

notes to the annual financial statements

for the year ended 30 September 1999

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
1. Turnover				
Turnover excludes turnover of associate companies but includes intergroup turnover of R34,6 million (1998: R139,8 million) and includes export turnover of R545,4 million (1998: R449,8 million).				
2. Operating profit is stated after				
Administration, management and other fees	6,6	21,9	4,1	17,4
Auditors' remuneration:				
Audit fees	4,3	4,5	1,5	1,9
Other fees	0,9	0,7	0,1	0,1
Expenses	0,3	0,2	0,1	-
	5,5	5,4	1,7	2,0
Cost of sales	3 578,5	3 656,3	1 665,8	1 737,8
Depreciation:				
Land and buildings	3,7	0,5	0,5	0,5
Plant and equipment	59,9	73,5	20,7	28,0
Vehicles	6,5	6,1	1,3	2,2
	70,1	80,1	22,5	30,7
Exchange rate differences:				
Unrealised loss	1,2	9,3	3,3	-
Realised (profit)/loss	(4,9)	(11,7)	(4,9)	(3,2)
	(3,7)	(2,4)	(1,6)	(3,2)
Income from subsidiaries:				
Fees			-	1,6
Rental			5,1	0,1
Dividends			226,9	110,6
			232,0	112,3
Operating lease charges:				
Land and buildings	14,5	18,0	9,3	13,2
Equipment and vehicles	9,5	8,9	7,4	7,4
	24,0	26,9	16,7	20,6

notes to the annual financial statements *continued*

for the year ended 30 September 1999

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
2. Operating profit is stated after (continued)				
Research and development expenditure	66,7	110,7	34,4	80,2
Net (deficit)/surplus on disposal of plant, vehicles and equipment	(0,8)	1,2	(2,6)	1,1
Dividend income (other than associate companies)	11,1	1,3	9,8	1,3
3. Net interest received/(paid)				
Interest paid:				
Long-term liabilities	(1,0)	(1,2)	-	(0,2)
Short-term loans and bank overdrafts	(45,5)	(76,6)	(7,5)	(21,8)
	(46,5)	(77,8)	(7,5)	(22,0)
Interest received:				
- subsidiaries			17,8	1,8
- other	131,1	112,0	11,7	7,8
Net interest received/(paid)	84,6	34,2	22,0	(12,4)
4. Abnormal items				
Surplus on disposal of businesses	94,9	-	50,1	-
Provision for losses in subsidiaries			(0,1)	(7,5)
Provision for goodwill written back			21,6	-
Other	1,0	-	5,1	-
Gross abnormal items	95,9	-	76,7	(7,5)
Tax	(0,2)	-	(0,2)	-
Minorities	(0,5)	-		
Net abnormal items	95,2	-	76,5	(7,5)
5. Taxation				
South African normal taxation:				
Current	122,2	87,6	35,0	5,7
Deferred	0,9	(2,0)	-	0,1
Adjustment due to tax rate change	(0,8)	-	-	-
Current tax charge/(reversal)	1,7	(2,0)	-	0,1
Secondary tax on companies (STC)	6,0	14,6	5,8	-
Adjustment for prior years – current	8,3	(0,2)	10,7	(0,1)
Adjustment for prior years – deferred	-	0,1	-	-
Adjustment for prior years – STC	(6,3)	(2,5)	-	(2,5)
	131,1	97,6	51,5	3,2

for the year ended 30 September 1999

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
5. Taxation (continued)				
Foreign normal taxation:				
Current	-	1,2	-	-
Prior	(0,3)	-	-	-
	130,8	98,8	51,5	3,2
Reconciliation of rate of taxation	%	%	%	%
Apparent rate of taxation	27	37	10	2
Applicable to dividends received	1	-	18	36
Effective rate of taxation:	28	37	28	38
Reduction in charge for taxation due to:				
- abnormal items	6	-	5	-
- capital profits	-	2	-	2
- utilisation of tax losses brought forward	2	5	-	-
- deferred tax assets not recognised in prior years now realised	-	-	1	-
- prior year adjustments	-	2	-	2
- other adjustments	-	5	-	5
Increase in rate of taxation due to:				
- disallowable charges	(4)	-	(1)	-
- unrealised deferred tax assets not recognised in current year	-	(10)	-	(12)
- secondary tax on companies	-	(6)	(1)	-
- prior year adjustments	(2)	-	(2)	-
South African normal tax rate	30	35	30	35
Estimated group tax losses at end of year available for set-off against future taxable income	70,5	187,3	-	-
6. Dividends				
Ordinary:				
Underprovision in respect of prior year dividend	-	0,2	-	0,2
Interim – 18,0 cents per share (1998: 13,0 cents)	36,1	26,1	36,1	26,1
Final – 40,0 cents per share (1998: 30,0 cents)	77,5	60,1	77,5	60,1
Special dividend – 250,0 cents per share (1998: Nil)	510,0	-	510,0	-
Secondary tax on companies in respect of the special dividend	58,2	-	58,2	-
Total – 308,0 cents per share (1998: 43,0 cents)	681,8	86,4	681,8	86,4

notes to the annual financial statements *continued*

for the year ended 30 September 1999

6. Dividends (continued)

Secondary tax on companies (STC) in respect of the company's special dividend declared on 27 September 1999 has been shown as part of the dividend distribution rather than as a tax charge for the year. The reason for this treatment is that the directors consider that the magnitude of the STC in respect of the special dividend is such that presentation of the amount as a part of the dividend distribution more fairly presents the performance of the company for the year.

This treatment is contrary to the recommendations of AC 303 issued by the South African Institute of Chartered Accountants. Had STC on the special dividend been charged to income, the earnings of the group would be reduced by R58,2 million (1998: Nil) and earnings per share by 29,0 cents (1998: Nil).

STC in respect of the company's normal interim and final dividends declared on 22 April and 16 November 1999 has been included in the tax charge in accordance with the recommendations of AC 303.

	<i>Group</i>		<i>Company</i>	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
7. Transfer from/(to) non-distributable reserves				
Earnings retained in associate companies	16,5	3,4		
Statutory and other reserves	(7,6)	15,4	-	15,1
	8,9	18,8	-	15,1
8. Earnings per share				
The weighted average number of ordinary shares used in the calculation is 200 398 353 (1998: 199 974 520) divided into group profit after abnormal items attributable to Reunert shareholders.				
Fully diluted earnings per share based on 204 169 953 shares (1998: 204 568 520 shares) amounts to 187,5 cents (1998: 105,4 cents). The earnings for this calculation have been increased by the notional interest after taxation that would have been earned on the proceeds of the share options.				
9. Headline earnings per share				
The weighted average number of ordinary shares used in the calculation is 200 398 353 (1998: 199 974 520) divided into headline earnings attributable to Reunert shareholders.				
Earnings attributable to Reunert Limited shareholders	378,7	210,4		
Adjusted for items of a capital nature:	(95,1)	0,7		
Surplus on disposal of businesses	(94,9)	-		
Deficit/(surplus) on disposal of fixed assets	0,8	(1,2)		
Other	(1,0)	1,9		
Tax	1,8	0,5		
Outside shareholders' portion	1,0	(0,5)		
Headline earnings attributable to Reunert shareholders	286,4	211,1		

for the year ended 30 September 1999

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
10. Share capital and premium				
Authorised share capital:				
235 000 000 (1998: 235 000 000) ordinary shares of 10 cents each	23,5	23,5	23,5	23,5
350 000 (1998: 350 000) 5,5% cumulative preference shares of R2 each	0,7	0,7	0,7	0,7
31 057 729 (1998: 31 057 729) redeemable preference shares of 1 cent each	0,3	0,3	0,3	0,3
	24,5	24,5	24,5	24,5
Issued share capital:				
200 497 164 (1998: 200 388 764) ordinary shares of 10 cents each	20,0	20,0	20,0	20,0
350 000 (1998: 350 000) 5,5% cumulative preference shares of R2 each	0,7	0,7	0,7	0,7
	20,7	20,7	20,7	20,7
Share premium:				
At beginning of year	220,7	214,3	220,7	214,3
Arising on the issue of ordinary shares	0,4	6,4	0,4	6,4
At end of year	221,1	220,7	221,1	220,7
Total issued share capital and premium	241,8	241,4	241,8	241,4

	Number of shares	Number of shares
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Unissued ordinary shares

Total shares reserved to meet the requirements of the Reunert 1985 Share Option Scheme and the Reunert 1988 Share Purchase Scheme	9 891 600	5 137 555
Ordinary shares under the general authority of the directors until the forthcoming annual general meeting	24 611 236	29 473 681
	34 502 836	34 611 236

The Reunert 1985 Share Option Scheme

Options which have been granted to executives in terms of the Reunert 1985 Share Option Scheme, and which were unexercised at 30 September 1999 are as follows:

	Number of shares	Option price	Expiry date
	75 100	R4,20	30 September 2002
	211 000	R14,90	27 June 2004
	30 000	R14,00	5 May 2007
	3 455 500	R7,90	2 March 2008
	3 771 600		

notes to the annual financial statements *continued*

for the year ended 30 September 1999

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
11. Non-distributable reserves				
On acquisition of subsidiaries, being excess of net assets over cost of shares at date of acquisition	9,4	9,4		
Arising on revaluation of fixed assets, statutory and other reserves				
– at beginning of year	3,2	18,6	4,2	19,3
– arising on revaluation of fixed assets	–	(15,4)	–	(15,1)
– other	8,8	–	–	–
	12,0	3,2	4,2	4,2
Capital redemption reserve	2,9	0,3	0,3	0,3
Share of associate companies' retained profits				
– at beginning of year	67,0	70,4		
– retained associate earnings transferred this year	(16,5)	(3,4)		
– other	(3,8)	–		
	46,7	67,0		
	71,0	79,9	4,5	4,5
12. Deferred taxation				
Movement of group deferred taxation				
Balance at beginning of year	5,7	7,6	–	–
Adjustment due to tax rate change	(0,8)	–	–	–
Current tax charge/(reversal)	1,7	(2,0)	–	–
Prior year adjustment	–	0,1	–	–
	6,6	5,7	–	–
Analysis of deferred taxation				
Excess capital allowances over depreciation	9,9	8,2	–	–
Other (net)	(3,3)	(2,5)	–	–
	6,6	5,7	–	–

for the year ended 30 September 1999

		<i>Group</i>		<i>Company</i>	
		1999	1998	1999	1998
		Rm	Rm	Rm	Rm
13. Borrowings					
Long-term liabilities					
	Interest rate				
Unsecured	17,9%	5,2	11,0	-	-
Current portion included in short-term loans		(0,7)	(5,8)	-	-
		4,5	5,2	-	-
South African borrowings repayable during financial years:					
- 1999			5,8	-	-
- 2000		0,7	0,7	-	-
- 2001		1,0	1,0	-	-
- 2002		1,5	1,5	-	-
- 2003		2,0	2,0	-	-
		5,2	11,0	-	-
Short-term loans and bank overdrafts					
Bank overdrafts and acceptances		18,4	3,5	-	1,3
Current portion of long-term liabilities (see above)		0,7	5,8	-	-
		19,1	9,3	-	1,3

		<i>Group</i>			<i>Company</i>		
	Cost or valuation	De-preciation	Book value	Cost or valuation	De-preciation	Book value	
	Rm	Rm	Rm	Rm	Rm	Rm	
14. Fixed assets							
1999							
Freehold land and buildings	128,6	29,1	99,5	41,3	2,8	38,5	
Leasehold land and buildings	0,6	0,5	0,1	0,3	0,1	0,2	
Plant and equipment	496,6	367,7	128,9	171,6	130,3	41,3	
Vehicles	28,7	20,7	8,0	5,5	3,9	1,6	
Capitalised leased assets	0,4	0,4	-	-	-	-	
	654,9	418,4	236,5	218,7	137,1	81,6	
1998							
Freehold land and buildings	165,3	19,4	145,9	49,8	2,3	47,5	
Leasehold land and buildings	0,5	0,5	-	0,1	0,1	-	
Plant and equipment	682,3	484,7	197,6	208,4	143,0	65,4	
Vehicles	33,5	22,4	11,1	7,8	5,0	2,8	
Capitalised leased assets	0,4	0,4	-	-	-	-	
	882,0	527,4	354,6	266,1	150,4	115,7	

notes to the annual financial statements *continued*

for the year ended 30 September 1999

	Land and buildings	Plant and equipment	Vehicles	1999 Rm	1998 Rm
14. Fixed assets (continued)					
Movement in fixed assets – group					
Net book value at beginning of year	145,9	197,6	11,1	354,6	395,4
Acquisition of businesses	2,6	9,1	2,3	14,0	0,8
Disposal of businesses	(19,6)	(30,5)	(1,3)	(51,4)	–
Impairment writedown	(11,5)	–	–	(11,5)	(1,9)
Additions	1,2	29,5	3,7	34,4	53,2
Disposals	(15,3)	(16,9)	(1,3)	(33,5)	(12,8)
	103,3	188,8	14,5	306,6	434,7
Depreciation	(3,7)	(59,9)	(6,5)	(70,1)	(80,1)
	99,6	128,9	8,0	236,5	354,6
Movement in fixed assets – company					
Net book value at beginning of year	47,5	65,4	2,8	115,7	152,7
Additions	0,2	7,2	1,0	8,4	19,4
Disposals	(8,5)	(10,6)	(0,9)	(20,0)	(25,7)
	39,2	62,0	2,9	104,1	146,4
Depreciation	(0,5)	(20,7)	(1,3)	(22,5)	(30,7)
	38,7	41,3	1,6	81,6	115,7

Notes

1. A register of group property may be inspected at the registered office of the company.
2. Freehold land and buildings of the group comprise:

	1999 Rm	1998 Rm
Specialised properties	63,4	84,9
Investment properties (note 3 below)	36,2	61,0
	99,6	145,9

3. The open market value of investment properties amounts to R43,3 million (1998: R84,5 million).
4. The insurable value of the group's fixed assets as at 30 September 1999 amounted to R2,4 billion (1998: R2,5 billion). This is based on the cost of replacement of such assets, except for motor vehicles and certain selected assets which are included at market value.

for the year ended 30 September 1999

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
15. Interest in subsidiaries				
(See Annexure A)				
Shares at cost less amounts written off			103,8	115,7
Amounts owing by subsidiaries			430,8	535,0
Provision for goodwill write-off			(45,9)	(67,5)
			488,7	583,2
Provision for losses			(47,8)	(47,7)
			440,9	535,5
Amounts owing to subsidiaries			(425,1)	(342,2)
			15,8	193,3
16. Investments				
Unlisted associate companies:				
Shares at cost	49,4	61,3	13,0	13,0
Less: Provision for diminution in value	-	(11,9)		
Adjustment to carrying value	2,7	2,7		
Attributable interest in retained profit	60,5	74,1		
Retained income at beginning of year	74,1	69,0		
Profit after tax and abnormal items				
- audited	66,5	79,6		
- unaudited	13,0	20,6		
Reversal of losses incurred in prior years	-	9,2		
Dividends	(93,1)	(104,3)		
Attributable to outside shareholders in subsidiaries	7,4	0,9		
Total of unlisted associated companies	120,0	127,1	13,0	13,0
Unlisted joint venture companies			5,6	-
Other investments:				
- Reunert 1988 Share Purchase Trust	5,3	7,7	5,3	7,7
- Other loans and investments	10,1	26,1	36,9	39,7
Total investments	135,4	160,9	60,8	60,4
Valuation of shares and loans				
Directors' valuation of:				
- Unlisted associate companies	120,0	127,1	13,0	13,0
- Other investments	15,4	33,8	47,8	47,4
	135,4	160,9	60,8	60,4

notes to the annual financial statements *continued*

for the year ended 30 September 1999

Group

	Number of shares held		% interest	
	1999	1998	1999	1998

16. Investments (continued)

Details of share investments

Associate companies:

ATC (Pty) Limited	123 418	123 418	39	39
Electric Products International (Pty) Limited	2 400	2 400	24	24
IVECO South Africa (Pty) Limited	–	6 725	–	49
RC&C Finance Company (Pty) Limited	400	400	10	10
Siemens Telecommunications (Pty) Limited	38 500	38 500	28	28

	Year-end	Carrying value	
		1999	1998

Associate companies:

ATC (Pty) Limited	31 March	71,4	41,1
Electric Products International (Pty) Limited	30 September	–	–
RC&C Finance Company (Pty) Limited	30 September	13,1	13,1
Siemens Telecommunications (Pty) Limited	30 September	35,5	72,9
		120,0	127,1

Group

Company

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
<i>17. Inventory and contracts in progress</i>				
Raw materials and components	86,8	137,9	19,1	9,7
Finished goods	61,3	97,2	7,2	29,5
Merchandise	244,0	373,2	224,1	324,0
Consumable stores	3,4	8,4	0,9	3,7
Work in progress	47,5	91,4	–	3,4
Contracts in progress	28,8	21,1	5,7	17,3
	471,8	729,2	257,0	387,6

for the year ended 30 September 1999

	Group		Company	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
17. Inventory and contracts in progress (continued)				
The value of inventory has been determined on the following bases:				
First-in first-out	286,7	484,6	247,9	354,8
Average	10,8	42,6	5,6	29,2
Net realisable value	48,5	44,0	3,5	3,6
Other	125,8	158,0	-	-
	471,8	729,2	257,0	387,6
18. Accounts receivable				
Trade receivables	554,1	671,9	222,3	307,3
Claims, prepayments and other trade receivables	204,0	79,6	88,4	60,5
Dividends accrued	30,4	13,0	267,6	42,0
	788,5	764,5	578,3	409,8
19. Cash and cash equivalents				
Bank balances and cash	167,3	148,8	24,9	25,7
Funds on call with associate company (RC&C Finance Company (Pty) Limited) These funds are repayable on demand. The associate company has the facilities to replace these funds in the open market.	340,7	348,1	-	-
Investment in redeemable preference shares: R150 million requires 30 days' notice for repayment; R300 million requires 30 days' notice for repayment on 8 January 2000. If this notice is not given, the contract continues for a further six months.	450,0	-	450,0	-
	958,0	496,9	474,9	25,7
20. Commitments				
Expenditure on fixed assets				
Contracted	7,1	12,5	2,7	5,0
Authorised not yet contracted	7,0	9,8	-	9,0
	14,1	22,3	2,7	14,0

The above expenditure will occur in 2000 and will be financed from existing group resources.

notes to the annual financial statements *continued*

for the year ended 30 September 1999

	<i>Group</i>		<i>Company</i>	
	1999 Rm	1998 Rm	1999 Rm	1998 Rm
20. Commitments (continued)				
Operating lease commitments in respect of land and buildings, plant and machinery, motor vehicles and other assets				
- 1999		23,0		17,7
- 2000	18,0	18,8	12,9	13,9
- 2001	15,5	17,5	11,1	13,2
- 2002	12,2	15,2	7,9	10,8
- 2003	11,4	18,8	7,5	15,2
- 2004 and thereafter	8,9		8,3	
	66,0	93,3	47,7	70,8
21. Contingent liabilities				
Lease and hire-purchase agreements discounted with recourse				
	-	4,5	-	-
Other claims				
	1,8	-	1,8	-
Guarantees on behalf of third parties				
	45,8	12,2	1,1	7,6
Guarantees on behalf of group subsidiary companies				
			0,6	23,8
Sureties for staff loans				
	0,8	0,8	-	-
Total guarantees for amounts owing				
	46,6	13,0	1,7	31,4
Total contingent liabilities				
	48,4	17,5	3,5	31,4

Group

	1999		1998	
	Maximum permissible Rm	Actual Rm	Maximum permissible Rm	Actual Rm
22. Borrowing capacity				
The borrowings of the group are limited in terms of the company's articles of association:				
Long-term liabilities		4,5		5,2
Short-term loans and bank overdrafts		19,1		9,3
Contingent liabilities (see note 21)		48,4		17,5
	843,2	72,0	1 199,0	32,0

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23. Foreign currency exposure

Forward exchange contracts

The group has entered into certain forward exchange contracts which do not relate to specific items appearing in the balance sheet but were entered into to cover foreign commitments not yet due and proceeds not yet received. The contracts will be utilised for purposes of trade during 1999 and 2000.

Details of these contracts are as follows:

	<i>Group</i>	
	Foreign amount million	Rand equivalent million
Bought		
French franc	0,4	0,4
Japanese yen	739,1	37,4
Pound sterling	0,7	6,9
German mark	1,4	4,6
US dollar	15,9	96,7
Sold		
French franc	0,3	0,3
US dollar	4,4	26,4

	<i>Company</i>	
	1999 Rm	1998 Rm
24. Directors' emoluments		
Payable to the directors of the company by the company and its subsidiaries		
Executive directors		
Salary	3,5	3,6
Bonus and performance-related payments	1,6	0,3
Other benefits	1,2	0,7
Pension scheme contributions	0,6	0,6
	6,9	5,2
Compensation for loss of office		
Paid by subsidiary	-	2,7
	6,9	7,9

notes to the annual financial statements *continued*

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	<i>Company</i>	
	1999	1998
	Rm	Rm
24. Directors' emoluments (continued)		
Non-executive directors		
Directors' fees	0,4	0,1
Salary	0,4	0,6
Other benefits	0,1	0,1
	0,9	0,8
Total directors' emoluments	7,8	8,7

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

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

25. Retirement benefit information

In line with the group's policy to provide retirement benefits for its employees, 97% (1998: 98%) of the group's employees belong to various retirement schemes.

Industrial legislation requires that certain employees be members of designated industrial schemes. At year-end 35% (1998: 45%) of the group's employees were members of such schemes, most notably the Engineering Industries Pension Fund and Metal Industries Provident Fund. The total employer contributions for the year to these funds amounted to R9,4 million (1998: R9,5 million).

The majority of the remaining employees, 37% (1998: 30%) of the group's total employees, are members of the Lincoln Wood Provident Fund or the Reunert Retirement Fund, which consists of both the Reunert Pension Fund and Reunert Provident Fund.

The Reunert Retirement Fund is a defined contribution plan, apart from death benefits that are paid by the pension fund, which is registered in terms of the Pension Funds Act, 1956. The fund was last reviewed by the actuary at 30 November 1998 and found to be in a sound financial position. The employer's contribution rate to the provident fund remained at 10% of the employee's pensionable earnings, whilst the employees contribution to the pension fund remained at 6%. The total employer contribution to the fund amounted to R24,0 million (1998: R23,9 million).

The Lincoln Wood Provident Fund is a defined benefit plan registered in terms of the Pension Funds Act, 1956. The employer's contribution rate is 14,5% (1998: 14,5%) of employees' pensionable earnings, with the employees' contributions remaining at 6%. The total employer contribution to this fund amounted to R2,2 million (1998: R2,4 million).

for the year ended 30 September 1999

25. Retirement benefit information (continued)

The remaining 25% (1998: 23%) of the group's total employees, who are not members of the abovementioned schemes, participate in other benefit plans, which consist of three defined contribution plans and five defined benefit plans. All are subject to the Pension Funds Act, 1956. The total employer contributions to these funds amounted to R8,2 million (1998: R6,6 million).

34% of the group's employees belong to defined benefit funds, with 20% belonging to the Engineering Industries Pension Fund, which is currently in surplus. The rules of this fund do not allow the group access to this surplus. Details relating to the group's more material defined benefits funds, which are not designated industrial schemes, are as follows:

	Nashua Pension Fund	Lincoln Wood Provident Fund	Nashua Executive Fund
Proportion of current employees in the scheme to total employees (%)	2,4	0,4	0,6
Valuation interval	3	3	3
Last statutory valuation	1/1/97	28/2/99	1/1/97
Valuation method used	Projected unit method	Full prospective funding method	Projected unit method
Actuarial present value of promised benefits (Rm)	15,9	460,7	11,6
Actuarial value of plan assets (Rm)	22,4	460,8	11,2
Surplus/(deficit) (Rm)	6,5	0,1	(0,4)
Actuarial assumptions used to arrive at these values:			
Discount rate (%)	16	16	16
Estimated future salary increases (%)	15	14	15
Expected rates of return on plan assets (%)	16	16	16

The surpluses have not been brought to account as required by AC 116 for the following reasons:

- Current legislation does not allow employers access to these surpluses.
- Agreement must be reached between the employers and members of the funds to determine whether the surpluses may be used to improve benefits and/or reduce contributions.

The deficit in the Nashua Executive Fund has not been brought to account in terms of AC 116 as the deficit is not significant and is being financed by increased contributions, as recommended by the actuary.

notes to the annual financial statements *continued*

for the year ended 30 September 1999

	1999		1998	
	Total Rm	Reunert share Rm	Total Rm	Reunert share Rm

26. Summarised financial information of principal associate companies

Income statement

Turnover	2 503,9	890,3	2 928,3	1 031,6
Profit after tax	201,5	79,5	291,7	100,2
Dividends	286,3	93,1	266,7	104,3

Balance sheet

Interest of shareholders	274,7	120,0	359,6	127,1
Long-term liabilities	267,9	137,4	91,8	89,4
Fixed assets	256,7	81,4	231,5	73,6
Lease debtors	488,1	488,1	557,4	557,4
Other liabilities	275,1	275,1	294,6	294,6
Net current assets/(liabilities)	98,9	(43,2)	(5,0)	(106,2)

27. Related-party transactions

The following related-party transactions took place during the year:

Counterparty	Relationship	Stock value at year-end		
		Sales Rm	Purchases Rm	Rm

Trading with joint shareholders of subsidiaries

Alstom Europe group of companies	Alstom Holdings is joint owner of Alstom South Africa with Reunert	4,2	41,8	14,8
GEC and Alcatel companies	Together own 24% of Alstom Holdings	2,7	6,4	0,5
Pirelli	Pirelli is joint owner of Afcab Holdings which owns African Cables	12,5	0,4	

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

for the year ended 30 September 1999

Counterparty	Relationship	Interest earned by Reunert Rm	Interest paid by Reunert Rm	Out- standing balance at year-end Rm
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Financing transactions with associate companies

RC&C Finance Company	Reunert owns 10% of the shares in RC&C Finance Company and this investment is equity accounted in the group's results. The remainder of the shares are equally held by Absa Bank, Nedcor Bank and Rand Merchant Bank.	89,9		340,7
ATC (Pty) Limited	Reunert owns an effective 38,6% of ATC (Pty) Limited and this investment is equity accounted in the group results.		5,0	

The group's excess cash is deposited with Reunert Finance Company who, in turn, deposit it with RC&C Finance Company. ATC (Pty) Limited deposits its excess cash with Reunert Finance Company with the full knowledge and approval of all of its shareholders. The interest rates used in both instances are the daily money market call rates available to the Reunert group.

28. Financial instruments

Risk management

The group is exposed to various risks at all times, and these risks are managed in the following ways:

Treasury risk

All of the group's short-term borrowings or excess cash are directed through Reunert Finance Company, a wholly-owned subsidiary of Reunert Limited, which is managed from the head office of the group. The overnight call market is mainly used for short-term borrowings, with three to six-month borrowings used when deemed appropriate. Excess cash is deposited with RC&C Finance Company, an equity-accounted associate or with reputable financial institutions.

Derivative contracts are entered into to hedge interest rate risk only in the equity-accounted associate RC&C Finance Company, using interest rate swaps, to match the interest on long-term receivables against the interest on short-term borrowings.

The group covers all foreign currency commitments with forward exchange contracts. Foreign currency receivables are covered when there is a risk that the rand will revalue. Derivative contracts are not entered into to hedge currency risks.

notes to the annual financial statements *continued*

for the year ended 30 September 1999

1999
Rm

28. Financial instruments *(continued)*

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

To pay	462,6
To receive	50,0

Corresponding amounts are not available.

Credit risk

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

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

Type of instrument	1999 Carrying amount Rm	1999 Fair value Rm
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Fair value of financial instruments

Cash and cash equivalents	938,9	938,9
Accounts receivable	554,1	554,1
Accounts payable	412,8	402,9
Forward exchange contracts – imports	462,6	462,6
– exports	50,0	50,0

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

Cash and cash equivalents

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

Accounts receivable

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

Accounts payable

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

Forward exchange contracts

The carrying values approximate the fair values.

29. Subsequent event

On 3 November 1999 agreement was reached with Alstom Holdings SA (formerly Alstom France SA) for it to acquire Reunert's 50% share in Alstom South Africa, thereby increasing its interest to 100%. The terms of the agreement are, firstly, that Reunert will receive R224,65 million, payable in cash upon fulfilment of the condition that the sale is approved by the South African Competition Commission and, secondly, that the effective date of the disposal is 1 October 1999. Reunert will realise a surplus on the disposal of this subsidiary of approximately R105 million.

The directors have concluded that as the abovementioned condition had not been met by 16 November 1999, it would not be appropriate to recognise the disposal in the 1999 annual financial statements.