

REUNERT

REUNERT LIMITED

HEADLINE EARNINGS PER SHARE +31% 

FINAL DIVIDEND PER SHARE +31% 

Audited results FOR THE YEAR ENDED 30 SEPTEMBER 2002

GROUP INCOME STATEMENT

YEAR ENDED 30 SEPTEMBER

	2002 R million (Audited)	2001 R million (Audited and restated)*	% change
Revenue	5 062,9	4 229,8	20
Earnings before interest, tax, depreciation and amortisation (EBITDA)	559,7	425,3	32
Depreciation	46,2	43,8	5
Amortisation of goodwill	41,4	2,3	
Operating profit	472,1	379,2	24
Net interest and dividend income	36,5	59,1	(38)
Profit before abnormal items	508,6	438,3	16
Abnormal items	(18,7)	–	
Profit before taxation	489,9	438,3	12
Taxation	177,3	145,6	22
Profit after taxation	312,6	292,7	7
Share of associate companies' net profits	89,6	81,8	10
Profit after tax including associate companies	402,2	374,5	7
Earnings attributable to outside shareholders in subsidiaries	31,6	42,3	(25)
Earnings attributable to ordinary shareholders in Reunert Limited	370,6	332,2	12
Basic earnings per share (cents)	198,1	173,3	14
Diluted basic earnings per share (cents)	194,6	170,9	14
Headline earnings per share (cents)	229,5	174,8	31
Diluted headline earnings per share (cents)	225,4	172,4	31
Dividend per ordinary share declared and proposed for the current year (cents)	118,0	91,0	30
Taxation rate excluding amortisation (%)	33,4	33,0	
EBITDA as a % of turnover	11,1	10,1	

Note 1
OPERATING PROFIT
Operating profit is stated after:
– Cost of sales 3 639,7 3 036,6
– Other income (21,8) (9,6)
– Other expenses excluding depreciation and amortisation 885,3 777,5

Note 2
NET INTEREST AND DIVIDEND INCOME
Interest received 55,8 64,5
– from RC&C Finance Company 23,0 32,1
– external 32,8 32,4
Interest paid (22,7) (13,1)
Dividend income other than from associates 3,4 7,7
Total 36,5 59,1

Note 3
ABNORMAL ITEM
The group's attributable share of the impairment of fixed assets in ATC, an equity accounted associate
Taxation (18,7) –
Total (18,7) –

Note 4
BASIC EARNINGS PER SHARE AND DILUTED BASIC EARNINGS PER SHARE
The earnings used to determine both basic earnings per share and diluted earnings per share being earnings attributable to ordinary shareholders in Reunert (Rm) 370,6 332,2
The weighted average number of shares in issue used to determine basic earnings per share and headline earnings per share (millions of shares) 187,0 191,7
Adjusted by the dilutive effect of unexercised share options available to executives employed in the group (millions of shares) 3,4 2,7
Weighted average number of shares used to determine diluted earnings per share and diluted headline earnings per share (note 5) (millions of shares) 190,4 194,4

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:
Earnings attributable to ordinary shareholders 370,6 332,2
Amortisation of goodwill 41,4 2,3
Attributable portion of impairment (note 3) 18,7 –
Other (net) (1,4) 0,7
Headline earnings 429,3 335,2

Note 6
GOODWILL
Carrying value at the beginning of the period 10,9 –
Add: Acquisitions of businesses/investments 390,5 13,2
Less: Amortisation for the period (41,4) (2,3)
Carrying value at the end of the period 360,0 10,9
The goodwill is written off over periods varying between one and ten years.

Note 7
INVESTMENTS
Cost plus equity accounted earnings excluding goodwill 151,6 188,4
At directors' valuation 586,9 188,4

Note 8
FINANCE COMPANY ACCOUNTS RECEIVABLE
Collectable within one year 338,2 278,0
Collectable after one year 615,7 467,1
Total 953,9 745,1

Note 9
ACCOUNTING POLICIES
These audited results are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). Accounting policies used in the preparation of these audited results are consistent with those used in the annual financial statements for the year ended 30 September 2002.
Reunert has adopted the SA GAAP which became effective during the current financial year. This has resulted in changes to accounting policies, requiring the restatement of the comparative figures for 2001. The main changes involve the depreciation of properties and accounting for dividends. Previously, all properties which the group regarded as investment properties were not depreciated. Now, in terms of AC 123 and AC 135, the group is depreciating all properties. In accordance with AC 107, dividends to shareholders are now accounted for in the period that the dividend declaration takes place.
Except for the above changes, the group's accounting policies are consistent with those of the prior period.

Note 10
MAJOR ACQUISITIONS
In December 2001 the group acquired Marconi's 21,5% shareholding in Siemens Telecommunications (Pty) Ltd ("Sietel"). During January 2002, Siemens exercised an option to purchase 9% of Marconi's 21,5% from Reunert. The net effect of this transaction was that Reunert purchased an additional 12,5% of Sietel at a cost of R161,3 million, including goodwill of R137,7 million. In December 2001 Reunert purchased the remaining 42% of Nashua Nedtel Communications (Pty) Ltd ("NNC") not previously held by it for R261,6 million, including goodwill of R220,7 million. The name of NNC was subsequently changed to Nashua Mobile (Pty) Ltd.

GROUP BALANCE SHEET

AT 30 SEPTEMBER

	2002 R million (Audited)	2001 R million (Audited and restated)*
Non-current assets		
Property, plant and equipment	157,1	161,8
Goodwill	6 360,0	10,9
Investments	7 151,6	188,4
RC&C Finance Company accounts receivable	8 953,9	745,1
Deferred taxation assets	25,9	42,0
	1 648,5	1 148,2
Current assets		
Inventory and contracts in progress	659,8	496,5
Accounts receivable	712,9	595,5
Cash and cash equivalents	283,5	303,5
	1 656,2	1 395,5
Total assets	3 304,7	2 543,7
Shareholders' funds		
Ordinary	1 305,0	1 112,4
Reunert Limited shares bought by a subsidiary	(234,6)	(234,6)
Preference	0,7	0,7
	1 071,1	878,5
Outside shareholders in subsidiaries	103,5	137,9
	1 174,6	1 016,4
Non-current liabilities		
Deferred taxation liabilities	45,9	48,6
Long-term borrowings	–	2,7
	45,9	51,3
Current liabilities		
Short-term loans and bank overdrafts	2,8	13,8
RC&C Finance Company short-term borrowings	838,0	324,0
Accounts payable, provisions and taxation	1 243,4	1 138,2
	2 084,2	1 476,0
Total equity and liabilities	3 304,7	2 543,7

SEGMENTAL ANALYSIS

YEAR ENDED 30 SEPTEMBER

	2002 R million (Audited)	%	2001 R million (Audited and restated)*	%	% change
Revenue					
<i>Electronics</i>					
Office systems	876,6	12	694,3	13	26
Consumer products and services	2 782,1	39	2 335,3	44	19
Telecommunications	1 959,5	27	922,5	17	112
Reutech	375,3	5	399,7	7	(6)
Total Electronics	5 993,5	83	4 351,8	81	38
<i>Electrical Engineering and Cables</i>					
Low-voltage electrical	555,2	8	399,2	8	39
Cables	629,9	9	607,8	11	4
Total Electrical Engineering and Cables	1 185,1	17	1 007,0	19	18
Total operations	7 178,6	100	5 358,8	100	34
Less: Reunert's attributable portion of associate companies' revenue	(2 115,7)		(1 129,0)		
Revenue as reported	5 062,9		4 229,8		20
Operating profit before goodwill amortisation					
<i>Electronics</i>					
Office systems	147,2	21	104,5	20	41
Consumer products and services	175,2	25	123,2	24	42
Telecommunications	209,0	30	102,7	20	104
Reutech	38,5	6	40,0	8	(4)
Total Electronics	569,9	82	370,4	72	54
<i>Electrical Engineering and Cables</i>					
Low-voltage electrical	94,8	14	74,0	14	28
Cables	27,6	4	70,4	14	(61)
Total Electrical Engineering and Cables	122,4	18	144,4	28	(15)
Total operations	692,3	100	514,8	100	34
Less: Reunert's attributable portion of associate companies' net operating profit	(178,8)		(133,3)		
Operating profit before amortisation of goodwill as reported	513,5		381,5		35

GROUP CASH FLOW INFORMATION

YEAR ENDED 30 SEPTEMBER

	2002 R million (Audited)	2001 R million (Audited and restated)*
EBITDA	559,7	425,3
Increase in net working capital	(366,0)	(44,5)
(Increase)/reduction in RC&C Finance Company accounts receivable	(208,8)	6,5
Other working capital changes (net)	(157,2)	(51,0)
Cash generated from operations	193,7	380,8
Net interest and dividends received (including associates)	144,9	130,0
Taxation paid	(209,0)	(133,0)
Dividends paid (including outside shareholders)	(201,0)	(169,0)
Net cash (outflow)/inflow from operating activities	(71,4)	208,8
Net asset additions	(38,2)	(48,6)
Other (net)	29,5	(5,9)
Net cash (outflow)/inflow from operations	(80,1)	154,3
Reunert Limited shares purchased by subsidiary	–	(217,9)
Other acquisitions	(442,9)	(43,5)
Net decrease in cash and cash equivalents	(523,0)	(107,1)
Net (borrowings)/cash and cash equivalents at beginning of the period	(34,3)	72,8
Net borrowings at end of the period	(557,3)	(34,3)
Cash resources of the group		
Deposit on call with RC&C Finance Company	0,5	294,8
Other cash reserves	283,5	303,5
	284,0	598,3
Borrowings of the group		
Short-term loans and bank overdrafts	(2,8)	(13,8)
RC&C Finance Company borrowings	(838,5)	(618,8)
	(841,3)	(632,6)
Net borrowings at end of the period	(557,3)	(34,3)

The deposits on call with the RC&C Finance Company are repayable on demand. RC&C Finance Company has long-term banking facilities which can be utilised to replace these deposits.

GROUP STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER

	2002 R million (Audited)	2001 R million (Audited and restated)*
Balance at beginning of period as previously reported	878,5	810,7
Adjustment to opening accumulated profit due to changes in accounting policies	–	109,0
Net profit for the period	370,6	332,2
Dividends declared during the period	(181,4)	(156,5)
Shares issued in terms of the Reunert Share Option Scheme	2,8	0,4
Reunert Limited shares bought by subsidiary	–	(217,9)
Translation reserve movement during the year	0,6	0,6
Balance at end of period	1 071,1	878,5

SUPPLEMENTARY INFORMATION

AT 30 SEPTEMBER

R MILLION (UNLESS OTHERWISE STATED)	2002	2001
Net asset value per share (cents) including goodwill	572	470
Net asset value per share (cents) excluding goodwill	380	464
Current ratio including short-term portion of RC&C Finance Company accounts receivable (-1)	1,6	1,5
Net number of ordinary shares in issue (million)	187,3	186,9
Number of ordinary shares in issue	204,5	204,1
Less: Held by subsidiary	(17,2)	(17,2)
Capital expenditure	42,0	52,8
– expansion	26,1	32,4
– replacement	15,9	20,4
Capital commitments	18,9	20,7
– contracted	9,4	3,3
– authorised not yet contracted	9,5	17,4
Commitments in respect of leases	65,2	82,5
– operating	65,2	82,5
– finance	–	–
Contingent liabilities	0,3	0,3

REVIEW OF RESULTS

Reunert is pleased to report that, for the fifth consecutive year, headline earnings per share growth exceeded 25%. During these five years more than R1.2 billion has been distributed to shareholders by way of ordinary dividends including the special dividend paid in 1999.

Revenue growth of 20% was due mainly to increased market share, acquisitions and the growth in the South African economy over the past year. Savings in raw material procurement, cost containment and improved operational efficiency enabled the group to increase operating profit before amortisation and depreciation by 32%.

The balance of *Nashua Mobile* was acquired from Nedcor and Metropolitan Life and 12,5% of *Siemens Telecommunications* was acquired from Marconi, increasing Reunert's share holding to 40%. The amortisation of the goodwill paid for acquisitions increased significantly to R41m. As expected interest and dividend income reduced as cash resources of R443m were utilized for acquisitions.

Headline earnings per share grew by 31%.

Cash flow from operations before acquisitions and dividends paid amounted to R351m. The *Finance Company* had an extremely good year, increasing its *Nashua* asset based rental book by R209m to R954m. This increase was financed through long term facilities with three major banks.

REVIEW OF OPERATIONS

ELECTRONICS

Nashua produced good results with all its divisions, *Office Automation*, *Finance* and *Royce Imaging* contributing to increased earnings.

NPC (Electronics) the exclusive distributor of Panasonic products in South Africa improved earnings largely due to growth from business systems and non consumer operations. The consumer market remained under pressure with the increase in interest rates. The launch of the *Futronic* and *Nintendo* range of products will enhance opportunities for this new business.

Nashua Mobile again produced a strong performance with the contract subscriber base increasing to 265 000 and the prepaid customers growing to 45 000. Revenue and operating income benefitted from the growing base and the increased airtime usage.

As anticipated, *Reutech's* turnover and profits declined marginally. Order books have grown considerably which will result in an improved performance in the year ahead.

The group's *Telecommunications* operations have had a pleasing year. The market has continued to expand with the spend on the third cellular licence, the second network operator and the telecommunication infrastructure spend in Africa.

ELECTRICAL ENGINEERING AND CABLES

CBI's sales and profits grew strongly and further enhanced its position as a dominant force in the local market with a wider product offering. Exports have continued to grow in a weak international market.

African Cables increased sales and margins as the local market enjoyed increased activity.

Reunert recently announced its acquisition of Marconi plc's 51% stake in *ATC* at below net asset value which increases the group's holding to an effective 89.5%. This acquisition is subject to the approval of the Competition authorities. Although *ATC* incurred trading losses and stock write downs in the past year, restructuring has taken place which, it is anticipated, will result in the operation at least breaking even in the new financial year.

PROSPECTS

Currently the outlook for the group's operations remains positive, consequently management is confident that real growth in headline earnings per share will be achieved in the new year.

DIVIDEND

Notice is hereby given that a final dividend No 153 of 88 cents per share (2001: 67 cents per share) has been declared by the directors for the year ended 30 September 2002. In compliance with the requirements of Strate, the following dates are applicable:

Last date to trade (cum dividend)	Friday, 17 January 2003
First date of trading (ex dividend)	Monday, 20 January 2003
Record date	Friday, 24 January 2003
Payment date	Monday, 27 January 2003

Share certificates may not be dematerialised or rematerialised between Monday, 20 January 2003 and Friday, 24 January 2003, both dates inclusive.

On behalf of the board

Derek Cooper, Chairman

Gerrit Pretorius, Chief Executive

Sandton, 18 November 2002

SECRETARIES' CERTIFICATION

FOR THE YEAR ENDED 30 SEPTEMBER 2002
The company has lodged with the Registrar all such returns as are required by a public company in terms of the Companies Act.

R G Drakes

For Reunert Management Services Limited
Company Secretaries

AUDITED RESULTS

The above results have been audited by the group auditors, Messrs Deloitte & Touche, and a copy of their unqualified report is available for inspection at the company's registered office.

Hierdie verslag is ook in Afrikaans verkrygbaar.

REUNERT LIMITED

Incorporated in the Republic of South Africa (Reg No 1913/004355/06) Share code: RLO ISIN code: ZAE000005914
Directors: D E Cooper (Chairman), G Pretorius (Chief Executive), B P Connellan*, B P Gallagher, S D Jago*, K J Makweta*, G J Oosthuizen, D J Rawlinson, M J Shaw*, C L Valkin*, Dr J C van der Horst*
*Non-executive
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Company secretaries: Reunert Management Services Limited

Visit our website at www.reunert.com

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