

REUNERT

REUNERT LIMITED

Interim report

TO SHAREHOLDERS FOR THE SIX MONTHS ENDED 31 MARCH 2002

• **Headline earnings per share +30%**

• **Dividend per share 30 cents**

Group income statement

	Notes	Six months ended 31 March		% change	Year ended 30 Sept 2001
		2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾		R million (Audited and restated) ⁽¹⁾
Revenue		2 469.4	2 112.2	17	4 229.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)		242.9	200.4	21	425.3
Depreciation		23.8	16.7	43	43.8
Amortisation of goodwill		14.0	-	-	2.3
Operating profit	1	205.1	183.7	12	379.2
Net interest and dividend income	2	15.5	33.5	(54)	59.1
Profit before taxation		220.6	217.2	2	438.3
Taxation		79.2	73.8	-	145.6
Profit after taxation		141.4	143.4	-	292.7
Share of associate companies' profits		48.3	28.6	69	81.8
Profit after tax including associate companies		189.7	172.0	-	374.5
Earnings attributable to outside shareholders in subsidiaries		14.5	19.3	-	42.3
Earnings attributable to ordinary shareholders in Reunert Limited		175.2	152.7	15	332.2
Basic earnings per share (cents)	3	93.7	77.8	20	173.3
Diluted earnings per share (cents)	3	92.0	76.8	20	170.9
Headline earnings per share (cents)	4	101.2	77.7	30	174.8
Diluted headline earnings per share (cents)	4	99.2	76.7	29	172.4
Dividend per ordinary share (cents)		30.0	24.0	25	91.0
Taxation rate excluding amortisation (%)		33.8	34.0	-	33.0
EBITDA as a % of turnover		9.8	9.5	-	10.1

Note 1

OPERATING PROFIT

Operating profit is stated after:

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
- Cost of sales	1 795.6	1 509.5	3 036.6
- Other income	(16.4)	(13.4)	(9.6)
- Other expenses excluding depreciation and amortisation	447.4	408.1	777.5

Note 2

NET INTEREST AND DIVIDEND INCOME

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
Interest received	43.9	36.8	64.5
- from RC&C Finance Company	32.5	24.2	32.1
- external	11.4	12.6	32.4
Interest paid	(31.5)	(7.1)	(13.1)
Dividend income other than from associates	3.1	3.8	7.7
Total	15.5	33.5	59.1

Dividend income from associates included in share of associate companies' profits

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
	16.4	22.8	70.9

Note 3

BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
The earnings used to determine both basic earnings per share and diluted earnings per share being the earnings attributable to ordinary shareholders in Reunert (Rm)	175.2	152.7	332.2

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
The weighted average number of shares in issue used to determine basic earnings per share and headline earnings per share (millions of shares)	186.9	196.3	191.7

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
Adjusted by the dilutive effect of unexercised share options available to executives employed in the group (millions of shares)	3.6	2.6	2.7

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
Weighted average number of shares used to determine diluted earnings per share and diluted headline earnings per share (note 4) (millions of shares)	190.5	198.9	194.4

Note 4

HEADLINE EARNINGS PER SHARE AND DILUTED HEADLINE EARNINGS PER SHARE

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
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 3.	101.2	77.7	174.8

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
Headline earnings are determined by eliminating the effect of capital items in attributable earnings as follows:			
Earnings attributable to ordinary shareholders	175.2	152.7	332.2
Amortisation of goodwill	14.0	-	2.3
Other (net)	(0.1)	(0.1)	0.7
Headline earnings	189.1	152.6	335.2

Note 5

GOODWILL

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
Carrying value at the beginning of the period	10.9	-	-
Add: Acquisitions of businesses/investments	389.1	-	13.2
Less: Amortisation for the period	(14.0)	-	(2.3)
Carrying value at the end of the period	386.0	-	10.9

Note 6

INVESTMENTS

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
At cost excluding goodwill	237.9	179.4	188.4
At directors' valuation	653.0	179.4	188.4

Note 7

FINANCE COMPANY ACCOUNTS RECEIVABLE

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾
Collectable within one year	278.0	312.8	278.0
Collectable after one year	554.9	435.4	467.1
Total	832.9	748.2	745.1

Note 8

ACCOUNTING POLICIES

Reunert has adopted the South African Statements of Generally Accepted Accounting Practice (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 change involves the depreciation of properties. Previously, all properties which the group regarded as investment properties were not depreciated. Now, in terms of AC 123, the group is depreciating all properties.

In accordance with AC 107, distributions to shareholders are now accounted for in the period the distribution takes place. This change does not require the restatement of information previously reported.

The group's accounting policies are in accordance with SA GAAP and, except for the above changes, are consistent with those of the prior period.

Note 9

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 extra 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

	Notes	31 March 2002 R million (Unaudited)	31 March 2001 R million (Unaudited and restated) ⁽¹⁾	30 Sept 2001 R million (Audited and restated) ⁽¹⁾
NON-CURRENT ASSETS				
Property, plant and equipment		152.2	155.6	161.8
Goodwill	5	386.0	-	10.9
Investments	6	237.9	179.4	188.4
RC&C Finance Company accounts receivable	7	832.9	748.2	745.1
Deferred taxation assets		41.3	22.6	42.0
Total non-current assets		1 650.3	1 105.8	1 148.2
CURRENT ASSETS				
Inventory and contracts in progress		509.6	432.2	496.5
Accounts receivable		673.2	570.5	595.9
Cash and cash equivalents (net)		197.5	522.7	584.5
Total current assets		1 380.3	1 525.4	1 676.9
Total assets		3 030.6	2 631.2	2 825.1
SHAREHOLDERS' FUNDS				
Ordinary		1 146.9	912.6	971.7
Reunert Limited shares bought by a subsidiary		(234.6)	(226.2)	(234.6)
Preference		0.7	0.7	0.7
Total shareholders' funds		913.0	687.1	737.8
Outside shareholders in subsidiaries		94.8	112.1	120.7
Total equity and liabilities		1 007.8	799.2	858.5
NON-CURRENT LIABILITIES				
Deferred taxation liabilities		49.0	33.1	48.6
Long-term borrowings		1.8	2.7	2.7
Total non-current liabilities		50.8	35.8	51.3
CURRENT LIABILITIES				
RC&C Finance Company short-term borrowings		734.6	636.6	618.8
Accounts payable, provisions and taxation		1 237.4	1 112.7	1 171.3
Shareholders for normal dividend	8	-	46.9	125.2
Total current liabilities		1 972.0	1 796.2	1 915.3
Total equity and liabilities		3 030.6	2 631.2	2 825.1
R million (unless otherwise stated)				
Net asset value per share (cents) including intangible assets		489	367	395
Net asset value per share (cents) excluding intangible assets		282	367	389
Current ratio including short-term portion of RC&C Finance Company accounts receivable (-1)				
Net number of ordinary shares in issue (million)		186.9	187.4	186.9
Number of ordinary shares in issue (million)		204.1	204.0	204.1
Less: held by subsidiary		(17.2)	(16.6)	(17.2)
Capital expenditure		13.2	18.6	52.8
- expansion		9.0	4.7	32.4
- replacement		4.2	13.9	20.4
Capital commitments		14.6	15.6	20.7
- contracted		7.7	5.7	3.3
- authorised not yet contracted		6.9	9.9	17.4
Commitments in respect of leases		53.8	69.8	64.4
- operating		53.7	69.8	64.4
- finance		0.1	-	-
Contingent liabilities		3.7	0.3	0.3

Group cash flow information

	2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	2001 R million (Audited and restated) ⁽¹⁾	
EBITDA	242.9	200.4	425.3	
(Increase)/reduction in net working capital	(2.7)	7.7	(55.4)	
(Increase)/reduction in RC&C Finance Company accounts receivable	(87.8)	3.4	6.5	
Other working capital changes (net)	85.1	4.3	(61.9)	
Cash generated from operations	240.2	208.1	369.9	
Net interest and dividends received (including associates)	31.9	56.3	130.0	
Taxation paid	(165.4)	(105.0)	(133.0)	
Dividends paid	(143.7)	(120.2)	(169.0)	
Net cash (outflow)/inflow from operating activities	(37.0)	39.2	197.9	
Net asset additions	(12.9)	(16.7)	(48.6)	
Other (net)	3.9	2.1	5.0	
Net cash (outflow)/inflow from operations	(46.0)	24.6	154.3	
Reunert Limited shares purchased by subsidiary	-	(209.5)	(217.9)	
Other acquisitions	(456.8)	(1.8)	(43.5)	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(502.8)	(186.7)	(107.1)	
NET (BORROWINGS)/CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(34.3)	72.8	72.8	
NET BORROWINGS AT END OF THE PERIOD	(537.1)	(113.9)	(34.3)	
NET CASH RESOURCES OF THE GROUP EXCLUDING THE RC&C FINANCE COMPANY BORROWINGS				
- Deposit on call with RC&C Finance Company	110.6	220.7	294.8	
- Other cash reserves	86.9	302.0	289.7	
Total	197.5	522.7	584.5	
RC&C Finance Company borrowings	(734.6)	(636.6)	(618.8)	
NET BORROWINGS AT END OF THE PERIOD	(537.1)	(113.9)	(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 funds.

Group statement of changes in equity

	Six months ended 31 March 2002 R million (Unaudited)	Six months ended 31 March 2001 R million (Unaudited and restated) ⁽¹⁾	Year ended 30 Sept 2001 R million (Audited and restated) ⁽¹⁾
Balance at beginning of period as previously reported	737.8	810.7	810.7
Adjustment to opening accumulated profit due to changes in accounting policies (note 8)	-	(19.9)	(19.9)
Net profit for the period	175.2	152.7	332.2
Dividends declared	-	(46.9)	(168.3)
Shares issued in terms of the Reunert Share Option Scheme	-	-	0.4
Reunert Limited shares bought by subsidiary	-	(209.5)	(217.9)
Translation reserve movement during the year	-	-	0.6
Balance at end of period	913.0	687.1	737.8

Segmental analysis

	Notes	Six months ended 31 March 2002 R million (Unaudited)	2001 R million (Unaudited and restated) ⁽¹⁾	%	Year ended 30 Sept 2001 R million (Audited and restated) ⁽¹⁾	%
REVENUE						
ELECTRONICS						
Office systems		419.8	324.6	13	694.3	13
Consumer products and services		1 386.7	1 153.2	44	2 335.3	44
Telecommunications		866.9	401.0	15	922.5	17
Reutech		186.4	253.2	10	399.7	7
Total Electronics		2 859.8	2 132.0	82	4 351.8	81
ELECTRICAL ENGINEERING AND CABLES						
Low-voltage electrical		268.9	183.6	7	399.2	8
Cables		295.6	292.9	11	607.8	11
Total Electrical Engineering and Cables		564.5	476.5	18	1 007.0	19
Total operations		3 424.3	2 608.5	100	5 358.8	100
Less: Reunert's attributable portion of associate companies' revenue		(954.9)	(496.3)	-	(1 129.0)	-
Revenue as reported		2 469.4	2 112.2	17	4 229.8	-
OPERATING PROFIT BEFORE AMORTISATION						
ELECTRONICS						
Office systems		70.9	37.2	16	104.5	20
Consumer products and services		78.4	55.2	23	123.2	24
Telecommunications		100.3	35.1	15	102.7	20
Reutech						