

REUNERT

REUNERT LIMITED

- **Headline earnings per share +24%**
- **Dividend per share 24 cents**

Interim report

TO SHAREHOLDERS FOR THE SIX MONTHS ENDED 31 MARCH 2001

GROUP INCOME STATEMENT

The results for the six months ended 31 March 2001 are set out below:

	Six months ended 31 March		% change	Year ended
	2001 R million (Unaudited)	2000 R million (Unaudited)		30 Sept 2000 R million (Audited)
Revenue	2 112,2	1 579,5	34	3 340,1
Operating profit	184,8	125,1	48	275,5
Net interest and dividend income	33,5	32,4	3	58,8
Profit before abnormal items	218,3	157,5	39	334,3
Abnormal items – capital profit on disposal of businesses	–	89,2	–	77,4
Profit before taxation	218,3	246,7	–	411,7
Taxation	73,8	51,0	–	114,0
Profit after taxation	144,5	195,7	–	297,7
Share of associate companies' profits	28,6	22,4	28	73,8
Profit after tax including associate companies	173,1	218,1	–	371,5
Earnings attributable to outside shareholders in subsidiaries	19,3	0,3	–	4,3
Earnings attributable to ordinary shareholders in Reunert Limited	153,8	217,8	–	367,2
Basic earnings per share (cents)	78,4	106,9	(27)	180,3
Diluted earnings per share (cents)	77,4	106,9	(28)	178,6
Headline earnings per share (cents)	78,3	63,0	24	140,7
Diluted headline earnings per share (cents)	77,3	63,0	23	139,4
Dividend per ordinary share (cents)	–	20,0	–	76,0
Taxation rate excluding abnormal items (%)	33,8	32,4	–	34,1
Operating profit as a % of turnover	8,7	7,9	–	8,2

NOTE 1
OPERATING PROFIT

Operating profit is stated after charging:

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
– Cost of sales	1 509,5	1 175,9	2 432,4
– Other income	(13,4)	(9,2)	(25,0)
– Other expenses excluding depreciation	408,1	270,5	620,4
– Depreciation	15,6	15,6	36,7

NOTE 2
NET INTEREST AND DIVIDEND INCOME

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Interest received	36,8	39,2	77,0
– Finance Company	24,2	26,7	56,9
– External	12,6	12,5	20,1
Interest paid	(7,1)	(21,4)	(33,4)
Dividend income other than from associates	3,8	14,6	15,2
Total	33,5	32,4	58,8

Dividend income from associates included in share of associate companies profits: 22,8 (2001), 5,7 (2000), 47,6 (2000)

NOTE 3
ACCOUNTING POLICY CHANGES

Reunert has adopted South African statements of generally accepted accounting practice which have become effective during the current financial year. This has resulted in changes of accounting policies, requiring the restatement of the comparative figures for 2000. The main change involves the consolidation of RC&C Finance Company (Pty) Ltd ("Finance Company") 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:

INCOME STATEMENT

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Turnover	82,8	156,0	156,0
Cost of sales	54,9	96,3	96,3
Operating profit	15,0	30,9	30,9
Taxation	5,6	11,7	11,7
Share of associate companies' profits	(9,4)	(19,2)	(19,2)
Earnings attributable to ordinary shareholders in Reunert Limited	–	–	–

BALANCE SHEET

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Fixed assets	0,6	0,6	0,6
Investments	(2,4)	(13,0)	(13,0)
Finance Company accounts receivable	829,0	751,6	751,6
Accounts receivable	–	(19,9)	(19,9)
Deferred taxation liabilities	31,8	26,8	26,8
Accounts payable, provisions, taxation and shareholders for normal dividend	53,5	61,9	61,9
Finance Company borrowings – Long-term	25,0	–	–
– Short-term	696,9	630,6	630,6

NOTE 4
BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

The earnings used to determine both basic earnings per share and diluted earnings per share are the earnings attributable to ordinary shareholders in Reunert Limited (Rm)

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Weighted average number of shares in issue used to determine basic earnings per share and headline earnings per share (millions of shares)	196,3	203,7	203,7
Adjusted by the dilutive effect of unexercised share options available to executives employed in the group (millions of shares)	2,6	–	1,9
Weighted average number of shares used to determine diluted earnings per share and diluted headline earnings per share (note 5) (millions of shares)	198,9	203,7	205,6

NOTE 5
HEADLINE EARNINGS PER SHARE AND DILUTED HEADLINE EARNINGS PER SHARE

Headline earnings per share and diluted headline earnings per share have been calculated using the weighted average number of shares in issue as detailed in note 4.

Headline earnings are determined by eliminating the effect of capital items in attributable earnings as follows:

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Earnings attributable to ordinary shareholders	153,8	217,8	367,2
Capital profit on disposal of businesses	–	(89,2)	(89,0)
Other (net)	(0,1)	(0,2)	8,3
Headline earnings	153,7	128,4	286,5

NOTE 6
FINANCE COMPANY ACCOUNTS RECEIVABLE

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Collectable within one year	312,8	309,5	292,0
Collectable after one year	435,4	519,5	459,6
Total	748,2	829,0	751,6

SUPPLEMENTARY INFORMATION

	31 March 2001 R million (Unaudited)	31 March 2000 R million (Unaudited)	30 Sept 2000 R million (Audited)
Net asset value per share (cents)	378	430	400
Current ratio (:1)	1,3	1,6	1,4
	187,4	204,0	202,5
Number of ordinary shares in issue (million)	204,0	204,0	204,0
Less: Held by subsidiary	(16,0)	–	(1,5)
Capital expenditure	18,6	22,6	22,5
– Expansion	4,7	18,1	10,3
– Replacement	13,9	4,5	12,2
Capital commitments	15,6	10,8	20,4
– Contracted	5,7	6,0	8,5
– Authorised not yet contracted	9,9	4,8	11,9
Commitments in respect of operating leases	69,8	48,8	46,5
Contingent liabilities	0,3	10,1	1,4
– Guarantees on behalf of third parties	–	8,2	1,0
– Other	0,3	1,9	0,4

GROUP BALANCE SHEET

The consolidated balance sheet at 31 March 2001 is set out below:

	31 March 2001 R million (Unaudited)	31 March 2000 R million (Unaudited)	30 Sept 2000 R million (Audited)
NON-CURRENT ASSETS			
Fixed assets	177,8	172,0	175,3
Investments – at cost and directors' valuation	179,4	156,6	176,4
Finance Company accounts receivable	748,2	829,0	751,6
Deferred taxation assets	22,6	–	22,6
Total	1 128,0	1 157,6	1 125,9
CURRENT ASSETS			
Inventory and contracts in progress	432,2	366,4	417,0
Accounts receivable	570,5	490,3	528,0
Cash and cash equivalents (net)	522,7	612,7	703,4
Total	1 525,4	1 469,4	1 648,4
TOTAL ASSETS	2 653,4	2 627,0	2 774,3
SHAREHOLDERS' FUNDS			
Ordinary	933,6	876,4	826,7
Reunert Limited shares held by a subsidiary	(226,2)	–	(16,7)
Preference	0,7	0,7	0,7
Total	708,1	877,1	810,7
Outside shareholders in subsidiaries	113,3	81,7	99,2
Total	821,4	958,8	909,9
NON-CURRENT LIABILITIES			
Deferred taxation liabilities	33,1	38,6	31,3
Long-term borrowings	2,7	25,0	4,1
Total	35,8	63,6	35,4
CURRENT LIABILITIES			
Finance Company short term borrowings	636,6	696,9	630,6
Accounts payable, provisions, taxation and shareholders for normal dividend	1 159,6	907,7	1 198,4
Total	1 796,2	1 604,6	1 829,0
Total equity and liabilities	2 653,4	2 627,0	2 774,3

GROUP CASH FLOW INFORMATION

The abridged cash flow statement for the six months ended 31 March 2001 is set out below:

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Operating cash flows before working capital changes	202,2	141,3	312,9
Reduction in net working capital	7,7	57,3	164,5
Reduction in Finance Company accounts receivable	3,4	44,1	121,5
Other working capital changes (net)	4,3	13,2	43,0
Cash generated from operations	209,9	198,6	477,4
Net interest and dividends received (including associates)	36,3	38,1	106,4
Taxation paid	(105,0)	(67,1)	(96,0)
Dividends paid	(120,2)	(86,6)	(127,4)
Net cash inflow from operating activities	41,0	83,0	360,4
Net fixed asset additions and other acquisitions	(18,5)	(4,5)	(80,9)
Reunert Limited shares purchased by subsidiary	(209,5)	–	(16,7)
Other (net)	0,3	5,5	(21,7)
Net cash flow from operations	(186,7)	84,0	241,1
Net proceeds on disposal of non-core operations, other assets and related working capital	–	154,6	154,5
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(186,7)	238,6	395,6
NET CASH/(BORROWINGS) EQUIVALENTS AT BEGINNING OF THE PERIOD	72,8	(322,8)	(322,8)
NET (BORROWINGS)/CASH EQUIVALENTS AT END OF THE PERIOD	(113,9)	(84,2)	72,8
Net cash resources of the group excluding the Finance Company borrowings	220,7	619,9	483,4
– Deposit on call with the Finance Company	302,0	(7,2)	220,0
– Other	522,7	612,7	703,4
Finance Company borrowings	(636,6)	(696,9)	(630,6)
NET (BORROWINGS)/CASH EQUIVALENTS AT END OF THE PERIOD	(113,9)	(84,2)	72,8

The deposits on call with the Finance Company are repayable on demand. The Finance Company has long-term banking facilities to replace these funds.

GROUP STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity at 31 March 2001 is set out below:

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Balance at beginning of period as previously reported	810,7	674,4	674,4
Net profit for the period	153,8	217,8	367,2
Dividends declared	(46,9)	(44,9)	(158,3)
Goodwill written off	–	–	(83,4)
Translation reserve movement during period	–	2,4	0,1
Shares issued in terms of the Reunert Share Option Scheme	–	27,4	27,4
Reunert Limited shares bought by subsidiary	(209,5)	–	(16,7)
Balance at end of period	708,1	877,1	810,7

SEGMENTAL ANALYSIS

	2001 R million (Unaudited)	%	2000 R million (Unaudited)	%	% change	Year ended 30 Sept 2000 R million (Audited)	%
Revenue including associate companies	2 061,2	79	1 597,1	78	29	3 550,9	79
ELECTRONICS							
Nashua Office Automation	253,8	10	222,8	11	14	487,5	11
Panasonic	454,6	17	448,6	22	1	840,0	19
Cellular	674,2	26	309,3	15	118	771,0	17
Telecommunications	401,0	15	384,1	19	4	977,7	22
Reutech	253,2	10	216,1	10	17	422,2	9
Saco	24,4	1	16,2	1	51	52,5	1
Total electronics	2 061,2	79	1 597,1	78	29	3 550,9	79
ELECTRICAL ENGINEERING AND CABLES							
ATC	95,3	4	87,5	4	9	196,9	4
CBI	183,6	7	150,6	7	22	316,2	7
African Cables	197,6	7	133,1	7	48	294,7	7
Total electrical engineering and cables	476,5	18	371,2	18	28	807,8	18
FINANCIAL SERVICES	70,8	3	82,8	4	(14)	153,9	3
Total operations	2 608,5	100	2 051,1	100	27	4 512,6	100
Less: Reunert's attributable portion of associate companies' revenue	(496,3)		(471,6)			(1 172,5)	
Revenue as reported	2 112,2		1 579,5		34	3 340,1	

	2001 R million (Unaudited)	2000 R million (Unaudited)	2000 R million (Audited)
Operating profit including associate companies	184,8	125,1	275,5
ELECTRONICS			
Nashua Office Automation	20,5	15,1	42,7
Panasonic	14,6	13,4	23,2
Cellular	34,9	13,6	35,2
Telecommunications	35,1	27,5	88,6
Reutech	44,9	38,6	71,8
Saco	6,1	1,7	13,0
Total electronics	156,1	109,9	274,5
ELECTRICAL ENGINEERING AND CABLES			
ATC	16,0	9,6	30,1
CBI	30,3	23,4	55,3
African Cables	16,6	0,5	3,9
Total electrical engineering and cables	62,9	33,5	89,3
FINANCIAL SERVICES	16,9	18,8	35,5
Total operations	235,9	162,2	399,3
Less: Reunert's attributable portion of associate companies' operating profit	(51,1)	(37,1)	(123,8)
Operating profit as reported	184,8	125,1	275,5

REVIEW OF RESULTS

Turnover for the six months ended 31 March increased by 34%, with operating profit growing by 48%. Operating margins increased from 7,9% to 8,7%, reflecting an improvement in efficiencies. Headline earnings increased by 20% to R154 million. Headline earnings per share of 78 cents represents an improvement of 24% over the previous period.

Since the commencement of the share buyback in July 2000, the Group has repurchased a total of 16,6 million shares at a cost of R226 million. The average price paid was R13,62, inclusive of all costs. The buyback contributed 4 of the 24% improvement in earnings per share.

Due to the change in accounting policies referred to in note 3, the Finance Company has now been consolidated.

REVIEW OF OPERATIONS

ELECTRONICS

The cellular businesses of Nashua and Nedcor were merged in July last year and integration was substantially completed by February. The benefits derived from this venture have exceeded original expectations.

Nashua is continuing to enhance its position as the leading supplier of office automation equipment in South Africa and is enjoying increased market share.

The environment for Panasonic continues to be difficult due to reduced consumer demands.

Reutech had a good first half year. Performance is expected to slow down as a result of the phasing of orders.