# REUNERT

# Unaudited results

# REUNERT LIMITED

# for the six months ended 31 March 2004

# Highlights

# • Headline earnings per share up 20% • Dividend up 25%

## **GROUP INCOME STATEMENT**

Six months ended 31 March

					Year ended
		2004	2002		30 Sept
		2004 R million	2003 R million	%	2003 R million
	Notes		(Unaudited)	change	(Audited)
	110103	· · ·	× /		
Revenue		3 011,9	3 047,5	(1)	6 103,9
Earnings before interest, tax, depreciation					
and amortisation (EBITDA)		390,4	380,5	3	712,3
Depreciation		25,7	22,1	16	58,4
Operating profit before amortisation of goodw	ill	364,7	358,4	2	653,9
Amortisation of goodwill		25,2	25,1	-	46,2
Operating profit	1	339.5	333,3	2	607,7
Net interest and dividend income	2	28,5	21,2	34	45,2
Profit before abnormal item		368,0	354,5	4	652,9
Abnormalitem	3	20,3		-	-
Profit before taxation		388,3	354,5	10	652,9
Taxation		141,5	124,8	13	224,4
Profit after taxation	~	246,8	229,7	7	428,5
Share of associate companies' profits/(losses		33,1	(21,3)		(82,6)
Profit after tax including associate companie	€S	279,9	208,4	34	345,9
Earnings attributable to outside		00.0	1/ 4	47	50 F
shareholders in subsidiaries		23,9	16,4	46	50,5
Earnings attributable to ordinary shareholde	rs				
in Reunert Limited		256,0	192,0	33	295.4
Basic earnings per share (cents)	4	135,0	102,1	32	156,9
Diluted basic earnings per share (cents)	4	133,2	100,6	32	154,7
Headline earnings per share (cents)	5	138,7	115,4	20	183,5
Diluted headline earnings per share (cents)	) 5	136,9	113,6	21	181,0
Dividend per ordinary share proposed/		40.0	20.0	05	100.0
declared for the period (cents) Taxation rate excluding amortisation and		40,0	32,0	25	120,0
abnormal items (%)		35,6	33,0		32,1
EBITDA as a % of turnover		13,0	12,5		11.7
		,.	.2,0		,.
Note 1 Operating profit is stated after:					
- Cost of sales		2 119,1	2 172.2		4 185,7
- Other income		(28,1)	(20,1)		(14,6)
- Other expenses excluding depreciation		(20,17	(20/1)		(14,0)
and amortisation		530,5	514,9		1 220,5
- Net (profit)/loss for the period due to the					
effect of AC133 (included in the three					
categories above)		(5,2)	7,4		44,5
Note 2					
Net interest and dividend income					
Interest received		25,8	37,2		95,1
- from RC&C Finance Company		9,8	20,8	]	51,8
- external		16,0	16,4		43,3
Interest paid		(8,7)	(16,0)	1	(50,1)
Dividend income other than from associate	s	11,4	(10,0)		0,2
	-		01.0		
Total		28,5	21,2		45,2
Note 3					
ABNORMAL ITEM		00.0			
Profit on the sale of properties Taxation		20,3 (1,4)	-		_
Total		18,9	-		-
Note 4					
NUMBER OF SHARES USED TO CALCULATE EARNINGS PER					
Weighted average number of shares in issu					
used to determine basic earnings per share	)				
and headline earnings per share (millions of shares)		189,6	188,0		188,3
Adjusted by the dilutive effect of unexercise	hd	107,0	100,0		100,3
share options grapted to certain group	,u				

#### Note 10 ACCOUNTING POLICIES

The group's accounting policies are in accordance with South African Statements of Generally Accepted Accounting Practice and are consistent with those of the prior year. This report has been prepared in accordance with AC127 on interim financial reporting.

Note 11

Year ended

#### MAJOR ACQUISITION

In October 2003 the group acquired the shares in CS Holdings Limited held by Getronics and Gensec. This amounted to 31,7% of the issued share capital of CS Holdings. The price paid was R42,9 million including goodwill of R31,6 million.

# **GROUP BALANCE SHEET**

at 31 March				
				at 30 Sept
		2004	2003	2003
		R million	R million	R million
	Notes	(Unaudited)	(Unaudited)	(Audited)
Non-current assets				
Property, plant and equipment		201,4	223,3	213,7
Goodwill	6	312,8	331,2	306,9
Investments	7	70,4	80,2	20,8
RC&C Finance Company				
accounts receivable	8	236,2	1 114,8	1 220,0
Deferred taxation assets		32,6	25,9	33, 1
		853,4	1 775,4	1 794,5
CURRENT ASSETS				
Inventory and contracts in progress		442,6	640,2	531,8
Accounts receivable and derivative assets		790.8	832,1	826,7
Cash and cash equivalents (net)	9	688,8	180,0	481,4
		1 922,2	1 652,3	1 839,9
Total assets		2 775,6	3 427,7	3 634,4
Shareholders' funds				
Ordinary		1 490,2	1 345,1	1 390,4
Reunert Limited shares held by a subsidiary		(234,6)	(234,6)	(234,6)
Preference		0,7	0,7	0,7
		1 256.3	1 111,2	1 156,5
Outside shareholders in subsidiaries		120,5	103,8	121,2
		1 376,8	1 215,0	1 277,7
Non-current liabilities				
Deferred taxation liabilities		60,3	46,3	63,8
CURRENT LIABILITIES				
RC&C Finance Company				
short-term borrowings	9	44,5	855,9	900,7
Accounts payable, derivative liabilities,				
provisions and taxation		1 294,0	1 310,5	1 392,2
		1 338,5	2 166,4	2 292,9
Total equity and liabilities		2 775,6	3 427,7	3 634,4

# **SEGMENTAL ANALYSIS**

Six months ended 31 March

				. ,	
50,4 15,8	4	3,8 66,0	19	(76)	(64,6) 117,9
150,0	36	115,8	33	30	173,7
85,4	20	76,7	22	11	157,4
114,1	27	92,9	26	23	195,2
3 011,9		3 047,5		(1)	6 103,9
(563,4)	100	(796,2)	100	(/)	(1 438,6)
,				. ,	6 174,8 7 542,5
563,5 178,7	16 5	771,0 362,4	20 9	(27) (51)	1 413,7 615,7
501,8 1 664,2	14 46	445,3 1 572,4	12 41	13 6	952,9 3 192,5
667,1	19	692,6	18	(4)	1 367,7
2004 R million (Unaudited)	%	2003 R million (Unaudited)	%	% change	2003 R million (Audited)
	R million (Unaudited) 667,1 501,8 1 664,2 563,5 178,7 2 908,2 3 575,3 (563,4) 3 011,9 114,1 85,4 150,0 56,4	R million (Unaudited)       %         667,1       19         501,8       14         1664,2       46         563,5       16         178,7       5         2908,2       81         3 575,3       100         (563,4)       100         (563,4)       27         114,1       27         85,4       20         150,0       36	R million (Unaudited)         R million (Unaudited)           667,1         19         692,6           501,8         14         445,3           1 664,2         46         1572,4           563,5         16         771,0           563,5         16         771,0           178,7         5         362,4           2 908,2         81         3151,1           3 575,3         100         3 843,7           (563,4)         (796,2)         3 047,5           3 011,9         27         92,9           114,1         27         92,9           85,4         20         76,7           150,0         36         115,8           56,4         13         3,8	R million (Unaudited)         R million (Unaudited)         R million (Unaudited)         R million %           667,1         19         692,6         18           501,8         14         445,3         12           1 664,2         46         1572,4         41           563,5         16         771,0         20           178,7         5         362,4         9           2 908,2         81         3 151,1         82           3 575,3         100         3 843,7         100           (563,4)         (796,2)         100         100           (563,4)         20         76,7         22           114,1         27         92,9         26           85,4         20         76,7         22           150,0         36         115,8         33           56,4         13         3,8         1	R million (Unaudited)         R million %         R million (Unaudited)         %         change           667,1         19         692,6         18         (4)           501,8         14         445,3         12         13           1664,2         46         1572,4         41         6           563,5         16         771,0         20         (27)           178,7         5         362,4         9         (51)           2 908,2         81         3151,1         82         (8)           3 575,3         100         3 843,7         100         (7)           (563,4)         (796,2)         2         (1)           114,1         27         92,9         26         23           85,4         20         76,7         22         11           150,0         36         115,8         33         30           56,4         13         3,8         1         1384

# **GROUP STATEMENT OF CHANGES IN EQUITY**

Six months ended 31 March

			Year ended
			30 Sept
	2004	2003	2003
	R million	R million	R million
	(Unaudited)	(Unaudited)	(Audited)
Balance at beginning of year as previously reported	1 156,5	1 071,1	1 071,1
Adjustment to opening accumulated profit due to			
changes in accounting policies	-	6,7	6,7
Net profit for the period	256,0	192,0	295,4
Dividends paid	(167,3)	(166,0)	(226,2)
Issue of shares in terms of the share option scheme	11,9	7,4	11,0
Other	(0,8)	-	(1,5)
Balance at end of the period	1 256,3	1 111,2	1 156,5

# SUPPLEMENTARY INFORMATION

Six months ended 31 March

R million (unless otherwise stated)	2004 (Unaudited)	2003 (Unaudited)	Year ended 30 Sept 2003 (Audited)
Net asset value per share (cents) including goodwill Net asset value per share (cents) excluding goodwill	660 495	589 414	612 450
Current ratio including short-term portion of RC&C Finance Company accounts receivable (:1) Net number of ordinary shares in issue (million)	1,5 190,3	1,7 188,6	1,6 188,8
Number of ordinary shares in issue (million) Less: Held by subsidiary (million)	207,5 (17,2)	205,8 (17,2)	206,0 (17,2)
Capital expenditure	20,7	20,0	44,6
- expansion - replacement	9,9 10,8	12,8 7,2	27,1 17,5
Capital commitments	20,4	15,7	16,6
<ul> <li>contracted</li> <li>authorised not yet contracted</li> </ul>	10,3 10,1	2,1 13,6	16,2 0,4
Commitments in respect of operating leases	39,4	80,2	81,4
Contingent liabilities	3,7	0,2	3,7

# COMMENTS

Headline earnings per share increased by 20% for the first six months mainly as a result of the strong turnaround in profitability at Siemens Telecommunications, ATC and Panasonic. Revenue did not reflect the higher volumes in most areas of operations due to price decreases related to rand strength. Efficiency gains led to higher operating margins in several businesses. Strong cash flows for the period resulted in an increase in net interest and dividend income in spite of the lower interest rates.

#### Review of operations **E**LECTRONICS

Nashua and Nashua Mobile enjoyed continued growth and contributed strongly to the group's results. A large portion of RC & C Finance Company's accounts receivable book was sold at a profit in December 2003 resulting in a significant reduction in that company's rental debtors and borrowings.

Panasonic's consumer electronics sales volumes grew strongly but declined in value due to the strong rand. Better management of assets and currency risk enabled this business to achieve improved levels of profitability.

As expected Reutech's sales and profitability dropped significantly mainly due to the cyclical decline in the orders. The strong rand also affected margins negatively in the export dependent businesses.

share options granted to certain group employees (millions of shares)	2,5	2,9	2,6
Weighted average number of shares used to determine diluted earnings per share and diluted headline earnings per share (millions of shares)	192,1	190,9	190,9
Note 5 Headline earnings are determined by eliminating the effect of the following items in attributable earnings: Earnings attributable to ordinary shareholders Goodwill Profit on the sale of properties (note 3) Other (net)	256,0 25,2 (18,9) 0,7	192,0 25,1 (0,2)	295,4 50,3 - (0,1)
Headline earnings	263,0	216.9	345,6
Note 6	,.		
GOODWILL Carrying value at the beginning of the year Add: Acquisitions of businesses,	306,9	360,0	360,0
associates and subsidiaries Less: Adjustment to the purchase price of	31,6	3,5	6,4
a business acquired in the prior period Less: Amortisation for the period Attributable to losses in associate	(0,5) (25,2) –	(7,2) (25,1) -	(9,2) (46,2) (4,1)
Carrying value at the end of the period	312,8	331,2	306,9
Goodwill is written off over periods varying between one and ten years.			
Note 7 Investments At cost plus equity accounted earnings excluding goodwill – Listed – Unlisted At market valuation – Listed At directors' valuation – Unlisted	15,5 54,9 30,5 541,9	80,2 	20,8 520,0
Note 8 RC&C FINANCE COMPANY ACCOUNTS RECEIVABLE Collectable within one year Collectable after one year	54,3 181,9	399,8 715,0	434,2 785,8

Accounts receivable mainly consists of discounted deals that comprise the present value of discounted rental agreements which are repayable over varying periods up to a maximum of five years from the balance sheet date.

236,2

1 114,8

481,4

1 220,0

Note 9 Group cash resources/borrowings Total RC&C Finance Company borrowings			
at end of period per that company's balance sheet Less: Funded out of other Reunert cash	44,5	1 014,6	1 088,0
resources (see below)	-	(158,7)	(187,3)
RC&C Finance Company borrowings at end of the period	44,5	855,9	900,7
RC&C Finance Company has total lona-term bo	nkina facilities	of R900 million. 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. 668,7 Total Reunert net cash resources at end of period 688.8 338,7 Less: Utilised to fund RC&C Finance Company (158,7) (187,3) (see above)

688,8

180,0

### **GROUP CASH FLOW INFORMATION**

Six months ended 31 March

	2004		0 Sept 2003
	R million (Unaudited)	R million (Unaudited)	R million (Audited)
EBITDA Decrease/(increase) in net working capital	390,4 1 064,9	380,5 (123,0)	712,3 (59,3)
Decrease/(increase) in RC&C Finance Company accounts receivable Decrease in other working capital	983,8 81,1	(160,9) 37,9	(269,8) 210,5
Cash generated from operations Net interest and dividends received (including associates) Taxation paid Dividends paid (including outside shareholders)	1 455,3 28,5 (198,7) (191,9)	257,5 21,2 (121,5) (178,5)	653,0 45,2 (178,7) (258,4)
Net cash inflow/(outflow) from operating activities Fixed asset additions less disposal proceeds Acquisitions of subsidiaries, businesses and other investments Other (net)	1 093,2 7,0 (47,4) 10,8	(21,3) (19,7) (80,2) 2,6	261,1 (40,3) (61,3) (21,5)
Net increase/(decrease) in cash and cash equivalents Net borrowings at beginning of the period	1 063,6 (419,3)	(118,6) (557,3)	138,0 (557,3)
NET CASH AND CASH EQUIVALENTS/(BORROWINGS) AT END OF THE PERIOD	644,3	(675,9)	(419,3)
Cash resources of the group Cash and cash equivalents (net) Borrowings of the group	688,8	180,0	481,4
RC&C Finance Company short-term borrowings	(44,5)	(855,9)	(900,7)
Net cash and cash equivalents/(borrowings) at end of the period	644,3	(675,9)	(419,3)

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#### INFORMATION AND COMMUNICATION TECHNOLOGIES

Siemens Telecommunications has made a welcome return to profitability. Turnover declined largely due to rand strength. This business continues to enjoy a strong position in the South African telecommunications industry.

#### **ELECTRICAL ENGINEERING**

Circuit Breaker Industries and African Cables performed satisfactorily despite the strong rand. ATC improved considerably during the period under review. It achieved cash positive results at a time when demand for its products was subdued.

#### CS Holdings Limited

No impairment has been raised on the investment in CS Holdings Limited as the amount cannot be determined at this time. The matter should crystalise by year-end and any impairment will be taken to account at that time.

#### Prospects

Siemens Telecommunications, Panasonic and ATC all traded at a loss during the second half of the 2003 financial year. They have all made strong recoveries and are expected to contribute positively. With the exception of Reutech, all the other businesses are experiencing satisfactory trading conditions. The rate of increase in Headline earnings per share in the second half is likely to be higher than that achieved in the first half.

#### Dividend

Notice is hereby given that an interim dividend No 156 of 40 cents per share (2003: 32 cents per share) has been declared by the directors for the half year ended 31 March 2004. In compliance with the requirements of Strate, the following dates are applicable:

to trade (cum dividend)	Friday, 18 June 2004
of trading (ex dividend)	Monday, 21 June 2004
ate	Friday, 25 June 2004
date	Monday, 28 June 2004
ate	Friday, 25 June 20

Share certificates may not be dematerialised or rematerialised between Monday, 21 June 2004 and Friday, 25 June 2004, both dates inclusive.

#### ON BEHALF OF THE BOARD

Derek Cooper Chairman Sandton, 17 May 2004 Gerrit Pretorius **Chief Executive** 

#### Secretaries' certification

The company has lodged with the Registrar all such returns for the six months ended 31 March 2004 as are required by a public company in terms of the Companies Act.

RG Drakes

Year ended

For Reunert Management Services Limited **Company Secretaries** 

#### Share transfer secretaries

Computershare Limited 70 Marshall Street Johannesburg, 2001 PO Box 61051 Marshalltown, 2107

#### Sponsor

Rand Merchant Bank A division of FirstRand Limited, Corporate Finance

Die verslaa is ook in Afrikaans beskikbaar

Enquiries: Carina de Klerk +27 11 517 9000 or e-mail invest@reunert.co.za. For background information on Reunert and a presentation on these results visit our website at www.reunert.com

## **REUNERT LIMITED**

Incorporated in the Republic of South Africa (Reg No 1913/004355/06) Share code: RLO ISIN code: ZAE000005914

DIRECTORS: DE Cooper (Chairman)\*, G Pretorius (Chief Executive), BP Connellan\*, BP Gallagher, SD Jagoe\*, KJ Makwetla\*, GJ Oosthuizen, DJ Rawlinson, MJ Shaw\*, Dr JC van der Horst\* \*Non-executive

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