

BRIMSTONE
INVESTMENT CORPORATION LIMITED



2003 Annual Report

"I am an African!

I owe my being to the Khoi and the San whose desolate souls haunt the great expanses of the beautiful Cape – they who fell victim to the most merciless genocide our native land has ever seen, they who were the first to lose their lives in the struggle to defend our freedom and independence and they who, as a people, perished in the result.

I am formed of the migrants who left Europe to find a new home on our native land. Whatever their own actions, they remain still, part of me.

In my veins courses the blood of the Malay slaves who came from the East. Their proud dignity informs my bearing, their culture a part of my essence. The stripes they bore on their bodies from the lash of the slave-master are a reminder embossed on my consciousness of what should not be done.

I am the grandchild of the warrior men and women that Hintsa and Sekhukhune led, the patriots that Cetshwayo and Mphephu took to battle, the soldiers Moshoeshe and Ngungunyane taught never to dishonour the cause of freedom.

I am the grandchild who lays fresh flowers on the Boer graves at St Helena and the Bahamas, who sees in the mind's eye and suffers the suffering of a simple peasant folk: death, concentration camps, destroyed homesteads, a dream in ruins.

I come of those who were transported from India and China, whose being resided in the fact, solely, that they were able to provide physical labour, who taught me that we could both be at home and be foreign, who taught me that human existence itself demanded that freedom was a necessary condition for that human existence.

Being part of all these people, and in the knowledge that none dare contest that assertion, I shall claim that I am an African.

I am born of a people who are heroes and heroines. I am born of a people who would not tolerate oppression. I am of a nation that would not allow that fear of death, torture, imprisonment, exile or persecution should result in the perpetuation of injustice. The great masses who are our mother and father will not permit that the behaviour of the few results in the description of our country and people as barbaric. Patient because history is on their side, these masses do not despair because today the weather is bad. Nor do they turn triumphalist when, tomorrow, the sun shines. Whatever the circumstances they have lived through – and because of that experience – they are determined to define for themselves who they are and who they should be.

Together with the best in the world, we too are prone to pettiness, petulance, selfishness and short-sightedness. But it seems to have happened that we looked at ourselves and said the time had come that we make a super-human effort to be other than human, to respond to the call to create for ourselves a glorious future, to remind ourselves of the Latin saying: Gloria est consequenda – Glory must be sought after!

Today it feels good to be an African."

Extracts from "I am an African"

Thabo Mbeki (1996)

(Now President of the Republic of South Africa)



The distinctive Brimstone butterfly (*Danaus chrysippus* (L)), is a familiar member of the family Danaidae of which seven species occur in Southern Africa and only one, the African Monarch, occurs on the Table Mountain range. The members of this range have three characteristics in common. They are unpalatable to birds, reptiles and amphibians. They utilise warning colours, including tawny red to alert predators to their unpleasant taste, and they are surprisingly resilient and cannot be killed as readily as most butterflies.

Mission Statement

Brimstone Investment Corporation seeks to be profitable, empowering and to have a positive social impact on the businesses and the individuals with whom it is involved, including shareholders, employees, suppliers, customers and the community.

Corporate Profile

Brimstone is a black controlled and managed investment company incorporated and domiciled in the Republic of South Africa and employing approximately 1 100 employees in its subsidiaries and in excess of 4 300 in its associates.

It seeks to achieve above average returns for its shareholders by investing in wealth creating businesses and entering into strategic alliances to which it contributes capital, innovative ideas, management expertise, impeccable empowerment credentials and a value driven corporate identity.

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Salient financial highlights

for the year ended 31 December 2003

R'000	Year ended 31 December 2003	Year ended 31 December 2002	Percentage change
Revenue	206 904	226 151	(9)
Profit from Operations	28 190	21 277	32
Headline Earnings	20 650	28 881	(28)
Total Assets	364 675	267 638	36
Weighted average number of shares in issue ('000)	139 959	195 628	
Shares in issue at end of year ('000)	120 091	195 628	
Performance per share (cents)			
Headline Earnings	14.8	14.8	–
Net Asset Value	140.3	95.3	47

Underlying investments



Corporate information

Directors

Prof GJ Gerwel (57) (Chairman) ‡
FJ Robertson (49) (Executive Deputy Chairman) ∞
MA Brey (50) (Chief Executive Officer) ∞
Dr P Gorvalla (73) # †
M Hewu (40) # °*
N Khan (48) # ° †*
Y Pahad (54) # ° †*
LA Parker (50) # ° †
AA Roberts (51) # ° †*

Member: Audit Committee ◊
Member: Investment Committee °
Member: Remuneration Committee *
Member: Empowerment & Transformation Committee †
Executive ∞
Non-Executive ‡
Non-Executive Independent #

Company Secretary

M O'Dea
1st Floor, Slade House
Boundary Terraces
1 Mariendahl Lane
Newlands 7700

Sponsor

Nedbank Corporate
(A division of Nedbank Limited)
135 Rivonia Road
Sandton 2196
PO Box 1144, Johannesburg 2000
27 11 295 8602

Company Registration Number

1995/010442/06

Registered Office

Boundary Terraces
1 Mariendahl Lane, Newlands 7700
PO Box 44580, Claremont 7735

Telephone Number

+27 21 670 4500

Email

info@brimstone.co.za

Fax Number

+27 21 683 1285

Website

www.brimstone.co.za

Bankers

Nedbank Limited
First National Bank of Southern Africa Limited

Auditors

Deloitte & Touche

Attorneys

Hofmeyr Herbstein & Gihwala Inc.
Edward Nathan & Friedland (Proprietary) Limited

Transfer Secretaries

Computershare Investor Services
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
+27 11 370 7700

Chairman's Review

for the year ended 31 December 2003

Brimstone, like our national democracy, came into being in 1994, and both have faced and overcome numerous hurdles. During the past 10 years black business, and fledgling small cap companies in particular, have had to reconnoitre their way through a rather inhospitable terrain.

It has been through sheer determination, sticking to the core tenets of our business and inculcating a strong sense of corporate governance and best practice, that

Prof GJ Gerwel



your company now finds itself grouped within a small minority of black empowerment success stories. It is indeed pleasing to report black economic ownership in Brimstone at the 57% level. This further cements Brimstone's leading black economic empowerment credentials on the JSE Securities Exchange.

During 2003, our strategic focus remained on industrial and financial services. Our success continued to be underpinned by attention to efficiencies, management processes and strong attention to partnership. The key focus of the year, however, was on deal flow, and a number of headline generating deals were concluded. This included the acquisition of a 25% interest in Lenco Holdings Limited, and a doubling of the existing stake in Sea Harvest Corporation Limited to 21.52%. Although not finalised to date, the most significant deal was our involvement in the acquisition of Afrox Healthcare, the biggest empowerment transaction outside of the mining industry.

At the same time, Brimstone finalised the disposal of its stake in Nando's Holdings, Faizyme and Spitz, freeing up capital to fund further acquisitions and a specific repurchase of shares.

Management have expended a lot of energy and time on structuring these deals, which are ultimately aimed at building an ever stronger foundation, with benefits and value added for our many and varied shareholders.

That is not to say the year did not have its challenges. The strengthening Rand and highly competitive business environment did us few favours, and earnings across the group's industrial and financial services investments were

As a measure of the increased worth of your company, net asset value rose by 47.2% to 140.3 cents a share during the year to end December 2003, compared to 95.3 cents at the 2002 year end.

largely static. Such was the bearish state of the market that management considers even flat headline earnings per share in a positive light.

As a measure of the increased worth of your company, net asset value rose by 47.2% to 140.3 cents a share during the year to end December 2003, compared to 95.3 cents at the 2002 year end. The impact of the stronger Rand and a highly competitive business environment was evidenced by reduced headline earnings of R20.7 million (2002 – R28.9 million), off revenues of R206.9 million (2002 – R226.2 million).

With less shares in issue following the specific repurchase of shares during the year however, this translated to unchanged headline earnings of 14.8 cents per share, and shareholders were rewarded with an 8 cent dividend per share (2002 – 4 cents per share).

Corporate Social Investment

Brimstone continued to recognise its responsibility to the community during the year and contributed to projects to which it has shown commitment over the years. These include The Business Trust, Yabonga and Cape Flats Development Association.

Other beneficiaries include the winter warmth programme, senior citizen support programme, children's education projects, AIDS support programmes and entrepreneurial programmes.

Brimstone maintained its commitment to staff education and training through the in-house bursary trust. There was also strong focus on healthcare and HIV/AIDS awareness within its businesses.

The Brimstone Share Trust

With the aim of putting an appropriate mechanism in place to reward and incentivise existing management and employees, and to enable the company to recruit further competent personnel, the directors have decided to utilise a share incentive scheme as a tool to grow the value of the company. A special meeting of shareholders was held on 29 December 2003, at which the requisite approvals were granted for the amendment of the Share Trust. The amendments are outlined in further detail on page 16 of this report.

Prospects

Brimstone's excellent empowerment credentials, solid balance sheet and ability to attract deal flow, represent the cornerstone of its success. Its partnership approach, and ability to add significant value to underlying investments, sit well within a macro-economic framework that seeks to promote empowerment and advance the broad participation of the previously disadvantaged in the economy.

Positive developments in the company during the past year, including the heightened expectation of good performances from underlying operations, inspire confidence for the future. There are highly encouraging prospects across each of the two pillars of investment, and we are confident of achieving the targets set for growth in earnings and net asset value in the coming year.

I extend my sincere appreciation and thanks to the shareholders, directors, management and staff of Brimstone for their dedication and valued contribution to our company. Also, my thanks to members of the board who have provided invaluable advice and guidance, and to our key partners and advisors for their counsel and support.

With the continued support of this top-calibre team, we can only go from strength to strength.



Prof GJ Gerwel

Non-executive chairman

Brimstone Investment Corporation Limited

Executive Management Report

for the year ended 31 December 2003

The executive team expresses its sincere gratitude to the shareholders for the opportunity to serve Brimstone Investment Corporation Limited and all its stakeholders. We appreciate the fact that the majority of our shareholders have been with us for many years, and have entrusted us with their pride and investment in our company. We are therefore particularly pleased by the fact that we are able to deliver an 8 cent per share dividend for the 2003 financial year. This is 100% up on the previous year and represents a dividend yield of approximately 10% on the average share price of ordinary shares (76.46 cents) and "N" ordinary shares (84.38 cents).

Brimstone remains a company with its roots firmly in the community and we thank the large number of shareholders who were present at the annual general meeting on 9 June 2003. This certainly makes our AGM one of the biggest shareholder gatherings in South Africa. We would encourage a greater number of shareholders to be present at your annual general meeting scheduled for Thursday, 17 June 2004.

Our mission, to be profitable, empowering and to have a positive social impact, continues to be the beacon by which your company is navigated. We also believe in strong partnerships, and favour holding our investments over the longer term. It is therefore with regret that we have exited Nando's, Spitz and Faizyme. However sound commercial rationale prevailed and we remain good friends and wish them well. Brimstone is proud that we could in some way contribute to the success of these companies.

Brimstone continued to create value for its shareholders in the 2003 financial year, posting a 47.2% increase in net asset value to 140.3 cents per share, compared to 95.3 cents for the previous year. This is in spite of difficult trading conditions in the markets of Brimstone's core underlying industrial and financial services investments, which left headline earnings per share flat. The strengthening Rand and highly competitive business environment saw a reduction in revenue to R206.9 million from R226.2 million and a reduction in headline earnings to R20.7 million from R28.9 million in 2002. This translated into headline earnings per share of 14.8 cents, which is

the same as in 2002, as there were less shares in issue following the specific repurchase of shares in April 2003.

During the year Brimstone finalised the specific repurchase of its shares and concluded a number of deals, including the R51.8 million acquisition of a 25% interest in Lenco Holdings Limited, and a doubling of the existing stake in Sea Harvest Corporation to 21.52% for an additional R85.3 million. The consideration for these acquisitions, which included an interest component, was funded by a short-term loan of R137 million which was converted into preference shares shortly after the year end. Brimstone also finalised the disposal of its stake in Nando's Holdings, Faizyme, Spitz, and its Keerom Street Chambers property in Cape Town. These items accounted for R19.5 million of exceptional items totalling R21 million.

The group net cash position is at a healthy R48.4 million up from R0.5 million at the end of the previous year. Also gratifying to see is the reduction in the discount to NAV in the market share price.

Industrial Investments

House of Monatic

Results for this high-end men's clothing manufacturer were adversely impacted by the strengthening of the Rand, as well as sluggish local retail demand.

Lenco

Brimstone acquired a 25% plus one share interest in Lenco for a total consideration of R51.8 million, effective 31 December 2003. Lenco is a world-class packaging company servicing the consumer, agricultural and food and beverage sectors, and has two main divisions, Versapak and Xactics, which produce disposable plastic packing and extrusion blow moulded containers respectively for the local and international market. No income from this investment accrued to the group during the 2003 year.

Sea Harvest

Poor export demand and greatly reduced hake catch volumes, saw reduced profits for this deep sea fishing company. Reflecting its confidence in the long term sustainability of the fishing industry, Brimstone acquired a further effective 10.76% in Sea Harvest during the year

for a total consideration of R85.3 million. No income from this additional investment accrued to the group during the 2003 year.

Scientific Group

This supplier of medical equipment, in which Brimstone holds a 20% stake, did well in a tight margin market.

Spitz

The investment was disposed of effective 31 December 2003 for a gross consideration of R21.7 million.

Financial Services

Lion of Africa Insurance Company Limited

During a year of consolidation Lion of Africa contributed reduced earnings. An impressive and growing portfolio of corporate clients, good growth in its core markets and opportunities provided by the Financial Services Charter should have a positive effect on earnings for the current financial year.

Peoples Bank

Subsequent to the year-end Brimstone has, subject to certain suspensive conditions, sold its stake in Peoples Bank to Nedcor for a consideration of R6.7 million to be settled by the issue of Nedcor shares. It is intended to reverse Peoples Bank back into the Nedcor stable under the retail cluster of its businesses. This transaction will be accounted for in 2004.

Investments in transition

Faizyme, a niche producer of enzymes for the pharmaceutical industry, deserves special mention. During the financial year Brimstone sold its 30% stake in this company to the founder and realised a profit. Brimstone is proud to have assisted a true empowerment company, and to have enabled it to successfully export products across the world.

Management shareholding

Directors and management acquired an additional 670 700 ordinary shares and 25 159 000 "N" ordinary shares during the year under review which further aligns shareholders' interests with those of management.

Prospects

Brimstone continues to expand its footprint into the industrial and financial services markets. It will continue to look for ways of improving its balance sheet, disposing of non-core investments and focusing on acquisitions that can add significant value, and quality sustainable earnings. Black empowerment companies, particularly small cap companies, have had to operate under difficult circumstances. Executive management believes that Brimstone's business model is sustainable, and our primary focus on industrial and financial services businesses will underpin real creation of wealth for all our stakeholders. Accordingly, we expect positive results for the 2004 financial year with real growth for our shareholders.

FJ Robertson

Executive Deputy Chairman

MA Brey

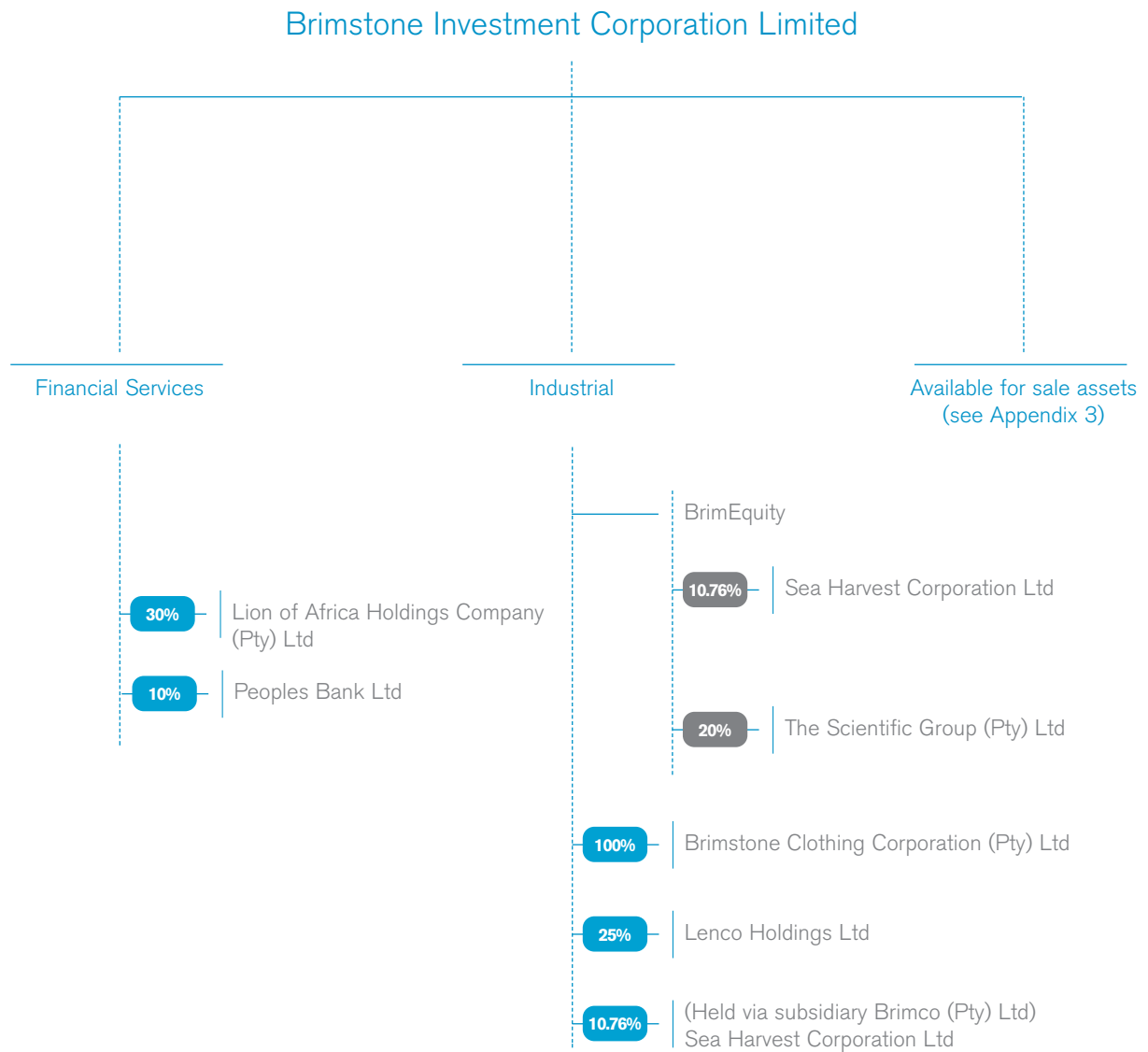
Chief Executive Officer

FJ Robertson and MA Brey



Group Structure

as at 31 December 2003



Corporate Governance

Statement on Corporate Governance

The board remains fully committed to the principles of integrity, transparency and accountability in its dealings with its shareholders and other stakeholders. It endorses and ensures that the company is compliant with the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance. A review of existing compliance practice has been undertaken by an independent expert. The shortcomings identified have been corrected.

Financial Statements

The directors are responsible for the timeous preparation and integrity and objectivity of the annual financial statements and apply suitable accounting policies in accordance with South African Statements of Generally Accepted Accounting Practice. The going concern basis has been adopted in preparing the annual financial statements and the directors have no reason to believe that the group will not continue to be a going concern into the foreseeable future.

Internal Controls and Internal Audit

The directors are also responsible for ensuring that a sound system of internal control exists to safeguard our shareholders' investment and the assets of the group. The group's internal controls, systems and procedures are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the annual financial statements, that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded.

An internal audit function was re-established during the year on a co-sourced basis, under the direction of senior management and subject to the review of the Audit Committee.

During the accounting period nothing came to the directors' attention to indicate any material breakdowns in the controls, systems or procedures.

Risk Management

The company has adopted a continuous, systematic, risk management process which aims to ensure that all material risks of the group are identified, evaluated and addressed.

Board Charter

A charter has been implemented in order to define the role and responsibilities of the board. It includes direction on matters such as fiduciary responsibilities, selection, composition, evaluation and succession planning of the board.

Board of Directors

The board comprises 2 executive directors, 6 independent non-executive directors and 1 non-executive director who collectively determine major policies and strategies and ensure that the highest standards of corporate governance and compliance are maintained. The board provides strategic direction to the company and the group by examining and evaluating management's plans and adding its own input based on its own extensive experience. The number and calibre of non-executive directors sufficiently balance the board in its deliberations and resolutions. Non-executive directors are independent of management and free from any relationship that could materially interfere with the execution of their independent judgement. The role of the Chairman is separate from executive management.

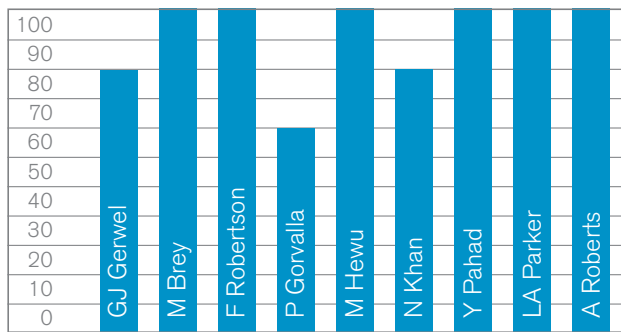
In terms of the company's articles, directors retire by rotation every three years and must be re-elected at an annual general meeting.

The board meets at least four times a year and maintains full and effective control over the company and its subsidiaries.

Should circumstances arise where a non-executive director needs to obtain independent professional advice in order to act in the best interests of the company, this is encouraged and reasonable costs will be paid for by the company. Directors are also provided unhindered access to the executive deputy chairman, chief executive officer and the company secretary.

Directors have to notify the chairman of any intention to buy or sell shares in the company whether directly or indirectly. Directors and any employees who become aware of sensitive financial information cannot directly or indirectly deal in the company's shares until the information is in the public arena. A register of all directors' shareholdings is maintained by the company secretary.

Directors' Attendance



To assist the board in discharging its collective responsibility for corporate governance, the following committees have been established:

Audit Committee

The audit committee reviews the accounting policies, financial statements, the effectiveness of internal controls and the internal and external audit responsibilities. The committee comprises non-executive directors N Khan (chairman), LA Parker and Y Pahad. The executive directors and management make themselves available to attend meetings and answer queries. The committee meets at least four times a year with the group's external auditors and with management to review accounting, internal and external auditing, internal control and financial reporting issues. The external auditors have unrestricted access to the audit committee.

Investment Committee

Executive management makes recommendations to the investment committee comprising non-executive directors Y Pahad (Chairman), AA Roberts, LA Parker, M Hewu and N Khan who then submit investment decisions to the board for approval. The committee meets at least twice a year and when opportunities demand.

Remuneration Committee

The remuneration committee, comprising non-executive directors M Hewu (Chairman), AA Roberts, N Khan and Y Pahad approves the remuneration and terms of employment of all directors and senior management, and approves any offers of shares to management and staff in terms of the share trust. The committee meets at least twice a year.

Empowerment and Transformation Committee

This committee, comprising non executive directors, Y Pahad (Chairman), AA Roberts and Dr P Gorvalla, advises the board on how best the company should fulfill its role of empowerment and truly making a difference both within the group companies and in the broader com-

munity. Meetings are held when necessary and are attended by members of the executive.

Code of Ethics

A code of ethics for the company was drawn up during the year. Directors and employees are required to maintain the highest ethical standards ensuring that business practices are conducted in a manner that in all reasonable circumstances is beyond reproach.

Employment Equity and Employee Development

This is one of the major areas in which the empowerment and transformation committee assists and advises. The group is committed to empowering its workers, particularly those from previously disadvantaged backgrounds. The Employment Equity and Skills Development Acts provide a useful framework for formalising our approach. Advancement is achieved by training, exposing workers to standards existing in other parts of the world and actively nurturing those who show promise and enable them to realise their full potential.

All companies in the group have complied with requirements for submission of employment equity plans. We are also committed to empowering workers at all levels to acquire share ownership in the group and to share in the superior performance of their own entities by receiving incentive bonuses.

Employment Equity Status

In terms of the Employment Equity Act, 1998, designated groups constitute the following percentages of the total work force:

	Actual 31 December 2003	Target 2005
Management, senior		
management, executives	52%	55%
Supervisory	97%	97%
Clerical and other Employees	98%	98%

HIV / AIDS

The group has recognised the threat of HIV / AIDS to its employees, the community and itself. A programme which focuses on education, counselling and free voluntary and confidential HIV testing has been implemented.

Communication

The company acknowledges that it operates within a greater community and values a good working relationship with its stakeholders. The company consistently strives to strengthen links through regular communication with all stakeholders that conforms with the criterion of timeous, objective, relevant and transparent communication.

Remuneration Report

for the year ended 31 December 2003

This report deals with issues covered by the remuneration committee.

Remuneration policy

It is the policy of the company to attract and retain employees of the highest calibre through its remuneration practices. The committee annually reviews fixed remuneration to ensure that employees who contribute to the success of the company receive market related remuneration.

Senior management receive a variable bonus which is based on the amount of shareholder value created.

Executive directors' remuneration

The committee utilised the services of remuneration consultants to set the level of remuneration for executive directors. Their earnings were benchmarked against recognised remuneration surveys. Incentive bonuses due to executive directors in respect of the year ended 31 December 2003 have been accrued and are included in the table below:

(R'000)			Other	2003	2002
Name	Basic salary	Bonus	benefits*	Total	Total
MA Brey	819	702	123	1 644	799
FJ Robertson	688	631	105	1 424	715
	1 507	1 333	228	3 068	1 514

* Company contributions to retirement fund and medical aid

Non-executive directors remuneration

Non-executive directors receive fees for membership of the Brimstone Investment Corporation Limited board. They also receive fees for work done on committees of the board.

(R'000)		Committee	2003	2002
Name	Board fees	fees	Total	Total
GJ Gerwel	325	28	353	158
P Gorralla	21	–	21	25
M Hewu	22	32	54	32
N Khan	21	33	54	41
NA Moosa	–	–	–	12
Y Pahad	22	26	48	48
LA Parker	22	20	42	38
AA Roberts	22	17	39	31
	455	156	611	385

Share Incentive Scheme

Share option allocations to directors and senior managers are considered periodically. The Brimstone Investment Corporation Limited Share Trust was amended during the year to include the granting of options or rights to directors of the company who do not hold salaried employment or office to acquire shares or convertible debentures in the company.

The following options were granted during the year:

	Ordinary		"N"	
	shares		ordinary	
	Option		Option	
	No	price	No	price
		(c)		(c)
30 July 2003				
GJ Gerwel	271 504	64	629 181	70
FJ Robertson	271 504	64	629 181	70
MA Brey	271 504	64	629 181	70
LZ Brozin	271 504	64	629 181	70
	1 086 016		2 516 724	

These are the only options granted at 31 December 2003. The options issued can only be exercised from 30 July 2004 on the basis of a maximum of 20% per annum and must be exercised before 30 July 2009.

Directors' approval of the annual financial statements and certificate by secretary

for the year ended 31 December 2003

The directors of the company are responsible for the preparation, integrity and objectivity of the annual financial statements as well as for all other information contained in this annual report. To fulfill this responsibility, the company maintains controls to provide reasonable assurance that assets are safeguarded and that records accurately reflect the transactions of the group.

The annual financial statements are prepared in terms of South African Statements of Generally Accepted Accounting Practice and examined by our auditors in conformity with Generally Accepted Auditing Standards. The annual financial statements for the year ended 31 December 2003 which appear on pages 14 to 48 were approved by the board on 7 May 2004 and signed on its behalf by:



Prof G. J. Gerwel

Non-Executive Chairman

M. A. Brey

Chief Executive Officer

Certificate by secretary

In terms of section 268 G(d) of the Companies Act, 1973, as amended, I certify that the company has lodged or is in the process of lodging with the Registrar of Companies all such returns as are required of a public company in terms of the Act.



M. O'Dea

Company Secretary

7 May 2004

Report of the independent auditors

for the year ended 31 December 2003

To the members of Brimstone Investment Corporation Limited

We have audited the annual financial statements and group annual financial statements of Brimstone Investment Corporation Limited set out on pages 14 to 48 for the year ended 31 December 2003.

These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements fairly present, in all material respects, the financial position of the company and the group at 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.



Deloitte & Touche

*Registered Accountants and Auditors
Chartered Accountants (SA)*

10 May 2004

Directors' report

for the year ended 31 December 2003

The directors have pleasure in presenting the sixth report since the 1998 listing of the group.

Principal Activities of the Group

Brimstone remains an investment holding company with primary investments in two defined areas, those of financial services and industrial. The overriding theme running through all facets of the group's business is active partnership with well established players in the industry in which Brimstone wishes to do business.

Financial Services Holdings

- An effective 30% of Lion of Africa Insurance Company Limited, a short term insurance company. Brimstone's partners in the control of Lion of Africa are Santam Ltd and Commlife Holdings (Pty) Limited, a company controlled by Brimstone executive director FJ Robertson. Santam and Commlife Holdings hold 50% and 20% respectively.
- Post year end Brimstone has, subject to certain suspensive conditions, sold its effective stake in Peoples Bank to Nedcor for a consideration of R6.7 million to be settled by the issue of Nedcor shares.

Industrial Holdings

Held via private equity fund BrimEquity:

- 10.76% of Sea Harvest Corporation Ltd.
- 20% of the Scientific Group (Pty) Ltd. Management are partners in this venture, which supplies medical equipment to private and state hospitals and clinics, universities and doctors.

Held directly:

- 100% of Brimstone Clothing Corporation (Pty) Ltd trading as House of Monatic. The men's clothing manufacturer and distributor represents Brimstone's only wholly-owned direct investment.
- 25% of Lenco Holdings Ltd (Lenco). Brimstone acquired a 25% plus one share interest in Lenco. It is a world-class packaging company servicing the consumer, agricultural and food and beverage sectors, and has two main divisions, Versapak and Xactics, which produce disposable plastic packing and extrusion blow moulded containers respectively for the local and inter-

national market. Lenco is expected to contribute to earnings during the 2004 financial year.

Held indirectly:

- 10.76% of Sea Harvest Corporation Ltd, which was acquired during the year by wholly-owned subsidiary Brimco (Pty) Ltd.

Certain other non-core investments are held under the "available for sale assets" category. Management continues to work towards the disposal of these investments. Details of all the group's investments are included in appendices 1, 2, 3 and 4 to the financial statements.

Review of Operations

Brimstone continued to enhance shareholder value during the 2003 financial year, posting a 47.2% increase in net asset value to 140.3 cents per share, compared to 95.3 cents for the previous year. This is in spite of difficult trading conditions in the markets of Brimstone's core underlying industrial and financial services investments, which left headline earnings per share flat. The strengthening Rand and highly competitive business environment saw a reduction in revenue to R206.9 million from R226.2 million and a reduction in headline earnings to R20.7 million from R28.9 million in 2002. This translated into headline earnings per share of 14.8 cents, which is the same as in 2002, as there were less shares in issue following the specific repurchase of shares in April 2003.

During the year Brimstone concluded a number of deals, including the R51.8 million acquisition of a 25% interest in Lenco Holdings Limited, and a doubling of the existing stake in Sea Harvest Corporation Ltd to 21.52% for an additional R85.3 million. The consideration for these acquisitions, which included an interest component, was funded by a short-term loan of R137 million which was converted into preference shares shortly after the year end. Brimstone also finalised the disposal of its stake in Nando's Holdings, Faizyme, Spitz, and its Keerom Street Chambers property in Cape Town. These items accounted for R19.5 million of exceptional items totalling R21 million.

Dividend

The board of Brimstone has declared a dividend of 8 cents (2002 – 4 cents) per share payable to shareholders. This is the second dividend in successive years, and represents a vote of confidence in the sustainability of Brimstone's business model.

Post Balance Sheet Events

- An announcement dated 17 November 2003 outlined Brimstone's involvement with an empowerment consortium ("BIDCO") related to the acquisition of all of the issued share capital of Afrox Healthcare Limited. Discussions are still in progress regarding Brimstone's participation in BIDCO as well as the acquisition of certain hospitals by Medi-Clinic Corporation Limited from BIDCO. Shareholders will be advised of further developments in due course.
- Subsequent to the year end, the BrimEquity joint venture was cancelled by mutual agreement. All costs related to the closure have been provided for in the financial statements.
- The effective stake in Peoples Bank has, subject to certain suspensive conditions, been sold to Nedcor for a consideration of R6.7 million to be settled by the issue of Nedcor shares. In terms of the agreement, the number of Nedcor shares to be issued will be determined by the volume weighted average price of the shares for the 30 days commencing on the Nedcor Limited results announcement date. Should the Nedcor share price fall by more than 5% during the 30 trading days following the announcement of the Nedcor Limited results, such 30 day trading period shall recommence on the first trading day thereafter. This "reset mechanism" shall apply only once.

Share Capital

Changes in share capital

There were no changes to the company's authorised share capital during the year. On 6 April 2003 the company effected the specific repurchase of 3 599 400 ordinary and 71 937 034 "N" ordinary shares. The shares acquired were either cancelled or held as treasury shares as set out in the table at the bottom of this page.

The unissued shares are the subject of a general authority granted to directors in terms of the Companies Act, which authority remains valid only until the forthcoming annual general meeting.

Voting rights

Ordinary shares carry 100 votes per share, while "N" ordinary shares carry one vote per share. "N" ordinary shares rank pari passu with ordinary shares in all other respects, including receipt of dividends and proceeds on the winding up of the company.

General Authority

The board is proposing that the general authority granted at the last annual general meeting on 9 June 2003, to permit the company or a subsidiary to acquire the company's own shares and to permit the company to issue shares for cash, be renewed at the forthcoming annual general meeting. Full details are set out in the notice to members on page 52.

Interest in and Earnings of Subsidiaries

Details of the company's interests in and share of aggregate profits and losses of its subsidiaries are set out in Appendix 1 on page 45.

Share capital

Issued	GROUP		COMPANY	
	Number	R('000)	Number	R('000)
Ordinary shares of 0.1cents each				
Balance at 1 January 2003	39 799 947	40	39 799 947	40
Less: Repurchased and held as treasury shares	(3 599 400)	(3)	–	–
Balance at 31 December 2003	36 200 547	37	39 799 947	40
"N" Ordinary shares of .001 cents each				
Balance at 1 January 2003	155 827 883	2	155 827 883	2
Less: Repurchased and cancelled	(62 192 957)	(1)	(62 192 957)	(1)
Less: Repurchased and held as treasury stock	(9 744 077)	–	–	–
Balance at 31 December 2003	83 890 849	1	93 634 926	1

Directors' interest in contracts

FJ Robertson is the majority shareholder in three companies acting as short-term insurance brokers, employee benefit consultants and property managing agents respectively for the company and two of its subsidiaries.

Mr N Khan is a director of the company that designed and managed the refurbishment of the company's offices during the year.

Details of fees paid during the year are included in note 32 to the financial statements.

Interests of Directors in the Shares of the Company

The details of directors' interests in the shares of the company are set out on page 48. Details of the directors' interests in options held in terms of the company's share incentive scheme are set out on page 11.

Insurance, Interest Rate and Currency Risk Management

The board utilises appropriate expertise in controlling and managing material identified risks in asset holdings, borrowings, and foreign currency exposure both in the holding company and in advising and assisting subsidiaries and associates.

Special Resolutions

On 17 March 2003 special resolutions were passed to:

- give the company and any wholly-owned subsidiary/ies the authority to repurchase 3 599 400 ordinary shares and 62 331 153 "N" ordinary shares of the company held by Capricorn Ventures (Proprietary) Limited and that such shares be cancelled as issued shares or acquired by such subsidiaries to a maximum of 10% in the aggregate of the number of shares of the company.
- give the company the authority to repurchase an additional 9 605 881 "N" ordinary shares of the company held by Capricorn Ventures (Proprietary) Limited in excess of the 40% (as set out above) of any class of share in any one year maximum allowable in terms of the Listings Requirements of the JSE Securities Exchange and that such shares be cancelled as issued shares.

At the annual general meeting held on 9 June 2003, special resolutions were passed to:

- enable the company to acquire its own issued shares from time to time on such terms and conditions and in such amounts as the directors from time to time decide, subject to certain statutory provisions and the Listings Requirements from time to time of the JSE Securities Exchange.
- enable the subsidiaries of the company (Brimstone) to acquire issued shares in the company from time to time on such terms and conditions and in amounts as the directors from time to time decide, subject to certain statutory provisions and the Listings Requirements from time to time of the JSE Securities Exchange.

On 29 December 2003 a special resolution was passed to:

- amend the Brimstone Investment Corporation Limited Share Trust to include the indirect granting of options or rights to directors of the company who do not hold salaried employment or office in the company to acquire shares or convertible debentures in the company.

No special resolutions were passed by any of the subsidiaries during the year but, subsequent to the year end, Brimco (Pty) Ltd. passed a special resolution increasing its authorised share capital by 137 "A" preference shares of 1 cent each.

Directors and Secretary

The names of the directors in office at the date of this report appear on page 3.

GJ Gerwel, MA Brey, P Gorvalla and Y Pahad are due to retire by rotation in terms of the company's articles of association and, being eligible, offer themselves for re-election.

The company secretary's name and his business and postal address appear on page 3 of this report.

Income statements

for the year ended 31 December 2003

R'000	Notes	GROUP		COMPANY	
		2003	2002	2003	2002
Revenue	2	206 904	226 151	5 975	9 635
Cost of sales	3	(152 235)	(157 736)	–	–
Gross profit		54 669	68 415	5 975	9 635
Selling and administration expenses		(45 734)	(45 976)	(10 914)	(12 780)
Goodwill amortisation		(1 779)	(1 779)	–	–
Exceptional items	4	21 034	617	18 771	(168)
Profit/(loss) from operations	5	28 190	21 277	13 832	(3 313)
Income from investments	7	3 880	2 329	3 553	2 050
Finance costs	8	(6 731)	(8 390)	(2)	(275)
Equity accounted retained income of associates		5 463	16 428	–	–
Net profit/(loss) before taxation		30 802	31 644	17 383	(1 538)
Taxation	9	(233)	(3 107)	700	–
Net attributable profit/(loss)		30 569	28 537	18 083	(1 538)
Earnings per share (cents)					
Headline	10	14.8	14.8		
Basic	10	21.8	14.6		
Comparable headline earnings	10	14.8	16.4		
Dividends per share (cents)					
Final declared after reporting date		8.0	4.0		

Balance sheets

as at 31 December 2003

R'000	Notes	GROUP		COMPANY	
		2003	2002	2003	2002
ASSETS					
Non-current assets					
		235 745	146 269	73 974	103 691
Property, plant, equipment and vehicles	11	18 025	16 926	398	197
Goodwill on investment in associates	12	40 082	5 336	–	–
Interest in subsidiaries	13			–	31 509
Investments in associate companies	14	164 804	115 931	64 539	64 716
Available for sale assets	15	12 834	–	9 037	–
Other investments and loans	16	–	8 076	–	7 269
Current assets					
		128 930	121 369	54 477	10 241
Land and buildings	11	–	21 958	–	–
Loan	16	3 205	–	3 205	–
Inventory	17	35 374	42 472	–	–
Trade receivables	23	28 095	31 655	–	–
Other receivables		8 983	14 645	769	64
Cash and cash equivalents	18	53 273	10 639	50 503	10 177
TOTAL ASSETS		364 675	267 638	128 451	113 932
EQUITY AND LIABILITIES					
Capital and reserves					
		168 492	186 353	82 204	110 108
Share capital and premium	19	105 675	152 371	113 907	152 371
Non-distributable reserves	20	3 280	45	–	2 489
Distributable reserves		59 537	33 937	(31 703)	(44 752)
Non-current liabilities					
		10 397	11 311	37 510	–
Long-term interest bearing borrowings	21	8 852	10 655	–	–
Interest in subsidiaries	13	–	–	37 510	–
Deferred taxation	22	1 545	656	–	–
Current liabilities					
		185 786	69 974	8 737	3 824
Short-term interest bearing borrowings	23	20 289	36 909	–	–
Short-term borrowings convertible into preference shares	24	137 035	–	–	–
Bank overdraft	13	4 827	10 161	–	–
Trade payables		8 848	11 834	819	1 572
Other payables		13 500	6 932	7 166	800
Taxation		1 287	4 138	752	1 452
TOTAL EQUITY AND LIABILITIES		364 675	267 638	128 451	113 932
NAV per share (cents)		140.3	95.3	–	–

Statements of changes in equity

for the year ended 31 December 2003

R'000	Share Capital	Share Premium	Non-distributable Reserves	Distributable Reserves	Total
Group					
Balance at 31 December 2001	42	152 329	45	5 400	157 816
Attributable profit for the year ended 31 December 2002	–	–	–	28 537	28 537
Balance at 31 December 2002 as previously reported	42	152 329	45	33 937	186 353
Effect of change in accounting policy AC 133 transitional adjustment	–	–	–	3 550	3 550
Balance at 1 January 2003	42	152 329	45	37 487	189 903
Attributable profit for the year ended 31 December 2003	–	–	–	30 569	30 569
Dividend paid	–	–	–	(7 825)	(7 825)
Shares repurchased	(4)	(46 692)	–	–	(46 696)
Share of non-distributable reserve of associate	–	–	2 541	–	2 541
Transfer current year share of non-distributable reserve of associate	–	–	694	(694)	–
Balance at 31 December 2003	38	105 637	3 280	59 537	168 492
Company					
Balance at 31 December 2001	42	152 329	1 133	(43 214)	110 290
Attributable loss for the year ended 31 December 2002	–	–	–	(1 538)	(1 538)
Increase in value of right to acquire shares in subsidiary	–	–	1 356	–	1 356
Balance at 31 December 2002 as previously reported	42	152 329	2 489	(44 752)	110 108
Effect of change in accounting policy AC 133 transitional adjustment	–	–	–	302	302
Balance at 1 January 2003	42	152 329	2 489	(44 450)	110 410
Attributable profit for the year ended 31 December 2003	–	–	–	18 083	18 083
Dividend paid	–	–	–	(7 825)	(7 825)
Shares repurchased	(1)	(38 463)	–	–	(38 464)
Non-distributable reserve arising on revaluation of right to acquire shares in subsidiary transferred	–	–	(2 489)	2 489	–
Balance at 31 December 2003	41	113 866	–	(31 703)	82 204

Cash flow statements

for the year ended 31 December 2003

R'000	Notes	GROUP		COMPANY	
		2003	2002	2003	2002
Cash generated from/(utilised in) trading	25.1	11 963	25 788	(5 679)	(3 104)
Movement in working capital	25.2	16 031	(10 931)	4 910	1 968
Cash generated from/(utilised in) operations		27 994	14 857	(769)	(1 136)
Investment income	25.3	3 880	2 329	3 553	2 050
Finance costs		(6 731)	(8 390)	(2)	(275)
Dividend paid		(7 825)	–	(7 825)	–
Taxation paid	25.4	(2 196)	–	–	–
Cash retained from/(utilised in) operating activities		15 122	8 796	(5 043)	639
Cash flows from investing activities		(39 070)	(12 782)	83 833	4 612
Investments acquired		(137 293)	–	(52 040)	–
Proceeds on investments disposed of		81 885	2 463	79 094	2 463
Net reduction in investment in subsidiaries	25.5	–	–	57 075	2 387
Additions to property, plant and equipment		(5 042)	(15 365)	(296)	(238)
Proceeds on disposal of property, plant and equipment		21 380	120	–	–
Net cash (outflow)/inflow		(23 948)	(3 986)	78 790	5 251
Cash effects of financing activities		71 916	5 274	(38 464)	–
Repurchase of ordinary shares		(46 696)	–	(38 464)	–
Long-term loan advances		–	11 441	–	–
Repayment of long-term loans		(1 803)	(1 667)	–	–
Short-term loan advances		137 035	–	–	–
Repayment of short-term loans		(16 620)	(4 500)	–	–
Net increase in net cash resources		47 968	1 288	40 326	5 251
Net cash resources at beginning of year		478	(810)	10 177	4 926
Closing net cash resources	25.6	48 446	478	50 503	10 177

Notes to Annual Financial Statements

for the year ended 31 December 2003

1. Accounting Policies and Basis of Preparation

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP), on the historical cost basis, with the exception of financial instruments which are carried at their fair values. The principal accounting policies have been applied on a basis consistent with the previous year with the exception of accounting statement AC 133 which establishes the principles for recognising and measuring information about financial instruments.

The principal accounting policies are:

1.1 Basis of consolidation

The group financial statements include those of the company and all its subsidiaries.

The results of subsidiaries are included from the effective dates of acquisition. All significant inter-company transactions and balances have been eliminated.

1.2 Subsidiary companies

Subsidiary companies are valued at cost less amounts written off when the directors believe that there has been a permanent diminution in value. On consolidation any write off is apportioned and deducted from the underlying assets of the subsidiary.

1.3 Investments in associates

An associate is an entity over which the group has the ability to exercise significant influence, but which it does not control. Investments in associates are accounted for on the equity method.

The group's interest in associates is carried in the balance sheet at an amount that reflects its share of the net assets and the unamortised portion of goodwill on acquisition. Goodwill on the acquisition of associates is treated in accordance with the group's accounting policy for goodwill. Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at a nominal amount. Additional losses are only recognised to the extent that the group has incurred obligations in respect of the associate.

The company's interest in associates is carried in the balance sheet at cost less amounts written off when the directors believe that there has been a permanent diminution in value.

1.4 Available for sale assets

These are assets which are not part of a portfolio of assets for which there is a pattern of trading for the purposes of generating profits from short-term price fluctuations. The company has elected to recognise fair value gains or losses on these assets directly in the income statement. The fair values of these assets have been determined at the beginning of the current year and the financial effects have been disclosed in the "Statement of changes in equity" as an adjustment to opening retained income. Any movements thereafter have been taken directly to the income statement.

1.5 Interests in joint ventures

A joint venture is an entity controlled jointly by the group and one or more venturers in terms of a contractual arrangement. The entity may take the form of a corporation or partnership, as is the case in respect of the joint venture in which the group was involved at the year end. The assets of the venture comprise the group's investments in two associate companies, matched by its venture partners interests in the same two companies. The group's investment in the joint venture is shown under investments in associates on the balance sheet but detailed separately in the notes. Revenue and costs of the joint venture are accounted for on a line by line basis. The retained earnings of the joint venture investments are equity accounted together with those of other associates.

1.6 Intangible assets

Goodwill represents the excess of the cost of acquisition of shares in an associate or joint venture over the net asset value at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis over its estimated useful life, subject to a maximum of 20 years.

1.7 Borrowing costs

Interest costs incurred in the period prior to acquiring legal title to investments are capitalised to the cost of the investments. Other interest costs are charged against income in the period in which incurred. Dividends on preference shares, classified as liabilities, are recognised as finance costs.

Notes continued

for the year ended 31 December 2003

1.8 Revenue recognition

Included in revenue are net invoiced sales, excluding VAT, to customers for goods delivered.

Rentals from leasing fixed property, management fees and royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements. Cash dividends and the full cash equivalent of capitalisation share awards are recognised when the right to received payment or transfer is established. Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

1.9 Property, plant, equipment, vehicles and depreciation

Fixed property classified as investment property is stated at the fair value to the group based on its anticipated selling price. Fixed property utilised for manufacturing and administration, plant, equipment and vehicles are stated in the group financial statements at cost to the group less accumulated depreciation. Depreciation is calculated on the straight line method to write assets down to estimated net residual values at the end of their useful lives at the following rates: Plant and machinery and computers 20% – 33,3%, office furniture and equipment 10% – 17% and motor vehicles 20%. The residual value of fixed property utilised for manufacturing and administration is estimated and the difference between cost and the estimated residual value is written off on the straight line method at 10% per annum.

1.10 Assets acquired under suspensive sale agreements

Finance costs are accrued and expensed annually, based on the effective rate of interest applied consistently to the remaining balance of the liability.

1.11 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 any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax dis-

count 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 the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however 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. For goodwill 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 the effect of that specific event.

1.12 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the first-in, first-out basis. Finished goods and work-in-progress include labour costs and an appropriate portion of related fixed and variable overhead expenses based on the normal level of activity. The comments in 1.2 above relating to write-downs in value of investments in subsidiaries, apply here as well.

1.13 Cash and cash equivalents

Actual bank balances are reflected. Outstanding cheques and deposits are included in accounts payable and accounts receivable respectively. For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and deposits held with banks.

1.14 Deferred taxation

Deferred taxation is provided for at the current tax rate on the balance sheet liability method. Full provision is made for all temporary differences between the tax base of an asset or liability and its balance sheet carrying amount. Where the tax effects of temporary differences arising from computed tax losses give rise to a deferred tax asset, the asset is recognised only to the extent that it is probable that future taxable income will be sufficient to realise the tax benefit of the losses.

1.15 Retirement benefit costs

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

1.16 Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expenses. The grants are not recognised until there is reasonable assurance that they will be received.

1.17 Financial instruments and derivatives

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, receivables, payables and long and short-term borrowings. These instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured at balance sheet date, as set out below.

Investments

Listed investments are carried at market value. Other investments are shown at fair value.

Trade and other receivables

Receivables are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates where applicable.

Financial liabilities

Non-derivative financial liabilities are recognised at original debt less principal payments.

Derivative instruments

Derivative instruments, principally forward exchange contracts, are measured at fair value, based on the relevant exchange rates.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the carrying value of financial instruments are included in net profit or loss in the period in which the change arises.

1.18 Earnings per share

Basic – is based on net attributable profit

Headline – is based on basic earnings adjusted for capital items specified in Circular 7/2002 – Headline Earnings issued by the South African Institute of Chartered Accountants.

Comparable – is based on headline earnings adjusted further for extraneous and erratic items not considered capital in nature

All above earnings are calculated on the weighted average number of shares in issue during the year.

1.19 Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Balances denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

1.20 Segment reporting

The primary business segments of the group are financial services and industrial, the latter being mainly consumer related. The basis of segment reporting is representative of the internal structure used for management reporting.

1.21 Comparative figures

When an accounting policy is changed, comparative figures are restated in accordance with the new policy where material to the comparison.

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
2. Revenue				
The group's revenue comprises sales of men's formal and casual clothing, rentals, dividends, royalties and management fees received				
Sales	199 607	209 656	–	–
Rentals received	309	3 416	–	–
Dividends received:				
– associate companies	5 477	12 512	1 190	–
– unlisted investments	539	273	347	114
– subsidiary	–	–	–	8 000
Management fees received	972	294	2 022	1 521
Royalties for use of trade marks	–	–	2 416	–
	206 904	226 151	5 975	9 635

Business and geographic segments:

The clothing products mentioned above are manufactured in the group's factories in the Western Cape and sold throughout South Africa, as well as the United States of America, Great Britain, the SADC countries, other parts of Africa and in a small way, to Australia and Germany. All other revenue is sourced from within South Africa. The table below shows the geographical breakdown of the clothing sales.

Sales revenue by geographical market:

South Africa	143 022	126 905	–	–
Other SADC countries	9 468	10 630	–	–
Elsewhere in Africa	2 316	2 895	–	–
United States of America	39 987	65 367	–	–
Great Britain	1 333	2 084	–	–
Other	3 481	1 775	–	–
	199 607	209 656	–	–

3. Cost of sales

Raw materials and consumables used	107 719	110 607	–	–
Changes in inventories of finished goods and work in progress	(3 300)	(1 561)	–	–
Staff costs	35 545	35 678	–	–
Depreciation and amortisation	3 007	3 191	–	–
Other overheads	9 264	9 821	–	–
	152 235	157 736	–	–

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
4. Exceptional items				
Retrenchment costs	329	(650)	–	–
Realised gains/(losses)				
– on disposal of right to acquire shares in subsidiary	–	–	(834)	–
– on disposal of listed investment	7 768	–	11 330	–
– on disposal of associates	13 191	–	19 538	–
– on disposal of property	(1 493)	–	–	–
Total realised	19 466	–	30 034	–
Unrealised gains/(losses)				
– revaluation of investment property	–	1 435	–	–
– impairment in value of loans to subsidiaries	–	–	(11 943)	–
– mark-to-market revaluation of listed investments	–	3 127	–	3 127
– revaluation/(impairment in value) of unlisted investments	1 239	(3 295)	680	(3 295)
Total unrealised	1 239	1 267	(11 263)	(168)
Net exceptional items	21 034	617	18 771	(168)

5. Profit/(loss) from operations

Profit/(loss) from operations includes the following items of revenue and expenditure not shown separately in the income statement:

5.1 Revenue:

Profit/(loss) on disposal of equipment and vehicles	49	110	(4)	–
Net foreign exchange gains	848	1 315	–	–
Government grants:				
– Duty credit certificates	18 700	8 308	–	–
– Training refunds	241	244	–	–

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
5.2 Expenditure:				
Auditors' remuneration				
Fees – current year	535	501	232	194
– under/(over) provided previous year	48	(56)	49	(15)
Other services	534	219	343	97
	1 117	664	624	276
Depreciation				
Property, plant, equipment and vehicles (which includes R3 007 031 (2002 – R3 191 347) as per note 3)	3 911	3 459	91	41
Rentals under operating leases				
Land and buildings	3 157	3 828	22	–
Staff costs	52 642	51 864	3 773	1 399
Retirement benefit plan contributions				
Defined contribution plans	1 488	1 269	240	87
Royalties paid for use of trademarks	1 195	1 465	–	–
Fees for services:				
– managerial	–	1 888	–	1 888
– incentive fee on surplus on disposal of investment	–	3 230	–	3 230
– secretarial	189	156	189	156
– other professional	86	819	9	516
Write down of inventory to net realisable value	332	888	–	–

6. Directors' emoluments

– Paid by holding company

Fees for services as directors

Executive directors	–	44
Non-executive directors	611	385
	611	429

Management and other services

Executive directors	3 068	1 470
Total paid by holding company	3 679	1 899

– Paid by related party management company from management fees paid by holding company:
No remuneration was paid to directors by the related party management company during 2003

	2002			Total
	Basic salary	Bonus	Other benefits	
Executive directors				
M A Brey	325	411	41	777
F J Robertson	250	411	32	693
Total	575	822	73	1 470
Non-executive director				
G J Gerwel	125	–	–	125
Total paid by related party	700	822	73	1 595

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
7. Income from investments				
Interest received on bank deposits and loan to associate	3 880	2 329	3 553	2 050
8. Finance costs				
Interest on borrowings	5 498	7 516	77	275
Interest on obligations under finance leases	1 308	874	–	–
	6 806	8 390	77	275
Less capitalised to investment in associate	75	–	75	–
	6 731	8 390	2	275
9. Taxation				
9.1 Taxation charge				
SA Normal				
Current – current year	45	2 686	–	–
– prior year	(700)	–	(700)	–
Deferred – current year	(1 856)	778	–	–
– prior year	2 744	(357)	–	–
	233	3 107	(700)	–
Net computed tax losses carried forward	8 750	17 969	6 695	16 003
Saving in taxation attributable thereto at current rate	2 625	5 391	2 009	4 801
Estimated unutilised STC credits	25 325	27 213	4 550	2 724
9.2 Reconciliation of tax				
Profit before tax	30 802	31 644	17 383	(1 538)
Tax at 30%	9 241	9 493	5 215	(462)
Under/(over) provided previous year	(642)	–	(700)	–
Tax effect of non-deductible expenses	1 444	3 407	4 250	2 854
Tax effect of non-taxable income	(7 313)	(9 195)	(7 078)	(2 392)
Tax effect of utilization of prior year losses	(2 497)	(598)	(2 387)	–
Tax expense at effective tax rate	233	3 107	(700)	–
10. Earnings per share				
The following is a reconciliation of the profit figures used in the earnings per share calculations:				
Basic earnings:				
Net attributable profit for the year	30 569	28 537		
Headline earnings:				
Net attributable profit for the year	30 569	28 537		
Profit on sale of associates	(13 191)	–		
Goodwill amortisation	1 779	1 779		
Disposal/(revaluation) of investment property	1 493	(1 435)		
Headline earnings	20 650	28 881		
Comparable headline earnings:				
Headline earnings	20 650	28 881		
Incentive fee on investment disposals	–	3 230		
Comparable headline earnings	20 650	32 111		

All the earnings per share figures are calculated using the weighted average number of shares in issue during the year being 139 958 513 (2002 – 195 627 830).

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
11. Property, plant, equipment and vehicles				
11.1 Land and buildings				
Carrying value 1 January 2003	11 276	20 523	–	–
Cost	11 276	23 726	–	–
Accumulated depreciation and impairment losses	–	3 203	–	–
Additions	–	11 276	–	–
Depreciation for the year	113	–	–	–
Transfer to current assets (cost)	–	(23 726)	–	–
Impairment gains during the year	–	1 435	–	–
Transfer to current assets (accumulated impairment losses)	–	1 768	–	–
Carrying value 31 December 2003	11 163	11 276	–	–
Cost	11 276	11 276	–	–
Accumulated depreciation	113	–	–	–
Depreciation rate: 10%				
11.2 Plant and machinery				
Carrying value 1 January 2003	3 631	3 026	–	–
Cost	12 306	9 040	–	–
Accumulated depreciation	8 675	6 014	–	–
Additions	3 673	3 266	–	–
Disposals	134	–	–	–
Depreciation for the year	2 947	2 661	–	–
Accumulated depreciation on disposals	104	–	–	–
Carrying value 31 December 2003	4 327	3 631	–	–
Cost	15 845	12 306	–	–
Accumulated depreciation	11 518	8 675	–	–
Depreciation rates: 20 – 33.33%				
11.3 Computers				
Carrying value 1 January 2003	786	778	157	–
Cost	2 175	1 801	187	–
Accumulated depreciation	1 389	1 023	30	–
Additions	519	380	19	187
Disposals	252	6	–	–
Depreciation for the year	423	372	62	30
Accumulated depreciation on disposals	252	6	–	–
Carrying value 31 December 2003	882	786	114	157
Cost	2 442	2 175	206	187
Accumulated depreciation	1 560	1 389	92	30
Depreciation rates: 20 – 33.33%				

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
11.4 Office furniture and equipment				
Carrying value 1 January 2003	939	962	40	–
Cost	2 062	1 826	51	–
Accumulated depreciation	1 123	864	11	–
Additions	404	251	47	51
Disposals	62	15	13	–
Depreciation for the year	305	268	25	11
Accumulated depreciation on disposals	60	9	9	–
Carrying value 31 December 2003	1 036	939	58	40
Cost	2 404	2 062	85	51
Accumulated depreciation	1 368	1 123	27	11
Depreciation rates: 10 – 17%				
11.5 Motor vehicles				
Carrying value 1 January 2003	294	265	–	–
Cost	860	709	–	–
Accumulated depreciation	566	444	–	–
Additions	216	192	–	–
Disposals	92	41	–	–
Depreciation for the year	119	158	–	–
Accumulated depreciation on disposals	92	36	–	–
Carrying value 31 December 2003	391	294	–	–
Cost	984	860	–	–
Accumulated depreciation	593	566	–	–
Depreciation rate: 20%				
11.6 Leased motor vehicles				
Carrying value 1 January 2003 and 31 December 2003	–	–	–	–
Cost	126	126	–	–
Accumulated depreciation	126	126	–	–

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
11.7 Improvements to leasehold premises				
Carrying value 1 January 2003	–	–	–	–
Additions	230	–	230	–
Depreciation for the year	4	–	4	–
Carrying value 31 December 2003	226	–	226	–
Cost	230	–	230	–
Accumulated depreciation	4	–	4	–
Depreciation rate: 20%				
Total property, plant, equipment and vehicles				
Carrying value 1 January 2003	16 926	25 554	197	–
Cost	28 805	37 228	238	–
Accumulated depreciation	11 879	11 674	41	–
Additions	5 042	15 365	296	238
Disposals	540	62	13	–
Transfer to current assets (cost)	–	23 726	–	–
Impairment gains during the year	–	1 435	–	–
Depreciation for the year	3 911	3 459	91	41
Accumulated depreciation on disposals	508	51	9	–
Transfer to current assets (accumulated impairment losses)	–	1 768	–	–
Carrying value 31 December 2003	18 025	16 926	398	197
Cost	33 307	28 805	521	238
Accumulated depreciation	15 282	11 879	123	41

Description of land and buildings

- Erf 8430 Cape Town with improvements thereon, being the commercial buildings situated at 56 Keerom Street, Cape Town which was secured in terms of a first mortgage bond in favour of a financial institution for a loan granted in respect of which RNil (2002 – R13 261 390) remained outstanding at the end of the year. The property was disposed of on 22 January 2003.
- Erven 27377 and 27616 Cape Town with improvements thereon, being factory and office buildings situated at 360 and 364 Victoria Road, Salt River, Cape Town which is secured in terms of a first mortgage bond in favour of a financial institution for a loan granted in respect of which R8 185 462 (2002 – R8 738 945) remained outstanding at the end of the year. The property was acquired on 17 May 2002.

Assets with a net book value of R1 687 730 (2002 – R3 143 444) are secured in terms of hire purchase/ suspensive sale agreements on which R2 504 607 (2002 – R3 384 276) remains outstanding.

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
12. Goodwill on investment in associates				
Carrying value 1 January 2003	5 336	7 115	–	–
Acquired during the year	36 525	–	–	–
Less: amounts written off during the year	(1 779)	(1 779)	–	–
	40 082	5 336	–	–
13. Interest in subsidiaries				
Shares at cost less amounts written off	–	–	–	–
Loans owing by subsidiaries less amounts written off	–	–	23 694	42 888
Right to acquire shares in subsidiary at valuation	–	–	–	6 739
	–	–	23 694	49 627
Loans owing to subsidiaries	–	–	(61 204)	(18 118)
	–	–	(37 510)	31 509

Refer to Appendix 1 for details of subsidiary companies

The company has guaranteed the overdraft facility of a wholly-owned subsidiary to the extent of R10 500 000 (2002 – R10 500 000) and has also ceded its loan to the subsidiary to the bank concerned as security for the overdraft. At the end of the year, the overdraft secured by this guarantee was R3 650 866 (2002 – R8 460 918)

The company has subordinated its right to claim payment on loan account from the subsidiaries listed below until the assets of the subsidiaries, fairly valued, exceed their liabilities. The shortfalls in the subsidiaries' net assets at their financial year end, being 31 December 2003, are also shown below:

Subsidiary	Loan balance	Shortfall in net assets
Brimstone Properties (Pty) Ltd	4 383	(4 324)
Brimstone Securities Trading (Pty) Ltd	7 345	(7 347)
Brimstone Commodities Trading (Pty) Ltd	216	(218)
Brimbrands (Pty) Ltd	(6)	(136)

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
14. Investments in associate companies				
Held directly:				
Listed:				
Shares at market value net of retained profits since acquisition	–	38 410	–	38 410
Loans to associate companies less amounts written off	–	6 225	–	6 225
Share of retained profits since acquisition	–	8 203	–	–
Total carrying value	–	52 838	–	44 635
Unlisted:				
Shares at cost less amounts written off	58 776	12 959	8 637	12 958
Loans to associate companies less amounts written off	55 902	11	55 902	11
Share of losses since acquisition	(641)	(10 184)	–	–
Total carrying value	114 037	2 786	64 539	12 969
Held via joint venture:				
Unlisted:				
Shares at cost less amounts written off	27 477	27 477	–	–
Loans to associate companies less amounts written off	–	7 112	–	7 112
Share of retained profits since acquisition	23 290	25 718	–	–
Total carrying value	50 767	60 307	–	7 112
Total investments in associate companies	164 804	115 931	64 539	64 716
Directors' valuation of total investments in associate companies	233 624	141 320	64 539	66 230
Refer to Appendix 2 for full details of associate companies				
The aggregate assets, liabilities and results of operations of associate companies are summarised below:				
	HELD DIRECTLY		HELD VIA JOINT VENTURE	
	2003	2002	2003	2002
Non-current assets	476 569	420 674	303 073	262 113
Deferred taxation	47 600	15 953	–	–
Current assets	342 464	274 363	392 965	495 391
Total assets	866 633	710 990	696 038	757 504
Deferred taxation	–	–	17 224	15 543
Long-term liabilities	528 928	315 573	66 083	13 246
Current liabilities	122 654	238 124	107 962	227 434
Total liabilities	651 582	553 697	191 269	256 223
Revenue	583 504	463 188	811 087	1 056 197
Operating profit before taxation	47 097	49 187	109 692	265 954
Taxation	9 508	(3 946)	37 757	80 144
Net attributable profit	1 942	55 494	58 568	196 896
Exceptional items	(11 619)	–	–	–

The financial year-ends of the companies are shown in Appendix 2

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
15. Available for sale assets				
Unlisted investments:				
Shares at fair value	9 024	–	5 227	–
Loans at fair value	3 810	–	3 810	–
Total unlisted investments	12 834	–	9 037	–

Refer to Appendix 3 for full details of the investments.

16. Other investments and loans

Unlisted investments:				
Shares at cost less amounts written off	–	4 266	–	3 459
Loans at amortised cost	3 205	3 810	3 205	3 810
Less amount transferred to current assets	(3 205)	–	(3 205)	–
Total unlisted investments	–	8 076	–	7 269
Directors' valuations – investments and loans	–	11 626	–	8 387

Refer to Appendix 4 for full details of the investments.

17. Inventory

Raw materials	8 564	17 260	–	–
Work in progress	3 854	5 864	–	–
Finished goods	22 425	18 646	–	–
Consumable stores	531	702	–	–
	35 374	42 472	–	–

Inventories have been stated at the lower of cost and net realisable value by the group's wholly-owned clothing subsidiary with a total amount in their books of R666 457 (2002 – R1 116 113) being shown at net realisable value. In addition to this, Brimstone has written down its investment in the clothing subsidiary to what it considers to be net realisable value. This write-down has been applied proportionately to the subsidiary's assets, inventory being written down by a further R17 982 152 (2002 – R17 982 152).

18. Cash and cash equivalents

The company has pledged a bank deposit of R2 million as security for the indebtedness of a subsidiary to that bank.

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
19. Share capital and premium				
19.1 Share capital				
Authorised				
500 000 000 ordinary shares of 0.1 cents each	500	500	500	500
1 000 000 000 "N" ordinary shares of 0.001 cents each	10	10	10	10
	510	510	510	510
Issued				
39 799 947 (2002 – 39 799 947) ordinary shares of 0.1 cents each	40	40	40	40
93 634 926 (2002 – 155 827 883) "N" ordinary shares of 0.001 cents each	1	2	1	2
Held as treasury shares				
3 599 400 (2002 – nil) ordinary shares of 0.1 cents each	(3)	–	–	–
9 744 077 (2002 – nil) "N" ordinary shares of 0.001 cents each	–	–	–	–
	38	42	41	42
Share premium				
Ordinary shares	–	–	–	–
"N" ordinary shares	105 637	152 329	113 866	152 329
	105 637	152 329	113 866	152 329
Total share capital and premium	105 675	152 371	113 907	152 371

19.2 Unissued shares (number)

Under option in terms of the company's share option scheme

Ordinary shares at 64 cents exercisable until 30 July 2009

1 086 016 – **1 086 016** –

"N" Ordinary shares at 70 cents exercisable until 30 July 2009

2 516 724 – **2 516 724** –

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they see fit.

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
20. Non-distributable reserves				
Arising on revaluation of right to acquire shares in subsidiary:				
Balance at the beginning of the year	–	–	2 489	1 133
Revaluation during the year	–	–	–	1 356
Transfer to distributable reserves	–	–	(2 489)	–
Balance at the end of the year	–	–	–	2 489
Share of non-distributable reserve of associate				
Balance at the beginning of the year	–	–	–	–
Arising during the year	3 235	–	–	–
Balance at the end of the year	3 235	–	–	–
Capital redemption reserve	45	45	–	–
Total non-distributable reserves at the end of the year	3 280	45	–	2 489

21. Long-term interest bearing borrowings

Liabilities under suspensive sale agreements secured over plant, machinery and equipment with a book value of R1 687 730 (2002 – R3 143 444) bearing interest at rates linked to prime overdraft rates

2 505	3 384	–	–
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Loan from financial institution to property owning subsidiary secured by first mortgage bond over the property as well as holding company guarantee. The loan bears interest at a fixed rate of 15.5% per annum. The loan was repaid on 22 January 2003

–	13 261	–	–
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Loan from financial institution to property owning subsidiary secured by first mortgage bond over the property. The loan bears interest at a fixed rate of 15.38% per annum. The loan is repayable in annually escalating monthly instalments over 84 months of which 64 remained outstanding at the financial year end. At the year end, monthly instalments were R158 549 (2002 – R148 177)

8 185	8 739	–	–
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Total

10 690	25 384	–	–
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Less: amount payable before 31 December 2004 (note 23)

1 838	14 729	–	–
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8 852	10 655	–	–
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The fair value of long-term interest bearing borrowings is set out in note 31.5.

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
22. Deferred taxation				
The major components of the deferred tax provision together with movements during the year were as follows:				
Difference between tax wear and tear allowances and depreciation charges on assets	500	169	–	–
Difference between doubtful debt provision and amount allowable for tax purposes	(651)	(657)	–	–
Accrual of benefits due under Duty Credit Certificates Provisions	1 773	1 452	–	–
	(77)	(308)	–	–
Deferred tax liability – 31 December 2003	1 545	656	–	–
Reconciliation between deferred taxation opening and closing balance:				
Deferred tax liability – 1 January 2003	656	235	–	–
Under/(over) provided previous year	2 744	(357)	–	–
Income statement effect of temporary differences in value of plant and machinery	254	–	–	–
Income statement effect of temporary differences in doubtful debt provision	(9)	(22)	–	–
Accrual of benefits due under Duty Credit Certificates Provisions	(2 155)	605	–	–
	(260)	(57)	–	–
Prepayments deducted for normal tax	–	(23)	–	–
Assessable tax losses	315	275	–	–
Deferred tax liability – 31 December 2003	1 545	656	–	–
23. Short-term interest bearing borrowings				
Current portion of long-term borrowings (note 21)	1 838	14 729	–	–
Amount owing to bank resulting from the discounting of a subsidiary company's sales invoices to its customers, secured by a cession of its debtors book and limited guarantee by the holding company and bearing interest at the bank's prime overdraft rate.	18 451	22 180	–	–
	20 289	36 909	–	–

The directors consider that the carrying amounts of the borrowings reasonably approximate their fair value.

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
24. Short-term loan convertible into preference shares				
Loan from financial institution to subsidiary secured by a cession of the subsidiary's investment in Sea Harvest Corporation Limited. The loan was repaid on 7 January 2004 following the issue of preference shares by the subsidiary.	137 035	–	–	–
The directors consider that the carrying amounts of the borrowings reasonably approximate their fair value. The R137 million preference shares, which were issued by Brimco (Pty) Ltd (Brimco) on 7 January 2004, are redeemable in full in 5 years from date of issue, bear interest at a fixed rate of 9.42% nominal annual compounded semi-annually and are secured by a suretyship from Brimstone Investment Corporation Ltd (Brimstone) for the obligations of Brimco. This suretyship is secured by a pledge of Brimstone's total shareholding and loan accounts in Brimco and its rights under a put option granted by Tiger Brands Limited to Brimstone and Brimco in respect of Brimco's Sea Harvest Corporation Limited shares.				
25 Notes to the cash flow statement				
25.1 Reconciliation of profit/(loss) from operations to cash flows from trading				
Profit/(loss) from operations	28 190	21 277	13 832	(3 313)
Non-cash revenue items	(49)	(110)	–	–
Non-cash expenditure items	5 690	5 238	94	41
Cash exceptional items	(14 025)	–	(30 868)	–
Non-cash exceptional items	(7 843)	(617)	11 263	168
	11 963	25 788	(5 679)	(3 104)
25.2 Movement in working capital				
Decrease/(increase) in inventory	7 098	(7 401)	–	–
Decrease/(increase) in trade and other receivables	9 222	(178)	(703)	2 148
(Decrease)/increase in trade and other payables	(289)	(3 352)	5 613	(180)
	16 031	(10 931)	4 910	1 968
25.3 Cash component of investment income				
Per income statement	3 880	2 329	3 553	2 050
25.4 Taxation paid				
Provision at the beginning of year	4 138	1 452	1 452	1 452
Current tax provided during year	(655)	2 686	(700)	–
Provision at the end of the year	(1 287)	(4 138)	(752)	(1 452)
Taxation paid during year	2 196	–	–	–

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002
25.5 Net reduction in investment in subsidiaries				
Net reduction in investment			69 019	1 032
Non-cash write(down)/up of investment			(11 944)	1 355
Net loan repayments by subsidiaries			57 075	2 387
25.6 Closing net cash resources				
Cash and cash equivalents	53 273	10 639	50 503	10 177
Bank overdraft	(4 827)	(10 161)	–	–
	48 446	478	50 503	10 177

26. Segmental information

Business and geographic segments

(a) Geographic

Brimstone is essentially an investment holding company. All the companies in which it is invested have their principal areas of operation in South Africa. A wholly-owned subsidiary and an associate company export extensively to the USA, Europe and the Far East.

(b) Business

Brimstone has two focused areas of activity, the one being financial services and the other industrial. It follows largely a partnership approach in its investments with strategic partners who bring either experience in the businesses concerned, capital or both. Brimstone's industrial investments currently consist of two held directly and two held via its joint venture private equity fund with Coronation Capital Ltd, known as BrimEquity. This joint venture was cancelled by mutual agreement subsequent to the year end. Certain other investments classified as non-core investments which are being disposed of are described as investments in transition. Corporate consists of running the group's head office and corporate function and the costs of maintaining the JSE Securities Exchange listing.

	2003				Total
	Financial services	Industrial	Investments in Transition	Corporate	
Revenue	709	205 555	640	–	206 904
Operating profit	709	34 647	283	(7 449)	28 190
Headline earnings	1 486	20 944	1 417	(3 197)	20 650
Impairment (losses)/gains	–	(1 779)	(1 493)	–	(3 272)
Assets	5 523	294 586	3 862	60 704	364 675
Liabilities	–	187 430	16	8 737	196 183
	2002				
Revenue	–	222 168	3 983	–	226 151
Operating profit	–	30 442	3 168	(12 333)	21 277
Headline earnings	(2 414)	40 028	662	(9 395)	28 881
Impairment (losses)/gains	(3 095)	3 127	1 235	–	1 267
Assets	2 205	224 752	30 242	10 439	267 638
Liabilities	–	64 033	13 413	3 839	81 285

R'000	GROUP		COMPANY	
	2003	2002	2003	2002

27. Contingent liabilities

The company has guaranteed the invoice discounting facility operating in wholly-owned subsidiary, Brimstone Clothing Corporation (Pty) Ltd, to a maximum amount of R35 000 000 but limited to any shortfall in collection of the debtors ceded in terms of the facility. The amount owing on the facility at 31 December 2003 was R18 450 840 (2002 – R22 180 172).

28. Capital commitments

Commitments for the acquisition of property, plant and equipment:

Contracted for but not provided in the financial statements:	1 839	–	–	–
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The acquisition will be funded from internal cash resources.

29. Lease commitments

At the balance sheet date the company and a subsidiary had outstanding commitments under non-cancellable operating leases with a term of more than one year, which fall due as follows:

Within one year	4 730	4 523	271	–
In the second to fifth year inclusive	13 380	8 090	1 310	–
Thereafter	889	–	–	–
	18 999	12 613	1 581	–

30. Retirement benefit plans

The company contributes to the Twilight Group Provident Fund, a defined contribution fund. The fund is underwritten by Old Mutual Employee Benefits and administered by First Light Administration Services (Pty) Ltd, in terms of the Pension Funds Act 1956. Contributions payable to the fund and charged against income amounted during the year to R240 290 (2002 – R87 272). Wholly-owned subsidiary, Brimstone Clothing Corporation (Pty) Ltd, is a member of the Clothing Industry National Bargaining Council and as such, it is compulsory for all qualifying employees to be members of the Clothing Industry Bargaining Council Provident Fund. Employees of Brimstone Clothing Corporation (Pty) Ltd who do not qualify for membership of the Provident Fund are members of the House of Monatic Pension Fund. The fund is administered by Commlife Retirement Fund Administrators (Pty) Ltd, in terms of the Pension Funds Act, 1956. The assets of the fund are held separately from those of the company under the control of the fund's trustees. The contributions payable to the funds by the employer in terms of the rules of the funds are charged against income and amounted during the year to R1 247 716 (2002 – R1 181 922). The contributions vest immediately upon payment in the members of the funds. At 31 December 2003 all permanent staff of Brimstone Investment Corporation Limited and its subsidiaries were members of a retirement fund.

Notes continued

for the year ended 31 December 2003

31. Financial risk management

31.1 Foreign currency management

A committee consisting of executives of the holding company and of the group's wholly-owned clothing subsidiary, meet regularly to discuss the latter's foreign currency exposures. The company imports fabrics and exports manufactured clothing. The majority of imports and exports are \$US denominated and the natural hedge arising is utilised where applicable. Foreign currency exposure management in the group associates is not under the direct control or influence of Brimstone, but their policy documents are reviewed as part of ongoing risk management.

There were no open forward exchange contracts in the company or its subsidiaries at the financial year end.

The group trade receivables and payables at 31 December 2003 include net receivables translated at a rate of R6.59/\$1 and R8.31/€1 and totalling R2 762 000 (2002 – R3 014 000 translated at a rate of R8.65/\$1 and R9.12/€1) in respect of sales and purchases in foreign currencies, none of which had been hedged by foreign exchange contracts.

31.2 Interest rate management

The factors which would be considered in the decision on fixed versus floating interest rates in respect of the group's borrowings are:

- the perceived stage in the interest rate cycle
- the nature and characteristics of the borrowings concerned
- the nature of the assets financed by the borrowings in question

Interest rate swap contracts would be entered into should conditions be such that it would be advantageous to switch from a fixed to a variable rate or vice versa. Such contracts would not be entered into for speculative reasons.

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

2003	Interest rate %	Year 1 R'000	Year 2–5 R'000	Over 5 years R'000	Total R'000
Assets					
Loans to associate companies	Prime plus 2	–	–	43 152	43 152
Loans to associate companies	Interest free	–	–	12 750	12 750
Loans included in available for sale assets	Interest free	–	–	3 810	3 810
Loan	Prime less 2	3 205	–	–	3 205
Trade receivables	Interest free	28 095	–	–	28 095
Other receivables	Interest free	8 983	–	–	8 983
Cash and cash equivalents	Bank deposit rates	53 273	–	–	53 273
		93 556	–	59 712	153 268
Liabilities					
Long-term interest bearing borrowings	15.42	–	8 852	–	8 852
Short-term interest bearing borrowings	9.25	157 324	–	–	157 324
Trade payables	Interest free	8 848	–	–	8 848
Other payables	Interest free	13 500	–	–	13 500
Bank overdraft	Prime	4 827	–	–	4 827
		184 499	8 852	–	193 351

Note 31.2 continued

2002	Interest rate %	Year 1 R'000	Year 2–5 R'000	Over 5 years R'000	Total R'000
Assets					
Loans to associate companies	Prime less 2	3 020	3 205	–	6 225
Loans to associate companies	Interest free	–	–	14 623	14 623
Loans to unlisted investments	Interest free	–	–	3 810	3 810
Trade receivables	Interest free	31 655	–	–	31 655
Other receivables	Interest free	14 645	–	–	14 645
Cash and cash equivalents	Bank deposit rates	10 639	–	–	10 639
		59 959	3 205	18 433	81 597
Liabilities					
Long-term interest bearing borrowings	15.44	–	10 655	–	10 655
Short-term interest bearing borrowings	16.40	36 909	–	–	36 909
Trade payables	Interest free	11 834	–	–	11 834
Other payables	Interest free	6 932	–	–	6 932
Bank overdraft	Prime	10 161	–	–	10 161
		65 836	10 655	–	76 491

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

2003	Interest rate %	Year 1 R'000	Year 2–5 R'000	Over 5 years R'000	Total R'000
Assets					
Loans to associate companies	Prime plus 2	–	–	43 152	43 152
Loans to associate companies	Interest free	–	–	12 750	12 750
Loans included in available for sale assets	Interest free	–	–	3 810	3 810
Loan	Prime less 2	3 205	–	–	3 205
Other receivables	Interest free	769	–	–	769
Cash and cash equivalents	Bank deposit rates	50 503	–	–	50 503
		54 477	–	59 712	114 189
Liabilities					
Trade payables	Interest free	819	–	–	819
Other payables	Interest free	7 166	–	–	7 166
		7 985	–	–	7 985
2002					
Assets					
Loans to associate companies	Prime less 2	3 020	3 205	–	6 225
Loans to associate companies	Interest free	–	–	14 623	14 623
Loans to unlisted investments	Interest free	–	–	3 810	3 810
Other receivables	Interest free	64	–	–	64
Cash and cash equivalents	Bank deposit rates	10 177	–	–	10 177
		13 261	3 205	18 433	34 899
Liabilities					
Trade payables	Interest free	1 572	–	–	1 572
Other payables	Interest free	800	–	–	800
		2 372	–	–	2 372

Notes continued

for the year ended 31 December 2003

R'000	GROUP		COMPANY	
	2003	2002	2003	2002

31.3 Credit risk management

The principal areas of credit risk are:

- trade receivables in the group's wholly-owned clothing subsidiary
- loans or advances to associate companies or other investments.

The granting of credit to trade customers is controlled by insisting on completion of detailed credit applications, followed by appropriate research involving, where appropriate, the assistance of credit agencies and, where considered necessary, the taking of security and/or insurance cover. Trade receivables comprise a large, widely spread customer base, avoiding an excessive concentration of risk with a small number of customers.

Management routinely performs evaluations on the financial conditions of its customers. At 31 December 2003 the company did not consider there to be any material area of credit risk which had not been insured or adequately provided for. Loans or advances made or guarantees given follow full or at least limited due diligence on the investee company concerned and are subject to approval by the board's investment sub-committee.

31.4 Liquidity risk

The company's banking facilities are considered to be sufficient for its needs.

Unutilised banking facilities

Total banking and loan facilities	193 325	76 878	1 000	1 000
Actual interest-bearing borrowings	(171 003)	(57 725)	–	–
Cash and cash equivalents	53 273	10 639	50 503	10 177
Unutilised banking facilities	75 595	29 792	51 503	11 177

31.5 Fair value of financial instruments

The estimated net fair values at 31 December 2003 have been determined using available market information and appropriate valuation methodologies and are not necessarily indicative of the amounts that the group could realise in the ordinary course of business.

R'000	2003 Carrying Amounts	2003 Fair values	2002 Carrying Amounts	2002 Fair values
Assets				
Investments in associates	55 902	55 902	20 849	20 849
Available for sale assets	12 834	12 834	–	–
Other investments and loans	–	–	8 076	11 626
Loan	3 205	3 205	–	–
Cash and cash equivalents	53 273	53 273	10 639	10 639
Trade receivables	28 095	28 095	31 655	31 655
Other receivables	8 983	8 983	14 645	14 377
Liabilities				
Long-term interest bearing borrowings	8 852	9 349	10 655	7 272
Short-term interest bearing borrowings	20 289	20 289	36 909	36 909
Bank overdrafts	4 827	4 827	10 161	10 161
Trade and other payables	22 348	22 348	18 766	18 766

The following methods and assumptions were used by the company in establishing fair values:

Investments in associates and others

These investments are valued each 6 months on the basis considered most appropriate to the investment concerned.

Cash and cash equivalents

The carrying amounts reported in the balance sheet approximate fair values.

Trade receivables

The carrying value of trade receivables in the group clothing subsidiary's financial statements, after provision for doubtful debts, is R47 548 930 (2002 – R51 039 000). Because the investment in the subsidiary has been written down, the group carrying value is as reflected above.

Other receivables

A major portion consists of accrual of duty credit certificate (DCC) benefits due on exports by the clothing subsidiary. The carrying value is considered to approximate fair value.

Long-term interest-bearing borrowings

The fair value of long-term interest-bearing borrowings is presently higher than book value, given that the bulk of the borrowings are at a fixed rate of 15.5%.

Short-term interest bearing borrowings

The carrying amounts reported in the balance sheet approximate fair values.

Trade and other payables

The carrying amounts reported in the balance sheet approximate fair values.

Notes continued

for the year ended 31 December 2003

R'000	2003	2002
32. Related party transactions and directors' interests		
Investments held via the BrimEquity joint venture fall within the definition of related parties. During the year the following transactions took place with the companies concerned:		
Dividends received	5 477	12 512
Management fees received	472	294
Interest received	250	15

F J Robertson, an executive director of the company, is the majority shareholder in three companies, acting as short-term insurance brokers, employee benefits consultants and property managing agents respectively to the company and certain of its subsidiaries. The services are performed on a strictly market related arms' length basis and total fees paid for the services during the year amounted to R184 194 (2002 – R127 549).

F J Robertson is a 20% shareholder in Lion of Africa Insurance Company Limited via his indirect holding in Commlife Holdings (Pty) Ltd which together with Brimstone, forms the Brimsure Consortium. Mr Robertson is also the non-executive chairman of Lion of Africa Insurance Company Limited.

N Khan is a director of the company that designed and managed the refurbishment of the company's offices during the year. The total amount paid for services rendered, office renovation and fixtures and fittings supplied amounted to R340 344.

The balances owing by associate companies are disclosed in Appendix 2 on page 46.

33. Number of employees in the group

The number of staff employed by Brimstone and its subsidiaries at the end of the year was 1 074 (2002 – 1 191)

34. Group borrowing powers

In terms of the articles of the company, borrowings of the company and its subsidiaries are unlimited, subject to authorisation by the board of directors of the holding company.

Supplementary report on investments

as at 31 December 2003

Appendix 1 Interest in subsidiaries

	Issued share capital		% holding		Shares at cost		Net Indebtedness		Acquisition of right	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
			%	%	R'000	R'000	R'000	R'000	R'000	R'000
Held directly										
Company										
Brimco (Pty) Ltd	1	1	100	100	-	-	(51 147)	4 881	-	-
Holds investments in Sea Harvest Corporation Ltd										
Brimstone Clothing Corporation (Pty) Ltd	572 408	572 408	100	100	2 427	2 427	23 694	24 882	-	-
Manufacturer and distributor of clothing										
Septen Investments (Pty) Ltd	1	1	100	100	-	-	(10 051)	(18 118)	-	-
Holds investment in Ocfish Holding Co. Ltd										
Brimstone Properties (Pty) Ltd	100	100	100	100	-	-	4 383	5 561	-	6 739
Property owning										
Brimstone Commodities Trading (Pty) Ltd	100	100	100	100	-	-	216	214	-	-
Dormant										
Brimstone Securities Trading (Pty) Ltd	100	100	100	100	-	-	7 345	7 343	-	-
Share dealer										
Brimbrands (Pty) Ltd	1	1	100	100	-	-	(6)	7	-	-
Dormant										
					2 427	2 427	(25 566)	24 770	-	6 739
Less: Amounts written off					(2 427)	(2 427)	(11 944)	-	-	-
					-	-	(37 510)	24 770	-	6 739
Held indirectly										
H Investments No 219 (Pty) Ltd	100	100	100	100	-	-	-	-	-	-
Property owning										

The company's interest in the aggregate profits and losses after taxation of consolidated subsidiaries, was as follows:

	2003	2002
	R'000	R'000
Profits	6 765	27 612
Losses	(783)	(26)

Supplementary report on investments continued

as at 31 December 2003

Appendix 2 Investment in Associate Companies

	Reporting Date	Percentage Holding		Shares at cost/valuation		Share of retained income since acquisition		Indebtedness	
		2003 %	2002 %	2003 R'000	2002 R'000	2003 R'000	2002 R'000	2003 R'000	2002 R'000
Held directly:									
– by company:									
Listed									
Nando's Group Holdings Ltd (Food industry)	28 Feb.	–	12.06	–	38 410	–	8 203	–	6 225
Total Listed				–	38 410	–	8 203	–	6 225
Unlisted									
Faizyme Laboratories (Pty) Ltd (Enzymes industry)	28 Feb.	–	30	–	–	–	570	–	9
NE Corp Holdings (Pty) Ltd (Investment holding)	30 Sept.	25.05	25.05	–	288	–	(288)	–	–
Gili Greenworld Holdings (Pty) Ltd (Farming industry)	30 Sept.	29.6	29.6	–	5 171	–	(5 171)	–	2
Lion of Africa Holdings Company (Pty) Ltd (Short term insurer)	31 Dec.	30	30	–	–	(1 977)	(5 295)	7 500	7 500
Jazz Spirit 123 (Pty) Ltd (Lenco) (Packaging industry)	31 Mar.	25	–	8 008	–	–	–	43 152	–
Total Unlisted				8 008	5 459	(1 977)	(10 184)	50 652	7 511
Held via joint venture:									
– by company									
The Scientific Group (Pty) Ltd (Medical equipment distributors)	31 Aug.	20	20	–	–	1 336	43	5 250	6 000
A&D Spitz (Pty) Ltd (Footwear retail)	30 Jun.	–	23.81	–	–	–	3 377	–	1 112
Total company holding in joint venture				–	–	1 336	3 420	5 250	7 112
Total company holding in associates				8 008	43 869	(641)	1 439	55 902	20 848
Held indirectly:									
– by subsidiary company:									
Sea Harvest Corporation Ltd (Food industry)	30 Sept.	10.76	–	50 768	–	–	–	–	–
Held via joint venture:									
– by subsidiary company:									
Sea Harvest Corporation Ltd (Food industry)	30 Sept.	10.76	10.76	27 477	27 477	23 290	22 298	–	–
Total associates held via subsidiary				78 245	27 477	23 290	22 298	–	–
Total associates held via joint venture				27 477	27 477	24 626	25 718	5 250	7 113
Total group investments in associates				86 253	71 346	22 649	23 737	55 902	20 848

Valuations, based on the lower of the net asset value and earnings methods, are carried out every six months.

Appendix 3 Available for Sale Assets

Unlisted	Number of shares		Valuation of shares		Valuation of loans		Total investment	
	2003	2002	2003	2002	2003	2002	2003	2002
			R'000	R'000	R'000	R'000	R'000	R'000
Held by Company								
Ocfish Holding Company Ltd	199 750	–	2 717	–	–	–	2 717	–
Perthpark Properties Ltd	300	–	1 800	–	–	–	1 800	–
Broad Road Surgical Clinic Ltd	10	–	200	–	–	–	200	–
African Legends Ltd	268	–	10	–	60	–	70	–
Capricorn Science & Manufacturing Parks (Pty) Ltd	854	–	250	–	3 750	–	4 000	–
Peoples Bank Limited	–	–	250	–	–	–	250	–
Total Company			5 227	–	3 810	–	9 037	–
Held by Subsidiary								
Ocfish Holding Company Ltd	279 226	–	3 797	–	–	–	3 797	–
Total Group			9 024	–	3 810	–	12 834	–

Appendix 4 Other Investments and Loans

Unlisted	Number of shares/units		Cost/valuation of shares		Cost/valuation of loans		Total investment	
	2003	2002	2003	2002	2003	2002	2003	2002
			R'000	R'000	R'000	R'000	R'000	R'000
Held by Company								
Ocfish Holding Company Ltd	–	199 750	–	1 199	–	–	–	1 199
Broad Road Medi-Centre Investments Ltd	–	170	–	1 150	–	–	–	1 150
Perbro Investments (Cape) Ltd	–	130	–	650	–	–	–	650
Broad Road Surgical Clinic Ltd	–	10	–	200	–	–	–	200
African Legends Ltd	–	268	–	10	–	60	–	70
Capricorn Science & Manufacturing Parks (Pty) Ltd	–	854	–	250	–	3 750	–	4 000
Total Company			–	3 459	–	3 810	–	7 269
Held by Subsidiary								
Ocfish Holding Company Ltd	–	279 226	–	807	–	–	–	807
Total Group			–	4 266	–	3 810	–	8 076

Directors' valuation of unlisted investments

– Company	–	8 387
– Group	–	11 626

Note: Appendices 3 and 4 have been restated in accordance with the asset definition requirements of Accounting Standard AC133: Financial Instruments: Recognition and Measurement.

Directors' interests in shares

as at 31 December 2003

Appendix 5

Directors	Direct	Indirect	Total	Beneficial	Non Beneficial
Ordinary shares					
Prof. GJ Gerwel	125 000	188 425	313 425	313 425	–
MA Brey	921 414	2 931 606	3 853 020	3 752 856	100 164
FJ Robertson	467 014	3 610 993	4 078 007	4 005 007	73 000
Dr. P Gorvalla	120 800	–	120 800	120 800	–
M Hewu	103 000	–	103 000	103 000	–
N Khan	128 136	–	128 136	128 136	–
Y Pahad	210 529	599 100	809 629	559 629	250 000
LA Parker	–	338 000	338 000	270 000	68 000
AA Roberts	155 000	–	155 000	155 000	–
Total	2 230 893	7 668 124	9 899 017	9 407 853	491 164

"N" Ordinary shares

Prof. GJ Gerwel	125 000	6 289 750	6 414 750	6 414 750	–
MA Brey	29 200	7 023 996	7 053 196	6 931 233	121 963
FJ Robertson	12 600	6 730 517	6 743 117	6 738 117	5 000
Dr. P Gorvalla	–	–	–	–	–
M Hewu	10 000	5 000	15 000	10 000	5 000
N Khan	15 500	–	15 500	15 500	–
Y Pahad	10 000	232 400	242 400	242 400	–
LA Parker	–	23 100	23 100	23 100	–
AA Roberts	25 000	–	25 000	25 000	–
Total	227 300	20 304 763	20 532 063	20 400 100	131 963

There has been no change in the shareholdings listed above between the year end and the date of issuing this report.

Shareholding information

as at 31 December 2003

Shareholder spread

Ordinary shares	No. Shareholders in S.A		No. Shareholders other than in S.A		Total Shareholders	
	No	%	No	%	No	%
Public	1 271	98.99	1	100	1 272	98.99
Directors	9	0.70			9	0.70
Other	4	0.31			4	0.31
TOTAL	1 284	100	1	100	1 285	100

"N" Ordinary shares	No. Shareholders in S.A		No. Shareholders other than in S.A		Total Shareholders	
	No	%	No	%	No	%
Public	1 399	99.15	1	100	1 400	99.15
Directors	8	0.57			8	0.57
Other	4	0.28			4	0.28
TOTAL	1 411	100	1	100	1 412	100

Share trading statistics	Ordinary Shares	"N" Ordinary Shares
Market price per share (cents)		
High	137	130
Low	55	55
Year-end	137	130
Volumes of shares traded	5 672 280	109 173 861
Volume of shares traded as a % of issued shares	14.25%	116.59%
Value of shares traded (R)	3 668 361	69 591 208
Number of transactions	109	238
Market capitalisation (R)	54 525 927	121 725 404

Shareholders' Diary

Financial year-end	December
Annual general meeting	June
Interim report	August
Profit announcement	April
Annual financial statements	May

Shareholding information continued

as at 31 December 2003

Number of shareholders

Ordinary shares

Size of Holding	Number of Shareholders	% of total shareholders	Number of shares	% of shares issued
1 – 5 000	871	67.78	1 763 753	4.43
5 001 – 10 000	175	13.62	1 523 662	3.83
10 001 – 100 000	190	14.79	6 799 247	17.08
100 001 – 1 000 000	44	3.42	11 775 485	29.59
Over 1 000 000	5	0.39	17 937 800	45.07
	1 285	100	39 799 947	100

Analysis of holdings

	Shareholders		Shares	
	no	%	no	%
Major shareholders				
African Harvest Equity Portfolio	1	0.08	6 000 000	15.08
Septen Investments (Pty) Ltd	1	0.08	3 599 400	9.04
Brozin/Circuit Finance	1	0.08	3 174 700	7.98
The Mushaky Family Trust	1	0.08	2 623 700	6.59
Lion of Africa Life Assurance Co. Ltd	1	0.08	2 540 000	6.38
Other				
Individuals	1 146	89.18	8 410 675	21.13
Nominee companies or trusts	63	4.90	3 744 604	9.41
Public companies	5	0.39	1 068 000	2.68
Close corporations and private companies	66	5.13	8 638 868	21.71
	1 285	100	39 799 947	100

"N" Ordinary shares

Size of Holding	Number of Shareholders	% of total shareholders	Number of shares	% of shares issued
1–5 000	1 223	86.62	1 741 154	1.86
5 001–10 000	66	4.67	551 081	0.59
10 001–100 000	82	5.81	3 061 336	3.27
100 001–1 000 000	28	1.98	10 459 120	11.17
Over 1 000 000	13	0.92	77 822 235	83.11
	1 412	100	93 634 926	100

Analysis of holdings

	Shareholders		Shares	
	no	%	no	%
Major shareholders				
Newshelf 710 (Pty) Ltd	1	0.07	25 159 000	26.87
Old Mutual Life Assurance Co. SA Ltd	1	0.07	17 765 787	18.97
Septen Investments (Pty) Ltd	1	0.07	9 744 077	10.41
Ellerine Bros (Pty) Ltd	1	0.07	5 714 286	6.10
Other				
Individuals	1 306	92.49	13 532 573	14.45
Nominee companies or trusts	28	1.98	2 798 753	2.99
Public companies	6	0.43	1 075 635	1.15
Close corporations and private companies	68	4.82	17 844 815	19.06
	1 412	100	93 634 926	100

Public vs Non-public shareholding

Ordinary shares

	Number of shares	% of issued share capital
Public shareholders	23 900 930	60.05
Non-public shareholders		
Directors & associates	9 899 017	24.87
Shareholder holding more than 10% of issued share capital		
– African Harvest Equity Portfolio	6 000 000	15.08
Total	39 799 947	100

"N" Ordinary shares

	Number of shares	% of issued share capital
Public shareholders	20 429 999	21.82
Non-public shareholders		
Directors & associates	20 536 063	21.93
Shareholders holding more than 10% of issued share capital		
– Newshel 710 (Pty) Ltd	25 159 000	26.87
– Old Mutual Life Assurance Co. SA Ltd	17 765 787	18.97
– Septen Investments (Pty) Ltd	9 744 077	10.41
Total	93 634 926	100

Notice of Annual General Meeting

Notice is hereby given that the eighth annual general meeting of shareholders of Brimstone Investment Corporation Limited will be held at the River Club, Liesbeek Parkway, Observatory, Cape Town at 18h30, on Thursday, 17 June 2004 to conduct the following business:

1. To receive, consider and adopt the annual financial statements of the Company for the year ended 31 December 2003.
2. To confirm annual dividend number 2, in the amount recommended by the directors of 8.0 cents (eight cents) per share, paid to shareholders recorded in the register of the company on Friday 16 April 2004, on Monday 19 April 2004.
3. In terms of the Company's Articles of Association, Prof GJ Gerwel, MA Brey, Dr P Gorvalla and Y Pahad retire by rotation, and, being eligible, offer themselves for re-election. A brief CV of each director appears on page 57 of this annual report.
4. To approve the directors fees for the year ended 31 December 2003.
5. To re-appoint Deloitte & Touche as auditors for the ensuing year.*
6. To authorise the directors to determine the auditors' remuneration for the past audit.
7. To consider and if deemed fit, pass, with or without modification the following resolutions:

Ordinary resolution number 1

To place the unissued shares under the directors' control.

"RESOLVED THAT the entire authorised but unissued share capital of the Company from time to time be placed under the control of the directors of the Company until the next annual general meeting, with the authority to allot and issue all or part thereof in their discretion, subject to sections 221 and 222 of the Companies Act, 1973, as amended ("the Act"), and of the JSE Securities Exchange South Africa ("JSE") Listings Requirements."

Ordinary resolution number 2

Approval to issue shares for cash

"RESOLVED THAT the directors of the Company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Act, the Articles of Association of the Company, the JSE Listings Requirements, when applicable, and the following limitations, namely that –

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will be made only to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees;
- the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen per cent) of the Company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- this authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and

* At the previous annual general meeting held on 9 June 2003, the directors were instructed to invite tenders for Brimstone's audit. As this process is not yet complete, Deloitte & Touche need to be re-appointed. Should another firm of auditors be appointed in their place, members will be requested to approve this appointment at the 2005 annual general meeting.

- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of the Company.

Ordinary resolution number 2 is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting.

Special resolution

Approval to repurchase shares

“RESOLVED THAT, as a general approval contemplated in sections 85(2) and 85(3) of the 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 Act and the JSE Listings Requirements, where applicable, and provided that –

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty per

- cent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- the Company and the group are in a position to repay their debt in the ordinary course of business for the following year;
- the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the Company for the following year;
- the ordinary capital and reserves of the Company and the group are adequate for the next twelve months;
- the available working capital is adequate to continue the operations of the Company and the group in the following year;
- upon entering the market to proceed with the repurchase, the Company's Sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
- 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 Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company only appoints one agent to effect any repurchase(s) on its behalf

The JSE Listings Requirements require the following additional disclosure for purposes of this general authority, some of which is disclosed in the annual report of which this notice forms part as set out below:

- Directors and management – page 3
- Major shareholders of Brimstone – page 50
- Directors' interests in securities – page 48; and
- Share capital of Brimstone – pages 15 and 34.

1.2 Material change

Other than the facts and developments as referred to on page 15 of the annual report, there have been no material changes in the affairs or financial position of Brimstone and its subsidiaries since the date of signature of the audit report and the date of this notice.

Notice of Annual General Meeting continued

1.3 Directors' responsibility statement

The directors, whose names are given on page 3 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the Special 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 such information.

1.4 Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 3 of the annual report of which this notice 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.

Reason for and effect of the Special resolution

The reason and effect for the Special resolution is to authorise the Company and/or its subsidiaries by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company, subject to the limitations set out above.

The directors of the Company have no specific intention to effect the provisions of the Special resolution but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of the Special resolution.

8. To transact such other business as may be transacted at an annual general meeting.

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 certificated members and dematerialised members with "own name" registration of the Company, a form of proxy is enclosed herewith.

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 present in person or represented by proxy shall have 100 votes for every ordinary share and 1 vote for every "N" ordinary share held in Brimstone by such member.

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

- holding shares in certificated form; or
- dematerialised with "own name" registration

All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker other than "own name" and who 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 entered into between them and the CSDP or broker.

Forms of proxy should be lodged with or mailed to Computershare Limited:

Hand deliveries to:

Computershare Limited
Ground Floor
70 Marshall Street
Johannesburg 2001

Postal deliveries to:

Computershare Limited
PO Box 61051
Marshalltown 2107

to be received no later than 18h30 on Monday, 14 June 2004.

By order of the board
M O'Dea
Company Secretary
Newlands, 7 May 2004

Proxy form

For use only by Brimstone ordinary and "N" ordinary certificated shareholders or ordinary and "N" ordinary dematerialised shareholders with "own name" registration, at the annual general meeting of the Company, to be held at the River Club, Liesbeeck Parkway, Observatory, Cape Town at 18h30, on Thursday, 17 June 2004 and at any adjournment thereof.

Dematerialised ordinary and "N" ordinary shareholders holding shares other than with "own name" registration, must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary Letter of Representation to attend the annual general meeting in person and vote or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person, but who wish to be represented thereat. These shareholders must not use this form of proxy.

I/We

(name/s in block letters)
of (address)

being a shareholder/shareholders of Brimstone and holding _____ ordinary shares in the company,

being a shareholder/shareholders of Brimstone and holding _____ "N" ordinary shares in the company, do hereby appoint

1. _____ of _____ or failing him/her
2. _____ of _____ or failing him/her

3. the chairman of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the Brimstone ordinary shares and "N" ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of ordinary shares *			Number of "N" ordinary shares*		
	For	Against	Abstain	For	Against	Abstain
1. To receive and adopt the Company and group annual financial statements for the year ended 31 December 2003						
2. To confirm annual dividend number 2, in the amount recommended by the directors on Monday, 19 April 2004 of 8.0 cents (eight cents) per share, paid to shareholders recorded in the register of the Company on Friday 16 April 2004						
3. To re-elect the following directors who retire from office by rotation but being eligible offer themselves for re-election:						
3.1 Prof GJ Gerwel						
3.2 MA Brey						
3.3 Dr P Gorralla						
3.4 Y Pahad						
4. To approve the directors' fees for the year ended 31 December 2003						
5. To re-appoint Deloitte & Touche as auditors for the ensuing year						
6. To authorise the directors to determine the auditors' remuneration for the past audit						
7. Ordinary resolution number 1 To place the unissued shares under the directors' control						
8. Ordinary resolution number 2 To give general authority to issue shares for cash						
9. Special resolution To authorise the Company and/or its subsidiaries to repurchase its own shares						

*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) _____ on (date) _____ 2004

Shareholder's signature

Please read the notes on the reverse side hereof

NOTES:

1. This form of proxy must only be used by certificated ordinary and "N" ordinary shareholders or dematerialised ordinary and "N" ordinary shareholders who hold dematerialised ordinary and "N" ordinary shares with "own name" registration.
2. Dematerialised ordinary and "N" ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercisable thereat.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.
7. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
8. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
11. Where there are joint holders of any shares:
 - any one holder may sign this form of proxy;
 - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

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to be received no later than 18h30 on Monday, 14 June 2004.

Curriculum Vitae of each director retiring by rotation and offering himself/herself for re-election is as follows:

Professor Gert Johannes (Jakes) Gerwel (57)

Is non-executive chairman of Brimstone Investment Corporation Limited. Professor Gerwel was formerly Director-General in the Office of President Mandela and Secretary of the Cabinet in the Government of National Unity from 1994 to June 1999. He is Chancellor of Rhodes University, Distinguished Professor in the Humanities at the University of the Western Cape, Honourary Professor in the Humanities at the University of Pretoria, and Chairman of the Human Sciences Research Council. He chairs the Boards of Trustees of the Nelson Mandela Foundation, the Mandela Rhodes Foundation and the African Centre for the Constructive Resolution of Disputes. He is a Director of JSE listed companies Naspers, Old Mutual, Goldfields and Brimstone.

Doctor Patricia Gorvalla (73)

A director of Brimstone Investment Corporation, three-time “Business woman of the year” winner, Dr Gorvalla was presented with the *Star of South Africa* (Non-military) by President Nelson Mandela in 1999. She holds directorships with the Gorvalla Group Business Partners, Lutnando, Masimanyana and Maridad: Handcraft Development Corporation.

Mustaq Ahmed Brey (50)

Is Chief Executive Officer of Brimstone Investment Corporation. He is a founder member of the company, and it was under his guidance and vision that Brimstone listed on the JSE Securities Exchange in 1998. Mustaq Brey is a Chartered Accountant and currently serves on the boards of Oceana Group Ltd, Sea Harvest Corporation Ltd, The Scientific Group (Pty) Ltd, The Lion of Africa Insurance Company Limited and the SA Post Office Limited. He is also on the audit committees of Oceana, Sea Harvest, the SA Post Office, Lion of Africa and, most recently, the SA Revenue Service.

Yousuf Pahad (54)

Is a director with YP Properties, Nazraf Investments (Pty) Ltd, Camp Country (Pty) Ltd and black empowerment group Quintessence. He is also chairman of the evaluation and monitoring committee of the department of Transport and Public Works. In his capacity as director of Brimstone he chairs the investment and transformation committees, and is a member of the audit committee and the remuneration committee.

