

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>1. REVENUE</b>				
Revenue excludes revenue of associate companies and includes export revenue of R375,5 million (2000: R386,6 million) and interest received by RC&C Finance Company (Pty) Limited of R136,8 million (2000: R154,0 million).				
<b>2. OPERATING PROFIT IS STATED AFTER:</b>				
Administration, management and other fees	7,4	8,4	3,8	5,3
Auditors' remuneration:				
Audit fees	4,3	3,5	1,7	1,9
Other fees	0,6	0,8	0,1	0,3
Expenses	–	0,1	–	0,1
	4,9	4,4	1,8	2,3
Depreciation:				
Land and buildings	0,9	0,7	0,5	0,5
Plant and equipment	38,2	33,8	13,4	18,7
Vehicles	2,4	2,2	1,2	1,0
	41,5	36,7	15,1	20,2
Goodwill amortised	2,3	–	1,0	–
Exchange rate differences:				
Unrealised (profit)/loss	(0,8)	1,9	(1,9)	1,3
Realised profit	(2,9)	(0,8)	(1,6)	(1,1)
	(3,7)	1,1	(3,5)	0,2
Income from subsidiaries:				
Fees			1,1	0,7
Rental (included in revenue)			3,5	–
			4,6	0,7
Operating lease charges:				
Land and buildings	19,1	13,9	9,9	8,7
Equipment and vehicles	1,9	1,7	1,8	1,5
	21,0	15,6	11,7	10,2
Research and development expenditure				
Financed by revenue from customers	65,2	24,8	–	1,1
Not financed by revenue from customers	39,3	25,1	26,9	18,1
	104,5	49,9	26,9	19,2
Net surplus/(deficit) on disposal of plant, vehicles and equipment	1,1	(1,4)	(1,4)	0,3

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>2. OPERATING PROFIT IS STATED</b>				
<b>AFTER (continued)</b>				
Staff costs:				
Salaries and wages	411,3	336,5	80,3	76,6
Pension and provident fund emoluments	36,5	36,3	5,5	6,7
Other staff costs	42,3	30,6	21,9	16,3
	490,1	403,4	107,7	99,6
Number of employees	4 148	3 716	1 343	1 231
<b>3. INTEREST AND DIVIDENDS RECEIVED</b>				
Dividends received:				
– unlisted subsidiaries			82,2	168,6
– unlisted associate companies			61,9	66,8
– other	7,7	15,2	0,7	11,5
	7,7	15,2	144,8	246,9
Interest received:				
– subsidiaries			7,1	23,5
– associate companies	6,2	3,0		
– RC&C Finance Company (Pty) Limited	32,1	56,9		
– other	26,2	17,1	7,2	5,2
	72,2	92,2	159,1	275,6
<b>4. INTEREST PAID</b>				
Long-term liabilities	0,8	0,9	–	–
Short-term loans and bank overdrafts	12,3	32,5	1,7	7,0
	13,1	33,4	1,7	7,0
Interest paid by RC&C Finance Company (Pty) Limited included in cost of sales	75,2	96,3		
<b>5. ABNORMAL ITEMS</b>				
Profit on disposal of subsidiaries	–	89,0	–	–
Provision for losses in subsidiaries			1,6	(2,1)
Other	–	(11,6)	–	–
Gross abnormal items	–	77,4	1,6	(2,1)
Tax	–	–	–	–
Minorities	–	3,6		
Net abnormal items	–	81,0	1,6	(2,1)

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>6. TAXATION</b>				
South African normal taxation:				
Current	135,7	130,3	50,7	60,8
Deferred	(1,7)	(25,9)	11,4	(14,0)
Secondary tax on companies	18,3	9,5	6,6	0,4
Adjustment for prior years – current	(6,7)	1,2	(13,2)	0,6
– deferred	(0,4)	(1,6)	(1,2)	–
	145,2	113,5	54,3	47,8
Foreign normal taxation:				
Current	0,3	–		
Prior	0,1	0,5		
	145,6	114,0	54,3	47,8
Reconciliation of rate of taxation				
	%	%	%	%
Apparent rate of taxation excluding abnormal items				
	33,0	34,1	15,6	12,0
Applicable to dividends received				
	0,5	1,4	12,5	18,5
Effective rate of taxation:				
Movement in rate of taxation due to				
– disallowable charges	(1,0)	(2,7)	(0,4)	(0,5)
– secondary tax on companies	(4,1)	(2,8)	(1,9)	–
– adjustments from prior year	1,6		4,2	
South African normal tax rate	30,0	30,0	30,0	30,0
<b>7. DIVIDENDS</b>				
Ordinary:				
Underprovision in respect of prior year dividend	–	4,1	–	4,1
Interim – 24,0 cents per share				
(2000: 20,0 cents)	49,0	40,8	49,0	40,8
Final – 67,0 cents per share (2000: 56,0 cents)	136,6	114,3	136,6	114,3
Other – attributable to Reunert shares bought by a subsidiary	(17,3)	(0,9)		
Total – 91,0 cents per share				
(2000: 76,0 cents)	168,3	158,3	185,6	159,2

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>8. ACCOUNTING POLICY CHANGES</b>				
<p>Reunert has adopted South African Statements of Generally Accepted Accounting Practice that became effective during the current financial year. This has resulted in changes in accounting policies, requiring the restatement of the comparative figures for 2000.</p> <p>The main change involves the consolidation of RC&amp;C Finance Company (Pty) Limited which was previously equity accounted as an associate company. Had the new policies been used in 2000, the group's retained income would not have been affected. The effect of the change in policies has been to increase/(decrease) the following:</p>				
<b>INCOME STATEMENT</b>				
Revenue		156,0		
Cost of sales		96,3		
Operating profit		30,9		
Taxation		11,7		
Share of associate companies' profits		(19,2)		
Earnings attributable to ordinary shareholders in Reunert Limited		-		
<b>BALANCE SHEET</b>				
Property, plant and equipment		0,6		
Investments		(13,0)		
RC&C Finance Company accounts receivable		751,6		
Accounts receivable		(19,9)		
Cash and cash equivalents		(483,4)		
Deferred taxation liabilities		26,8		
Trade and other payables		46,9		
Taxation		15,0		
RC&C Finance Company short-term borrowings		147,2		

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>9. BASIC AND DILUTED EARNINGS PER SHARE</b>				
The earnings used to determine both earnings per share and diluted earnings per share are the earnings attributable to ordinary shareholders in Reunert Limited				
	334,4	367,2		
The weighted average number of shares in issue used to determine earnings per share				
	191,7	203,7		
Adjusted by the dilutive effect of unexercised share options available to executives employed in the group				
	2,7	1,9		
Weighted average number of shares used to determine diluted earnings per share				
	194,4	205,6		
<b>10. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE</b>				
The weighted average number of ordinary shares used in the headline earnings per share calculation is 191,7 million (2000: 203,7 million) divided into headline earnings attributable to Reunert shareholders.				
Earnings attributable to Reunert Limited shareholders				
	334,4	367,2		
Adjusted for:				
	2,0	(76,0)		
Profit on disposal of subsidiaries				
	-	(89,0)		
(Profit)/loss on sale of fixed assets				
	(1,1)	1,4		
Other				
	3,1	11,6		
Tax				
	0,3	(0,4)		
Outside shareholders' portion				
	0,7	(4,3)		
Headline earnings attributable to Reunert Limited shareholders				
	337,4	286,5		
Diluted headline earnings per share is based on 194,4 million shares (2000: 205,6 million shares) and headline earnings of R337,4 million (2000: R286,5 million).				

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	GROUP			COMPANY		
	Cost Rm	Accumulated deprecia- tion Rm	Book value Rm	Cost Rm	Accumulated deprecia- tion Rm	Book value Rm
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>						
2001						
Freehold land and buildings	107,3	19,6	87,7	47,2	3,8	43,4
Leasehold land and buildings	1,9	0,4	1,5	0,3	0,1	0,2
Plant and equipment	387,9	296,6	91,3	180,5	149,2	31,3
Vehicles	13,0	8,3	4,7	6,2	4,0	2,2
	<b>510,1</b>	<b>324,9</b>	<b>185,2</b>	<b>234,2</b>	<b>157,1</b>	<b>77,1</b>
2000						
Freehold land and buildings	102,2	18,9	83,3	42,1	3,3	38,8
Leasehold land and buildings	0,6	0,5	0,1	0,3	0,1	0,2
Plant and equipment	360,7	272,3	88,4	168,2	139,3	28,9
Vehicles	11,1	7,6	3,5	5,2	3,6	1,6
	<b>474,6</b>	<b>299,3</b>	<b>175,3</b>	<b>215,8</b>	<b>146,3</b>	<b>69,5</b>
		<b>Land and buildings</b>	<b>Plant and equipment</b>		<b>2001</b>	<b>2000</b>
		<b>Rm</b>	<b>Rm</b>	<b>Vehicles</b>	<b>Rm</b>	<b>Rm</b>
<b>MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – GROUP</b>						
Net book value at beginning of the year		83,4	88,4	3,5	175,3	237,3
Acquisition of businesses		–	1,5	–	1,5	10,9
Disposal of businesses		–	–	–	–	(54,2)
Additions		6,7	42,4	3,7	52,8	22,3
Disposals		–	(2,8)	(0,1)	(2,9)	(4,3)
		90,1	129,5	7,1	226,7	212,0
Depreciation		(0,9)	(38,2)	(2,4)	(41,5)	(36,7)
		89,2	91,3	4,7	185,2	175,3

	Land and buildings Rm	Plant and equipment Rm	Vehicles	2001 Rm	2000 Rm
<b>11. PROPERTY, PLANT AND EQUIPMENT (continued)</b>					
<b>MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – COMPANY</b>					
Net book value at beginning of the year	39,0	28,9	1,6	<b>69,5</b>	81,6
Disposal of businesses	–	–	–	–	(1,0)
Additions	5,1	17,4	1,8	<b>24,3</b>	10,5
Disposals	–	(1,6)	–	<b>(1,6)</b>	(1,4)
	44,1	44,7	3,4	<b>92,2</b>	89,7
Depreciation	(0,5)	(13,4)	(1,2)	<b>(15,1)</b>	(20,2)
	43,6	31,3	2,2	<b>77,1</b>	69,5

**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:	<b>2001</b>	<b>2000</b>
	<b>Rm</b>	<b>Rm</b>
Specialised properties	<b>48,4</b>	44,0
Investment properties (note 3 below)	<b>39,3</b>	39,3
	<b>87,7</b>	83,3

3. The open market value of investment properties amounts to R43,5 million (2000: R43,5 million).

4. Property, plant and equipment depreciation rates are used for the following categories:

Buildings	2%
Plant	10 to 20%
Office equipment	10 to 20%
Computer equipment	33 to 50%
Furniture	15 to 20%
Vehicles	20 to 25%

5. The insurable value of the group's fixed assets as at 30 September 2001 amounted to R1,6 billion (2000: R1,5 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.

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>12. GOODWILL</b>				
Carrying value at the beginning of the year	-	-	-	-
Add: Acquisition of businesses	13,2	-	2,0	-
Less: Amortisation for the year	(2,3)	-	(1,0)	-
Carrying value at the end of the year	10,9	-	1,0	-
This goodwill is written off over periods varying between two to five years.				
<b>13. INTEREST IN SUBSIDIARIES</b>				
(see Annexure A)				
Shares at cost less amounts written off			284,5	139,5
Amounts owing by subsidiaries			327,4	616,4
Provision for goodwill write-off			(45,9)	(45,9)
			566,0	710,0
Provision for losses			(48,3)	(49,9)
			517,7	660,1
Amounts owing to subsidiaries			(203,6)	(424,7)
			314,1	235,4
<b>14. INTEREST IN ASSOCIATES</b>				
<b>UNLISTED ASSOCIATE COMPANIES:</b>				
Shares at cost	40,5	36,4		
Adjustment to carrying value	2,7	2,7		
Attributable interest in accumulated profit	96,1	85,2		
Accumulated profit at beginning of year	85,2	60,5		
Profit after tax and abnormal items				
– audited	61,0	54,0		
– unaudited	20,8	19,8		
Other	-	(1,5)		
Dividends	(70,9)	(47,6)		
Attributable to outside shareholders in subsidiaries	16,6	13,1		
Total of unlisted associate companies	155,9	137,4		
Directors' valuation – unlisted associate companies	155,9	137,4		
Attributable earnings from unlisted associate companies	81,8	73,8		

Details of share investments	GROUP			
	Number of shares held		Percentage interest	
	2001	2000	2001	2000
<b>14. INTEREST IN ASSOCIATES (continued)</b>				
ASSOCIATE COMPANIES:				
ATC (Pty) Limited	123 418	123 418	39	39
Electric Products International (Pty) Limited	2 400	2 400	24	24
Siemens Telecommunications (Pty) Limited	38 500	38 500	28	28
IQ Works (Pty) Limited	501	–	50	–

Details of share investments	Year-end	Carrying value	
		2001	2000
ASSOCIATE COMPANIES:			
ATC (Pty) Limited	31 March	112,4	95,5
Electric Products International (Pty) Limited	30 September	–	–
Siemens Telecommunications (Pty) Limited	30 September	41,0	41,9
IQ Works (Pty) Limited	30 June	2,5	–
		155,9	137,4

	GROUP		COMPANY	
	2001	2000	2001	2000
	Rm	Rm	Rm	Rm
<b>15. OTHER INVESTMENTS</b>				
Reunert 1988 Share Purchase Trust	12,2	19,4	12,2	19,4
Other loans and investments	20,3	19,6	27,5	19,9
Total investments	32,5	39,0	39,7	39,3
Directors' valuation – other investments	32,5	39,0	39,7	39,3

#### 16. RC&C FINANCE COMPANY

##### ACCOUNTS RECEIVABLE

Discounted deals	673,4	645,7
Accounts receivable – collectable within one year	50,6	74,0
– collectable after one year	21,1	31,9
	745,1	751,6

The discounted deals comprise the present value of discounted rental agreements which are repayable over varying periods up to a maximum of five years from balance sheet date.

Collectable within one year	227,4	228,9
Collectable after one year	446,0	416,8
	673,4	645,7

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>17. DEFERRED TAXATION ASSETS/(LIABILITIES)</b>				
<b>MOVEMENT OF GROUP DEFERRED TAXATION</b>				
Balance at beginning of year	(8,7)	(8,4)	30,7	16,7
Current tax charge/(reversal)	1,7	25,9	(11,4)	14,0
Adjustment for prior years	0,4	1,6	1,2	–
Deferred tax balances of businesses disposed of	–	(29,3)	–	–
Deferred tax balances of businesses purchased	–	1,5	–	–
	(6,6)	(8,7)	20,5	30,7
Deferred taxation liabilities	48,6	31,3	–	–
Deferred taxation assets	42,0	22,6	20,5	30,7
<b>ANALYSIS OF DEFERRED TAXATION</b>				
Capital allowances	(35,1)	(48,6)	(3,0)	(5,7)
Provisions and accruals	26,5	37,1	23,1	35,6
Advance income off set by allowed future expenditure	3,6	2,8	–	0,8
Other (net)	(1,6)	–	0,4	–
	(6,6)	(8,7)	20,5	30,7
<b>18. INVENTORY AND CONTRACTS IN PROGRESS</b>				
Raw materials and components	83,5	52,5	45,6	36,0
Finished goods	77,0	69,6	27,9	12,6
Merchandise	283,1	243,6	282,7	243,0
Consumable stores	1,6	1,2	0,5	0,9
Work in progress	49,2	51,2	–	(5,4)
Contracts in progress	2,1	(1,1)	2,1	(1,1)
	496,5	417,0	358,8	286,0
The value of inventory has been determined on the following bases:				
First-in first-out	387,7	338,1	354,4	284,2
Average	27,6	10,8	3,2	–
Net realisable value	26,2	17,1	1,2	1,8
Other	55,0	51,0	–	–
	496,5	417,0	358,8	286,0
<b>19. ACCOUNTS RECEIVABLE</b>				
Trade receivables	450,3	409,9	168,0	165,4
Claims, prepayments and other receivables	145,6	118,1	48,6	19,4
Dividends accrued	–	–	81,2	120,5
	595,9	528,0	297,8	305,3

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>20. CASH AND CASH EQUIVALENTS</b>				
Bank balances and cash	223,5	142,8	69,4	55,8
Investment in redeemable preference shares: This investment is redeemable in March 2002.	80,0	80,0		
	<b>303,5</b>	222,8	<b>69,4</b>	55,8
Excess cash in the remainder of the group is deposited on call with RC&C Finance Company (Pty) Limited (RCCF), which is a consolidated subsidiary. Balances at the end of September are:	294,8	483,4		
RCCF has the ability to replace these funds in the open market through long-term facilities totalling R900 million with various banks.				
<b>21. SHARE CAPITAL AND PREMIUM</b>				
<b>AUTHORISED SHARE CAPITAL</b>				
235 000 000 (2000: 235 000 000) ordinary shares of 10 cents each	23,5	23,5	23,5	23,5
350 000 (2000: 350 000) 5,5% cumulative preference shares of R2 each	0,7	0,7	0,7	0,7
31 057 729 (2000: 31 057 729) redeemable preference shares of 1 cent each	0,3	0,3	0,3	0,3
	<b>24,5</b>	24,5	<b>24,5</b>	24,5
<b>ISSUED SHARE CAPITAL</b>				
204 050 264 (2000: 204 020 264) ordinary shares of 10 cents each	20,4	20,4	20,4	20,4
350 000 (2000: 350 000) 5,5% cumulative preference shares of R2 each	0,7	0,7	0,7	0,7
	<b>21,1</b>	21,1	<b>21,1</b>	21,1
<b>SHARE PREMIUM</b>				
At beginning of year	248,1	221,1	248,1	221,1
Arising on the issue of ordinary shares	0,4	27,0	0,4	27,0
At end of year	<b>248,5</b>	248,1	<b>248,5</b>	248,1
Reunert Limited shares bought back by a subsidiary 17 168 058 (2000: 1 545 700)	<b>(234,6)</b>	(16,7)		
Total issued share capital and premium	<b>35,0</b>	252,5	<b>269,6</b>	269,2

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	COMPANY	
	Number of shares	Number of shares
<b>21. SHARE CAPITAL AND PREMIUM (continued)</b>		
<b>UNISSUED ORDINARY SHARES</b>		
Total shares reserved to meet the requirements of The Reunert 1985 Share Option Scheme and The Reunert 1988 Share Purchase Scheme	10 000 000	6 368 500
Ordinary shares under the general authority of the directors until the forthcoming annual general meeting	20 949 736	24 611 236
	<b>30 949 736</b>	<b>30 979 736</b>

<b>THE REUNERT 1985 SHARE OPTION SCHEME</b>			
Options which have been granted to executives in terms of The Reunert 1985 Share Option Scheme, and which were unexercised at 30 September 2001 are as follows:			
	Number of shares	Option price	Expiry date
	85 000	R14,90	27 June 2004
	30 000	R14,00	5 May 2007
	4 415 000	R5,45	22 October 2009
	2 425 000	R14,10	1 February 2011
	1 470 000	R15,80	26 September 2011
	<b>8 425 000</b>		

	COMPANY	
	2001 Number of shares	2000 Number of shares
Options outstanding at the beginning of the year	4 713 500	3 771 600
Granted	3 920 000	4 525 000
Exercised	(30 000)	(3 523 100)
Lapsed	(178 500)	(60 000)
Options outstanding at the end of the year	<b>8 425 000</b>	<b>4 713 500</b>

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>22. NON-DISTRIBUTABLE RESERVES</b>				
On acquisition of subsidiaries, being excess of net assets over cost of shares at dates of acquisition	0,1	0,1		
Arising on revaluation of property, statutory and other reserves				
– at beginning of year	0,2	12,0	–	4,2
– other	0,6	–		
– transfer to accumulated profit	–	(11,8)	–	(4,2)
	<b>0,8</b>	<b>0,2</b>	<b>–</b>	<b>–</b>
Capital redemption reserve	<b>2,9</b>	<b>2,9</b>	<b>0,3</b>	<b>0,3</b>
Share of associate companies' accumulated profits				
– at beginning of year	85,2	46,7		
– associate earnings transferred this year	10,8	38,5		
	<b>96,0</b>	<b>85,2</b>		
	<b>99,8</b>	<b>88,4</b>	<b>0,3</b>	<b>0,3</b>

		GROUP		COMPANY	
		2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>23. BORROWINGS</b>					
<b>LONG-TERM LIABILITIES</b>	<b>Interest rate</b>				
Unsecured	8,5%	7,2	5,2		
Current portion included in short-term loans		(4,5)	(1,1)		
		2,7	4,1		
<b>SOUTH AFRICAN BORROWINGS REPAYABLE DURING FINANCIAL YEARS</b>					
- 2001			1,1		
- 2002		4,5	1,5		
- 2003		2,0	2,0		
- 2004		-	0,6		
- 2005 and on		0,7			
		7,2	5,2		
<b>SHORT-TERM LOANS AND BANK OVERDRAFTS</b>					
Bank overdrafts and acceptances		9,3	1,7		
Current portion of long-term liabilities (see above)		4,5	1,1		
		13,8	2,8		
Description or nature of obligation	Carrying amount at beginning of the year	Additional provisions created during the year	Amounts used during the year	Unused amounts reversed during the year	Carrying amount at end of the year
<b>24. PROVISIONS</b>					
<b>GROUP</b>					
Contract completion	18,1	-	(3,9)	(10,6)	3,6
Debtor recourse guarantee	48,0	-	-	-	48,0
Unfunded pension and medical obligations	11,4	7,1	(8,5)	(2,9)	7,1
Warranty	50,8	8,8	(4,2)	(13,1)	42,3
Other	14,5	1,0	(6,4)	(1,2)	7,9
	142,8	16,9	(23,0)	(27,8)	108,9
<b>COMPANY</b>					
Contract completion	8,3	-	(3,3)	(2,0)	3,0
Debtor recourse guarantee	10,3	-	-	-	10,3
Unfunded pension and medical obligations	5,1	-	(5,1)	-	-
Warranty	4,0	3,1	-	(2,3)	4,8
Other	9,1	0,8	(5,6)	(0,4)	3,9
	36,8	3,9	(14,0)	(4,7)	22,0

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	GROUP		COMPANY	
	2001 Rm	2000 Rm	2001 Rm	2000 Rm
<b>25. COMMITMENTS</b>				
Expenditure on property, plant and equipment				
Contracted	3,3	8,5	3,0	7,0
Authorised not yet contracted	17,4	11,9	12,6	6,3
	20,7	20,4	15,6	13,3
The above expenditure, to occur in 2002, will be financed from existing group resources.				
Operating lease commitments in respect of land and buildings, plant and machinery, motor vehicles and other assets				
– one year	18,6	15,0	13,0	12,9
– two to five years	57,9	31,5	37,8	25,0
– greater than five years	6,0	–	–	–
Total operating lease commitments	82,5	46,5	50,8	37,9
<b>26. CONTINGENT LIABILITIES</b>				
Claims	–	–	–	–
Guarantees on behalf of third parties	–	1,0	–	–
Guarantees on behalf of group subsidiary companies			61,9	–
Sureties for staff loans	0,3	0,4	–	–
Total guarantees for amounts owing	0,3	1,4	61,9	–
Total contingent liabilities	0,3	1,4	61,9	–
<b>GROUP</b>				
	2001		2000	
	Maximum permissible Rm	Actual Rm	Maximum permissible Rm	Actual Rm
<b>27. BORROWING CAPACITY</b>				
THE BORROWINGS OF THE GROUP ARE LIMITED IN TERMS OF THE COMPANY'S ARTICLES OF ASSOCIATION				
Long-term liabilities		2,7		4,1
Short-term loans and bank overdrafts		13,8		2,8
RC&C Finance Company short-term borrowings		324,0		147,2
Contingent liabilities (see note 26)		0,3		1,4
	877,6	340,8	891,8	155,5

## 28. 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 2001 and 2002.

Details of these contracts are as follows:

	GROUP	
	Foreign amount Million	Rand amount Million
<b>BOUGHT</b>		
Swiss francs	0,0	0,2
Japanese yen	903,2	63,6
Euro	0,8	5,6
British sterling	0,0	0,3
US dollars	13,4	111,0
<b>SOLD</b>		
Swiss francs	0,1	0,4
British sterling	0,2	1,9
US dollars	4,0	34,6

	COMPANY	
	2001 Rm	2000 Rm

## 29. DIRECTORS' EMOLUMENTS

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

### EXECUTIVE DIRECTORS

Salary	3,1	3,2
Bonus and performance related payments	1,9	1,7
Other benefits	1,1	1,3
Pension scheme contributions	0,7	0,5
	6,8	6,7

### NON-EXECUTIVE DIRECTORS

Directors' fees	0,3	0,2
Salary	0,3	0,3
	0,6	0,5
Total directors' emoluments	7,4	7,2

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

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

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

## 30. RETIREMENT BENEFIT INFORMATION

In line with the group's policy to provide retirement benefits for its employees, 94% (2000: 99%) of the group's employees belong to various retirement schemes.

Industrial legislation requires that certain employees be members of designated industrial schemes. At year-end 29% (2000: 31%) 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 R6,1 million (2000: R4,2 million).

Thirty-one percent (2000: 33%) of the group's total employees are members of the Lincoln Wood Provident Fund or the Reunert Retirement Fund, which consists of both the Reunert Pension Fund and Reunert Provident Fund.

The Reunert Retirement Fund is a defined contribution plan, apart from death benefits that are paid by the pension fund, which is registered in terms of the Pension Funds Act, 1956. The fund was last reviewed by the actuary at 29 February 2000 and found to be in a sound financial position. The employer's contribution rate to the provident fund remained at 10% of the employees' pensionable earnings, whilst the employees' contribution to the pension fund remained at 6%. The total employer contribution to this fund amounted to R13,6 million (2000: R12,1 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% (2000: 14,5%) of employees' pensionable earnings, with the employees' contributions remaining at 6%. The total employer contribution to this fund amounted to R0,6 million (2000: R1,2 million).

The remaining 34% (2000: 35%) of the group's total employees, who are not members of the above-mentioned schemes, participate in other benefit plans, which consist of four defined contribution plans. All are subject to the Pension Funds Act, 1956. The total employer contributions to these funds amounted to R7,3 million (2000: R5,3 million).

Five percent of the group's employees belong to defined benefit funds, with 4% belonging to the Engineering Industries Pension Fund, which is currently in surplus. The rules of this fund do not allow the group access to this surplus. Details relating to the group's defined benefit fund, which is not a designated industrial scheme, are as follows:

### Lincoln Wood Provident Fund

Proportion of current employees in the scheme to total employees (%)	0,3
Valuation interval	3 years
Last statutory valuation	29/2/2000
Valuation method used	Attained age method
Actuarial present value of promised benefits (Rm)	68,7
Actuarial value of plan assets (Rm)	61,6
Deficit (Rm)	(7,1)
Actuarial assumptions used to arrive at these values:	
Discount rate (%)	16
Estimated future salary increases (%)	14
Expected rates of return on plan assets (%)	16

Members of the Nashua Pension Fund and Nashua Executive Fund have been transferred to the Nashua Provident Fund effective from 1 August 2001.

The assets and liabilities of Lincoln Wood Provident Fund have reduced significantly since the February 1999 valuation because annuities were purchased from an insurance company to cover future obligations to pensioners.

The actuarial shortfall at 29 February 2000 of R7,1 million has been provided for in full at 30 September 2001.

	2001		2000	
	Total Rm	Reunert share Rm	Total Rm	Reunert share Rm
<b>31. SUMMARISED FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATE COMPANIES</b>				
<b>INCOME STATEMENT</b>				
Revenue	3 876,5	1 124,1	4 075,0	1 178,5
Profit after tax	278,2	81,8	255,6	73,7
Dividends	248,5	70,9	172,9	47,5
<b>BALANCE SHEET</b>				
Interest of shareholders	385,2	131,3	357,4	120,5
Long-term liabilities	92,2	27,6	125,0	34,4
Property, plant and equipment	273,2	86,5	242,8	76,2
Deferred taxation	28,2	6,7	–	–
Net current assets/(liabilities)	166,9	65,7	248,2	82,0

### 32. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

#### TRADING WITH SHAREHOLDERS

Counterparty	Relationship	Sales Rm	Pur- chases Rm	Stock	Royalties Rm
				value at year-end Rm	
Pirelli Cable Holding NV (Pirelli)	Pirelli is joint owner of Afcab Holdings which owns African Cables	1,0	5,0	–	2,3
BICC CAFCA Limited (Cafca)	African Cables owns 73% of Cafca	2,0	12,0	2,1	–
EADS Deutschland GmbH (EADS)	EADS owns 33% of Reutech Radar Systems	0,3	–	–	–

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

#### FINANCING TRANSACTIONS WITH ASSOCIATE COMPANIES

Counterparty	Relationship	Interest	Outstand-
		earned by Reunert Rm	ing balance at year-end Rm
ATC (Pty) Limited (ATC)	Reunert owns an effective 38,6% of ATC	1,5	–
Siemens Telecommunications (Pty) Limited (Sietel)	Reunert owns 27,5% of Sietel	4,7	–

Both ATC and Sietel are equity accounted in the group results.

ATC deposits its excess cash with and borrows from Reunert Finance Company Limited (RFCL) with the full knowledge and approval of all of its shareholders.

Sietel borrows money from RFCL 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.

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

## 33. FINANCIAL INSTRUMENTS

### RISK MANAGEMENT

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

#### TREASURY RISK

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

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

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

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.

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

	2001	2000
	Rm	Rm
To pay	351,4	509,6
To receive	9,3	77,7

#### CREDIT RISK

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

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

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

### 33. FINANCIAL INSTRUMENTS (continued)

#### INTEREST RATE RISK: RCCF

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

Most of the company's discounted deals are sold on a fixed interest rate basis. The company's policy is to lock in at least 75% of such exposure by way of taking out fixed loans or by using interest rate swaps to achieve this objective. Contracts with open portions of R473 million (2000: R407 million) for periods up until 18 July 2005 (2000: 8 March 2004) have been entered into. The average fixed rate of the in-the-market swap is 19,13% (2000: 19,13%) and 12,85% (2000: 13,53%) for the out-of-the-market swaps.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

Type of instrument	2001		2000	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Cash and cash equivalents	303,5	303,5	222,8	222,8
Accounts receivable	450,3	450,3	409,9	409,9
RCCF accounts receivable	745,1	745,1	751,6	751,6
Accounts payable	484,0	484,0	409,0	409,0
RCCF short-term borrowings	324,0	324,0	147,2	147,2
Forward exchange contracts – imports	351,4	384,3	509,6	519,5
– exports	9,3	10,9	77,7	79,7
Interest rate swaps*		18,0		13,3

\* The market value of the in-the-market swap is R2,9 million (2000: R4,2 million) and the market value of out-of-the-market swaps is R20,9 million (2000: R17,5 million).

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

#### CASH AND CASH EQUIVALENTS

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

#### ACCOUNTS RECEIVABLE

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

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

# Notes to the annual financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

## 33. FINANCIAL INSTRUMENTS (continued)

### 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 rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments.

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

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

### FORWARD EXCHANGE CONTRACTS

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

### INTEREST RATE SWAPS

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

## 34. UNCONSOLIDATED SUBSIDIARY

### BICC CAFCA LIMITED (Cafca)

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

Effective holding (held via African Cables Limited)	73,2%
Attributable Reunert group holding	36,6%

The agreement to purchase Cafca was signed in September 2000, the purchase price was paid in May 2001 and Reunert representatives were appointed to the Cafca board of directors in October 2001.

	R million
Shares at cost	7,3
Less: Amount written off	(7,3)
Carrying value of investment	-

The abridged hyperinflationary accounted income statement for the nine months to June 2001 and the balance sheet as at 30 June 2001 are reflected below:

	Z\$m
<b>INCOME STATEMENT</b>	
Revenue	1 215
Profit before interest and tax	53
Interest paid	18
Profit before tax	35
Income tax expense	15
Net profit/(loss)	20

Z\$m

**BALANCE SHEET****ASSETS***Non-current assets*

Property, plant and equipment	666
	666

*Current assets*

Inventory	138
Accounts receivable	307
	445

Total assets	1 111
--------------	-------

**EQUITY AND LIABILITIES**

Share capital and reserves	559
----------------------------	-----

*Non-current liabilities*

Deferred tax liabilities	171
Retirement benefit obligations	3
	174

*Current liabilities*

Payables	332
Net debt	46
	378

Total equity and liabilities	1 111
------------------------------	-------

The official exchange rate at 30 June 2001 was R1:Z\$6,82

The approximate parallel rate at 30 June 2001 was R1:Z\$38,00

**35. ACQUISITION OF SUBSIDIARIES AND OTHER BUSINESSES**

On 1 March 2001, the group acquired 100% of the issued capital of Royce Imaging Industries (Royce) for a consideration of R18,2 million, and the stock and customer base of Lightning and Transient Surge Protection (L&T), for a consideration of R1,8 million. On 1 May 2001 the stock of the agency for the sale of Mitsubishi electrical protection devices was purchased for R23,3 million. On 6 July 2001 the licence to sell telecommunications equipment was purchased by acquiring the shares in NPC License Holder (Pty) Limited (NPC) for R0,6 million.

Net assets acquired (Rm)	NPC	Mitsubishi	L&T	Royce	Total
Property, plant and equipment	–	–	–	1,5	1,5
Inventory	–	23,3	0,4	2,2	25,9
Accounts receivable	–	–	–	5,1	5,1
Payables and provisions	–	–	–	(1,8)	(1,8)
Goodwill on acquisition	0,6	–	1,4	11,2	13,2
Cost of investment	0,6	23,3	1,8	18,2	43,9