REUNERT

REUNERT LIMITED

↑28%
HEADLINE EARNINGS PER SHARE

↑17%
REVENUE

↑24%
FINAL DIVIDEND PER SHARE

REVIEWED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

CONDENSED GROUP INCOME STATEMENT

For the year ended 30 September 2006

	Notes	2006 R million (Reviewed)	2005 R million (Restated)	% change
Revenue		8 236,4	7 012,0	17
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1 335,9	967,2	38
Depreciation and amortisation		63,2	49,9	27
Operating profit	1	1 272,7	917,3	39
Net interest and dividend income	2	64,9	50,1	30
Profit before abnormal items		1 337,6	967,4	38
Abnormal items	3	1,6	3,9	
Profit before taxation		1 339,2	971,3	38
Taxation	4	500,5	326,5	53
Profit after taxation		838,7	644,8	30
Share of associate company's profit	2	95,2	79,2	20
Profit for the year		933,9	724,0	29
Profit for the year attributable to:				
Minority interest		11,1	10,7	4
Equity holders of Reunert Limited		922,8	713,3	29
		933,9	724,0	
Basic earnings per share (cents)	5	527,0	411,4	28
Diluted basic earnings per share (cents)	5	522,4	406,5	28
Headline earnings per share (cents)	5 & 6	524,6	408,4	28
Diluted headline earnings per share (cents)	5 & 6	520,0	403,6	29
Normalised basic earnings per share (cents)	5 & 6	497,7	397,1	25
Normalised headline earnings per share (cents)	5 & 6	495,3	394,1	26
Normalised diluted basic earnings per share (cents)	5 & 6	493,3	392,5	26
Normalised diluted headline earnings per share (cents)	5 & 6	490,9	389,5	26
Dividend per ordinary share declared in respect of the current year (cents)		273,0	222,0	23
Special dividend per share declared (cents)		200,0		
Taxation rate excluding abnormal items and STC on the special dividend (%)		34,2	33,8	1
EBITDA as a % of revenue		16,2	13,8	17

CONDENSED GROUP BALANCE SHEET

As at 30 September 2006

	Notes	2006 R million (Reviewed)	2005 R million (Restated)
Non-current assets			
Property, plant and equipment and Intangible assets		467,3	336,3
Goodwill		326,8	329,0
Investments and loans	7	148,8	116,2
RC&C Finance Company accounts receivable		985,3	726,0
Deferred taxation		59,1	37,5
		1 987,3	1 545,0
Current assets			
Inventory and contracts in progress		809,0	560,9
Accounts receivable and derivative assets		1 462,7	1 004,9
RC&C Finance Company accounts receivable		418,5	302,2
Non-current assets held for sale		2,6	—
Cash and cash equivalents		969,3	784,4
		3 662,1	2 652,4
Total assets		5 649,4	4 197,4
Equity attributable to equity holders of Reunert Limited			
Ordinary		1 680,2	1 561,0
Preference		0,7	0,7
		1 680,9	1 561,7
Minority interest		38,2	43,0
Total equity		1 719,1	1 604,7
Non-current liabilities			
Long-term borrowings	8	115,0	111,7
Deferred taxation		141,6	81,7
		256,6	193,4
Current liabilities			
Accounts payable, derivative liabilities, provisions and taxation		2 068,1	1 511,6
RC&C Finance Company bank borrowings	9	1 187,9	866,8
Shareholders for dividend		390,7	—
Bank overdrafts and short-term portion of long-term borrowings		27,0	20,9
		3 673,7	2 399,3
Total equity and liabilities		5 649,4	4 197,4

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2006

	2006 R million (Reviewed)	2005 R million (Restated)
Share capital and premium	76,9	49,4
Balance at the beginning of the year	49,4	22,7
Issue of shares	27,5	26,7
Share-based payments reserve	40,4	30,8
Balance at the beginning of the year	30,8	—
Share-based payments expense	9,6	30,8
Treasury shares	(282,0)	(282,0)
Balance at the beginning of the year	(282,0)	(282,0)
Non-distributable reserves	104,8	67,3
Balance at the beginning of the year	67,3	55,0
Transfer from accumulated profit	39,2	10,0
Translation reserve	0,8	(0,2)
Fair value adjustments	(2,5)	2,5
Accumulated profit	1 740,8	1 696,2
Balance at the beginning of the year	1 696,2	1 291,5
Profit for the year	922,8	713,3
Transfer to non-distributable reserves	(39,2)	(10,0)
Dividends declared	(839,0)	(298,6)
Equity attributable to equity holders of Reunert Limited	1 680,9	1 561,7
Minority interest	38,2	43,0
Balance at the beginning of the year	43,0	40,0
Profit for the year	11,1	10,7
Dividends declared	(15,9)	(9,7)
Net minorities introduced	—	2,0
Total equity at end of the year	1 719,1	1 604,7

CONDENSED GROUP CASH FLOW STATEMENT

For the year ended 30 September 2006

	2006 R million (Reviewed)	2005 R million (Restated)
EBITDA	1 335,9	967,2
Increase in net working capital	(628,4)	(601,0)
Increase in RC&C Finance Company accounts receivable	(375,6)	(499,7)
Increase in other working capital	(252,8)	(101,3)
Cash generated from operations	707,5	366,2
Net interest and dividend income (including associates)	120,9	119,3
Taxation paid	(347,4)	(364,9)
Dividends paid (including to minorities)	(464,2)	(308,3)
Other (net)	(4,3)	29,3
Net cash flows from operating activities	12,5	(158,4)
Net cash flows from investing activities	(185,7)	(48,5)
Net cash flows from financing activities	27,0	156,1
Net decrease in cash and cash equivalents	(146,2)	(50,8)
Net short-term bank borrowings at beginning of the year	(84,0)	(33,2)
Net short-term bank borrowings at end of the year	(230,2)	(84,0)
Cash and cash equivalents	969,3	784,4
Bank overdrafts	(11,6)	(1,6)
Cash and cash equivalents (net)	957,7	782,8
RC&C Finance Company bank borrowings (note 9)	(1 187,9)	(866,8)
Net short-term bank borrowings at end of the year	(230,2)	(84,0)

NOTES

	2006 R million (Reviewed)	2005 R million (Restated)	% change
Note 1			
Operating profit			
Operating profit is stated after:			
– Cost of sales	5 647,9	4 826,6	
– Other expenses excluding depreciation and amortisation	1 325,5	1 233,4	
– Other income	(72,9)	(15,2)	
Note 2			
Net interest and dividend income			
Interest received	92,9	60,8	
– From RC&C Finance Company	57,2	30,1	
– External	35,7	30,7	
Interest paid	(34,9)	(23,5)	
Dividend income other than from associate company	6,9	12,8	
Total	64,9	50,1	
Dividend income from associate company included in share of associate company's profit	56,0	69,2	
Note 3			
Abnormal items			
Surplus on sale of investments	5,0	6,4	
Impairment of goodwill	(3,4)	—	
Impairment of plant and equipment	—	(4,9)	
Negative goodwill taken to profit	—	2,4	
Total before taxation	1,6	3,9	
Taxation	—	1,4	
Total	1,6	5,3	
Note 4			
Taxation			
The tax charge for 2006 includes Seconday Tax on Companies in respect of the special dividend amounting to R43,7 million (2005: nil).			
Note 5			
Number of shares used to calculate earnings per share			
Weighted average number of shares used to determine basic earnings per share, headline earnings per share, normalised basic earnings per share and normalised headline earnings per share (millions of shares)	175,1	173,4	
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	1,5	2,1	
Weighted average number of shares used to determine diluted basic, normalised diluted basic, diluted headline, and normalised diluted headline earnings per share (millions of shares)	176,6	175,5	
Note 6.1			
Headline earnings			
Headline earnings are determined by eliminating the effect of the following items in attributable earnings:			
Profit attributable to equity holders of Reunert Limited	922,8	713,3	
Surplus on sale of investments	(5,0)	(6,4)	
(Surplus)/loss on disposal of property, plant and equipment	(2,6)	0,2	
Impairment of goodwill	3,4	—	
Negative goodwill reflected in abnormal items	—	(2,4)	
Impairment of plant and equipment	—	4,9	
Taxation	—	(1,5)	
Headline earnings	918,6	708,1	
Note 6.2			
Normalised earnings			
Normalised earnings are determined by deducting from attributable earnings the interest in profit that is economically attributable to BEE partners (note 10):			
Profit attributable to equity holders of Reunert Limited	922,8	713,3	
Interest in profit that is economically attributable to BEE partners	(51,4)	(24,7)	
Normalised earnings (basic and diluted)	871,4	688,6	27
Normalised headline earnings are determined by deducting from headline earnings the interest in profit that is economically attributable to BEE partners (note 10):			
Headline earnings	918,6	708,1	
Interest in profit that is economically attributable to BEE partners	(51,4)	(24,7)	
Normalised headline earnings (basic and diluted)	867,2	683,4	27
Note 7			
Investments and loans			
Unlisted associate company – at cost plus equity-accounted earnings excluding goodwill	126,0	86,8	
Other unlisted investments – at cost	0,3	0,7	
Loans – at cost	22,5	20,9	
Listed investments held for sale – at market value	—	7,8	
Total carrying values	148,8	116,2	
Directors' valuation of unlisted investments			
– Unlisted associate company	520,0	520,0	
– Other unlisted investments	0,3	0,7	
Note 8			
Long-term borrowings			
Total long-term borrowing	115,5	130,0	
Less: Short-term portion	(15,2)	(18,6)	
	100,3	111,4	
Loan repaid by BEE partner	14,5	—	
Total finance leases	0,4	0,9	
Less: Short-term portion	(0,2)	(0,6)	
	115,0	111,7	

The group entered into an agreement with Powerhouse Utilities (Pty) Limited (Powerhouse), whereby on 1 December 2004, 25,1% of the shares of ATC (Pty) Limited (ATC) were sold to Powerhouse at a cost of R130 million. IFRS requires that this transaction is not accounted for as a sale, since the bank loan has not been fully paid by Powerhouse and conditions are attached to the unpaid portion, notwithstanding that the economic reality of this transaction is in fact a sale.
The long-term borrowing relates to funding provided by Nedbank Limited (Nedbank) to Powerhouse for their purchase of 25,1% of ATC. The loan is guaranteed by Reunert Limited and, in terms of current accounting practices for this transaction, is recognised on the balance sheet.
Repayment of the loan by the BEE partner represents a portion of dividends paid by ATC to Powerhouse, which have been used to repay part of the loan from Nedbank to Powerhouse. In terms of current accounting practice for this transaction, this is to be reflected as a long-term liability on the Reunert balance sheet. When the significant risks and rewards of ownership in the equity of ATC are deemed to have passed to the BEE partner, then this portion of the loan repaid by Powerhouse will be transferred to minority interest.

Note 9
RC&C Finance Company bank borrowings
RC&C Finance Company has total bank borrowing facilities of R1,2 billion (2005: R1,2 billion). The banks which have granted these facilities are contractually bound to provide these on a long-term basis, but they may give notice to run down these facilities. Once notice has been given, these facilities reduce to zero in line with the reduction in the underlying rental debtors over a maximum of five years.

Note 10 **Black economic empowerment (BEE) transactions**	2006 R million (Reviewed)	2005 R million (Restated)
As referred to in note 8, certain BEE transactions involving the disposal of equity interests have not been recognised because the significant risks and rewards of ownership of the equity has been deemed not to have passed to the BEE partners. Accordingly, the equity interests in subsidiaries have not been recognised in the group income statement and balance sheet.		
The effect of this has been to not recognise the following:		
– Interest in current year profit that is economically attributable to BEE partners	51,4	24,7
– Balance sheet interest that is economically attributable to BEE partners	106,3	96,0

Note 11
Basis of preparation
The prior year financial statements were prepared in accordance with SA GAAP. The accounting policies have been applied consistently with the prior year, except for the fact that the group has adopted International Financial Reporting Standards (IFRS) in the current year.
The financial statements for the year ended 30 September 2006 will be the group's first consolidated IFRS-compliant financial statements and hence IFRS 1 "First-time adoption of IFRS" has been applied in preparing this announcement. The group's opening balance sheet on 1 October 2004 and the comparative information for 2005 have been restated to comply with IFRS. The same accounting policies and methods have been followed in the condensed financial statements.
These condensed financial statements have been prepared in terms of IAS 34 "Interim Financial Reporting" as well as in compliance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) Interpretations, the Companies Act of South Africa, Act 61 of 1973, as amended and the Listings Requirements of the JSE Limited.
The impact of the IFRS adoption and conversion is detailed in note 12 to this announcement.

Note 12
Reconciliation between SA GAAP and IFRS

	Notes	30 Sept 2005 R million	1 Oct 2004 R million
Reconciliation of profit for the year			
() = reduction of profit			
As previously reported under SA GAAP		719,7	
– Profit attributable to equity holders of Reunert Limited		709,2	
– Profit attributable to minority interest		10,5	
Adjusted for:			
SA GAAP restatements		1,2	
– IAS 16 – Property, plant & equipment – reversal of depreciation on land	12.1	0,7	
– IAS 38 – Intangible assets	12.2	(0,2)	
– IAS 17 – Leases	12.3	—	
– IAS 11 – Construction contracts	12.4	0,7	
IFRS adjustments			
– IAS 16 – Property, plant and equipment	12.1	10,5	
– Deferred tax effect of all adjustments		(7,4)	
As reported under IFRS		724,0	
– Profit attributable to equity holders of Reunert Limited		713,3	
– Profit attributable to minority interest		10,7	
Reconciliation of total equity			
() = reduction of total equity			
As previously reported under SA GAAP		1 496,0	1 022,8
– Equity attributable to equity holders of Reunert Limited		1 453,5	983,1
– Minority interest		42,5	39,7
Adjusted for:			
SA GAAP restatements		5,8	4,6
– IAS 16 – Property, plant and equipment – reversal of depreciation on land	12.1	5,6	4,9
– IAS 38 – Intangible assets	12.2	0,6	0,8
– IAS 17 – Leases	12.3	(1,5)	(1,5)
– IAS 11 – Construction contracts	12.4	1,1	0,4
IFRS adjustments			
– IAS 16 – Property, plant and equipment	12.1	138,3	127,8
– Deferred tax effect of all adjustments		(35,4)	(28,0)
As reported under IFRS		1 604,7	1,127,2
– Equity attributable to equity holders of Reunert Limited		1 561,7	1,087,2
– Minority interest		43,0	40,0

The effect on basic earnings per share and headline earnings per share is an increase of 2,5 cents.

12.1 *IAS 16 – Property, plant and equipment*
The useful lives, residual values, capitalisation of subsequent expenditure and componentisation of property, plant and equipment have been assessed and resulted in a substantial adjustment to the group's carrying amount of property, plant and equipment. The useful lives and residual values of property, plant and equipment will be reassessed annually.

12.2 *IAS 38 – Intangible assets*
Intangible assets consisting of computer software and a customer list have been separated from property, plant and equipment. The depreciation on these intangible assets is now reflected as amortisation of intangible assets in the income statement.

12.3 *IAS 17 – Leases*
Income and expenses under operating leases with fixed escalation clauses are now recognised on a straight-line basis in line with Circular 7/2005 issued by The South African Institute of Chartered Accountants (SAICA). Previously operating lease income and expenses were recognised on a cash basis. A finance lease has also been capitalised

12.4 *IAS 11 – Construction contracts*
The group's accounting policy on the recognition of contract revenue and contract costs have been aligned with IAS 11 to recognise contract revenue and contract costs by reference to the stage of completion of the contract at the balance sheet date.

Note 13
Restatement
The group has previously recorded discount to customers as an expense. The group now accounts for discount to customers as part of revenue in terms of Circular 9/2006 issued by SAICA. The prior year revenue and other expenses have been restated to reflect the change. The adjustment has no impact on profit or the balance sheet.

Effect on the income statement:	2005 R million
Reduction in revenue	25,3
Decrease in other expenses	(25,3)

Note 14
Unconsolidated subsidiary
The financial results of Cafca Limited (Cafca), a subsidiary incorporated in Zimbabwe, have not been consolidated in the group results as the directors believe there is a lack of control as defined in IAS 27 "Consolidated and Separate Financial Statements", and the amounts involved are not material.

Note 15
Acquisitions
In March 2006, various assets of Dynatrack were purchased for R4,3 million and combined into the business of Acuo. Also in March 2006, the assets and liabilities of Black Dot IT company were purchased for R2,1 million (including R0,1 million cash) and combined into the business of Nashua Mobile. In the opinion of the directors the disclosure requirements of IFRS 3 are not warranted in this announcement to shareholders due to the immateriality of these acquisitions.

SUPPLEMENTARY INFORMATION

For the year ended 30 September 2006

R million (unless otherwise stated)	2006 (Reviewed)	2005 (Restated)
Net asset value per share (cents)	953	896
Net asset value per share (cents) – tangible	761	702
Current ratio excluding interest-bearing current liabilities (:1)	1,8	1,8
Net number of ordinary shares in issue (million)	176,3	174,4
Number of ordinary shares in issue (million)	195,3	193,4
Less: Held by subsidiary (million)	(19,0)	(19,0)
Capital expenditure	194,3	59,7
– expansion	134,1	22,6
– replacement	60,2	37,1
Capital commitments	108,2	68,9
– contracted	56,2	42,6
– authorised not yet contracted	52,0	26,3
Commitments in respect of operating leases	84,0	50,0
Contingent liabilities	3,7	5,6

CONDENSED SEGMENTAL ANALYSIS

For the year ended 30 September 2006

	2006 R million (Reviewed)	%	2005 R million (Restated)	%	% change
Revenue					
Electrical Engineering	2 573,7	27	1 986,7	25	30
Electronics					
Office Systems	1 234,8	13	981,3	12	26
Consumer products and services	4 109,0	43	3 743,7	47	10
Telecommunications	1 285,7	14	993,0	12	29
Reutech	317,3	3	300,3	4	6
Total Electronics	6 946,8	73	6 018,3	75	15
Total operations	9 520,5	100	8 005,0	100	19
Less: Reunert's attributable portion of associate company's revenue	(1 284,1)		(993,0)		
Revenue as reported	8 236,4		7 012,0		17
Operating profit					
Electrical Engineering	552,1	39	332,7	32	66
Electronics					
Office Systems	314,1	22	257,1	24	22
Consumer products and services	374,5	27	324,5	31	15
Telecommunications	142,9	10	131,9	13	8
Reutech	30,4	2	3,7	—	722
Total Electronics	861,9	61	717,2	68	20
Total operations	1 414,0	100	1 049,9	100	35
Less: Reunert's attributable portion of associate company's net operating profit	(141,3)		(132,6)		
Operating profit as reported	1 272,7		917,3		39

COMMENT

The past year has been a good one for Reunert. The continued strong domestic economy saw revenue increase by 17% to R8,2 billion while operating profit grew by 39% to R1,3 billion. Gross margins remained reasonably constant and the higher percentage growth in profit compared to turnover was achieved by containing the increase in overheads to under 8%.

For the past few years cash flow has been consistently strong, leading to the decision to declare a special dividend of R2,00 per ordinary share in August 2006.

Review of operations

ELECTRICAL ENGINEERING

The consolidation of the three businesses under one brand, CBI-electric, was completed during the year and officially launched in June. Revenue rose 30% to R2,6 billion with operating profit growing by 66% to R552 million.

The order book for energy cables remains strong, supported by the increasing spend on infrastructure. Capital expenditure has expanded capacity and improved operating efficiency.

A significant sales increase in telecommunications cables was recorded in the year, which led to a strong profit recovery. Agreement has been reached with Aberdare, subject to Competition Commission approval, to acquire the assets of Aberdare's telecommunications cable businesses in exchange for a 50% share in a new company which will be a joint venture between ATC and Aberdare. The additional capacity acquired will enable the company to meet anticipated strong demand for both copper and fibre optic telecommunications cables in Africa.

The low-voltage business performed well and continues to make progress in export markets, particularly in Europe.

ELECTRONIC PRODUCTS AND SERVICES

Overall, operating profit grew by 20% to R862 million on the back of a 15% increase in turnover to R6,9 billion.

Nashua Office Automation and Nashua Mobile both achieved real sales growth and improved profitability.

In the face of continuing price deflation and fierce competition the consumer electronics business achieved modest sales and profit growth.

Siemens Telecommunications reported strong sales growth during the year. Siemens worldwide recently announced that they will be merging its telecommunications business with Nokia on 1 January 2007. This will present opportunities and challenges for the business going forward.

The defence businesses reported improved profitability from a low base and both their existing order books and prospects are better than a year ago. A process was initiated during 2006, which could result in some or all of the businesses being sold.

SUBSEQUENT EVENTS

In a deal valued at R1,1 billion, Reunert agreed, subject to shareholders' approval, to sell about 10% of Reunert in a BEE transaction. 30% of the 10% will be acquired by a women's group made up of Peotona's founding members. The remaining 70% of the 10% will be acquired by a broad-based education trust. Reunert will have achieved a BEE shareholding of approximately 10% which includes a staff scheme to be introduced. Full details are provided in a transaction announcement which is being released simultaneously with this publication. Reunert is pleased with this transaction, which confirms its commitment to transformation, and is confident that the transaction will be value-enhancing.

Reunert recently announced the establishment of a joint venture finance company with PSG, subject to the fulfilment of certain suspensive conditions. Reunert is contributing its stake in RC&C Finance for 49,9% of the new company, while the PSG Group will own 39,9% and other minority shareholders 10,2%. In aggregate they will contribute R375 million in cash. Reunert is confident that, with new partners, the company will develop to become a force in asset financing.

Prospects

Generally, the business climate is expected to be favourable and most of the group's businesses are likely to continue producing real growth in earnings. The consumer business may experience slower demand in a higher interest rate environment.

Overall, the group should achieve real earnings growth before the one-off charge arising from the BEE transaction.

Reviewed results

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

Dividend

Notice is hereby given that final dividend No 161 of 210 cents per share (2005: 170 cents per share) has been declared by the directors for the year ended 30 September 2006. In compliance with the requirements of STRATE, the following dates are applicable:

Last date to trade (cum dividend)	Friday, 12 January 2007
First date of trading (ex dividend)	Monday, 15 January 2007
Record date	Friday, 19 January 2007
Payment date	Monday, 22 January 2007

Shareholders may not dematerialise or rematerialise their share certificates between Monday, 15 January 2007 and Friday, 19 January 2007, both days inclusive.

ON BEHALF OF THE BOARD

Martin Shaw
Chairman

Gerrit Pretorius
Chief Executive

Sandton, 20 November 2006

REUNERT LIMITED

Incorporated in the Republic of South Africa
(Registration number 1913/004355/06)
Share code: RLO ISIN code: ZAE000057428

Directors:
MJ Shaw (Chairman)*, G Pretorius (Chief Executive), BP Connellan*, KS Fuller*, BP Gallagher, SD Jagoe*, KJ Makwetla*, KC Morolo*, GJ Oosthuizen, DJ Rawlinson, Dr JC van der Horst * *Non-executive

Registered office:
Lincoln Wood Office Park
6 – 10 Woodlands Drive, Woodmead, Sandton
PO Box 784391, Sandton, 2146. Telephone +27 11 517 9000

Transfer secretaries:
Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Sponsor: Rand Merchant Bank (A division of FirstRand Limited)

Secretaries' certification:
In terms of section 268 G(d) of the Companies Act, 61 of 1973, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies for the year ended 30 September 2006 all such returns as are required by a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

JAF Simmonds
For Reunert Management Services Limited
Company Secretaries

Enquiries:
Carina de Klerk +27 11 517 9000 or e-mail invest@reunert.co.za.
Hierdie verslag is ook in Afrikaans beskikbaar.

For background information on Reunert visit our website at www.reunert.com