1989
Internet: www.rdi.co.za

RDL TECHNOLOGIES

RDL Technologies is a system engineering and support company. The company's services cover the entire spectrum of installation, logistic support and support of electronic equipment with specific emphasis on telecommunication and radar systems.

RDL develops and manufactures gun and fire control systems for armoured vehicles and naval guns, and supplies and supports Alcatel carrier internet working equipment. RDL also supplies, installs and supports automatic fare collection and control solutions in the transportation marketplace.

Reunert Limited holds 70% and a black-owned group, Kgorong Investment Holdings (Pty) Limited 30%. RDL is based at Midrand and has support facilities throughout South Africa.

Chief executive officer: RDL Technologies (Pty) Limited
Selwyn Newnes (48)
BCompt
With the Reunert group since 1984
Internet: www.rdl.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 (Pty) Limited. 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, air traffic control and mining markets. RRS supplies world class products to local and international markets.

Chief executive officer: Reutech Radar Systems (Pty) Limited
James Verster (39)
BEng (Elec)
With the Reunert group since 1989
Internet: www.rrs.co.za

BUILDING AND DEVELOPING PEOPLE

For more than a decade, the Reunert group has placed particular emphasis on building and developing people – from our own employees to those involved in the group's corporate social investment programme.

Reunert College

The ability of employees to succeed in today's technically-orientated work environment increasingly depends on their understanding of mathematical and computation science and their application in a practical environment. The college provides specialised tuition to assist students from previously disadvantaged communities to improve their matriculation results for mathematics, science, English and accounting. In developing these students, Reunert's ultimate intention is to be in a position to offer them employment. Since inception in 1993, approximately R16 million has been spent on the Reunert College.

To date, more than 500 students have graduated from the college and over 400 bursaries awarded to enable students to study at tertiary institutions. Part of the programme's success is the close interaction between students and the college through an ongoing mentoring system, which includes the opportunity for vocational work at company operations. This interaction is aimed at ensuring that critical skills are retained within the group.

More than 50 individuals who have attended tertiary institutions through the college programme are currently employed in the group, mostly in junior managerial positions. Another 90 former students are employed in other companies, including those which were previously part of the Reunert group.

Most students qualified in industrial engineering, electrical engineering and information technology.

The Reunert College is accredited for experiential training by the Witwatersrand, Vaal Triangle and Tshwane universities of technology. The college is also an examination centre registered with the Gauteng Department of Education and the Independent Examination Board.

Aside from a pivotal role in the group's employment equity programme, college staff are required to control, implement and monitor skills development programmes in the group and, to a large extent, they take responsibility for adult basic education and training for employees. The standard of skills development and training is maintained at a high level throughout the group, with the college principal serving as the group human resources development manager and coordinator of the group training and development forum.

For a number of years, the Reunert College has interacted with disadvantaged schools in the Boksburg and Alberton areas in Gauteng. Further training and education is provided to teachers, particularly those responsible for mathematics, science and English. This programme could be expanded in collaboration with the Department of Education.

The groundbreaking work which takes place at the college was recognised this year by the National Board for Further Education and Training as well as the South African Qualifications Authority. The college principal, Marina Gunter, was recently elected to a second term on the National Skills Authority (NSA), which is the highest authority for skills development in the country. She also heads a number of specialist task teams in the NSA and serves on numerous organisational committees such as Business Unity South Africa (BUSA), the AHI as well as the executive councils of the National Board for Further Education and Training and Work Skills South Africa.

The Department of Education has noted the successes achieved by Reunert College and, with the support of a number of large employer bodies, discussions are currently taking place to expand the college as part of a joint programme between business and the Department of Education.

Mentorships

The Reunert employee mentorship programme, introduced in 2003, has proved highly successful. This programme enables less experienced employees to benefit from the structured coaching of experienced employees. The aim is to retain and develop high-performing staff, and particularly to attract and retain high-calibre staff from previously disadvantaged communities. The programme assists in integrating new members of staff, and is instrumental in the development and promotion of existing members of staff. To date, 225 employees have participated in the Reunert mentorship programme and their progress is constantly monitored through employee satisfaction reviews.

As part of a scientific and integrated approach to mentorship, both mentors and protégés attend an initial training programme which is the framework for future development. To enable employees to effectively focus on what they want to achieve in their careers, the programme concentrates on assisting employees to understand themselves and their relationship with others. The aim is to coach employees to understand effectiveness in a business context and how to continually improve their skills.

As a large number of these participants will hopefully take part in accelerated development programmes, significant emphasis is placed on how to achieve equity with integrity and to understand the correlation between work output and remuneration.

We are particularly pleased by the subsequent achievements of those who attended the programme, not only in their renewed enthusiasm for career development, but by the significant individual development and including promotions that were achieved. Equally important, the programme helps retain high levels of skills and enhances productivity and self-esteem.

Other training activities

African Cables, in partnership with the Riverside High School in Vereeniging, has sponsored a Saturday school since 1994 to provide supplementary and remedial tuition in English, mathematics and science. This initiative was prompted by the low numbers of children from previously disadvantaged communities who pass mathematics and science at secondary school level. To date, African Cables has assisted 522 children through the Saturday school.

African Cables recently formed a partnership with the Gauteng Department of Education to initially train 25 educators who will provide safety workshops to businesses aimed at meeting the requirements of the Occupational Safety Act.

ATC, in collaboration with the University of Johannesburg and Telkom, has formed a centre of excellence in optical fibre research. Aside from providing technical and operational information, ATC sponsors the centre to the value of R100 000 per annum. ATC has also formed a relationship with Orbit Technical College in Brits (North West province) to provide students with practical training at ATC. The majority of these students are able to find employment with ATC after completing their practical training.

Panasonic has continued its involvement with the upgrade and restoration of the Mhlontlo Senior Secondary School in Mount Fletcher, Eastern Cape.

THIS YEAR IS THE FIRST TIME I DO HIGHER GRADE, BUT IT'S LIKE I DID IT BEFORE. I PASSED MATHEMATICS (HG) AND PHYSICAL SCIENCE (HG), BECAUSE OF THE TECHNIQUES THAT ARE USED BY TEACHERS IN CLASS

– ABRAM MAROPENG

Abram Maropeng

A number of schools in the Midrand area, Gauteng, are benefiting from the involvement of Nashua Mobile which has sponsored the establishment of development centres, computer centres and feeding schemes. By 2006, the first students assisted by Nashua Mobile will qualify for bursaries to complete their tertiary education.

Since 1985, CBI has participated in the commercial advancement training scheme (CATS). This is recognised as an NQF5 qualification after completion of a two-year study and experiential training period. Many CATS trainees have successfully continued their studies and either achieved a bachelor of technology (BTech) degree or a national diploma in mechanical engineering, electrical engineering or finance. One of the students who graduated in 2004 has been offered employment at CBI.

Bursaries

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

ATC provides learning opportunities to 51 previously disadvantaged learners through its bursary scheme, at a cost of R400 000 per annum. Forty-seven bursary holders are enrolled at tertiary institutions, four in secondary schools and one pupil attends a school for the physically disabled. Children of deceased employees are also assisted with educational needs.

Over the past nine years, African Cables has granted 283 bursaries of which more than 90% were awarded to previously disadvantaged children. Assistance is also provided to employees in the form of study loans.

REUNERT MADE IT POSSIBLE FOR ME TO BE A CITIZEN OF SOUTH AFRICA WITH A NEW GOAL – PUT YOUR MIND TO IT, YOU WILL SUCCEED. THERE IS A SPACE OUT THERE THAT CAN BE FILLED BY YOU

– MACKSWELL MBELE

Mackswell Mbele

For the 2005 academic year, African Cables has awarded 26 bursaries to children of current employees at a total value of R112 000.

Employment equity

All Reunert companies maintain established employment equity plans and forums in terms of the Employment Equity Act of 1998. Most of these plans were formulated and are managed in conjunction with employee representatives of business units. The Reunert College continues to serve as a primary source of employees from previously disadvantaged communities. At least 20 former students were employed during 2005 and we anticipate that between ten and 15 will be employed during 2006.

The group's approach to employment equity is part of an integrated plan aimed at ensuring a constant stream of new entrants to the college and the retention of skills through the Reunert mentorship programme. These activities emphasise developing young people from previously disadvantaged communities and all interventions, including the level of funds contributed by group companies, are monitored monthly.

Black economic empowerment

Progress was made with the group's black economic empowerment (BEE) programme during the year.

Strategic BEE partners have been introduced into certain Reunert subsidiaries.

Kgorong Investment Holdings currently holds 10% of Reutech Radar Systems (RRS) and 30% of RDL Technologies (RDL), with two seats on each board including the chairmanship of RDL. Powerhouse Utilities holds a 25,1% share in ATC (which includes African Cables) and two seats on the ATC board. Many Nashua franchises are introducing BEE partners, and approximately ten transactions are likely to be completed before the end of 2006.

During the last year, Nashua Kopano was established with a black empowerment group holding 26% of the shares and two seats on the Kopano board, one of which is the executive chairman and the other board member is deputy managing director. Approximately 70% of Nashua sales in 2006 are expected to be made through empowered companies.

Outsourcing and assistance to small and medium-sized enterprises

Over the last decade, Reunert companies have dedicated considerable effort to creating small and medium-sized businesses and promoting business activities in previously disadvantaged communities.

Since 2002, African Cables has helped Bogabane Engineering to establish itself as a small engineering business in the Vaal Triangle. Bogabane specialises in maintenance work for industrial companies in the area, as well as engraving embossing wheels. Bogabane will probably have to invest in more machinery during 2006 as the business is expanding rapidly.

African Cables established a small enterprise, Atlehang Ma Africa, which specialises in battening cable drums. In addition, Doocks Construction is responsible for rewinding galvanised wire used in the production process at African Cables. Another small empowerment company, Xylo, was established to recover scrap metal generated during the production process.

Through its small, medium and macro enterprise (SMME) initiatives, African Cables has established 83 jobs in businesses with a combined revenue of approximately R5 million per annum.

During 2005, more than 12% of ATC's sales were channelled through BEE distributors. ATC provides focused training to BEE cable installers in programmes accredited with national training bodies. ATC also provides a skills transfer programme to its SMME distributors, including market intelligence and technical assistance in project-related solutions. To assist with the establishment of selected BEE distributors, ATC makes consignment stock available. During 2005, more than 50% of all ATC's procurement, excluding imported materials and copper, was made from previously disadvantaged suppliers. All non-core business activities such as canteen services, security, gardening and cleaning are sourced from BEE suppliers.

RDL is providing factory space to a black-owned company – Bogkone Projects (Pty) Limited – and assists it with various installation work, including project management and bridging finance.

Aids and health services

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

Although the group focuses mainly on educating children, many Reunert companies are playing a major role in the wider community by helping to reduce the plight of Aids sufferers. Following its success with Nkosi's Haven, a home for Aids orphans and children living with Aids, Nashua is also supporting the Banakekeleni Haven on the outskirts of Alexandra. The haven is home to a number of HIV-positive patients and Aids orphans, and provides home-based care in Alexandra to Aids orphans and destitute children.

ATC participates in the activities of the Madibeng centre for research. This centre conducts medical research in rural areas on all health-threatening diseases and aims to provide research material to improve the health conditions of people in these areas. The project is also supported by the University of Pretoria, local government, local medical practitioners and other businesses. One of the projects currently under way will determine the health-related reasons for absenteeism in the Madibeng area, which is

TODAY I AM CONFIDENT, PASSIONATE, STRONG AND I ACKNOWLEDGE THE FACT THAT REUNERT HAS OPENED THE DOOR TO A BRIGHTER FUTURE

– SWEETNESS NONKULULEKO NDLELA

Sweetness Nonkululeko Ndlela

close to ATC's Brits factory. ATC provides computer services, office equipment and security equipment to the centre.

As part of ATC's programme to assist with Aids awareness and treatment, the company and its staff have adopted the Tumelong hospice in Madidi (North West province). ATC provides medical equipment, financial support, food and clothing to the hospice.

Support for community projects

Reunert group companies contribute meaningfully to a variety of organisations, especially those who provide food and shelter, education and training and assistance to victims of the Aids pandemic.

Since 2001, Panasonic has been involved with the Twilight shelter in Johannesburg, which accommodates 60 homeless youngsters between the ages of 9 and 21. Children selected for the Panasonic mentoring programme are assisted with tertiary education and helped to complete practical training modules through Panasonic. During 2005, Panasonic supported the fundraising endeavours of St Francis hospice and Lerato Love Home and made sizeable donations to a number of care centres.

Human resources

The group's corporate social investment, employment equity, BEE and all other social activities have been integrated into its human resources strategies and activities.

The Reunert College coordinates the skills development programme in each group company. College employees are responsible for introducing the group's mentorship programme. This approach helps college students progress from being learners to employees, and provides ongoing growth and development for existing Reunert staff who participate in the programme.

The group skills development forum meets four times a year and coordinates all group skills development. The targets for skills development, as set out in the national skills development strategy (NSDS), are discussed at this forum. All Reunert companies have contributed substantially to this strategy.

THESE PROGRAMMES HELP TO DEVELOP LEADERS IN THE COMMUNITIES OF SOUTH AFRICA AND THOSE ARE THE PEOPLE WE NEED IN ORDER FOR THE COUNTRY TO GROW AS A WHOLE

– SAKHILE HLATSHWAYO

Sakhile Hlatshwayo

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

During 2005, the Minister of Labour accepted the investor in people (IIP) standard as the quality standard for developing human resources in South Africa. Two representatives of the Reunert skills development forum have attended training courses for the IIP standard. Four Reunert group companies have registered to participate in the people standard programme.

African Cables is currently at the forefront of skills development in South Africa and is accredited by the Merseta (industry training authority) and the Telecommunications and Cable Association as a trainer in learnerships in NQF levels one to four. The company has been instrumental in developing the unistandard for an NQF1 learnership.

In 1988, the group launched a long-term skills assessment programme to more accurately determine individual training needs at senior level and to identify future management potential as part of ongoing succession planning. To date, approximately 200 employees have been assessed. Our intention is to assess at least 30 senior managers a year for further training at a business school in South Africa or overseas.

Group companies continue to build on sound relationships with trade unions. In many instances, these have been in place since 1985. The established structures for collective bargaining and consultations, along with the expertise built up in the group over many years, ensured there were no major industrial relations incidents during the year.

The group's reward system is based on a total package concept to provide employees with maximum flexibility. Group companies are participating members in at least three medical schemes and employees are encouraged to select their own scheme. Where a company's administration cannot provide for multiple schemes, employees can still make their own administration arrangements to enable them to join alternative schemes.

A new administration system for the Reunert Retirement Fund was introduced in 2004. The system has proved reliable and employees are now able to regularly monitor changes in their pension fund benefits.

A new investment strategy put in place for the Reunert Retirement Fund has proved successful. All employees now have access to a user-friendly, sophisticated planning tool which enables them to make their own investment choices, based on their individual retirement needs.

Employee profile

as at September 2005

Occupational levels	Male Black	Male Coloured	Male Indian	Male White	Female Black	Female Coloured	Female Indian	Female White	Total
Top management**	14	0	1	56	1	0	0	2	74
Senior management	8	2	3	81	1	0	0	14	109
Professionally qualified, experienced specialists and mid-management	20	12	22	286	3	5	9	74	431
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	307	124	85	615	114	94	57	379	1 775
Semi-skilled and discretionary decision-making	568	64	34	48	134	103	35	129	1 115
Unskilled and defined decision-making	302	11	1	4	816	42	2	6	1 184
Total permanent	**1 219**	**213**	**146**	**1 090**	**1 069**	**244**	**103**	**604**	**4 688**
Contract workers	159	27	16	63	59	80	8	36	448
Temporary staff	70	10	19	21	26	3	6	7	162
Trainees	8	1	0	7	6	0	0	0	22
Total other	**237**	**38**	**35**	**91**	**91**	**83**	**14**	**43**	**632**
Total									**5 320**

** *Includes all directors in group companies*

Students of the Reunert College welcome the Minister of Education, Ms Naledi Pandor, at the inauguration of members of the National Board for Further Education and Training.

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 (King Code). Reunert strives to comply fully with the recommendations of this report, including the code of corporate practice and conduct, and motivates its staff to conduct business activities with integrity. The Reunert board is satisfied that the group has in all material respects complied with the provisions and the spirit of the King Code. The group endeavours to incorporate into its actions the best possible mutual interests of all stakeholders, including investors, employees, suppliers, customers and the communities in which it operates.

Board, directors and committees

Composition of the board

The Reunert board currently consists of 11 directors, seven of whom are non-executive, independent directors as defined in the King Code. It is the policy of the board to have due regard to considerations of diversity and the appropriate balance of executive, non-executive and independent directors when making or recommending appointments to the board. The directors bring a wide range of experience, wisdom and professional skills to the board. The composition of the board with brief curriculum vitae of each director is listed on pages 5 to 7.

Declaration of interests

Several of the non-executive, independent directors hold various directorships in other listed companies. Full details of these directorships are given on pages 6 and 7. Whenever it is felt that there is a conflict of interest the director will recuse him/herself from discussion at board or board committee meetings when such business is tabled.

Board charter

The Reunert board has adopted a board charter. The salient features thereof are:

- the demarcation of the roles, functions, responsibilities and powers of the board;
- the terms of reference of the various board committees;
- matters reserved for decision making by the board; and
- the policies and practices of the board in respect of matters such as corporate governance, board meetings and documentation, disclosure of conflicts of interests and trading by the directors in the securities of the company.

Roles and responsibilities

The roles of the chairman and the chief executive are separate. The chairman of the board is elected by members of the board. The chairman has no executive or management responsibilities and acts also as chairman of meetings of shareholders.

The chief executive is appointed by the board on recommendation of the nomination committee. The duration of his appointment, terms of appointment and compensation are determined by the board on recommendation of the remuneration committee.

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

Directors are jointly accountable for decisions of the board. Directors have a legal obligation to act in the best interest of the company, to act with due care in discharging their duties as directors, to declare and avoid conflicts of interests with the company and the group and to account to the company for any advantages gained in discharging their duties on behalf of the company.

The Reunert board of directors, among other functions:

- retains full and effective control of the Reunert group;
- monitors and evaluates the implementation of strategies, policies and management performance;
- sets criteria and approves business plans;
- determines the group's purpose and values;
- ensures the group complies with sound codes of business practice;

- has unrestricted right of access to all company information, records, documents and property;
- ensures a process exists to identify key business risk areas and key performance indicators; and
- guards the interests of minorities through its independent, non-executive directors.

The board meets quarterly and at such additional ad hoc times as may be required. Members of senior management can be invited to attend board meetings to facilitate communication between executive management and non-executive board members. All of the directors attended the meetings held in 2004/5 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	Meeting	Apologies tendered
15 November 2004	Board	
7 February 2005	Board and AGM	BP Gallagher SD Jagoe
2 March 2005	Special	BP Connellan KC Morolo
9 May 2005	Board	
29 August 2005	Board	KC Morolo

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 board charter is considered to be an integral part of the conditions of appointment of all directors. Procedures for appointments are formal and transparent and a matter for the board as a whole.

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

The chairman Mr DE Cooper has resigned as non-executive director and chairman from the board with effect from 31 May 2005. Derek has for some time conveyed to the Reunert board that as chairman of a major South African bank and in the interest of good corporate governance it was not appropriate for him to remain on Reunert's board. Mr MJ Shaw, chairman of the audit and risk committee was appointed as chairman effective 31 May 2005. Mr KS Fuller was appointed as non-executive director on 1 June 2005. In terms of the company's articles of association, Mr Fuller is required to retire at the next annual general meeting. Mr Fuller has made himself available for re-election.

Messrs BP Gallagher, DJ Rawlinson and JC van der Horst retire by rotation in accordance with the company's articles of association at the forthcoming annual general meeting. The nomination committee has recommended that they be re-elected and they have offered themselves for re-election at this meeting.

Details of remuneration, fees or other benefits earned by directors in the past year are given in note 26 to the consolidated annual financial statements.

Board committees

In terms of the articles of association the board has the power to appoint board committees and to delegate powers to such board committees. The board has four subcommittees: the audit and risk committee, the remuneration committee, the nomination committee and the group executive and risk management committee. Minutes are kept of all committee meetings. These committees can, at their own discretion, seek independent outside professional advice as and when necessary. All of these committees have adopted charters which have been approved by the Reunert board. The committees are directly responsible to the board.

Audit and risk committee

KS Fuller (chairman), BP Connellan, SD Jagoe, G Pretorius, DJ Rawlinson

The audit and risk committee, chaired by an independent non-executive director and comprising a majority of independent non-executive directors, meets at least twice a year. The committee reviews the group's internal and external audit reports and agrees on the scope of the audits. Furthermore, the committee operates in terms of its charter and reviews audit, accounting and financial reporting issues and ensures an effective internal control environment exists in the group. The committee reports biannually to the board on the effectiveness of the risk controls and management within the group.

On 29 August 2005 Mr MJ Shaw resigned from the audit and risk committee and Mr KS Fuller was appointed chairman in his stead.

During the year the following meetings took place with full attendance:

Date	Meeting
12 November 2004	Regular
20 April 2005	Special
6 May 2005	Regular

Remuneration and nomination committees

In line with guidelines set out by the King Code, the remuneration and nomination committee was split into two committees, each with its own chairman.

Remuneration committee

SD Jagoe (chairman), MJ Shaw, JC van der Horst

This committee comprises independent non-executive directors only and meets at least twice a year to make recommendations to the board on the framework of executive remuneration. These recommendations include 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. In the past financial year the remuneration committee met twice, with full attendance.

Date
7 February 2005
29 August 2005

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 market practices, the interests of the shareholders and to the financial and commercial well-being of the group.

Nomination committee

MJ Shaw (chairman), SD Jagoe, JC van der Horst

This committee comprises independent non-executive directors only and meets at least annually to make recommendations to the board on the composition of the board and identifying and nominating candidates to fill any vacancies. In addition, the committee is tasked to advise the board on succession planning. The committee met twice with full attendance.

Date
7 February 2005
29 August 2005

Group executive and risk management committee

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

The group executive and risk management committee comprises executive directors only and is constituted to assist the chief executive to manage the group. Executive directors and senior executives meet regularly to guide and control the overall direction of the group and to identify potential risk areas. The internal audit department assists the board and management in the monitoring of the risk management process.

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 secretarial 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 Limited (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 has considered the use made of non-audit related services provided by the external auditors and is satisfied that the independence of the external auditors is not compromised.

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

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

The external auditors have again confirmed based on the scope of work performed that 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 auditors' report.

Internal audit

Comprehensive internal controls have been instituted to assist management and the directors in fulfilling their responsibility for the preparation of the annual financial statements, safeguarding of 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 reports biannually to the audit and risk committee and has unrestricted access to the chairman of the board.

Non-financial matters

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

Employment equity

The group supports employment equity and is committed to providing equal opportunities for all group employees. All business units have employment equity programmes that comply with the objectives and requirements of the legislation. Various skills development,mentoring and training programmes exist within the group. An in-depth review on Reunert's focus on people development appears on pages 16 to 21.

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 are used to disseminate information according to the preferences of the intended target audiences. These include ongoing dialogue with institutional investors, analysts and the media, and a corporate website (http://www.reunert.com) with up-to-date information on the 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 publicly announced 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 party. Additional closed periods are enforced as required in terms of any corporate activity.

Code of ethics

The group's code of ethics is printed on the inside back cover of this report and is displayed on the company website.

VALUE ADDED STATEMENT

	2005 Rm	%	2004 Rm		% change 2005 over 2004
Revenue	**7 036,9**		6 247,3		13
Paid to suppliers for materials and services	**5 040,8**		4 340,2		16
Value added	**1 996,1**		1 907,1		5
Income from investments and associates	**152,7**		142,0		8
TOTAL WEALTH CREATED	**2 148,8**	**100**	2 049,1	100	5
DISTRIBUTED AS FOLLOWS:					
EMPLOYEES					
Remuneration and service benefits	**724,1**		660,9		
Add PAYE collected on behalf of government	**132,6**		110,1		
Gross remuneration and service benefits	**856,7**	**40**	771,0	38	11
PROVIDERS OF CAPITAL					
Dividends to Reunert shareholders	**298,6**	**14**	243,5	12	23
Dividends to outside shareholders in subsidiaries	**8,5**	**–**	24,6	1	(65)
Interest paid on borrowings	**23,3**	**1**	10,1	–	131
	330,4	**15**	278,2	13	19
PAYMENTS TO GOVERNMENT					
Taxation on profits and dividends	**319,1**		309,0		
VAT, customs duties and other taxes	**173,7**		371,7		
	492,8	**23**	680,7	33	(28)
RETAINED IN THE GROUP TO DEVELOP FUTURE GROWTH					
Amortisation of intangible assets and depreciation	**56,3**	**3**	57,9	3	(3)
Accumulated profit*	**412,6**	**19**	261,3	13	58
	468,9	**22**	319,2	16	47
TOTAL WEALTH DISTRIBUTED	**2 148,8**	**100**	2 049,1	100	5

* *The funds returned to shareholders in the 2004 year by way of the compulsory share buyback scheme of R476,6 million have been excluded as this is considered to be an unusual event returning wealth created in earlier periods.*

SEGMENTAL ANALYSIS

BUSINESS AND GEOGRAPHIC SEGMENTS

Business segments

For management purposes, the group is currently organised into two operating divisions: Electrical engineering (Circuit Breaker Industries, ATC and African Cables) and Electronics comprising of Office systems (Nashua Office Automation, Nashua Kopano and RC&C Finance Company), Consumer products and services (Nashua Mobile, RC&C Holdings and Saco Systems), Telecommunications (Siemens Telecommunications and Acuo Technologies) and Reutech (Fuchs Electronics, RDI Communications, RDL Technologies and Reutech Radar Systems). The group overview on pages 8 to 15 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, the United States of America and Australia. It is therefore not considered meaningful to disclose information on geographic segments according to location of operation.

REVENUE INCLUDING ASSOCIATE COMPANIES

Rm	2005	%	2004	%	% change
Electrical engineering	**1 986,7**	**25**	1 456,7	20	36
Electronics					
Office systems	**981,3**	**12**	1 071,0	15	(8)
Consumer products and services	**3 770,5**	**47**	3 382,7	46	11
Telecommunications	**993,0**	**12**	931,8	13	7
Reutech	**298,4**	**4**	443,0	6	(33)
Total electronics	**6 043,2**	**75**	5 828,5	80	4
Total operations	**8 029,9**	**100**	7 285,2	100	10
Less: Reunert's attributable portion of associate companies' revenue	**(993,0)**		(1 037,9)		
Revenue as reported per the income statement	**7 036,9**		6 247,3		13

OPERATING PROFIT BEFORE GOODWILL AMORTISATION INCLUDING ASSOCIATE COMPANIES

Rm	2005	%	2004	%	% change
Electrical engineering	**324,0**	**31**	217,1	25	49
Electronics					
Office systems	**256,3**	**25**	226,3	26	13
Consumer products and services	**324,2**	**31**	250,9	29	29
Telecommunications	**131,9**	**13**	130,2	15	1
Reutech	**1,7**	**–**	48,5	5	(96)
Total electronics	**714,1**	**69**	655,9	75	9
Total operations	**1 038,1**	**100**	873,0	100	19
Less: Reunert's attributable portion of associate companies' operating profit	**(132,6)**		(119,0)		
Operating profit before amortisation of goodwill as reported per the income statement	**905,5**		754,0		20

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

Rm	2005	2004*
Electrical engineering	**823,6**	676,0
Electronics		
Office systems	**1 273,0**	824,8
Consumer products and services	**962,3**	887,4
Telecommunications	**581,6**	514,9
Reutech	**69,2**	122,4
Total electronics	**2 886,1**	2 349,5
Total operations	**3 709,7**	3 025,5
Less: Reunert's attributable portion of associate companies' assets	**(479,9)**	(445,5)
Total assets (excluding cash and cash equivalents and deferred taxation assets) as reported per the balance sheet	**3 229,8**	2 580,0

* *The comparative information has been amended to take account of the change of accounting policy in terms of which existing negative goodwill has been transferred to accumulated profit (refer to notes 8 and 12 to the annual financial statements).*

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

Rm	2005	2004**
Electrical engineering	**248,7**	250,3
Electronics		
Office systems	**293,5**	360,2
Consumer products and services	**803,5**	717,6
Telecommunications	**435,1**	335,1
Reutech	**97,2**	118,0
Total electronics	**1 629,3**	1 530,9
Total operations	**1 878,0**	1 781,2
Less: Reunert's attributable portion of associate companies' liabilities	**(434,5)**	(378,9)
Trade and other payables, derivative liabilities and provisions as reported per the balance sheet	**1 443,5**	1 402,3

** *The comparative information has been amended to take account of the restatement of provisions (refer to notes 23 and 33 to the annual financial statements).*

CAPITAL EXPENDITURE EXCLUDING ASSOCIATE COMPANIES

Rm	2005	2004
Electrical engineering	**34,4**	27,1
Electronics		
Office systems	**2,3**	5,7
Consumer products and services	**14,5**	13,2
Telecommunications	**–**	0,1
Reutech	**3,8**	2,7
Total electronics	**20,6**	21,7
Capital expenditure as reported	**55,0**	48,8

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

Rm	2005	2004
Electrical engineering	**35,7**	30,5
Electronics		
Office systems	**3,7**	4,8
Consumer products and services	**13,1**	18,5
Telecommunications	**0,1**	0,1
Reutech	**3,7**	4,0
Total electronics	**20,6**	27,4
Depreciation and impairments of property, plant and equipment and amortisation of intangible assets as reported	**56,3**	57,9

NUMBER OF EMPLOYEES EXCLUDING ASSOCIATE COMPANIES

	2005	2004
Electrical engineering	**2 680**	2 524
Electronics		
Office systems	**413**	445
Consumer products and services	**1 588**	1 479
Telecommunications	**16**	13
Reutech	**623**	708
Total electronics	**2 640**	2 645
Number of employees as reported	**5 320**	5 169

FIVE-YEAR FINANCIAL REVIEW

	2005 Rm	2004** Rm	2003 Rm	2002 Rm	2001* Rm
ASSETS					
Property, plant and equipment	**191,9**	196,2	213,7	157,1	161,8
Goodwill	**329,0**	324,8	306,9	360,0	10,9
Investments and loans	**116,2**	109,9	20,8	151,6	188,4
RC&C Finance Company (RCCF) accounts receivable	**1 028,2**	528,5	1 220,0	953,9	745,1
Deferred taxation assets	**42,4**	56,2	33,1	25,9	42,0
Cash and cash equivalents	**784,4**	451,3	484,8	283,5	303,5
Other current assets	**1 564,5**	1 420,6	1 358,5	1 372,7	1 092,0
Total assets	**4 056,6**	3 087,5	3 637,8	3 304,7	2 543,7
EQUITY AND LIABILITIES					
Ordinary and preference shareholders	**1 453,5**	983,1	1 156,5	1 071,1	878,5
Outside shareholders	**42,5**	39,7	121,2	103,5	137,9
Interest of all shareholders	**1 496,0**	1 022,8	1 277,7	1 174,6	1 016,4
Deferred taxation liabilities	**51,4**	44,3	63,8	45,9	48,6
Long-term borrowings	**111,4**	–	–	–	2,7
RCCF short-term borrowings	**866,8**	314,1	900,7	838,0	324,0
Current liabilities	**1 531,0**	1 706,3	1 395,6	1 246,2	1 152,0
Total equity and liabilities	**4 056,6**	3 087,5	3 637,8	3 304,7	2 543,7
RESULTS					
Revenue	**7 036,9**	6 247,3	6 103,9	5 062,9	4 229,8
Operating profit	**905,5**	700,5	607,7	472,1	379,2
Net interest and dividends received	**50,2**	65,1	45,2	36,5	59,1
Profit before abnormal items	**955,7**	765,6	652,9	508,6	438,3
Abnormal items	**3,9**	6,0	–	(18,7)	–
Profit before taxation	**959,6**	771,6	652,9	489,9	438,3
Taxation	**(319,1)**	(309,0)	(224,4)	(177,3)	(145,6)
Profit after taxation	**640,5**	462,6	428,5	312,6	292,7
Share of associate companies' profits / (losses)	**79,2**	66,8	(82,6)	89,6	81,8
Profit after taxation including associate companies	**719,7**	529,4	345,9	402,2	374,5
Interest of outside shareholders	**(10,5)**	(51,0)	(50,5)	(31,6)	(42,3)
Earnings attributable to Reunert Limited shareholders	**709,2**	478,4	295,4	370,6	332,2
Headline earnings attributable to Reunert Limited shareholders	**704,0**	526,9	345,6	429,3	335,2
Headline earnings per share (cents)	**406,0**	277,5	183,5	229,5	174,8
Basic earnings per share (cents)	**409,0**	251,9	156,9	198,1	173,3

	2005 Rm	2004** Rm	2003 Rm	2002 Rm	2001* Rm
CONSOLIDATED CASH FLOW STATEMENTS					
EBITDA	**961,8**	811,9	712,3	559,7	425,3
Changes in working capital	**(101,0)**	113,0	210,5	(157,2)	(61,9)
Cash generated from operations	**860,8**	924,9	922,8	402,5	363,4
Interest and dividends received	**119,4**	65,1	45,2	144,9	130,0
Taxation paid	**(364,9)**	(313,5)	(178,7)	(209,0)	(133,0)
Dividends paid and share buyback	**(307,1)**	(744,7)	(258,4)	(201,0)	(386,9)
Acquisition of assets, businesses and investments and other	**10,7**	(237,2)	(123,1)	(451,6)	(87,1)
Long-term borrowings raised	**130,0**	–	–	–	–
Net cash generated / (utilised) (before RCCF receivables)	**448,9**	(305,4)	407,8	(314,2)	(113,6)
(Increase) / decrease in RCCF receivables	**(499,7)**	691,5***	(269,8)	(208,8)	6,5
Net cash (utilised) / generated	**(50,8)**	386,1	138,0	(523,0)	(107,1)

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

** *The 2004 information has been restated to take account of the effect of reversing the debtors recourse guarantee provision (refer to note 33 to the annual financial statements) and the transfer of negative goodwill to accumulated profit (refer to note 12 to the annual financial statements).*

*** *In December 2003 R1 255,5 million was received on the sale of the RC&C Finance Company debtors book.*

SUMMARY OF STATISTICS

	2005	2004**	2003	2002	2001*
SHARES					
Number of ordinary shares on which earnings per share is calculated (million)	**173,4**	189,9	188,3	187,0	191,7
Net worth per share (cents) – tangible only	**645**	383	450	380	464
Net worth per share (cents) – including intangibles	**834**	572	612	572	470
Headline earnings per share (cents)	**406,0**	277,5	183,5	229,5	174,8
Basic earnings per share (cents)	**409,0**	251,9	156,9	198,1	173,3
Dividends per share (cents)	**222,0**	160,0	120,0	118,0	91,0
Dividend cover (times)	**1,8**	1,7	1,5	1,9	1,9
Cash flow per share (cents)	**370,9**	353,2	417,7	187,7	187,9
Ordinary shares in issue (million) (net of treasury shares)	**174,4**	171,8	188,8	187,3	186,9
Number of transactions – JSE	**20 938**	13 452	11 308	12 765	9 245
Number of shares traded (million)	**92,7**	94,9	76,4	76,4	67,0
Value of shares traded (R million)	**3 473,0**	2 129,5	1 380,4	1 438,2	969,2
Number of shares traded as a percentage of issued shares	**47,9**	49,7	37,1	37,4	32,9
Market price per share (cents)					
– year-end	**4 230**	2 790	1 710	1 860	1 615
– highest	**4 400**	2 900	2 230	2 220	1 850
– lowest	**2 600**	1 695	1 560	1 610	980
Earnings yield (%) at year-end	**9,6**	10,0	10,7	12,3	10,8
Dividend yield (%) at year-end	**5,2**	5,7	7,0	6,3	5,6
Price: earnings ratio (times) at year-end	**10,4**	10,1	9,3	8,1	9,2
Market capitalisation (net of treasury shares) (R million) at year-end	**7 376**	4 792	3 228	3 482	3 018
JSE actuaries electronics sector index at 30 September (adjusted base 2001 = 3727)	**7 851**	5 328	3 852	3 887	3 727
OTHER					
Number of employees	**5 320**	5 169	4 918	4 318	4 148
Revenue per employee (R000)	**1 323**	1 209	1 241	1 173	1 020
Operating profit per employee (R000)	**170**	136	124	109	91
Wealth created per employee (R000)	**404**	409	335	312	297
Employment cost per employee (R000)	**161**	149	142	130	118

	2005	2004**	2003	2002	2001*
PROFITABILITY, ASSET MANAGEMENT, LIQUIDITY AND LEVERAGE					
EBITDA as a percentage of revenue (%)	**13,7**	13,0	11,7	11,1	10,1
Operating margin (%)	**12,9**	11,2	10,0	9,3	9,0
Net asset turn (times)	**8,4**	7,6	6,8	5,9	5,2
Return on ordinary shareholders' funds (%)	**57,8**	49,3	31,0	44,1	37,3
Return on net operating assets (%)	**117,2**	99,6	63,5	70,0	57,4
Return on net operating assets excluding investments in associates (%)	**120,3**	96,7	78,4	71,5	57,7
Taxation (excluding STC on the share buyback in 2004) as a percentage of profit before taxation (excluding abnormal items) (%)	**33,4**	36,4	34,4	34,9	33,2
Total liabilities to total shareholders' funds (%)	**172,6**	197,5	179,8	177,4	145,2
Net borrowings to total shareholders' funds (%)	**7,1**	3,2	32,8	47,5	3,4
Current ratio	**1,8**	1,3	1,6	1,6	1,5
Interest cover (times)	**41,8**	69,4	12,1	25,5	34,3

* *The 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.*

** *The 2004 statistics have been restated to take account of the effect of reversing the debtors recourse guarantee provision (refer to note 33 to the annual financial statements) and the transfer of negative goodwill to accumulated profit (refer to note 12 to the annual financial statements).*

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 profit before deducting depreciation and amortisation expenses).

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 borrowings 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's profit, less adjustments for capital items excluded from headline earnings, divided by average net operating assets.

Return on net operating assets excluding investments in associates
As for return on net operating assets excluding investments in and share of associate company's profit.

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 cash equivalents.

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 dividend 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 2005

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 reasonable 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 external auditors in conformity with statements of South African Auditing Standards.

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

In terms of section 11.26 of the Listings Requirements of the JSE Limited, the directors, whose names are given on page 5 of the annual report of which this statement of directors' responsibility forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

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

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

The annual financial statements appearing on pages 37 to 81 were approved by the board of directors on 14 November 2005 and are signed on its behalf by:

MJ Shaw
Chairman

G Pretorius
Chief executive

Sandton
14 November 2005

Report of the independent auditors

for the year ended 30 September 2005

TO THE MEMBERS OF REUNERT LIMITED

We have audited the annual financial statements and group annual financial statements set out on pages 37 to 81 for the year ended 30 September 2005. 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 2005, 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

Deloitte & Touche
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton
14 November 2005

Secretaries' certification

for the year ended 30 September 2005

In terms of section 268G(d) of the Companies Act, 61 of 1973, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies for the financial year ended 30 September 2005 all such returns as are required by a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

For Reunert Management Services Limited
Company secretaries

Statutory information

for the year ended 30 September 2005

AUTHORISED AND ISSUED CAPITAL

The authorised capital of the company remained unchanged. During the year 1 261 900 ordinary shares were issued at R5,45 per share, 861 600 at R14,10 per share, 420 700 at R15,80 per share, 30 000 at R15,99 per share and 33 300 at R17,70 per share. Options exercised in terms of the Reunert 1985 Share Option Scheme accounted for this increase.

REVIEW OF OPERATIONS

The performance of the divisions and the group's results are reviewed on pages 2 to 4.

DIVIDENDS

An interim ordinary dividend No 158 of 52 cents per share was declared on 9 May 2005 and a final ordinary dividend No 159 of 170 cents per share was declared on 14 November 2005.

A total distribution of 222 cents (2004: 160 cents) per ordinary share was declared relating to the 2005 financial year.

An interim 5,5% cumulative preference dividend No 40 was declared on 12 July 2005 and a final dividend No 41 was declared on 14 November 2005.

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: Reutech Defence Logistics (Pty) Limited changed its name to RDL Technologies (Pty) Limited and Sunset Bay Trading (Pty) Limited changed its name to Kopano Copier Company (Pty) Limited. African Cables Limited sold the majority of its assets to ATC (Pty) Limited.

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

DIRECTORATE

Mr DE Cooper resigned as a director of the company and as its chairman on 31 May 2005, and Mr MJ Shaw was appointed chairman on the same day. Mr KS Fuller was appointed as an independent non-executive director of the company on 1 June 2005 and is required to retire at the forthcoming annual general meeting in terms of the company's articles of association. He has made himself available for re-election.

Messrs BP Gallagher, DJ Rawlinson and Dr JC van der Horst retire by rotation at the forthcoming annual general meeting and all offer themselves for re-election.

The names of the directors in office at 30 September 2005 are set out on pages 6 and 7.

The name of the company secretaries is set out on page 84.

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	
	2005	2004
DE Cooper		–
BP Connellan	**30 523**	30 523
KS Fuller	**–**	
BP Gallagher	**273 209**	343 594
SD Jagoe	**–**	–
KJ Makwetla	**–**	–
KC Morolo	**–**	–
GJ Oosthuizen	**196 720**	134 820
G Pretorius	**228 720**	440 420
DJ Rawlinson	**355 720**	302 320
MJ Shaw	**–**	–
JC van der Horst	**–**	–
	1 084 892	1 251 677

Statutory information continued

for the year ended 30 September 2005

	Indirect beneficial	
	2005	2004
DE Cooper		32 117
BP Connellan	**9 000**	9 000
KS Fuller	**–**	
BP Gallagher	**–**	–
SD Jagoe	**18 000**	18 000
KJ Makwetla	**–**	–
KC Morolo	**–**	–
GJ Oosthuizen	**–**	–
G Pretorius	**–**	–
DJ Rawlinson	**18 123**	18 123
MJ Shaw	**–**	–
JC van der Horst	**–**	–
	45 123	77 240

These holdings have remained unchanged up to 14 November 2005.

There were no non-beneficial interests in either period.

Executive directors of the company held unexercised options to subscribe for 1 027 200 (2004: 1 179 000) ordinary shares in terms of the Reunert 1985 Share Option Scheme. These options are due to expire as follows:

– 83 800 on 1 February 2011
– 163 400 on 26 September 2011
– 500 000 on 13 May 2013
– 280 000 on 29 August 2015

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

SUBSEQUENT EVENTS

There were no events subsequent to the balance sheet date that require disclosure.

ATTRIBUTABLE INTEREST

The attributable interest of the company in the profits and losses of its consolidated subsidiaries for the year ended 30 September 2005 is:

	2005 Rm	2004 Rm
In the aggregate net income	**411,4**	283,4
In the aggregate net losses	**(38,0)**	(19,7)
	373,4	263,7

Accounting policies

for the year ended 30 September 2005

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 2005.

The principal accounting policies of the group, which are set out below, comply with currently applicable South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act. These policies are, in all material respects, consistent with those applied in the previous year except as detailed below.

ADOPTION OF NEW AND REVISED ACCOUNTING STATEMENTS

Revised AC140 – Business combinations, AC128 – Impairment of assets and AC129 – Intangible assets

The group has applied the requirements of the above revised accounting statements on a prospective basis on business combinations with agreement dates on or after 31 March 2004. The accounting treatment applied to business combinations with agreement dates prior to 31 March 2004 has been consistently applied in respect of the group's previous accounting policies in this regard.

IFRS 2 (AC139) – Share-based payments

The group has decided to early adopt the requirements of IFRS 2 (AC139) – Share-based payments.

IFRS 2 requires the recognition of equity-settled share-based payments at fair value at the date of grant. Prior to the adoption of IFRS 2, the group did not recognise the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002.

AC501 – Accounting for Secondary Taxation on Companies (STC)

The group has adopted the requirements of this interpretation statement whereby a taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future. Previously unutilised STC credits were only brought to account when they were utilised upon declaration of dividends payable.

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.

COMPARATIVE FIGURES

When an accounting policy is changed, comparative figures are restated.

BASIS OF CONSOLIDATION

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

Subsidiaries

A subsidiary is an 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 inter-company transactions within the group are eliminated in the consolidated annual financial statements.

Associates

Associates 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 subsidiaries or joint ventures.

Associates are accounted for by the equity method from their audited or unaudited financial statements to 30 September. Investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of the individual investments.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at no value. Additional losses are only recognised to the extent that the group has incurred obligations or made payments on behalf of the associate.

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

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

Inter-company transactions with associates are eliminated to the extent of the group's interest in the relevant associate.

Joint ventures

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

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.

Inter-group 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 retained 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 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.

Goodwill

Business combinations with agreement dates on or after 31 March 2004

All business combinations are accounted for by applying the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control, of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. If the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units expected to benefit from the synergies of the combination. Goodwill is no longer amortised, but tested annually for impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of an associate is described under 'associates'.

Business combinations with agreement dates before 31 March 2004

Goodwill is carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill was amortised on a straight-line basis over its estimated useful life, not exceeding 20 years up to 30 September 2004. Thereafter goodwill is not amortised but is subject to an annual impairment test.

A recognised impairment loss is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of that specific event.

Negative goodwill arising on a business combination represents any excess of the fair value of the group's share of the identifiable net assets acquired over the purchase consideration. To the extent that the negative goodwill relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, it is brought to account in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. The balance of negative goodwill in excess of the fair values of the non-monetary assets is recognised immediately in the income statement.

On disposal of a subsidiary or a jointly controlled entity, the attributable goodwill is included in the determination of the profit or loss on disposal.

Black economic empowerment (BEE) transactions

BEE transactions involving the disposal or issue of equity interests in subsidiaries are only recognised when the accounting recognition criteria have been met.

Although economic and legal ownership of such instruments have transferred to the BEE partner, the accounting derecognition of such equity interest sold by the parent company or recognition of equity instruments issued in the underlying subsidiary is postponed until the significant risks and rewards of ownership of the equity have passed to the BEE partner.

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost to the group less accumulated depreciation and accumulated impairment losses.

Major improvements to existing buildings, plant and equipment are capitalised.

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

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.

LEASES

Finance leases

Assets subject to financial lease agreements, where considered material and where the group assumes substantially all the risks and rewards of ownership, are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and the corresponding liability raised.

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

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 using the effective interest rate method so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

IMPAIRMENT OF ASSETS

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss, on assets other than goodwill, is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

INTANGIBLE ASSETS

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

Subsequent expenditure on intangible assets is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

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 with average and standard cost also used. 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.

TAXATION

The charge for taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed.

Current taxation

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for the previous year.

Deferred taxation

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.

Accounting policies continued

for the year ended 30 September 2005

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.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, or in equity to the extent that it relates to items previously charged or credited to equity.

Secondary tax on companies (STC)
STC is recognised in the year dividends are declared, net of dividends received on which STC credits arise.

A taxation asset is recognised on unutilised STC credits when it is probable that such STC credits will be utilised in the future.

REVENUE

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

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.

Airtime sales at the cellular service provider are disclosed at the amounts charged to subscribers.

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

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.

FOREIGN CURRENCIES

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.

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

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

Foreign entities
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.

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.

PROVISIONS

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

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade payables, borrowings and derivative instruments. Financial instruments are initially measured at cost, which includes transaction costs. Details of the subsequent measurement of different classes of financial instruments are dealt with below and in the relevant notes to the annual financial statements.

Cash and cash equivalents
Cash and cash equivalents are measured at fair value.

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

Derivative instruments
Derivative financial instruments, principally forward foreign exchange contracts and interest rate swap agreements, are used by the group in its management of financial risks. The risks being hedged by the forward foreign exchange contracts are exchange losses due to unfavourable movements between the rand and the foreign currency. The risks being hedged by interest rate swaps are increases in interest expenses due to higher interest rates being charged on borrowings. Gains and losses arising from the changes in the fair values of interest rate swaps are recognised in the income statement as they arise.

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

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

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

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

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Trade and other payables are stated at their nominal value.

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

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.

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.

EMPLOYEE BENEFITS

Short-term employee benefits
The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of employee's services provided. The provisions have been calculated at undiscounted amounts based on current salary levels.

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

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

SHARE-BASED PAYMENTS

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial pricing model. The expected lives used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Income statements

for the year ended 30 September 2005

	Notes	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
Revenue	1	**7 036,9**	6 247,3	**2 312,3**	2 251,6
Cost of sales		**(4 830,2)**	(4 268,4)	**(1 321,7)**	(1 334,2)
Gross profit		**2 206,7**	1 978,9	**990,6**	917,4
Other income		**15,5**	10,2	**12,0**	4,1
Other expenses		**(1 316,7)**	(1 288,6)	**(583,5)**	(611,4)
Operating profit	2	**905,5**	700,5	**419,1**	310,1
Interest and dividends received	3	**73,5**	75,2	**332,7**	414,7
Interest paid	4	**(23,3)**	(10,1)	**(7,1)**	(1,6)
Profit before abnormal items		**955,7**	765,6	**744,7**	723,2
Abnormal items	5	**3,9**	6,0	**(41,8)**	(19,1)
Profit before taxation		**959,6**	771,6	**702,9**	704,1
Taxation	6	**(319,1)**	(309,0)	**(176,7)**	(149,8)
Profit after taxation		**640,5**	462,6	**526,2**	554,3
Share of associate companies' profits	14	**79,2**	66,8		
Profit after taxation including associate companies		**719,7**	529,4	**526,2**	554,3
Earnings attributable to outside shareholders in subsidiaries		**(10,5)**	(51,0)		
Earnings attributable to Reunert Limited shareholders		**709,2**	478,4	**526,2**	554,3
Basic earnings per share (cents)	9	**409,0**	251,9		
Diluted basic earnings per share (cents)	9	**404,2**	248,8		
Headline earnings per share (cents)	10	**406,0**	277,5		
Diluted headline earnings per share (cents)	10	**401,2**	274,0		
Dividend declared per share (cents)	7	**222,0**	160,0		
Final dividend declared for the year per share (cents)	7	**170,0**	120,0		

Balance sheets

at 30 September 2005

	Notes	Group 2005 Rm	Group Restated 2004 Rm	Company 2005 Rm	Company 2004 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	11	**191,9**	196,2	**77,3**	77,5
Goodwill	12	**329,0**	324,8	**13,5**	10,8
Interest in subsidiaries	13			**874,9**	337,3
Interest in associates	14	**86,8**	88,5	**158,5**	170,2
Other investments and loans	15	**29,4**	21,4	**29,4**	21,4
RC&C Finance Company accounts receivable	16	**726,0**	391,5		
Deferred taxation assets	17	**42,4**	56,2	**1,1**	30,5
		1 405,5	1 078,6	**1 154,7**	647,7
Current assets					
Derivative assets		**1,5**	5,9	**–**	4,6
Inventory and contracts in progress	18	**559,6**	491,9	**337,3**	308,4
RC&C Finance Company accounts receivable	16	**302,2**	137,0		
Accounts receivable	19	**1 003,4**	922,8	**286,4**	275,2
Cash and cash equivalents	20	**784,4**	451,3	**145,8**	346,5
		2 651,1	2 008,9	**769,5**	934,7
Total assets		**4 056,6**	3 087,5	**1 924,2**	1 582,4
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	21	**49,4**	22,7	**49,4**	22,7
Share-based payments reserves	21	**30,8**	–	**6,7**	–
Treasury shares	21	**(282,0)**	(282,0)		
Non-distributable reserves	22	**67,3**	55,0	**2,8**	0,3
Accumulated profit		**1 588,0**	1 187,4	**1 092,3**	897,4
		1 453,5	983,1	**1 151,2**	920,4
Interest of outside shareholders in subsidiaries		**42,5**	39,7		
Non-current liabilities					
Deferred taxation liabilities	17	**51,4**	44,3	**–**	–
Long-term borrowings	30	**111,4**	–	**111,4**	–
Current liabilities					
Derivative liabilities		**17,9**	2,9	**11,9**	1,8
Bank overdrafts and short-term portion of long-term borrowings		**20,2**	170,4	**18,6**	2,7
RC&C Finance Company short-term borrowings		**866,8**	314,1		
Provisions	23	**60,9**	68,8	**9,2**	8,2
Trade and other payables		**1 364,7**	1 330,6	**571,9**	577,7
Taxation		**67,3**	133,6	**50,0**	71,6
		2 397,8	2 020,4	**661,6**	662,0
Total equity and liabilities		**4 056,6**	3 087,5	**1 924,2**	1 582,4

Cash flow statements

for the year ended 30 September 2005

	Notes	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
Cash flows from operating activities					
Cash generated from operations before working capital changes	A	**989,6**	806,1	**457,7**	333,3
(Increase) / decrease in net working capital		**(600,7)**	804,5	**(50,3)**	60,7
Movement in RC&C Finance Company accounts receivable					
– Increase in RC&C Finance Company accounts receivable		**(499,7)**	(564,0)		
– Sale of debtors book in December 2003		**–**	1 255,5		
Working capital changes	B	**(101,0)**	113,0	**(50,3)**	60,7
Cash generated from operations		**388,9**	1 610,6	**407,4**	394,0
Interest received		**60,7**	47,8	**25,3**	20,2
Interest paid		**(23,3)**	(10,1)	**(7,1)**	(1,6)
Dividends received (including from associate)		**82,0**	27,4	**307,4**	394,5
Taxation paid	C	**(364,9)**	(313,5)	**(169,3)**	(110,1)
Dividends paid (including to outside shareholders in subsidiaries)	D	**(307,1)**	(268,1)	**(331,3)**	(265,5)
Net cash (outflow) / inflow from operating activities		**(163,7)**	1 094,1	**232,4**	431,5
Cash flows from investing activities					
Investments to maintain operating capacity		**(18,0)**	18,0	**(454,2)**	524,3
– Repayment of non-current loans		**3,1**	4,8	**3,1**	4,8
– Non-current loans granted		**(8,2)**	(0,5)	**(8,2)**	(0,4)
– Replacement of property, plant and equipment		**(32,4)**	(20,1)	**(16,0)**	(12,9)
– Proceeds on disposal of property, plant and equipment, investments and other capital items		**19,5**	33,8	**18,7**	0,3
– Net loans (to) / from subsidiaries				**(451,8)**	532,5
Investments to increase operating capacity		**(25,8)**	(268,1)	**(132,9)**	(237,5)
– Expansion capital expenditure		**(22,6)**	(28,7)	**(6,9)**	(16,2)
– Increase in investments		**–**	(4,9)	**(134,1)**	(47,8)
– Disposal of subsidiaries and businesses	E	**–**	–	**11,3**	–
– Acquisition of subsidiaries and businesses	F	**(3,2)**	(234,5)	**(3,2)**	(173,5)
Net cash (outflow) / inflow from investing activities		**(43,8)**	(250,1)	**(587,1)**	286,8

	Group		Company	
	2005 **Rm**	2004 Rm	**2005** **Rm**	2004 Rm
Cash flows from financing activities				
Funds provided by shareholders				
– Ordinary shareholders in Reunert	**26,7**	18,7	**26,7**	18,7
Funds repaid to shareholders				
– Share buyback (capital and dividend portion)	**–**	(429,2)	**–**	(429,2)
– Reunert shares purchased by a subsidiary	**–**	(47,4)	**–**	–
Long-term borrowings – raised	**130,0**	–	**130,0**	–
Net cash inflow / (outflow) from financing activities	**156,7**	(457,9)	**156,7**	(410,5)
Net (decrease) / increase in cash and cash equivalents	**(50,8)**	386,1	**(198,0)**	307,8
Net (borrowings) / cash and cash equivalents at the beginning of the year	**(33,2)**	(419,3)	**343,8**	36,0
Net (borrowings) / cash and cash equivalents at the end of the year*	**(84,0)**	(33,2)	**145,8**	343,8
*** Net (borrowings) / cash and cash equivalents are made up of:**				
Cash and cash equivalents	**784,4**	451,3	**145,8**	346,5
Bank overdrafts	**(1,6)**	(170,4)	**–**	(2,7)
Net cash resources of the group/company excluding RC&C Finance Company	**782,8**	280,9	**145,8**	343,8
RC&C Finance Company short-term borrowings	**(866,8)**	(314,1)		
Net (borrowings) / cash and cash equivalents	**(84,0)**	(33,2)	**145,8**	343,8
Net cash flows from operating activities before dividends paid and excluding movements in RC&C Finance Company accounts receivable	**643,1**	670,7		
Operating cash flow per share (cents)	**370,9**	353,2		

Notes to the cash flow statements

for the year ended 30 September 2005

	Group		Company	
	2005	2004	**2005**	2004
	Rm	Rm	**Rm**	Rm
A. RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES				
Profit before taxation	**959,6**	771,6	**702,9**	704,1
Adjusted for:				
– Net interest received	**(37,4)**	(37,7)	**(18,2)**	(18,6)
– Dividends received	**(12,8)**	(27,4)	**(307,4)**	(394,5)
– Depreciation and impairments of property, plant and equipment and amortisation of intangible assets	**56,3**	57,9	**24,6**	17,6
– Amortisation of goodwill		53,5		6,7
– Loss / (surplus) on disposal of property, plant and equipment	**0,2**	(0,6)	**(0,1)**	(0,4)
– Abnormal items	**(3,9)**	(6,0)	**41,8**	19,1
– Share option expense	**6,7**	–	**6,7**	–
– Powerhouse option expense	**24,1**			
– Other non-cash movements	**(3,2)**	(5,2)	**7,4**	(0,7)
Cash generated from operations before working capital changes	**989,6**	806,1	**457,7**	333,3
B. WORKING CAPITAL CHANGES				
– Inventory and contracts in progress	**(65,8)**	50,0	**(30,2)**	43,0
– Accounts receivable	**(68,6)**	(85,4)	**(22,0)**	(12,7)
– Trade and other payables and provisions	**33,4**	148,4	**1,9**	30,4
Working capital changes	**(101,0)**	113,0	**(50,3)**	60,7
C. TAXATION PAID IS RECONCILED TO THE AMOUNTS DISCLOSED IN THE INCOME STATEMENT AS FOLLOWS:				
– Net amounts unpaid at the beginning of the year	**(133,6)**	(95,4)	**(71,6)**	(25,0)
– Current taxation per the income statement	**(298,6)**	(351,7)	**(147,7)**	(156,7)
– Net amounts unpaid at the end of the year	**67,3**	133,6	**50,0**	71,6
Cash amounts paid	**(364,9)**	(313,5)	**(169,3)**	(110,1)

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
D. DIVIDENDS PAID ARE RECONCILED TO THE AMOUNTS DISCLOSED IN THE STATEMENT OF CHANGES IN EQUITY AS FOLLOWS:				
– Normal dividends per the statement of changes in equity	**(298,6)**	(243,5)	**(331,3)**	(265,5)
– Dividends paid to outside shareholders in subsidiaries	**(8,5)**	(24,6)		
Cash amounts paid	**(307,1)**	(268,1)	**(331,3)**	(265,5)
E. ANALYSIS OF DISPOSAL OF SUBSIDIARIES AND BUSINESSES				
Inventory	**–**	–	**1,6**	–
Accounts receivable	**–**	–	**15,4**	–
Trade and other payables and provisions	**–**	–	**(6,5)**	–
Property, plant and equipment	**–**	–	**0,8**	–
Cash on hand at time of the disposal	**–**	–	**5,4**	–
Amounts received in cash	**–**	–	**16,7**	–
Cash on hand at time of disposal	**–**	–	**(5,4)**	–
Net cash received	**–**	–	**11,3**	–
F. ANALYSIS OF ACQUISITION OF SUBSIDIARIES AND BUSINESSES				
Inventory and contracts in progress	**(1,9)**	(11,1)	**(0,3)**	–
Accounts receivable	**(7,6)**	(16,6)	**–**	–
Trade and other payables and provisions	**4,2**	7,1	**–**	–
Property, plant and equipment	**(3,5)**	(3,5)	**(2,9)**	–
Net overdraft at time of the acquisition	**–**	0,3	**–**	–
Attributable share of net assets at date of acquisition	**–**	(21,7)	**–**	–
Outside shareholders' interest	**–**	(107,9)	**–**	–
Goodwill on acquisitions	**–**	(80,8)	**–**	–
Shares bought in existing subsidiaries	**–**	–	**–**	(71,0)
Purchase of shareholder loan	**–**	–	**–**	(99,9)
Cost of investment	**(8,8)**	(234,2)	**(3,2)**	(170,9)
Net overdraft on hand at time of the acquisition	**–**	(0,3)	**–**	–
Loans and share capital contributed by outside shareholder	**5,6**	–	**–**	–
Adjustment to amount still owing to vendors	**–**	–	**–**	(2,6)
Net cash paid	**(3,2)**	(234,5)	**(3,2)**	(173,5)

Statements of changes in equity

for the year ended 30 September 2005

	Group					
	Share capital and premium Rm	Share-based payments reserves Rm	Treasury shares Rm	Non-distributable reserves Rm	Accumulated profit Rm	Total Rm
Balance at 30 September 2003	283,4	–	(234,6)	2,9	1 104,8	1 156,5
Restatement of debtor recourse guarantee provision (refer to note 33)					46,6	46,6
Change in accounting policy: negative goodwill (refer to note 12)					3,0	3,0
Earnings attributable to Reunert Limited shareholders					478,4	478,4
Dividends paid					(243,5)	(243,5)
Movement on reserves (refer to note 22)				52,1	(52,1)	–
Issue of shares	18,7					18,7
Reunert Limited shares bought by subsidiary as part of the share buyback			(47,4)			(47,4)
Shares cancelled in terms of compulsory share buyback						
– Capital portion	(199,8)					(199,8)
– Dividend portion	(79,6)				(149,8)	(229,4)
Restated balance at 30 September 2004	22,7	–	(282,0)	55,0	1 187,4	983,1
Earnings attributable to Reunert Limited shareholders					709,2	709,2
Share-based payments expense (refer to note 21)		30,8				30,8
Dividends paid					(298,6)	(298,6)
Movement on reserves (refer to note 22)				10,0	(10,0)	–
Translation reserve reversing (refer to note 22)				(0,2)		(0,2)
Fair value adjustments taken to reserves (refer to note 22)				2,5		2,5
Issue of shares (refer to note 21)	26,7					26,7
Balance at 30 September 2005	**49,4**	**30,8**	**(282,0)**	**67,3**	**1 588,0**	**1 453,5**

	Company				
	Share capital and premium Rm	Share-based payments reserves Rm	Non-distributable reserves Rm	Accumulated profit Rm	Total Rm
Balance at 30 September 2003	283,4	–	0,3	758,4	1 042,1
Earnings attributable to Reunert Limited shareholders				554,3	554,3
Dividends paid				(265,5)	(265,5)
Issue of shares	18,7				18,7
Shares cancelled in terms of compulsory share buyback					
– Capital portion	(199,8)				(199,8)
– Dividend portion	(79,6)			(149,8)	(229,4)
Balance at 30 September 2004	22,7	–	0,3	897,4	920,4
Earnings attributable to Reunert Limited shareholders				526,2	526,2
Share-based payments expense (refer to note 21)		6,7			6,7
Dividends paid				(331,3)	(331,3)
Fair value adjustments taken to reserves (refer to note 22)			2,5		2,5
Issue of shares (refer to note 21)	26,7				26,7
Balance at 30 September 2005	**49,4**	**6,7**	**2,8**	**1 092,3**	**1 151,2**

Notes to the annual financial statements

for the year ended 30 September 2005

	Group		Company	
	2005	2004	**2005**	2004
	Rm	Rm	**Rm**	Rm
1. REVENUE				
Revenue excludes revenue of associate companies and includes export revenue of R308,1 million (2004: R354,5 million) and interest received by RC&C Finance Company (Pty) Limited of R108,2 million (2004: R68,1 million).				
2. OPERATING PROFIT IS STATED AFTER:				
Administration, management and other fees	**17,2**	12,5	**12,2**	4,0
Auditors' remuneration:				
Audit fees	**7,0**	6,1	**2,8**	2,5
Other fees	**1,7**	1,2	**0,7**	0,1
Expenses	**0,1**	0,1	**–**	–
	8,8	7,4	**3,5**	2,6
Depreciation:				
Buildings	**1,9**	1,8	**1,2**	–
Plant and equipment	**48,0**	46,7	**20,9**	16,0
Vehicles	**3,6**	3,0	**2,0**	1,6
	53,5	51,5	**24,1**	17,6
Amortisation:				
Intangible assets	**2,8**	0,6	**0,5**	–
Impairments:				
Plant and equipment	**–**	3,3	**–**	–
Intangible assets	**–**	2,5	**–**	–
	–	5,8	**–**	–
Impairments in respect of the group relating to buildings of R4,1 million (2004: nil) and plant and equipment of R0,8 million (2004: R1,1 million) have been included in abnormal items (refer to note 5).				
Rental income from investment properties (included in revenue)	**(3,4)**	(1,4)	**–**	–
Direct operating expenses arising from investment properties that generated rental income	**2,1**	1,1	**–**	–
Goodwill amortised		53,5		6,7
Net realised losses on currency exchange differences	**(37,1)**	(62,4)	**(34,3)**	(55,1)
Net unrealised gains on currency exchange differences	**19,0**	0,3	**18,7**	1,4
Net realised gains on fair value adjustments to derivative instruments	**0,4**	44,4	**0,7**	27,2
Net unrealised (losses) / gains on fair value adjustments to derivative instruments	**(18,3)**	3,0	**(14,6)**	2,9
	(36,0)	(14,7)	**(29,5)**	(23,6)

Notes to the annual financial statements continued

for the year ended 30 September 2005

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
2. OPERATING PROFIT IS STATED AFTER: (continued)				
Income from subsidiaries:				
Fees			**4,3**	3,6
Rental (included in revenue)			**7,0**	5,8
			11,3	9,4
Operating lease charges:				
Land and buildings	**30,8**	22,8	**14,9**	12,8
Vehicles and other	**0,6**	0,9	**0,1**	0,1
	31,4	23,7	**15,0**	12,9
Research and development expenditure:				
Financed by revenue from customers	**32,8**	39,3	**–**	0,5
Not financed by revenue from customers	**40,3**	43,0	**30,9**	31,4
	73,1	82,3	**30,9**	31,9
Net (loss) / surplus on disposal of plant and equipment	**(0,2)**	0,6	**0,1**	0,4
Staff costs:				
Salaries and wages	**741,0**	651,8	**138,3**	134,8
Pension fund contributions	**9,3**	12,0	**0,5**	–
Provident fund contributions	**45.9**	41,3	**8,2**	8,7
Other staff costs	**60,5**	65,9	**23,1**	21,8
	856,7	771,0	**170,1**	165,3
Share-based payment expense in respect of the group's share option scheme (refer to notes 8 and 21)	**6,7**	–	**6,7**	–
Equity instrument offered to Powerhouse Utilities (Pty) Limited (Powerhouse) to take up 25,1% of the A shares of ATC (Pty) Limited (ATC).	**24,1**	–	**–**	–
The group entered into an agreement with Powerhouse, whereby on 1 December 2004, 25,1% of the A shares of ATC were transferred to Powerhouse at a cost of R130 million. GAAP requires the reversal of the sale, since the purchase consideration has not been fully paid for by Powerhouse and conditions are attached to the unpaid portion, notwithstanding that the legal effect of this transaction is in fact a sale. The earnings attributable to Powerhouse are included in arriving at the earnings attributable to shareholders in Reunert Limited and an equity instrument of R24,1 million, which values the black economic empowerment (BEE) deal in terms of IFRS 2, has been expensed in arriving at operating profit in the current year. As and when dividends are paid to Powerhouse they will be treated as an appropriation of profits (refer to notes 8 and 21)				
Number of employees	**5 320**	5 169	**1 465**	1 456

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
3. INTEREST AND DIVIDENDS RECEIVED				
Dividends received:				
– unlisted subsidiaries			**225,4**	367,1
– unlisted associates			**69,2**	–
– other	**12,8**	27,4	**12,8**	27,4
Interest received:				
– subsidiaries			**8,8**	13,8
– RC&C Finance Company (Pty) Limited	**30,1**	18,6		
– other	**30,6**	29,2	**16,5**	6,4
	73,5	75,2	**332,7**	414,7
4. INTEREST PAID				
Subsidiaries			**1,1**	1,1
Long-term borrowings	**4,3**	–	**4,3**	–
Short-term loans and bank overdrafts	**19,0**	10,1	**1,7**	0,5
	23,3	10,1	**7,1**	1,6
Interest paid by RC&C Finance Company (Pty) Limited included in cost of sales	**52,5**	35,6		
5. ABNORMAL ITEMS				
(Raising) / reversal of provision for losses in subsidiaries			**(48,2)**	12,1
Surplus on sale of investment	**6,4**	–	**6,4**	–
Surplus on sale of properties	**–**	21,1	**–**	–
Impairment of property, plant and equipment	**(4,9)**	(1,1)	**–**	–
Impairment of goodwill in an associate	**–**	(14,0)	**–**	–
Impairment of investment in an associate	**–**	–	**–**	(31,2)
Negative goodwill taken to profit in terms of IFRS 3 (AC140)	**2,4**	–	**–**	–
Gross abnormal items	**3,9**	6,0	**(41,8)**	(19,1)
Taxation	**1,4**	(1,4)	**–**	–
Net abnormal items	**5,3**	4,6	**(41,8)**	(19,1)
6. TAXATION				
South African normal taxation:				
Current	**257,5**	290,8	**130,6**	108,9
Deferred	**23,1**	(46,4)	**1,6**	(6,5)
Secondary tax on companies (STC)	**32,0**	60,4	**14,2**	48,0
Adjustment for prior years				
– current	**8,8**	–	**3,7**	0,3
– deferred	**(2,6)**	3,8	**27,4**	(0,4)
– STC	**(0,9)**	(0,1)	**(0,8)**	(0,5)
	317,9	308,5	**176,7**	149,8

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
6. TAXATION (continued)				
Foreign normal taxation:				
Current	**1,2**	0,5		
	319,1	309,0	**176,7**	149,8
Reconciliation of rate of taxation	**%**	%	**%**	%
Apparent rate of taxation excluding abnormal items	**33,4**	40,4	**23,7**	20,7
Applicable to dividends received	**0,4**	1,1	**12,0**	16,4
Effective rate of taxation	**33,8**	41,5	**35,7**	37,1
Movement in rate of taxation due to:				
– disallowable charges	**(1,9)**	(3,2)	**(0,7)**	(0,6)
– secondary tax on companies	**(3,3)**	(7,9)	**(1,9)**	(6,6)
– adjustments from prior year	**(0,6)**	(0,5)	**(4,1)**	0,1
– tax losses not recognised	**(0,8)**	(0,4)	**–**	–
– tax losses utilised not recognised previously	**1,8**	–	**–**	–
– timing differences not provided	**–**	0,5	**–**	–
South African normal tax rate	**29,0**	30,0	**29,0**	30,0
Total estimated tax losses available to be offset against future taxable income is R51,9 million (2004: R120,3 million)				
7. DIVIDENDS DECLARED DURING THE YEAR				
Ordinary dividends paid:				
Final 2004: 120,0 cents per share (2003: 88,0 cents)	**230,9**	182,4	**230,9**	182,4
Interim 2005: 52,0 cents per share (2004: 40,0 cents)	**100,4**	83,1	**100,4**	83,1
Attributable to Reunert shares held by a subsidiary	**(32,7)**	(22,0)		
	298,6	243,5	**331,3**	265,5
Final ordinary dividend declared:				
170,0 cents per share (2004: 120,0 cents)	**328,8**	229,0	**328,8**	229,0
Attributable to Reunert shares held by a subsidiary	**(32,4)**	(22,9)		
	296,4	206,1	**328,8**	229,0

8. ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING POLICY CHANGES

8.1 Accounting for share-based payments

During the year the International Financial Reporting Standard IFRS 2 (AC139) – Share-based payments was adopted early. In terms of this standard all share options granted after 7 November 2002 are recognised as an expense over the vesting period of the share option. Refer to note 21 for more detail.

GAAP requires the reversal of the sale of the BEE transaction relating to ATC/African Cables, where the purchase consideration has not been fully paid for by the BEE partner and conditions are attached to the unpaid portion, notwithstanding that the legal effect of this transaction is a sale. The earnings attributable to the BEE partner are included in arriving at the earnings attributable to shareholders in Reunert Limited, ie no minority interest is recognised. An equity instrument of R24,1 million, which values the BEE deal in terms of IFRS 2 has been expensed in arriving at operating profit in the current year. When dividends are paid to these BEE partners they will be treated as an appropriation of profit.

8.2 Accounting for negative goodwill

During the year the International Financial Reporting Standard IFRS 3 (AC140) – Business Combinations was adopted. In terms of this standard all existing negative goodwill is transferred to opening accumulated profit.

		Group		Company	
		Gross Rm	Net of taxation and outside shareholders' interest Rm	Gross Rm	Net of taxation and outside shareholders' interest Rm
8.	**ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING POLICY CHANGES (continued)**				
	The effects of the changes are as follows:				
8.1	Share option expense*	**6,7**	6,7	**6,7**	6,7
8.1	Powerhouse option expense	**24,1**	24,1	**–**	–
8.2	Recognise negative goodwill	**(2,4)**	(2,4)	–	–
	Effect on 2005 income statement	**28,4**	28,4	**6,7**	6,7
	There is no effect on the 2004 income statement*				
8.2	Re-allocation of negative goodwill	**(3,0)**	(3,0)	**–**	–
	Restatement of opening accumulated profit as at 1 October 2003	**(3,0)**	(3,0)	**–**	–

* *The share option cost relating to the years ended 30 September 2003 and 2004 are R0,9 million and R2,6 million. These costs have been reflected in the current year profit due to management considering the amounts not significant enough to warrant restating comparative information.*

		Group	
		2005	Restated 2004
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)	**173,4**	189,9
	Adjusted by the dilutive effect of unexercised share options available to executives employed in the group (millions of shares)	**2,1**	2,4
	Weighted average number of shares used to determine diluted earnings per share and diluted headline earnings per share (millions of shares)	**175,5**	192,3

The prior year number of shares used to calculate diluted earnings and diluted headline earnings per share has been restated as a result of the early adoption of IFRS 2 on Share-based payments, as required by IAS 33 on Earnings per share.

Notes to the annual financial statements continued

for the year ended 30 September 2005

	Group 2005 Rm	Group 2004 Rm
10. HEADLINE EARNINGS		
Headline earnings are determined by eliminating the effect of the following items in attributable earnings:		
Earnings attributable to Reunert Limited shareholders	**709,2**	478,4
Adjusted for:	**(3,7)**	46,9
Net loss / (surplus) on disposal of property, plant and equipment	**0,2**	(21,7)
Surplus on sale of investment	**(6,4)**	–
Amortisation of goodwill		53,5
Negative goodwill reflected in abnormal items	**(2,4)**	–
Impairments	**4,9**	15,1
Taxation	**(1,5)**	1,6
Headline earnings attributable to Reunert Limited shareholders	**704,0**	526,9

	Group			Company		
	Cost Rm	Accumulated depreciation/ amortisation* and impairments Rm	Net book value Rm	Cost Rm	Accumulated depreciation/ amortisation* and impairments Rm	Net book value Rm
11. PROPERTY, PLANT AND EQUIPMENT						
2005						
Freehold land and buildings						
– investment	**18,2**	**6,1**	**12,1**	**–**	**–**	**–**
– owner occupied	**87,2**	**33,3**	**53,9**	**47,1**	**13,6**	**33,5**
Leasehold land and buildings						
– owner occupied	**4,3**	**2,2**	**2,1**	**0,1**	**0,1**	**–**
Plant and equipment	**674,2**	**561,6**	**112,6**	**233,1**	**194,3**	**38,8**
Vehicles	**24,9**	**17,3**	**7,6**	**10,1**	**6,9**	**3,2**
Intangible assets	**29,7**	**26,1**	**3,6**	**2,3**	**0,5**	**1,8**
	838,5	**646,6**	**191,9**	**292,7**	**215,4**	**77,3**
2004						
Freehold land and buildings						
– investment	18,2	6,5	11,7	–	–	–
– owner occupied	87,4	28,0	59,4	47,0	12,5	34,5
Leasehold land and buildings						
– owner occupied	3,7	1,7	2,0	0,3	0,3	–
Plant and equipment	648,4	537,3	111,1	224,8	186,2	38,6
Vehicles	24,9	16,2	8,7	10,3	5,9	4,4
Intangible assets	27,0	23,7	3,3	1,8	1,8	–
	809,6	613,4	196,2	284,2	206,7	77,5

	Land and buildings Investment Rm	Owner occupied Rm	Plant and equipment Rm	Vehicles Rm	Intangible assets Rm	**Total 2005 Rm**	Total 2004 Rm
11. PROPERTY, PLANT AND EQUIPMENT (continued)							
MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT							
Group							
Net book value at the beginning of the year	11,7	61,4	111,1	8,7	3,3	**196,2**	213,7
Acquisition of businesses	–	–	1,2	–	2,3	**3,5**	3,5
Additions	–	1,2	50,4	2,6	0,8	**55,0**	48,8
Disposals	–	(0,2)	(1,3)	(0,1)	–	**(1,6)**	(11,9)
	11,7	62,4	161,4	11,2	6,4	**253,1**	254,1
Depreciation	0,4	(2,3)	(48,0)	(3,6)	–	**(53,5)**	(51,5)
Impairments	–	(4,1)	(0,8)	–	–	**(4,9)**	(5,8)
Amortisation	–	–	–	–	(2,8)	**(2,8)**	(0,6)
	12,1	56,0	112,6	7,6	3,6	**191,9**	196,2
Company							
Net book value at the beginning of the year	–	34,5	38,6	4,4	–	**77,5**	66,2
Acquisition of businesses	–	–	0,6	–	2,3	**2,9**	–
Sale of businesses	–	–	(0,1)	(0,7)	–	**(0,8)**	–
Additions	–	0,2	21,1	1,6	–	**22,9**	29,1
Disposals	–	–	(0,5)	(0,1)	–	**(0,6)**	(0,2)
	–	34,7	59,7	5,2	2,3	**101,9**	95,1
Depreciation	–	(1,2)	(20,9)	(2,0)	–	**(24,1)**	(17,6)
Amortisation	–	–	–	–	(0,5)	**(0,5)**	–
	–	33,5	38,8	3,2	1,8	**77,3**	77,5

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 R24,4 million (2004: R24,4 million). Five of the group's properties are investment properties. The open market values were determined for capital gains tax purposes on 1 October 2001 by independent valuers who hold recognised and relevant qualifications and who have recent experience in the locations and categories of the investment properties being valued, adjusted for any additions since 1 October 2001.
3. Depreciation / amortisation rates 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%
Intangible assets	33%

4. The insurable value of the group's property, plant and equipment as at 30 September 2005 amounted to R2,7 billion (2004: R2,6 billion). This is based on the cost of replacement of such assets, except for motor vehicles and certain selected assets which are included at market value.
5. The building housing the ATC optical fibre manufacturing plant has been impaired (R4,1 million) due to inactivity as a result of a lack of demand for optical fibre cable worldwide.
6. All the intangible assets have finite useful lives and consist of computer software and intellectual property.

* *Amortisation applies only in the case of intangible assets.*

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
12. GOODWILL				
Restated carrying value at the beginning of the year	**324,8**	309,9	**10,8**	20,1
Carrying value at the beginning of the year as previously reported	–	306,9	–	–
Negative goodwill arising in previous years transferred to accumulated profit	–	3,0	–	–
Acquisition of businesses, associates and subsidiaries	–	80,8	–	–
Adjustment to the purchase price of a business acquired in the prior year	**1,8**	1,6	**2,7**	(2,6)
Negative goodwill arising in the current year included in abnormal items	**2,4**	–	–	–
Amortisation for the year		(53,5)		(6,7)
Impairments	–	(14,0)	–	–
Carrying value at the end of the year	**329,0**	324,8	**13,5**	10,8
Goodwill (prior year stated at cost)	**329,0**	482,2	**13,5**	28,3
Accumulated amortisation		(143,4)		(17,5)
Accumulated impairments	–	(14,0)	–	–
	329,0	324,8	**13,5**	10,8
Carrying value attributable to:				
– Associates	**94,6**	94,6	–	–
– Subsidiaries	**234,4**	230,2	**13,5**	10,8
	329,0	324,8	**13,5**	10,8

In terms of IFRS 3 (AC140) goodwill acquired on or after 31 March 2004 has not been amortised. Goodwill acquired prior to 31 March 2004 was amortised over periods varying between one and ten years up to 30 September 2004.

No goodwill has therefore been amortised during the current year, but instead has been subjected to an impairment test. No impairment was necessary.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

The recoverable amounts of the CGUs are determined from fair value, less costs to sell calculations. Discounted cash-flows have been performed to determine the fair value less costs to sell. The key assumptions for the discounted cash-flows are those regarding the discount rates and growth rates and are based on management's past experience. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on sustainable growth rates in earnings.

	Siemens Telecommunications	Nashua Mobile	African Cables
Carrying amount of goodwill allocated to the unit (Rm)	94,6	158,2	59,3
Discount rates (pre-tax)	18,5%	21,3%	21,8%
Sustainable growth rates	10,0%	10,5%	10,0%

The balance of goodwill of R16,9 million has been allocated to other CGUs and is not significant in relation to total goodwill.

	Group		Company	
	2005	2004	**2005**	2004
	Rm	Rm	**Rm**	Rm
13. INTEREST IN SUBSIDIARIES				
(Refer to Annexure A)				
Shares at cost less amounts written off			**750,6**	616,6
Amounts owing by subsidiaries			**343,1**	292,5
Provision for goodwill write–off			**(45,9)**	(45,9)
			1 047,8	863,2
Provision for losses			**(84,0)**	(35,8)
			963,8	827,4
Amounts owing to subsidiaries			**(88,9)**	(490,1)
			874,9	337,3
14. INTEREST IN ASSOCIATES				
Shares at cost	**158,5**	201,4	**158,5**	201,4
Less: Transfer to goodwill on consolidation	**(133,6)**	(154,8)		
Less: Impairment	**–**	–	**–**	(31,2)
Attributable interest in accumulated profit	**61,9**	41,9		
Accumulated profit / (loss) at the beginning of the year	**41,9**	(24,9)		
Audited profit after tax and abnormal items	**79,2**	66,8		
Dividends	**(69,2)**	–		
Accumulated attributable loss of associate that became an investment during the year	**10,0**	–		
Total interest in associate companies	**86,8**	88,5	**158,5**	170,2
Total of unlisted associate companies	**86,8**	76,8	**158,5**	158,5
Total of listed associate companies	**–**	11,7	**–**	11,7
Directors' valuation – unlisted associate companies	**520,0**	520,0	**520,0**	520,0
Directors' valuation – listed associate companies		11,7		11,7
Attributable earnings from unlisted associate companies	**79,2**	76,8		
Attributable loss from listed associate companies		(10,0)		
Attributable earnings from associate companies	**79,2**	66,8		

Summarised financial information of the principal associate companies is reflected in note 28.

	Group			
	Number of shares held		Percentage interest	
Details of investments	**2005**	2004	**2005**	2004
			%	%
Associate companies:				
Siemens Telecommunications (Pty) Limited	**56 000**	56 000	**40**	40
CS Holdings Limited		77 741 400		32
Electric Products International (Pty) Limited	**2 400**	2 400	**24**	24

	Year-end	Carrying value	
Details of investments		**2005**	2004
		Rm	Rm
Associate companies:			
Siemens Telecommunications (Pty) Limited	30 September	**86,8**	76,8
CS Holdings Limited	30 June	**–**	11,7
Electric Products International (Pty) Limited	30 September	**–**	–
		86,8	88,5

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
15. OTHER INVESTMENTS AND LOANS				
Reunert 1988 Share Purchase Trust loans – held at cost	**15,3**	7,4	**15,3**	7,4
Other loans – held at cost	**5,6**	6,7	**5,6**	6,7
Listed investment held-for-sale – at market value	**7,8**	4,9	**7,8**	4,9
Other unlisted investments – at cost	**0,7**	2,4	**0,7**	2,4
Total investments and loans	**29,4**	21,4	**29,4**	21,4
Directors' valuation – other unlisted investments	**0,7**	2,4	**0,7**	2,4
Loans granted by Reunert Limited in respect of the share option scheme (the scheme)				
Option holders are obliged to pay 1 cent per share for shares purchased under the option scheme. Thereafter, Reunert 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.				
Amount of loans granted during the year to all scheme participants			**11,3**	9,0
Loans to the scheme include loans to Reunert executive directors:				
– Balance at the beginning of the year			**1,3**	2,2
– Advanced during the year			**5,6**	4,2
– Repaid during the year			**(5,9)**	(5,1)
Balance at the end of the year			**1,0**	1,3
16. RC&C FINANCE COMPANY ACCOUNTS RECEIVABLE				
Discounted deals:				
Collectable within one year	**277,7**	121,2		
Collectable after one year	**713,2**	375,2		
	990,9	496,4		
Accounts receivable:				
Collectable within one year	**24,5**	15,8		
Collectable after one year	**12,8**	16,3		
	37,3	32,1		
	1 028,2	528,5		

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.

RC&C Finance Company has long-term banking facilities of R1,2 billion. The banks which have granted these facilities are contractually bound to provide these on a long-term basis but they may give notice to run down these facilities. Once notice has been given these facilities reduce to zero in line with the reduction in the underlying rental debtors over a maximum of five years.

	Group		Company	
	2005	2004	**2005**	2004
	Rm	Rm	**Rm**	Rm
17. DEFERRED TAXATION ASSETS / LIABILITIES				
Movement of group deferred taxation				
Balance at the beginning of the year	**11,9**	(30,7)	**30,5**	23,6
Current tax charge	**(23,1)**	46,4	**(1,6)**	6,5
Raised in equity	**(0,4)**		**(0,4)**	
Adjustment for prior years	**3,5**	(3,8)	**(26,4)**	0,4
Rate change	**(0,9)**		**(1,0)**	
	(9,0)	11,9	**1,1**	30,5
Deferred taxation liabilities	**51,4**	44,3	**–**	–
Deferred taxation assets	**42,4**	56,2	**1,1**	30,5
Analysis of deferred taxation				
Capital allowances	**(26,5)**	(7,4)	**(3,0)**	(1,9)
Provisions and accruals	**12,6**	6,4	**1,5**	31,4
Advance income offset by allowed future expenditure	**13,4**	6,9	**3,0**	0,1
Effect of tax losses	**(6,5)**	6,6		
Other (net)	**(2,0)**	(0,6)	**(0,4)**	0,9
	(9,0)	11,9	**1,1**	30,5
18. INVENTORY AND CONTRACTS IN PROGRESS				
Raw materials and components	**117,3**	108,4	**55,1**	44,5
Finished goods	**182,6**	141,9	**43,0**	24,2
Merchandise	**241,6**	236,8	**238,2**	236,8
Consumable stores	**2,8**	2,5	**0,6**	0,6
Contracts and other work in progress	**15,3**	2,3	**0,4**	2,3
	559,6	491,9	**337,3**	308,4
The value of inventory has been determined on the following bases :				
First-in first-out	**405,6**	362,5	**334,7**	303,9
Average	**53,3**	46,5	**1,5**	3,5
Net realisable value	**13,0**	10,9	**1,1**	1,0
Standard cost	**87,7**	72,0	**–**	–
	559,6	491,9	**337,3**	308,4
19. ACCOUNTS RECEIVABLE				
Trade receivables	**796,8**	696,8	**248,2**	226,7
Claims, prepayments and other receivables	**206,6**	226,0	**38,2**	48,5
	1 003,4	922,8	**286,4**	275,2
20. CASH AND CASH EQUIVALENTS				
Bank balances and cash	**684,4**	166,3	**45,8**	61,5
Investment in redeemable preference shares	**100,0**	285,0	**100,0**	285,0
	784,4	451,3	**145,8**	346,5

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
21. SHARE CAPITAL AND PREMIUM				
Authorised share capital				
235 000 000 (2004: 235 000 000) ordinary shares of 10 cents each	**23,5**	23,5	**23,5**	23,5
350 000 (2004: 350 000) 5,5% cumulative preference shares of R2 each	**0,7**	0,7	**0,7**	0,7
31 057 729 (2004: 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				
193 439 716 (2004: 190 832 235) ordinary shares of 10 cents each	**19,3**	19,1	**19,3**	19,1
350 000 (2004: 350 000) 5,5% cumulative preference shares of R2 each	**0,7**	0,7	**0,7**	0,7
	20,0	19,8	**20,0**	19,8
Share premium				
At the beginning of the year	**2,9**	262,1	**2,9**	262,1
Arising on the issue of ordinary shares	**26,5**	18,5	**26,5**	18,5
Cost of shares cancelled subsequent to the share buyback	**–**	(277,7)	**–**	(277,7)
At the end of the year	**29,4**	2,9	**29,4**	2,9
Total issued share capital and premium	**49,4**	22,7	**49,4**	22,7
Share-based payments reserves				
Reserves arising from IFRS 2				
Share option reserve arising on the expense of executive share options (refer to note 8.1)	**6,7**	–	**6,7**	–
Reserve created on expensing of option to Powerhouse Utilities (refer to note 8.1)	**24,1**	–	**–**	–
	30,8	–	**6,7**	–
Treasury shares				
Reunert Limited shares bought back and held by a subsidiary 19 063 631 (2004: 19 063 631)	**(282,0)**	(282,0)		

	Company Number of shares 2005	Company Number of shares 2004
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	**–**	–
	12 000 000	12 000 000

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 one third after three years, and a further one third each in years four and five. Any options unexercised lapse after 10 years from the date of initial issue or the moment an option holder leaves the group. Should the option price exceed the market price, option holders may decline to exercise their right to have Reunert 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 lapsed during the year (Thousands)	Number of options unexercised at the end of the year (Thousands)	Amount received for options exercised (R000)
2005						
R5,45	**1 449**	**–**	**(1 261)**	**–**	**188**	**6 877**
R14,10	**1 760**	**–**	**(862)**	**–**	**898**	**12 149**
R15,80	**1 122**	**–**	**(421)**	**–**	**701**	**6 647**
R17,70	**140**	**–**	**(33)**	**(10)**	**97**	**589**
R15,99*	**1 780**	**–**	**(30)**	**(20)**	**1 730**	**480**
R17,30*	**200**	**–**	**–**	**–**	**200**	**–**
R41,90*	**–**	**2 550**	**–**	**–**	**2 550**	**–**
	6 451	**2 550**	**(2 607)**	**(30)**	**6 364**	**26 742**
2004						
R14,90	10	–	(10)	–	–	149
R14,00	30	–	(30)	–	–	420
R5,45	2 601	–	(1 152)	–	1 449	6 276
R14,10	2 250	–	(490)	–	1 760	6 913
R15,80	1 310	–	(173)	(15)	1 122	2 732
R17,70	250	–	(110)	–	140	1 947
R15,99*	1 805	–	(20)	(5)	1 780	320
R17,30*	200	–	–	–	200	–
	8 456	–	(1 985)	(20)	6 451	18 757

* *Share options valued in terms of IFRS 2 as they were granted after 7 November 2002.*

21. SHARE CAPITAL AND PREMIUM (continued)

Exercise price	Number of options exercisable per annum (Thousands)	Number of tranches outstanding	Period options exercisable Dates	Expiry date	Options vested at the beginning of the year (Thousands)	Options vested at the end of the year (Thousands)
R5,45		–	Immediately	22 October 2009	200	188
R14,10	696	1	1 February 2006	1 February 2011	308	202
R15,80	416	1	26 September 2006	26 September 2011	264	286
R17,70	43	2	19 November 2005 to 19 November 2006	19 November 2011	–	10
R15,99*	577	3	13 May 2006 to 13 May 2008	13 May 2013	–	–
R17,30*	67	3	27 July 2006 to 27 July 2008	27 July 2013	–	–
R41,90*	850	3	29 August 2008 to 29 August 2010	29 August 2015	–	–
				772	686	

* *Share options valued in terms of IFRS 2 as they were granted after 7 November 2002.*

The weighted average share price at the dates of exercise for share options exercised during the year was R36,92.

Estimated fair value of options granted after 7 November 2002

Share option	Fair value per option R	Share option expense for the year (Rm)
R15,99	4,67	5,5
R17,30	4,95	0,6
R41,90	11,06	0,6
		6,7
Share options expensed in previous periods (refer to note 8.1)		–
Share option reserve at the end of the year		6,7

These fair values were calculated using a Binomial option pricing model. The inputs into the model were as follows:

	R15,99 share option	R17,30 share option	R41,90 share option
Share price at issue (R)	15,99	17,30	41,90
Exercise price (R)	15,99	17,30	41,90
Expected volatility	25,14%	25,29%	25,25%
Expected option life	8 years	8 years	10 years
Expected dividend yield	5,93%	5,93%	5,67%
Risk-free interest rate	11,75%	10,32%	7,74%

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

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

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
22. NON-DISTRIBUTABLE RESERVES				
Statutory and other reserves				
– at the beginning of the year	**0,2**	–	**–**	–
– movement	**2,3**	0,2	**2,5**	–
	2,5	0,2	**2,5**	–
Capital redemption reserve	**2,9**	2,9	**0,3**	0,3
Share of associate companies' accumulated profits				
– at the beginning of the year	**51,9**	–		
– associate earnings transferred this year	**10,0**	51,9		
	61,9	51,9		
Total non-distributable reserves	**67,3**	55,0	**2,8**	0,3

23. PROVISIONS

Description of nature of obligation	Carrying amount at beginning of the 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
Group					
Contract completion	5,2	–	–	(0,2)	5,0
Unfunded pension obligations	0,6	0,8	–	–	1,4
Warranty	55,1	15,6	(7,0)	(11,8)	51,9
Other	7,9	1,3	(4,5)	(2,1)	2,6
	68,8	17,7	(11,5)	(14,1)	60,9
Company					
Warranty	0,3	10,7	(4,4)	–	6,6
Other	7,9	1,3	(4,5)	(2,1)	2,6
	8,2	12,0	(8,9)	(2,1)	9,2

* *The group carrying amount at the beginning of the year has been restated to reflect the reversing of the R37,7 million debtor recourse guarantee provision (refer to note 33).*

for the year ended 30 September 2005

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
24. COMMITMENTS				
Expenditure on property, plant and equipment				
Contracted	**42,6**	22,4	**25,3**	17,9
Authorised but not yet contracted	**26,3**	2,7	**10,0**	–
Total expenditure on property, plant and equipment	**68,9**	25,1	**35,3**	17,9
The above expenditure, to occur in 2006, 2007 and 2008, will be financed from existing group resources.				
Operating lease commitments in respect of land and buildings, motor vehicles and other assets				
– one year	**22,7**	14,4	**12,2**	8,3
– two to five years	**28,0**	22,0	**11,9**	10,3
	50,7	36,4	**24,1**	18,6
Land and buildings	**48,9**	33,9	**24,1**	18,4
Motor vehicles and other assets	**1,8**	2,5	**–**	0,2
Total operating lease commitments	**50,7**	36,4	**24,1**	18,6
25. CONTINGENT LIABILITIES				
Guarantees on behalf of third parties	**3,7**	4,2	**–**	–
Guarantees on behalf of group subsidiary companies			**18,9**	29,1
Sureties for staff loans	**0,1**	0,1	**–**	–
Warranties on debtors sold	**1,8**	5,3	**–**	–
Total contingent liabilities	**5,6**	9,6	**18,9**	29,1

26. DIRECTORS' REMUNERATION AND INTERESTS

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

Executive directors

	Salary R000	Bonus and performance-related payments R000	Other* benefits R000	Retirement contri-butions R000	Medical contri-butions R000	Gains on options exercised R000	Total R000
The directors' remuneration for the year ended 30 September 2005							
G Pretorius	2 033	2 696	312	435	18	1 525	7 019
BP Gallagher	1 111	1 465	145	243	13	445	3 422
GJ Oosthuizen	1 001	1 294	125	204	13	1 433	4 070
DJ Rawlinson	1 053	1 431	154	223	52	611	3 524
	5 198	6 886	736	1 105	96	4 014	18 035
The directors' remuneration for the year ended 30 September 2004							
G Pretorius	1 856	1 930	281	396	17	1 829	6 309
BP Gallagher	996	1 030	163	224	24	1 561	3 998
GJ Oosthuizen	895	904	125	185	15	1 295	3 419
DJ Rawlinson	956	998	186	204	45	1 418	3 807
	4 703	4 862	755	1 009	101	6 103	17 533

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

	Company	
	Total paid for the year (all directors' and committee fees)	
	2005	2004
	R000	R000
26. DIRECTORS' REMUNERATION AND INTERESTS (continued)		
Non-executive directors		
The directors' remuneration for the year ended 30 September 2005		
DE Cooper	**233**	300
BP Connellan	**120**	80
KS Fuller	**32**	–
SD Jagoe	**155**	100
KJ Makwetla	**80**	60
KC Morolo (formerly Radebe)	**80**	6
MJ Shaw	**210**	90
JC van der Horst	**110**	80
CL Valkin	**–**	22
	1 020	738

SHARE OPTIONS

	Balance of unexercised share options as at 1 October 2004	Number of share options allocated during the year	Number of options exercised during the year	**Balance of unexercised share options as at 30 September 2005**	Option price R	Date of allocation	Date from which exercisable
Executive directors							
G Pretorius	55 000	–	(55 000)	**–**	5,45	26 October 1999	26 October 2002
	66 700	–	(33 300)	**33 400**	14,10	1 February 2001	1 February 2004
	100 000	–	–	**100 000**	15,80	26 September 2001	26 September 2004
	200 000	–	–	**200 000**	15,99	13 May 2003	13 May 2006
	–	120 000	–	**120 000**	41,90	29 August 2005	29 August 2008
BP Gallagher	66 800	–	(66 800)	**–**	5,45	26 October 1999	26 October 2002
	33 400	–	(16 600)	**16 800**	14,10	1 February 2001	1 February 2004
	46 700	–	(23 300)*	**23 400**	15,80	26 September 2001	26 September 2004
	100 000	–	–	**100 000**	15,99	13 May 2003	13 May 2006
	–	50 000	–	**50 000**	41,90	29 August 2005	29 August 2008
GJ Oosthuizen	66 800	–	(66 800)	**–**	5,45	26 October 1999	26 October 2002
	33 400	–	(16 600)	**16 800**	14,10	1 February 2001	1 February 2004
	90 000	–	(60 000)*	**30 000**	15,80	26 September 2001	26 September 2004
	100 000	–	–	**100 000**	15,99	13 May 2003	13 May 2006
	–	50 000	–	**50 000**	41,90	29 August 2005	29 August 2008
DJ Rawlinson	66 800	–	(66 800)	**–**	5,45	26 October 1999	26 October 2002
	33 400	–	(16 600)	**16 800**	14,10	1 February 2001	1 February 2004
	20 000	–	(10 000)*	**10 000**	15,80	26 September 2001	26 September 2004
	100 000	–	–	**100 000**	15,99	13 May 2003	13 May 2006
	–	60 000	–	**60 000**	41,90	29 August 2005	29 August 2008
	1 179 000	280 000	(431 800)	**1 027 200**			

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

None of the directors' service contracts expressly provides for a notice period, and in the circumstances such service contracts are terminable on reasonable notice, 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, 95% (2004: 99%) 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 32% (2004: 35%) of the group's employees were members of such schemes, most notably the Engineering Industries Pension Fund and Metal Industries Provident Fund. The total employer contributions for the year to these funds amounted to R8,3 million (2004: R4,5 million).

30% (2004: 30%) of the group's total employees, are members of the Lincoln Wood Provident Fund or the Reunert Retirement Fund, which consists of both the Reunert Pension Fund and Reunert Provident Fund.

The Reunert Retirement Fund is a defined contribution plan, apart from death benefits that are paid by the Pension Fund, which is registered in terms of the Pension Funds Act, 1956. The fund was last reviewed by the actuary at 28 February 2003 and found to be in a sound financial position. The 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 R21,1 million (2004: R16,5 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 remained 14,5% of employees pensionable earnings, with the employees' contributions remaining at 6%. The normal employer contributions to the fund amounted to R2,6 million (2004: R2,0 million). In 2004 an accrual of R7,7 million was made to cover the unfunded pension obligations. In 2005 R5,0 million of this was paid to the fund to eliminate the unfunded pension obligation of R4,9 million at 30 September 2004, and an overaccrual from the prior year of R1,3 million was reversed. The fund was actuarially valued in terms of the Pension Funds Second Amendments Act, 2001 at February 2005, at which date the fund was found to be in a deficit. An unfunded pension obligation of R1,4 million at 30 September 2005 has been provided for.

The remaining 33% (2004: 34%) of the group's total employees, who are not members of the abovementioned schemes, participate in other benefit plans, which consist of six defined contribution plans. All are subject to the Pension Funds Act, 1956. The total employer contributions to these funds amounted to R24,8 million (2004: R22,6 million).

2% of the group's employees belong to defined benefit funds, most of whom belong to the Engineering Industries Pension Fund, which is currently in surplus. 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 continued

for the year ended 30 September 2005

	2005 Rm	2004 Rm
27. RETIREMENT BENEFIT INFORMATION (continued)		
Amounts recognised in income in respect of that scheme are as follows:		
Current service cost	**3,2**	3,2
Interest costs	**7,8**	7,5
Expected return on plan assets	**(6,5)**	(5,8)
Unrecognised net loss	**0,2**	0,4
Amount charged to income	**4,7**	5,3
The charge for the year has been included in other expenses.		
Actual return on plan assets	**(15,6)**	(5,7)
The amount included in the balance sheet arising from the group's obligation in respect of defined benefit retirement benefit plans is as follows:		
Present value of funded obligations	**74,4**	75,5
Unrecognised actuarial gains / (losses)	**6,9**	(9,8)
Fair value of plan assets	**(79,9)**	(60,8)
Unfunded pension obligations	**1,4**	4,9
At the beginning of the year	**4,9**	2,3
Amounts charged to income	**4,7**	5,3
Deemed contributions	**(8,2)**	(2,7)
At the end of the year	**1,4**	4,9

	2005 %	2004 %
Key assumptions used:		
Discount rate	**8,5**	10,0
Inflation rate	**4,0**	5,5
Expected return on plan assets	**9,0**	10,5
Expected rate of salary increases	**6,5**	7,0
Future pension increases	**3,33**	4,76
The next statutory valuation will be performed as at 28 February 2006		

	2005		2004	
	Total Rm	**Reunert Share Rm**	Total Rm	Reunert Share Rm
28. SUMMARISED FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATE COMPANIES				
Income statement				
Revenue	**2 482,6**	**993,0**	2 661,1	1 037,9
Profit after tax	**197,8**	**79,2**	160,7	66,8
Dividends	**173,0**	**69,2**	–	–
Balance sheet				
Interest of shareholders	**216,9**	**86,8**	156,0	65,3
Long-term liabilities	**43,4**	**17,4**	3,9	1,2
Property, plant and equipment	**53,0**	**21,2**	109,9	41,9
Deferred taxation asset	**49,7**	**19,9**	58,1	23,2
Net current assets	**157,6**	**63,0**	50,0	24,7

29. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

Counterparty	Relationship	Sales Rm	Purchases Rm	Accounts payable Rm	Accounts receivable Rm	Overnight call loans Rm	Interest paid Rm
BICC CAFCA Limited (Cafca)	ATC owns 72% of Cafca	19,9	19,4	–	8,4		
EADS Deutschland GmbH (EADS)	EADS owns 33% of Reutech Radar Systems	17,4	–	–	6,6		
Siemens Telecommunications (Pty) Limited (Siemens)	Reunert Limited owns 40% of Siemens	–	0,7	–	–		
Rand Merchant Bank (RMB)	RMB owns 33% of the “B” shares of RC&C Finance Company					272,0	3,8
Absa	ABSA owns 33% of the “B” shares of RC&C Finance Company					400,0	3,9
Nedbank	Nedbank owns 33% of the “B” shares of RC&C Finance Company					212,0	11,7

All transactions between group companies and these counterparties are determined on an arm’s length basis.

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 is 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.

The group has appointed a foreign currency management firm to manage its major currency exposures. A mandate is agreed with the firm from time to time which then manages the exposure within this mandate. Derivative contracts, other than forward exchange contracts, are not entered into to hedge currency risks.

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

	Group	
	2005 Rm	2004 Rm
To pay	**474,2**	363,3

Forward exchange contracts at 30 September 2005 and 2004 are summarised below:

	Foreign amount m	Fair value Rm	Contract value Rm	Unrealised gains / (losses) Rm
2005				
Imports – trade				
USD	**35,1**	**225,2**	**231,1**	**(5,9)**
Euro	**14,7**	**115,5**	**120,1**	**(4,6)**
GBP	**0,5**	**5,8**	**6,1**	**(0,3)**
Yen	**1 532,0**	**87,6**	**92,0**	**(4,4)**
CHF	**0,2**	**0,9**	**0,9**	–
		435,0	**450,2**	**(15,2)**
Imports – capital				
USD	**0,1**	**0,9**	**0,9**	–
Euro	**2,8**	**22,3**	**23,1**	**(0,8)**
		23,2	**24,0**	**(0,8)**
		458,2	**474,2**	**(16,0)**

	Rm
Accounts receivable in foreign currencies	**1,0**
Of which covered by forward exchange contracts	–
Accounts payable in foreign currencies	**288,7**
Of which covered by forward exchange contracts	**274,4**

	Foreign amount m	Fair value Rm	Contract value Rm	Unrealised gains / (losses) Rm

30. FINANCIAL INSTRUMENTS (continued)

	Foreign amount m	Fair value Rm	Contract value Rm	Unrealised gains / (losses) Rm
2004				
Imports – trade				
USD	25,0	164,0	163,4	0,6
Euro	16,9	137,7	134,7	3,0
GBP	0,4	5,0	5,1	(0,1)
Yen	956,9	57,3	56,5	0,8
CHF	0,2	1,2	1,2	–
SEK	1,2	1,0	1,0	–
		366,2	361,9	4,3
Imports – capital				
USD	0,2	1,3	1,4	(0,1)
		1,3	1,4	(0,1)
		367,5	363,3	4,2

	Rm
Accounts receivable in foreign currencies	3,6
Of which covered by forward exchange contracts	–
Accounts payable in foreign currencies	286,7
Of which covered by forward exchange contracts	260,4

Credit risk

Credit risk relates to the group's 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, provision is made so that the carrying values reflect the estimated recoverable amount.

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.

	2005 %	2004 %
30. FINANCIAL INSTRUMENTS (continued)		
Total cash and cash equivalents, investments, accounts receivable and derivative instruments (net market value of these contracts), by geographic region exposed to:		
South Africa	**96,2**	89,2
Rest of Africa	**1,2**	5,8
Europe	**1,6**	2,1
Asia	**–**	1,3
USA	**0,8**	0,6
Other	**0,2**	1,0
	100,0	100,0

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 margins built into the various loans and debtors tend to remain constant as the interest rates move up and down.

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

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

	Weighted average effective interest rate %	Floating interest rate Rm	2005 Fixed interest rate Rm	Non-interest-bearing Rm	Total Rm
Assets					
Cash and cash equivalents	6,5	769,9	**14,5**	–	784,4
Accounts receivable (non-RCCF)	–	–	**–**	970,5	970,5
Accounts receivable (RCCF)	13,8	216,4	**811,8**	–	1 028,2
Other investments	10,0	4,0	**–**	112,2	116,2
		990,3	**826,3**	1 082,7	2 899,3
Liabilities					
Trade and other payables		–	**–**	(1 168,3)	(1 168,3)
Bank overdrafts and short-term portion of long-term borrowings	8,3	(20,2)	**–**	–	(20,2)
RCCF borrowings	7,6	(266,8)	**(600,0)**	–	(866,8)
Long-term borrowings	8,4	(111,4)	**–**	–	(111,4)
		(398,4)	**(600,0)**	(1 168,3)	(2 166,7)
Net financial assets / (liabilities)		591,9	**226,3**	(85,6)	732,6

30. FINANCIAL INSTRUMENTS (continued)

Details of the RCCF interest rate swaps in 2005 are:

	Contracts expiring in: <1 year	1 -5 years	> 5 years	Total
R million	–	(1,6)	(0,2)	(1,8)
Average fixed interest rate (%)	–	7,6	8,1	7,7

There were no interest rate swap agreements in place at the end of the previous financial year.

	Weighted average effective interest rate %	Floating interest rate Rm	2004 Fixed interest rate Rm	Non-interest-bearing Rm	Total Rm
Assets					
Cash and cash equivalents	7,2	451,3	–	–	451,3
Accounts receivable (non-RCCF)	–	–	–	896,0	896,0
Accounts receivable (RCCF)	14,3	110,5	418,0	–	528,5
Other investments	5,6	5,1	–	104,8	109,9
		566,9	418,0	1 000,8	1 985,7
Liabilities					
Trade and other payables	12,0	(88,3)	–	(1 182,8)	(1 271,1)
Bank overdrafts	9,5	(170,4)	–	–	(170,4)
RCCF borrowings	9,5	(314,1)	–	–	(314,1)
		(572,8)	–	(1 182,8)	(1 755,6)
Net financial assets / (liabilities)		(5,9)	418,0	(182,0)	230,1

30. FINANCIAL INSTRUMENTS (continued)

Maturity profile of financial instruments

The maturity profile of financial instruments at 30 September 2005 are summarised below:

	2005 <1 year Rm	1 -5 years Rm	>5 years Rm	Total Rm
Cash and cash equivalents	**784,4**	**–**	**–**	**784,4**
Accounts receivable (non-RCCF)	**970,0**	**0,5**	**–**	**970,5**
Accounts receivable (RCCF)	**302,2**	**726,0**	**–**	**1 028,2**
Other financial assets	**96,7**	**7,7**	**11,8**	**116,2**
Trade and other payables	**(1 167,8)**	**(0,5)**	**–**	**(1 168,3)**
Bank overdrafts and short-term portion of long-term borrowings	**(20,2)**	**–**	**–**	**(20,2)**
RCCF borrowings	**(866,8)**	**–**	**–**	**(866,8)**
Long-term borrowings	**–**	**(92,9)**	**(18,5)**	**(111,4)**
Derivative Instruments				
Recognised transactions				
FEC's				
Buy	**(16,0)**	**–**	**–**	**(16,0)**
Interest rate swaps	**–**	**(1,6)**	**(0,2)**	**(1,8)**
Other derivative instruments	**1,4**	**–**	**–**	**1,4**

The maturity profile of financial instruments at 30 September 2004 are summarised below:

	2004 <1 year Rm	1 -5 years Rm	>5 years Rm	Total Rm
Cash and cash equivalents	451,3	–	–	451,3
Accounts receivable (non-RCCF)	896,0	–	–	896,0
Accounts receivable (RCCF)	137,0	391,5	–	528,5
Other financial assets	103,0	6,9	–	109,9
Trade and other payables	(1 271,1)	–	–	(1 271,1)
Bank overdrafts	(170,4)	–	–	(170,4)
RCCF borrowings	(314,1)	–	–	(314,1)
Derivative Instruments				
Recognised transactions				
FEC's				
Buy	4,2	–	–	4,2
Other derivative instruments	(1,2)	–	–	(1,2)

	Group			
	2005		2004	
	Maximum Permissible Rm	**Actual Rm**	Maximum Permissible Rm	Actual Rm

30. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

Borrowing capacity

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

	2005 Maximum Permissible Rm	2005 Actual Rm	2004 Maximum Permissible Rm	2004 Actual Rm
Long-term borrowings		**111,4**		–
Bank overdrafts and short-term portion of long-term borrowings		**20,2**		170,4
RC&C Finance Company debtors guarantee given by Reunert Limited		**28,7**		9,7
Contingent liabilities (refer to note 25)		**5,6**		9,6
	1 177,8	**165,9**	748,7	189,7

The long-term borrowings bear interest at 1,4% above the six-monthly JIBAR rate and are repayable in 14 six-monthly instalments commencing 1 December 2005. The loan may be settled early.

This loan relates to the funding provided by Nedbank to Powerhouse for their purchase of ATC shares (refer to note 2). The loan is guaranteed by Reunert and, in terms of current accounting practices for this transaction, is recognised in the Reunert balance sheet.

Fair value of financial instruments

	2005		2004	
Type of instrument	**Carrying amount Rm**	**Fair value Rm**	Carrying amount Rm	Fair value Rm
Cash and cash equivalents	**784,4**	**784,4**	451,3	451,3
Accounts receivable	**970,5**	**970,5**	896,0	896,0
RCCF accounts receivable	**1 028,2**	**1 028,2**	528,5	528,5
Other investments	**116,2**	**116,2**	109,9	109,8
Accounts payable	**(1 168,3)**	**(1 168,3)**	(1 271,1)	(1 271,1)
Bank overdrafts and short-term portion of long-term borrowings	**(20,2)**	**(20,2)**	(170,4)	(170,4)
RCCF short-term borrowings	**(866,8)**	**(866,8)**	(314,1)	(314,1)
Long-term borrowings	**(111,4)**	**(111,4)**	–	–
Derivative instruments – Forward exchange contracts	**(16,0)**	**(16,0)**	4,2	4,2
– Interest rate swaps	**(1,8)**	**(1,8)**	–	–
– Other	**1,4**	**1,4**	(1,2)	(1,2)

30. FINANCIAL INSTRUMENTS (continued)

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.

Accounts receivable

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

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

Other investments

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

Accounts payable

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

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

Forward exchange contracts

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

Interest rate swaps

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

Options

Reunert Limited (Reunert) has the following financial options in terms of the Kgorong Investment Holdings (Pty) Limited (Kgorong) / RDL Technologies (Pty) Limited (RDL) and Powerhouse Utilities (Pty) Limited (Powerhouse) / ATC (Pty) Limited (ATC) Black Economic Empowerment (BEE) transactions.

Kgorong / RDL transaction

Kgorong purchased a 10% share in RDL in 2000 and the purchase price has been paid in full.

Kgorong purchased a further 20% share in RDL in 2001. GAAP requires the reversal of the sale of the 20% portion, since the purchase consideration has not been fully paid for by Kgorong and conditions are attached to the unpaid portion, notwithstanding that the legal effect of this transaction is in fact a sale. The earnings attributable to this 20% are included in arriving at the earnings attributable to shareholders in Reunert Limited, ie no minority is recognised. When dividends are paid to Kgorong they are treated as an appropriation of profits.

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

1. Should Kgorong either be liquidated or it defaults on the loan relating to the 20% purchase of shares in RDL, Kgorong will be deemed to have offered their 20% share in RDL to Reunert.
2. Should there be a change in either shareholding or directors of Kgorong, ie change in effective control, Reunert has an option to call upon Kgorong to sell its 20% share in RDL within 90 days.
3. In the event that Reunert sells its shares in RDL to a third party, Reunert shall have an irrevocable right to call upon Kgorong to sell all its shares (30%).

A fair value of these options cannot be reliably determined, since the equity instrument does not have a quoted market price in an active market and other methods of reasonably estimating the fair value are at this stage inappropriate or unworkable.

Powerhouse / ATC transaction

Refer to notes 2 and 8 for more information on the transaction.

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

1. Reunert has the right to acquire the long-term loan from Nedbank at an amount equal to the balance of capital outstanding together with other amounts that may be due to Nedbank in terms of the loan agreement.
2. Upon the occurrence of certain events (eg Powerhouse ceases to be a black economic empowerment entity), Powerhouse will be deemed to have offered its equity for sale to Reutech Engineering Services (RES). The purchase consideration payable by RES is dependent on whether the loan between Powerhouse and Nedbank has been repaid in full or not. RES therefore has the option to acquire the shares Powerhouse holds in ATC under these circumstances.

A fair value for these options cannot be reliably determined, since the equity instrument does not have a quoted market price in an active market and other methods of reasonably estimating the fair value are at this stage inappropriate or unworkable.

31. UNCONSOLIDATED SUBSIDIARY

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 ATC (Pty) Limited)	71,5
Attributable Reunert group holding	53,6

	Rm
Shares at cost	7,3
Less: Amount written off	(7,3)
Carrying value of investment	–

	2005 Z$m	2004* Z$m
The abridged hyperinflationary accounted income statement for the year to June 2005 and the balance sheet as at 30 June 2005 are reflected below:		
Income statement		
Revenue	**83 899**	165 606
(Loss) / profit before interest and taxation	**(11 742)**	5 341
Interest paid	**(3 293)**	(2 890)
Profit / (loss) on net monetary position	**5 050**	(31 309)
Loss before taxation	**(9 985)**	(28 858)
Taxation credit / (charge)	**940**	(562)
Net loss	**(9 045)**	(29 420)
Losses attributable to Reunert Limited shareholders (Rm)	**(3,1)**	(22,1)
Balance sheet	**Z$m**	Z$m
Assets		
Non-current assets		
Property, plant and equipment	**43 595**	51 905
	43 595	51 905
Current assets		
Inventory	**21 084**	15 297
Accounts receivable	**17 810**	17 708
Cash	**621**	8 153
	39 515	41 158
Total assets	**83 110**	93 063
Equity and liabilities		
Share capital and reserves	**44 522**	57 381
Non-current liabilities		
Deferred tax liabilities	**11 411**	13 541
	11 411	13 541
Current liabilities		
Payables	**17 286**	14 047
Net debt	**9 891**	8 094
	27 177	22 141
Total equity and liabilities	**83 110**	93 063

The auction rate as at 30 September 2005 to the US$ is approximately Z$9 995 which approximates R1: Z$1 574 (2004: R1: Z$955). The Zimbabwean inflation rate used to inflate the 2004 information to compare with 2005 is 358,9%.

* *The 2004 information has been restated in terms of AC124 on Financial Reporting in Hyperinflationary Economies.*

32. ACQUISITION OF BUSINESSES

In November 2004 various assets of RFID SA were purchased for R3,2 million and combined into the business of Saco Systems.
In January 2005 the business of Nashua Direct, a division of Nashua Office Automation was merged with that of Kopano, an independent franchise dealing in Nashua products to form Kopano Copier Company (Pty) Limited, trading as Nashua Kopano. Nashua Direct contributed 74% of the net assets of the new business and Kopano 26%, the latter amounting to R5,6 million. The respective share holdings are in the same ratio.

Net assets acquired:	RFID SA Rm	Kopano Rm	Total Rm
Property, plant and equipment	2,9	0,6	3,5
Inventory	0,3	1,6	1,9
Accounts receivable	–	7,6	7,6
Payables and provisions	–	(4,2)	(4,2)
Cost of investment	3,2	5,6	8,8
Acquiree's profit since acquisition	–	24,6	24,6
Revenue of the combined entity for the full year ended 30 September 2005 as though the acquisition date had been 1 October 2004	–	211,1	211,1
Profit of the combined entity for the full year ended 30 September 2005 as though the acquisition date had been 1 October 2004	–	37,0	37,0

33. RESTATEMENT

The previous annual financial statements included a provision for debtors recourse guarantee. This provision was no longer required following the realisation of RC&C Finance Company's debtors book in December 2003 and has been adjusted in the group statement of changes in equity.
In addition, the provision was utilised in the 2003 financial year to write off a bad debt of R8,9 million. In the current financial year that bad debt has been recovered.

As a result the following adjustments have been made to the comparative information:
() reflects a reduction of the balance:

	Group		
	Debtor recourse guarantee provision Rm	Trade and other payables Rm	Accumulated profit Rm
As at 1 October 2003	(37,7)	(8,9)	46,6
Movement during 2004	–	–	–
As at 30 September 2004	(37,7)	(8,9)	46,6
Movement during 2005 – reversal of the provision used to write off a bad debt in prior years which was recovered in 2005	–	8,9	–
As at 30 September 2005	**(37,7)**	**–**	**46,6**

There are no taxation implications to this restatement

Principal subsidiaries – Annexure A

at 30 September 2005

	Issued capital R (unless otherwise stated)	Effective percentage holding 2005 %	Effective percentage holding 2004 %	Interest of holding company Shares 2005 Rm	Shares 2004 Rm	Indebtedness 2005 Rm	Indebtedness 2004 Rm
ELECTRICAL ENGINEERING							
Circuit Breaker Industries Limited	46	**100**	100	**–**	–	**40,5**	41,4
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 USA)	$50 000	**100**	100	**–**	–	**–**	–
African Cables Limited	9 886 098	**100**	100	**–**	–	**–**	–
Afcab Holdings (Pty) Limited	4 000	**100**	100	**67,7**	66,3	**64,8**	199,8
ATC (Pty) Limited	751 197	**74,9**	74,9	**130,0**	–	**–**	–
Reutech Engineering Services (Pty) Limited	64 000	**100**	74,9	**1,7**	0,6	**–**	–
OFFICE SYSTEMS							
Nashua Limited	947 794	**100**	100	**6,3**	6,3	**(12,3)**	(11,8))
Kopano Copier Company (Pty) Limited	100	**74**		**1,5**		**19,9**	
Royce Imaging Industries (Pty) Limited	100	**100**	100	**–**	–	**13,4**	13,3
RC&C Finance Company (Pty) Limited	4 293	**16***	16*	**20,4**	20,4	**(4,6)**	0,5
Nashua Connect (Pty) Limited	1 000	**100**	100	**–**	–	**4,0**	4,6
CONSUMER PRODUCTS AND SERVICES							
Nashua Mobile (Pty) Limited	9 741 983	**100**	100	**267,8**	267,8	**–**	–
Reunert Consumer and Commercial Holdings Limited	100	**100**	100	**45,0**	45,0	**(43,1)**	(46,5)
NPC (Electronics) Limited	33 000	**100**	100	**0,2**	0,2	**–**	(2,7)
NPC (Airconditioning) Limited	200 000	**100**	100	**2,2**	2,2	**–**	(0,6)
Pansolutions (Pty) Limited	100	**100**	100	**–**	–	**–**	(2,3)
Futronic (Pty) Limited	100	**100**	100	**–**	–	**–**	0,2
RC&C Manufacturing Company (Pty) Limited	100	**100**	100	**–**	–	**(3,7)**	(1,4)
RC&C (Parow Factory) Properties (Pty) Limited	2	**100**	100	**0,5**	0,5	**–**	–
Saco Systems Limited (incorporated in UK)	£16 556	**100**	100	**–**	–	**1,8**	1,2
Saco Systems (Pty) Limited	96 000	**100**	100	**–**	–	**(0,1)**	(0,1)
TELECOMMUNICATIONS							
Acuo Technologies (Pty) Limited	4 000	**100**	100	**–**	–	**1,1**	–
REUTECH							
Fuchs Electronics (Pty) Limited	50 000	**100**	100	**–**	–	**–**	–
RDI Communications (Pty) Limited	2	**100**	100	**–**	–	**–**	–
Reutech Defence Industries (Pty) Limited	600 000	**100**	100	**0,3**	0,3	**–**	–
RDL Technologies (Pty) Limited	2 000	**70**	70	**–**	–	**–**	–
Reutech Radar Systems (Pty) Limited	200	**57**	57	**8,6**	8,6	**0,2**	0,9
Reutech Limited	30 000 000	**100**	100	**5,0**	5,0	**–**	–
INVESTMENTS AND SERVICES							
Reunert Finance Company Limited	4 000 000	**100**	100	**4,0**	4,0	**179,8**	(408,3)
Bargenel Investments Limited	7	**100**	100	**168,0**	168,0	**9,1**	26,9
Reunert Management Services Limited	4 000	**100**	100	**–**	–	**(0,1)**	–
Sundry companies				**5,0**	5,0	**(16,5)**	(12,7)
				750,6	616,6	**254,2**	(197,6)
Owing by/(Indebtedness) (net)				**254,2**	(197,6)		
Provision for goodwill write-off				**(45,9)**	(45,9)		
Provision for losses				**(84,0)**	(35,8)		
Interest in subsidiaries				**874,9**	337,3		

* *Reunert Limited owns 16% (2004:16%) of the total share capital, but 100% of the "A" shares, which is the class of shares entitled to share in the dividends of the company.*

Share ownership analysis

	Ordinary shares 2005 %	Ordinary shares 2004 %
MAJOR HOLDINGS THROUGH MANAGERS IN EXCESS OF 5% (CURRENT AND PRIOR YEAR)		
Investec Asset Management (SA)	**16,2**	21,1
Old Mutual Asset Managers (SA)	**11,7**	10,9
Stanlib Asset Management (SA)	**6,9**	7,3
Polaris Capital (Pty) Limited (SA)	**6,5**	4,3
RMB Asset Management (SA)	**3,1**	15,4

	Ordinary shares		5,5% cumulative preference shares	
	Number of shareholders	% shareholding	Number of shareholders	% shareholding
SHAREHOLDER SPREAD				
Public shareholders	13,190	73,9	55	85,0
Non-public shareholders	52	26,1	1	15,0
– Total directors	2	–		
– Reunert Share Purchase Trust	48	2,0		
– Bargenel Investments (Pty) Limited*	1	9,9		
– Public Investment Commissioners (SA)	1	14,2		
– Old Sillery (Pty) Limited			1	15,0
	13 242	100,0	56	100,0

	Ordinary shares (millions)	%	5,5% cumulative preference shares (thousands)	%
BENEFICIAL HOLDINGS IN EXCESS OF 5% OF ISSUED SHARE CAPITAL				
Public Investment Commissioners (SA)	27,4	14,2		
Bargenel Investments (Pty) Limited*	19,1	9,9		
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

* *Treasury shares (refer to note 21)*

Shareholders' diary

REPORTING

Annual general meeting	6 February 2006
Financial year-end	30 September 2006
Announcement of interim results for 2006	16 May 2006
Announcement of final results for 2006	21 November 2006
Annual report for 2006 posted by	21 December 2006

DIVIDENDS

FINAL FOR 2005

Ordinary shares

Declared	Monday, 14 November 2005
Last date to trade (cum dividend)	Friday, 13 January 2006
First date of trading (ex dividend)	Monday, 16 January 2006
Record date	Friday, 20 January 2006
Payment date	Monday, 23 January 2006

Shareholders may not dematerialise or rematerialise their holdings of Reunert shares between Monday, 16 January 2006 and Friday, 20 January 2006, both days inclusive.

5,5% cumulative preference shares

Declared	14 November 2005
Payable	January 2006

INTERIM FOR 2006

Ordinary and 5,5% cumulative preference shares

Declared	15 May 2006
Payable	June 2006

Please note that the reporting dates are subject to change

Corporate administration and information

REUNERT LIMITED

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

BUSINESS ADDRESS AND REGISTERED OFFICE

Lincoln Wood Office Park
6 – 10 Woodlands Drive
Woodmead 2191
Sandton
South Africa

POSTAL ADDRESS

PO Box 784391
Sandton 2146
South Africa

GROUP SECRETARY AND ADMINISTRATION

Reunert Management Services Limited
The address is the same as that of Reunert Limited

RG Drakes (58)
CA(SA) (Hons)
Financial director
Reunert Management Services Limited
e-mail: robd@reunert.co.za

JAF Simmonds (59)
ACIS, Hdip Tax Law (Wits)
Directly responsible for secretarial matters
e:mail: johns@reunert.co.za

Telephone: +27 11 517 9000
Telefax: +27 11 804 1391

SHARE TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg 2001
South Africa

POSTAL ADDRESS

PO Box 61051
Marshalltown 2107
South Africa

Telephone: +27 11 370 5000
Telefax: +27 11 688 5200
Website: www.computershare.com

AUDITORS

Deloitte & Touche
Deloitte & Touche Place
The Woodlands
20 Woodlands Drive
Woodmead 2199
South Africa

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

SPONSOR

Rand Merchant Bank (A division of FirstRand Limited)

PRINCIPAL BANKERS

Nedbank Limited
Standard Corporate and Merchant Bank

INFORMATION AND INVESTOR RELATIONS

Carina de Klerk (44)
BA Comm
Communication and investor relations manager

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

Notice of annual general meeting

Notice is hereby given that the ninety-second 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 Monday, 6 February 2006 at 10:00 for the following purposes:

1. To receive and adopt the audited group annual financial statements for the year ended 30 September 2005.

2. To elect the following directors:
   2.1 Mr Fuller who was appointed a non-executive director of the company on 1 June 2005 and is required to retire in terms of the company's articles of association and being eligible, offers himself for re-election.
   2.2 Mr BP Gallagher who retires in terms of the company's articles of association and being eligible, offers himself for re-election.
   2.3 Mr DJ Rawlinson who retires in terms of the company's articles of association and being eligible, offers himself for re-election.
   2.4 Dr JC van der Horst who retires in terms of the company's articles of association and being eligible, offers himself for re-election.

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

3. To determine the remuneration of non-executive directors with effect from 1 October 2005 in accordance with the company's articles of association as follows:

	Current per annum	Proposed per annum
Chairman	R350 000	R370 000
Non-executive directors	R80 000	R85 000
Audit and risk committee chairman	R60 000	R70 000
Audit and risk committee member	R40 000	R50 000
Remuneration and nomination committee chairman	R35 000	R40 000
Remuneration and nomination committee member	R30 000	R35 000

ORDINARY RESOLUTION NO. 1

4. 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 1988 Share Purchase Scheme."

ORDINARY RESOLUTION NO. 2

5. To consider and if deemed fit to pass, with or without modification, the following resolution as an ordinary resolution: "That the executive directors having been granted 280 000 options on 29 August 2005 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 these shares pursuant to the exercise of such options."

SPECIAL RESOLUTION NO. 1

6. To consider and, if deemed fit, to pass, with or without modification, the following resolution as a special resolution: "That the company hereby approves, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973), as amended (the Companies Act) the acquisitions by the company, and/or any subsidiary of the company, from time to time, of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited (JSE), when applicable, and provided that:
   – the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior arrangement between the company and the counterparty (reported trades are prohibited);
   – this authority shall not extend beyond 15 (fifteen) months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date;
   – any such repurchase be implemented on the open market of the JSE;
   – at any point in time, the company only appoints one agent to effect any repurchase(s) on its behalf;
   – the company or its subsidiaries are not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
   – a paid press release giving such details as may be required in terms of the Listings Requirements of the JSE be published when the company or its subsidiaries have cumulatively repurchased 3% (three percent) of the shares in issue and for every 3% (three percent) in aggregate of the initial number of that class acquired thereafter;
   – the general repurchase(s) may not in the aggregate in any one financial year exceed 20% (twenty percent) of the number of shares in the company's issued share capital at the beginning of the financial year provided that a subsidiary of the company may not hold at any one time more than 10% (ten percent) of the number of issued shares of the company;
   – in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such

ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the company;
- the sponsor to the company provides a letter on the adequacy of working capital in terms of section 2.14 of the JSE Listings Requirements prior to any repurchases being implemented on the open market of the JSE;
- after such repurchase the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the directors undertake that, for a period of 12 (twelve) months following the date of the notice 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 International Financial Reporting Standards 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 continue operations; and
  - the company and the group will, after such payment, have sufficient working capital to continue operations.

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.

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 82;
– directors' interests and securities	pages 37 and 38 and note 26;
– share capital of the company	note 21;
– litigation statement	page 35; and
– material change	page 35.

SPECIAL RESOLUTION NO. 2

7. To consider and if deemed fit to pass with or without modification the following resolution as a special resolution.
   "That the articles of association of the company be and are hereby amended by the insertion of the following new Article 120A after Article 120:
   'Communication by electronic medium
   - 120A(a)
     Notwithstanding anything to the contrary contained in these articles, but subject to the Companies Act and the Listings Requirements of the JSE Limited (JSE):
     - 120A(a)(i)
       the company may send (which, for the purposes of this Article 120A, includes serving, giving, delivering and the like) shareholder information to members by electronic medium provided that:
     - 120A(a)(i)(1)
       the sending of shareholder information by electronic medium may only be effected to members who have consented in writing, in such form as has been approved by the JSE, to the sending of such shareholder information by electronic medium and such consent has not been withdrawn; and
     - 120A(a)(i)(2)
       the directors have approved the method by which and the electronic medium through which such sending of shareholder information is to be effected;
     - 120A(a)(i)(3)
       if the directors so authorise, members may deposit forms of proxy with the company and the offices of the Registrars by electronic medium provided that the directors have approved the method by which and the electronic medium through which forms of proxy may be so deposited.
   - 120A(b)
     For the purposes of this Article 120A:
     - 120A(b)(i)
       "electronic medium" means a method of electronic communication which includes, but is not limited to, facsimile, electronic data messages (including, but not limited to, e-mail, bulletin board communications, internet websites, CD ROM and computer network communications);

- 120A(b)(ii)
  "shareholder information" includes, but is not limited to, notices of general meetings and annual general meetings of the company, dividend notices and interest notices, forms of proxy, circulars to shareholders (including, but not limited to, circulars required in terms of the Listings Requirements of the JSE), listing particulars, annual financial statements, group annual financial statements, group reports, annual reports and interim reports, and any other document which is determined by the directors to be shareholder information;
- 120A(b)(iii)
  shareholder information sent by electronic medium to members shall be deemed to have been received on the day on which such shareholder information was sent by the company;
- 120A(b)(iv)
  a form of proxy sent by electronic medium shall be deemed to constitute a valid instrument of proxy for the purposes of these articles and shall be deemed to comply with such provisions of these articles requiring signature of instruments of proxy;
- 120A(b)(v)
  the references to "in writing" in Article 113 shall include shareholder information produced or communicated by electronic medium in accordance with this Article 120A;
- 120A(b)(vi)
  the references to "deposited" in Article 54 in respect of the instruments appointing a proxy, shall include the depositing and lodging of forms of proxy by electronic medium in accordance with this Article 120A;
- 120A(b)(vii)
  Article 110 shall not apply to shareholder information sent by electronic medium. For the purposes of this Article 120A, shareholders information sent by electronic medium shall be sent to each member at the address notified in writing by the member to the company for this purpose from time to time;
- 120A(b)(viii)
  the references to "by post" in Article 113 and 116 shall include the sending of shareholder information by electronic medium.

The reason for and effect of this special resolution is to enable the company and shareholders to utilise electronic mediums of communication in respect of communications between them.

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. Proxy forms must be forwarded to reach the share transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, Johannesburg) so as to be received by them not later than 24 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

By order of the board

Reunert Management Services Limited
Company secretaries

Sandton
14 November 2005

CHANGE OF ADDRESS AND BANKING DETAILS

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

Contact details are listed on page 84.

Currency conversion table

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

	2005	2004
US dollar	**0,1573**	0,1549
Pound sterling	**0,0893**	0,0856
Swiss franc	**0,2035**	0,1933
Japanese yen	**17,8200**	17,0750
Euro	**0,1309**	0,1247

Proxy form

REUNERT LIMITED

Incorporated in the Republic of South Africa
(Registration number 1913/004355/06)
Share code: RLO ISIN code: ZAE000057428

Only to be completed by those shareholders who are:

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

I/We (full names) ______________________________

of (address) ______________________________

being a shareholder/s of ____________ ordinary shares in the company, hereby appoint:

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. ______________________________ or failing him/her

the chairman of the meeting as my/our proxy to attend, speak and on a poll to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held in the Reunert boardroom, Lincoln Wood Office Park, 6 – 10 Woodlands Drive, Woodmead, Sandton, on 6 February 2006 at 10:00, or at any adjournment thereof.

I/We desire to vote as follows:

	For*	Against*	Abstain*
1. Adopt annual financial statements			
2. Election of directors:			
2.1 – Mr KS Fuller			
2.2 – Mr BP Gallagher			
2.3 – Mr DJ Rawlinson			
2.4 – Dr JC van der Horst			
3. Directors' remuneration			
4. Ordinary resolution No 1 Control of authorised but unissued shares			
5. Ordinary resolution No 2 Authority to issue shares to executive directors in terms of the share option scheme			
6. Special resolution No 1 General authority to repurchase shares			
7. Special resolution No 2 Amendment to the company's articles of association			

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 aforementioned meeting is entitled to appoint one or more proxies to attend, speak and upon a poll, vote in his/her stead or abstain from voting. The proxy need not be a member of the company.

2. To be valid this form of proxy must be completed and returned to Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001, Republic of South Africa, not later than 24 (twenty four) hours (excluding Saturdays, Sundays and public holidays) prior to the meeting.

3. In case of a joint holding, the first-named only need sign.

4. A minor must be assisted by his/her guardian, unless proof of competency to sign has been recorded by the company.

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

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).

7. If this form of proxy is returned without any indication of how the proxy should vote, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting.

CODE OF ETHICS

- Conduct yourself honourably and in the best interest of the company
- Abide by all laws and regulations
- Avoid all conflicts of interest between work and personal affairs
- Act in good faith, with integrity and honesty
- Foster an environment in which people are encouraged to be open
- Respect one another and act in a non-discriminatory manner
- Act in a socially responsible way
- Protect the environment and our natural resources

All employees of Reunert are bound by the principles of this code

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.

GRAPHICOR 33159