	1999 R mio	1998 R mio
1. SHARE CAPITAL		
Authorised		
522 000 000 Ordinary shares of 1 cent each	**5.2**	5.2
100 000 6% Redeemable preference shares of R2 each	**0.2**	0.2
	5.4	5.4
Issued		
522 000 000 Ordinary shares of 1 cent each	**5.2**	5.2

2. RESERVES

2.1 The Company

	1999 R mio	1998 R mio
Non-distributable reserves	**21**	21
Distributable reserves:		
Unappropriated income	**2 540**	2 687
	2 561	2 708

2.2 Consolidated

	General capital reserves R mio	Equity accounted reserves R mio	Net negative goodwill R mio	1999 Total non-distributable reserves R mio	1998 Total non-distributable reserves R mio
Non-distributable reserves:					
Balances at 1 April	**574**	**5 649**	**–**	**6 223**	4 604
Exchange rate adjustments	**54**	**952**		**1 006**	174
Change in interests in subsidiary companies, associated companies and joint ventures	**88**	**(50)**	**5**	**43**	(84)
Net goodwill in respect of associated companies			**(357)**	**(357)**	–
Net goodwill written off	**(352)**		**352**	**–**	–
Reversal of revaluation reserve	**(4)**			**(4)**	–
Equity adjustment		**1 043**		**1 043**	1 392
Income retained		**1 310**		**1 310**	1 064
Changes in reserves of associated companies		**(267)**		**(267)**	328
Transfer from / (to) unappropriated income	**(87)**			**(87)**	137
Balances at 31 March	**273**	**7 594**	**–**	**7 867**	6 223
Distributable reserves:					
Unappropriated income				**7 276**	6 616
Total reserves				**15 143**	12 839
Included in general capital reserves are:					
Statutory non-distributable reserves				**44**	37

2.3 Composition of foreign currency translation reserves

	General capital reserves R mio	Equity accounted reserves R mio	Un-appropriated income R mio	1999 Total R mio	1998 Total R mio
Balances at 1 April	**106**	**269**	**102**	**477**	245
Exchange rate adjustments during the year	**54**	**952**	**107**	**1 113**	232
Transfer of equity adjustment	**–**	**33**	**(33)**	**–**	–
Balances at 31 March	**160**	**1 254**	**176**	**1 590**	477

Included in the respective reserves are reserves arising on exchange rate translation.

	1999 R mio	1998 R mio

2. RESERVES *(continued)*

2.4 Composition of reserves

	1999 R mio	1998 R mio
The Company	**2 561**	2 708
Non-distributable reserves	**21**	21
Distributable reserves	**2 540**	2 687
Subsidiary companies and joint ventures	**4 988**	4 482
Non-distributable reserves	**252**	553
Distributable reserves	**4 736**	3 929
Associated companies:		
Non-distributable reserves	**7 594**	5 649
	15 143	12 839

3. LONG-TERM DEBT

	1999 R mio	1998 R mio
Convertible debentures and loan accounts These debentures and loan accounts are convertible into ordinary shares of Hunt Leuchars & Hepburn Holdings Limited, a subsidiary company of the Group, when the total annual dividend of that subsidiary is equal to, or greater than 40 cents per ordinary share (currently six cents; 1998: nil cents), or at an earlier date at the election of the debenture holders. The effective interest rate on the combined convertible debentures and loans is 8.5% (1998: 8.5%)	**41**	41
25 year redeemable debentures bearing an effective interest rate of 14.67% (1998: 14.45%) per annum. The net liability, after deduction of an investment of R48 million (1998: R38 million) in related financial instruments, amounts to	**98**	109
Net liabilities, after deduction of an investment of R63 million (1998: R Nil) in related financial instruments, resulting from various capitalised finance leases and instalment sale agreements payable in monthly, six monthly and annual instalments at effective interest rates of between 7.0% and 21.8% per annum, amount to	**146**	19
These liabilities are secured by machinery and equipment with net book value of R512 million (1998: R14 million).		
USA dollar loan repayable in four annual instalments from 2001. Interest is payable at an effective interest rate of 7.9% per annum	**283**	–
The loan is secured by shares held in a subsidiary (Note 21.2).		
Term loan repayable in six monthly instalments. Interest is payable at an effective interest rate of 10.25% per annum	**7**	–
The loan is secured by land and buildings, machinery and equipment and vehicles with net book value of R11 million.		
Sundry loans with varying interest rates and terms	**37**	125
	612	294
Instalments payable within one year transferred to short-term debt	**22**	112
	590	182

4. SHORT-TERM DEBT

	1999 R mio	1998 R mio
Short-term loans	**74**	48
Long-term debt payable within one year	**22**	112
Bank overdrafts	**227**	275
	323	435

5. FIXED ASSETS

	1999			1998		
	Cost or valuation	***Accumulated depreciation***	***Net value***	*Cost or valuation*	*Accumulated depreciation*	*Net value*
	R mio	**R mio**	**R mio**	R mio	R mio	R mio
Land and buildings	**1 261**	**140**	**1 121**	1 202	130	1 072
Capital expansion in progress	**146**	**1**	**145**	97	–	97
Machinery and equipment	**2 330**	**1 041**	**1 289**	1 846	924	922
Vehicles	**223**	**125**	**98**	213	134	79
Office equipment	**187**	**83**	**104**	117	74	43
Trade marks and user rights	**142**	**55**	**87**	170	67	103
Crops	**90**	**–**	**90**	88	–	88
	4 379	**1 445**	**2 934**	3 733	1 329	2 404

Depreciation rates are as follows:	**1999 %**	1998 %
Specialised buildings	**2 – 10**	2 – 10
Machinery and equipment	**4 – 33 1/3**	4 – 33 1/3
Vehicles	**7 1/2 – 33 1/3**	7 1/2 – 33 1/3
Office equipment	**10 – 33 1/3**	10 – 33 1/3
Trade marks and user rights	**4 –10**	4 – 10

Reconciliation of carrying value at the beginning and end of the year	***Land and buildings***	***Machinery and equipment***	***Trade marks and user rights***	***Crops***	**1999**	1998
	R mio	**R mio**	**R mio**	**R mio**	**R mio**	R mio
Balances at the beginning of the year	**1 169**	**1 044**	**103**	**88**	**2 404**	2 401
Additions	**107**	**536**	**1**	**2**	**646**	297
Disposals	**(40)**	**(14)**	**–**	**–**	**(54)**	(64)
Depreciation	**(26)**	**(205)**	**(7)**	**–**	**(238)**	(219)
Business acquired	**53**	**113**	**(10)**	**–**	**156**	78
Business disposed	**(4)**	**(15)**	**–**	**–**	**(19)**	(31)
Other	**7**	**32**	**–**	**–**	**39**	(58)
Balances at the end of the year	**1 266**	**1 491**	**87**	**90**	**2 934**	2 404

Liabilities resulting from mortgage loans, finance leases and instalment sale agreements are secured by fixed assets with a book value of R527 million (1998: R19 million).

The registers containing details of land and buildings are available for inspection by members or their proxies at the registered offices of the companies to which the relevant properties belong. The directors are of the opinion that the market value of buildings which are not depreciated exceeds the book value.

6. INVESTMENTS

(Annexures A, B & C)

	1999	1998
	R mio	R mio
6.1 The Company		
Unlisted subsidiary companies:		
Shares – at cost	**11**	11
Advances and loans	**2 583**	2 729
	2 594	2 740

6. INVESTMENTS *(continued)*

6.2 Consolidated

	1999 Listed R mio	1999 Unlisted R mio	1999 Total R mio	1998 Listed R mio	1998 Unlisted R mio	1998 Total R mio
Long-term investments						
Associated companies:						
Shares – at cost after adjustment for goodwill	**1 125**	**1 669**	**2 794**	1 385	1 882	3 267
Equity adjustment	**3 405**	**4 271**	**7 676**	2 518	3 205	5 723
Carrying value	**4 530**	**5 940**	**10 470**	3 903	5 087	8 990
Debentures and long-term loans	**–**	**221**	**221**	–	232	232
	4 530	**6 161**	**10 691**	3 903	5 319	9 222
Other long-term investments:						
Shares – at cost/carrying value*	**579**	**167**	**746**	693	46	739
Debentures	**–**	**6**	**6**	–	6	6
	5 109	**6 334**	**11 443**	4 596	5 371	9 967
Portfolio investments						
Marketable securities – at cost less amounts written off	**3**	**–**	**3**	–	–	–
	5 112	**6 334**	**11 446**	4 596	5 371	9 967
Market value of listed investments						
Associated companies	**5 040**		**5 040**	4 986		4 986
Other long-term investments	**735**		**735**	688		688
Portfolio investments	**3**		**3**	–		–
Directors' valuation of unlisted investments						
Associated companies		**21 211**	**21 211**		20 614	20 614
Other long-term investments		**174**	**174**		55	55
Market value and directors' valuation	**5 778**	**21 385**	**27 163**	5 674	20 669	26 343
Excess of market value and directors' valuation over the book value of investments:						
– attributable to own members			**15 699**			16 350
– attributable to outside shareholders			**18**			26
			15 717			16 376

* *Carrying value represents cost, plus past equity adjustments of investments which are no longer classified as associated companies, less amounts written off.*

	1999 R mio	1998 R mio
7. INVENTORIES		
Raw materials	**504**	450
Finished products	**613**	558
Work in progress	**68**	69
Consumable stores	**62**	54
	1 247	1 131

The value of inventory that has attracted a writedown to net realisable value which is included in total inventory above amounts to R41 million (1998: R36 million).

	1999 R mio	1998 R mio

8. DEFERRED LIABILITIES

	1999 R mio	1998 R mio
Deferred taxation in respect of	**46**	61
Fixed assets	**107**	139
Inventories	**27**	73
Other	**(36)**	28
Tax losses utilised	**(52)**	(179)
Liability in respect of last-in-first-out taxation reserve payable in two annual instalments	**6**	19
	52	80
Instalments payable within one year transferred to creditors	**3**	3
	49	77

9. TURNOVER

Turnover consists of net sales of products, completed contracts and identifiable portions of contracts delivered to customers, as well as fees, rental and investment income. Intergroup transactions are eliminated.

Due to the nature and composition of the Group, financial ratios based on turnover are not considered to be meaningful.

	1999 R mio	1998 R mio
Operating turnover	**9 310**	8 114
Dividends and interest	**1 562**	1 254
Total turnover	**10 872**	9 368

10. NET OPERATING INCOME

Net operating income before taxation is stated after taking the following into account:

	1999 R mio	1998 R mio
Income		
Interest received – listed investments	**–**	3
– unlisted investments and deposits	**277**	254
Surplus on sale of fixed assets	**7**	5
Foreign exchange profit	**14**	–
Expenses		
Cost of sales	**6 797**	6 438
Interest paid	**65**	97
Foreign exchange loss	**9**	–
Depreciation	**238**	219
Buildings	**25**	24
Capital projects under construction	**1**	–
Machinery and equipment	**153**	147
Vehicles	**28**	26
Office equipment	**24**	14
Trade marks and user rights	**7**	8
Rental	**123**	131
Land and buildings	**69**	63
Machinery and equipment	**6**	23
Vehicles	**37**	33
Office equipment	**11**	12
Auditors' remuneration – audit fees	**11**	9
– other services	**1**	1
Professional fees	**22**	13
Administration and management fees	**5**	5
Research and development costs written off	**6**	1
Provision for deferred maintenance	**(1)**	(3)
Provision for post-retirement medical benefits	**6**	5

	1999 R mio	1998 R mio

11. TAXATION

11.1 Taxation in income statement

	1999 R mio	1998 R mio
Current	**218**	169
– current year – South African normal taxation	**201**	177
– Foreign taxation	**20**	1
	221	178
– previous year – South African normal taxation	**(3)**	(9)
Secondary taxation on companies	**12**	9
Deferred – current year	**(7)**	6
– previous year	**8**	2
– rate change	**(16)**	–
	215	186

11.2 Reconciliation of effective tax rate with standard rate

	%	%
Taxation as a percentage of net operating income before taxation:		
Effective tax rate	**32.5**	43.6
Reduction / (increase) in rate as a result of:		
Permanent differences and foreign taxation	**(2.1)**	11.2
Timing differences not provided for	**–**	(10.5)
Taxation in respect of previous years	**(0.8)**	1.7
Tax losses of prior years utilised	**8.7**	1.2
Tax losses that can be utilised in future years	**(3.9)**	(10.2)
Effect of rate change on deferred taxation	**2.4**	–
Secondary taxation on companies	**(1.8)**	(2.0)
Standard rate	**35.0**	35.0

11.3 Tax losses

	R mio	R mio
Estimated tax losses available for set-off against future taxable income	**1 117**	1 234
Tax losses utilised during the year to reduce deferred taxation	**174**	510

11.4 Secondary taxation on companies (STC)

The Group's total STC credits on 31 March, which could be set-off against future dividend payments, amount to	**888**	690
– The Company	**91**	238
– Subsidiary companies	**797**	452

12. DIVIDEND INCOME

	The Company 1999 R mio	The Company 1998 R mio	Consolidated 1999 R mio	Consolidated 1998 R mio
Listed	**–**	–	**226**	133
Unlisted – Subsidiary companies	**920**	551	**–**	–
– Other	**–**	–	**1 059**	815
	920	551	**1 285**	948

	1999 R mio	1998 R mio
13. EQUITY ADJUSTMENT		
The Group's share of net income of associated companies	**2 541**	1 960
Portion transferred to exceptional items	**(5)**	55
	2 536	2 015
Dividends received from associated companies	**(1 267)**	(935)
Share of net income retained by associated companies	**1 269**	1 080
Equity adjustment transferred to non-distributable reserves (Note 2.2):		
Share of net income retained by associated companies	**1 269**	1 080
Portion included under exceptional items	**5**	(55)
	1 274	1 025
Attributable to outside shareholders	**(1)**	(6)
	1 273	1 019
Exchange rate differences on translation between average rates and year-end rates	**33**	45
Share of losses of associated companies set-off against distributable reserves	**4**	–
	1 310	1 064
Portion of the Group's share of net income, after exceptional items, retained by associated companies, accounted for from unaudited interim reports and management accounts	**181**	66
14. EXCEPTIONAL ITEMS		
Exceptional items of subsidiary companies consist of the following:		
Costs of restructuring and discontinuance of operations	**(21)**	(127)
Amounts previously provided against fixed assets and investments – written back	**44**	–
Net capital surplus/(loss) on the sale of long-term investments and businesses	**(58)**	23
Net capital surplus/(loss) on the sale of fixed assets	**(4)**	13
Other	**(5)**	38
	(44)	(53)
Taxation	**4**	(18)
	(40)	(71)
Share of exceptional items of associated companies	**5**	(55)
Total	**(35)**	(126)
Attributable to outside shareholders	**2**	(26)
Attributable to own members	**(37)**	(100)
	(35)	(126)
15. ATTRIBUTABLE TO OUTSIDE SHAREHOLDERS		
Subsidiaries and joint ventures	**115**	25
Associated companies	**1**	6
	116	31
16. HEADLINE EARNINGS		
Reconciliation of headline earnings		
Attributable net income	**2 849**	2 109
Plus/(minus):		
– Exceptional items attributable to own members	**37**	100
– Net surplus, after taxation, on disposal of fixed assets attributable to own members	**(21)**	(3)
	2 865	2 206

	1999 R mio	1998 R mio

17. DIRECTORS' EMOLUMENTS

	1999 R mio	1998 R mio
Fees	**0.4**	0.3
Salaries	**6.5**	5.4
Benefits	**2.0**	1.9
Bonuses	**0.7**	0.5
	9.6	8.1
Paid by:		
The Company	**0.2**	0.2
Subsidiary companies	**9.4**	7.9
	9.6	8.1

18. LONG-TERM MANAGEMENT INCENTIVE SCHEME

– of Rembrandt Group Limited

	1999 R mio	1998 R mio
After-tax cost of the scheme charged against income in respect of:		
Directors of the Company	**1.6**	0.5
Other participants	**0.1**	–
	1.7	0.5

19. COMMITMENTS

	1999 R mio	1998 R mio
Capital commitments:		
Uncompleted contracts for capital expenditure	**193**	146
Capital expenditure authorised but not yet contracted for	**152**	326
	345	472

Above-mentioned commitments of the Group will be financed from internal sources and borrowed funds.

20. BORROWING POWERS

	1999 R mio	1998 R mio
The borrowing powers of the Company and its subsidiaries in respect of loans and guaranteed debts are limited to	**15 163**	12 857

21. FINANCIAL INSTRUMENTS

21.1 Credit risk

Financial assets of Group companies which are subject to credit risk consist mainly of cash resources and debtors. Cash resources are placed with various financial institutions subject to approved limits. All these institutions are of a high standing. Debtors are disclosed net of a provision for doubtful debt.

21.2 Interest rate risk

Group companies generally adopt a policy of ensuring that their borrowings are at market related rates to address their interest rate risk. A portion of the borrowings of a subsidiary company consists of a loan of USD 46 million repayable in annual instalments from 2001 to 2005 in respect of which the interest rate has been capped at 7.9% per annum.

21.3 Forward exchange contracts

Group companies undertake transactions denominated in foreign currency and hence exposures to exchange rate fluctuations arise. If deemed necessary, this exposure is hedged through the use of forward exchange contracts.

The following forward exchange contract commitments which existed at 31 March 1999 have not been reflected in the balance sheet:

Foreign currency	*Foreign currency* **mio**	*Average forward rate*	*Rand amount* **R mio**
US dollar (USD)	23	6.05	140
Deutsche mark	8	0.27	30
Japanese yen	44	17.89	2
Other			5

	1999	1998
	R mio	R mio

21. FINANCIAL INSTRUMENTS *(continued)*

21.4 Fair values

At 31 March 1999 and 1998 the carrying values of financial instruments reported in the financial statements approximate their fair values.

22. GUARANTEES

	1999 R mio	1998 R mio
The Company guarantees:		
Debentures and other loan facilities of certain subsidiary companies – These guarantees are already accounted for as liabilities in the consolidated balance sheet.		
Guarantees by subsidiary companies	**34**	105

23. RETIREMENT BENEFITS

The Company and its subsidiaries have six defined benefit pension funds, three defined contribution pension funds and thirteen defined contribution provident funds which are administered by insurance companies independently of the finances of the Group. All the funds are governed by the Pension Funds Act, 1956. All employees are obliged to accept membership of one of the funds.

Two of the defined benefit pension funds are actuarially valued annually by independent actuaries according to the projected benefit method. The other four funds are actuarially valued on a triennial basis according to the projected unit credit method. At the most recent valuations of these defined benefit pension funds, during 1996 and 1998, the total present value of the accrued liabilities amounted to R639 million. The total fair value of the plan assets amounted to R857 million, which reflected an average funding level of between 108% and 175%.

The actuarial valuations were based on the following principal assumptions:

– investment returns	11.5% – 15.0%
– salary increases	5.0% – 13.5%
– discount factor	12.0% – 15.0%
– dividend growth rate	8.5% – 11.8%

Normally members contribute between 5.0% and 7.5% and employers between 1.0% and 12.5% of pensionable salaries to the funds. The companies' contributions are charged against income.

For the year under review some subsidiary companies enjoyed a total contribution holiday of R33 million (1998: R24 million).

Membership of, and company contributions to the funds at 31 March 1999 were:

	Members	***Company contribution* R mio**
Defined benefit funds	2 597	4
Defined contribution funds	13 805	48
	16 402	52

24. POST-RETIREMENT MEDICAL BENEFITS

The present value of the liabilities of subsidiary companies regarding future contributions to medical aid schemes in respect of retirees, is determined annually by independent actuaries and pre-funded as follows:

24.1 In respect of members who, in the case of certain subsidiary companies, retired prior to 1 April 1993 and, in the case of other subsidiary companies, prior to 1 April 1998, the liabilities at 31 March 1999 amounted to R19 million (1998: R18 million). These liabilities have been fully provided for against income.

24.2 In respect of members who were employees of the respective subsidiaries on 1 April 1993 and 1 April 1998, the past service liabilities at those dates are being amortised over twenty years by annual contributions to suitable benefit funds. In respect of service after the aforementioned dates, annual contributions are also made to the benefit funds which, in the case of certain subsidiary companies, are equal to the value of the liabilities arising in respect of that year. In the case of other subsidiary companies they are based on a fixed percentage of payroll. Contributions to the benefit funds are charged against income. The net liabilities in respect of accumulated past service at 31 March 1999 amounted to R77 million (1998: R49 million).