

REUNERT

REUNERT LIMITED

Incorporated in the Republic of South Africa

Registration number 1913/004355/06
("Reunert", "the group" and "the company")

Share code: RLO

ISIN: ZAE000057428

Unaudited group results

for the six months ended 31 March 2011 and cash dividend declaration

Headline earnings per share up 18%

Available cash on hand of R1,3 billion

Normalised headline earnings per share up 9%

Cash dividend per share 77 cents

Condensed group income statement

Notes	Six months ended 31 March			Year ended 30 September 2010	
	2011 R million (Unaudited)	2010 R million (Unaudited)	% change	R million (Audited)	
	5 223,5	5 113,6	2	10 679,9	
Revenue					
Earnings before interest, tax, depreciation, amortisation, other income and dividends	651,2	608,6	7	1 281,4	
Other income	10,3	23,7		54,9	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	661,5	632,3	5	1 336,3	
Depreciation and amortisation	57,5	50,8	13	112,7	
Operating profit	604,0	581,5	4	1 223,6	
Net interest and dividend income	46,2	48,4	(5)	98,4	
Abnormal items	346,4	(34,0)		(34,0)	
Profit before taxation	996,6	595,9	67	1 288,0	
Taxation	201,4	192,6	5	376,6	
Profit after taxation	795,2	403,3	97	911,4	
Profit attributable to:					
Non-controlling interests	5,4	4,7	15	12,0	
Equity holders of Reunert Limited	789,8	398,6	98	899,4	
Basic earnings per share (cents)	466,5	223,1	109	503,3	
Diluted earnings per share (cents)	463,2	221,1	110	498,8	
Headline earnings per share (cents)	262,7	223,0	18	505,5	
Diluted headline earnings per share (cents)	260,9	221,0	18	501,1	
Normalised headline earnings per share (cents)	260,7	238,9	9	515,7	
Normalised diluted headline earnings per share (cents)	258,8	236,8	9	511,1	
Cash dividend per ordinary share declared (cents)	77,0	67,0	15	287,0	
Taxation rate including abnormal items	20,2	32,3	37	29,2	
Taxation rate excluding abnormal items	31,0	30,6	1	28,5	
EBITDA as a % of revenue	12,7	12,4	2	12,5	

Condensed group statement of comprehensive income

Notes	Six months ended 31 March			Year ended 30 September 2010	
	2011 R million (Unaudited)	2010 R million (Unaudited)		R million (Audited)	
	795,2	403,3		911,4	
Profit after taxation					
Other comprehensive income, net of tax:					
Losses arising from translating the financial statements of foreign subsidiaries	(1,0)	(1,6)		(1,9)	
Gain on disposal of investment classified as available-for-sale	(348,2)	–		–	
Effective portion of gains on hedging instruments in a cash flow hedge	2,9	3,3		6,0	
Income tax relating to components of other comprehensive income	(0,3)	–		1,2	
Total comprehensive income	448,6	405,0		916,7	
Total comprehensive income attributable to:					
Non-controlling interests	5,4	4,7		12,0	
Equity holders of Reunert Limited	443,2	400,3		904,7	

Condensed group balance sheet

Notes	As at 31 March			30 September 2010	
	2011 R million (Unaudited)	2010 R million (Unaudited)		R million (Audited)	
Non-current assets					
Property, plant and equipment and intangible assets	631,6	632,0		635,3	
Goodwill	504,4	491,8		492,1	
Investments and loans	45,5	841,4		44,3	
Quince receivables	758,7	838,9		821,7	
Other accounts receivable	–	86,3		–	
Deferred taxation	37,1	28,7		40,4	
Non-current assets	1 977,3	2 919,1		2 033,8	
Current assets					
Inventory and contracts in progress	774,7	733,9		863,3	
Accounts receivable and derivative assets	1 678,3	1 702,9		1 737,8	
Quince receivables	640,4	745,8		646,3	
Investment	–	–		793,5	
Cash and cash equivalents	1 333,6	1 397,2		1 805,6	
Quince bank balances and cash	–	123,8		72,5	
Current assets	4 427,0	4 703,6		5 919,0	
Total assets	6 404,3	7 622,7		7 952,8	
Equity attributable to equity holders of Reunert Limited					
Ordinary	3 414,8	4 140,6		4 432,4	
Preference	0,7	0,7		0,7	
	3 415,5	4 141,3		4 433,1	
Non-controlling interests	39,1	30,6		37,9	
Total equity	3 454,6	4 171,9		4 471,0	
Non-current liabilities					
Deferred taxation	69,1	127,9		122,0	
Long-term borrowings	13,0	11,0		11,0	
Quince long-term borrowings	–	699,9		699,9	
Non-current liabilities	82,1	838,8		832,9	
Current liabilities					
Accounts payable, derivative liabilities, provisions and taxation	1 628,4	1 766,8		1 956,6	
Quince bank borrowings	1 239,2	845,2		691,5	
Bank overdrafts and short-term portion of long-term borrowings (including finance leases)	–	–		0,8	
Current liabilities	2 867,6	2 612,0		2 648,9	
Total equity and liabilities	6 404,3	7 622,7		7 952,8	

Condensed group statement of changes in equity

Notes	Six months ended 31 March			Year ended 30 September 2010	
	2011 R million (Unaudited)	2010 R million (Unaudited)		R million (Audited)	
Share capital and premium					
Balance at the beginning of the period	140,9	116,0		116,0	
Issue of shares	32,9	2,1		24,9	
Balance at the end of the period	173,8	118,1		140,9	
Share-based payment reserve					
Balance at the beginning of the period	732,4	679,6		679,6	
Share-based payment expense and deferred tax there on	4,3	40,6		52,8	
Balance at the end of the period	736,7	720,2		732,4	
Fair value adjustment reserve*					
Balance at the beginning of the period	345,6	338,4		338,4	
Other comprehensive income	(345,6)	3,3		7,2	
Balance at the end of the period	–	341,7		345,6	
Equity transaction with BEE partner	(35,3)	(35,3)		(35,3)	
BEE shares**	(276,1)	(276,1)		(276,1)	
Treasury shares***					
Balance at the beginning of the period	(125,7)	–		–	
Purchases made during the period	(1 127,9)	–		(125,7)	
Balance at the end of the period	(1 253,6)	–		(125,7)	
Non-distributable reserves					
Balance at the beginning of the period	10,0	11,9		11,9	
Other comprehensive income	(1,0)	(1,6)		(1,9)	
Balance at the end of the period	9,0	10,3		10,0	
Retained earnings					
Balance at the beginning of the period	3 641,3	3 199,9		3 199,9	
Profit after taxation attributable to equity holders of Reunert	789,8	398,6		899,4	
Taxation charge on transaction with BEE partner	–	–		(2,0)	
Cash dividends declared and paid	(370,1)	(336,1)		(456,0)	
Balance at the end of the period	4 061,0	3 262,4		3 641,3	
Equity attributable to equity holders of Reunert Limited	3 415,5	4 141,3		4 433,1	
Non-controlling interests					
Balance at the beginning of the period	37,9	26,7		26,7	
Share of total comprehensive income	5,4	4,7		12,0	
Dividends declared and paid	(4,2)	(0,8)		(0,8)	
Balance at the end of the period	39,1	30,6		37,9	
Total equity at end of the period	3 454,6	4 171,9		4 471,0	

* This reserve relates to fair value adjustments on financial assets classified as "available-for-sale" financial assets in terms of IAS 39.

** These are shares held by Bargene Investment Limited (Bargene), a company sold by Reunert to an accredited BEE partner in 2007. In terms of IFRS, until the amount owing by the BEE partner is repaid to Reunert, Bargene is consolidated by the group as the significant risks and rewards of ownership of the equity have not passed to the BEE partner.

*** Commencing in August 2010, a group subsidiary purchased Reunert shares on the open market. Up to 30 September 2010, 2,1 million shares had been bought at an average price of R59,18 per share. No further purchases have been made since 4 February 2011 at which time a total of 19,2 million shares had been bought at an average price of R65,37 per share.

Condensed group cash flow statement

Notes	Six months ended 31 March			Year ended 30 September 2010	
	2011 R million (Unaudited)	2010 R million (Unaudited)		R million (Audited)	
EBITDA	661,5	632,3		1 336,3	
(Increase)/decrease in net working capital	(172,3)	97,5		318,3	
Increase/(decrease) in net working capital (excluding Quince)	(241,2)	(21,1)		83,0	
Decrease in Quince receivables	68,9	118,6		235,3	
Other (net)	7,5	(3,3)		26,3	
Cash generated from operations	496,7	726,5		1 680,9	
Net interest and dividend income	46,2	48,4		98,4	
Taxation paid	(185,5)	(213,9)		(407,9)	
Dividends paid (including to non-controlling interests)	(374,3)	(336,9)		(456,8)	
Net cash flows from operating activities	(16,9)	224,1		914,6	
Net cash flows from investing activities	(720,3)	(238,9)		(313,3)	
Capital expenditure	(55,1)	(73,2)		(148,9)	
Net cash flows from acquisition of businesses	(15,7)	(180,3)		(180,3)	
Net proceeds on disposal of investment in NSN	791,7	–		–	
Other	(0,6)	14,6		15,9	
Net cash flows from financing activities	(1 794,9)	2,2		(103,8)	
Shares issued	32,9	2,1		24,9	
Shares repurchased during the period	(1 127,9)	–		(125,7)	
Repayment of Quince long-term borrowings	(699,9)	–		–	
Other	–	0,1		(3,0)	
(Decrease)/increase in net cash resources	(1 091,5)	(12,6)		497,5	
Net cash resources at the beginning of the period	1 185,9	688,4		688,4	
Net cash resources at the end of the period	94,4	675,8		1 185,9	
Cash and cash equivalents	1 333,6	1 397,2		1 805,6	
Bank overdrafts	–	–		(0,7)	
Net cash resources excluding Quince	1 333,6	1 397,2		1 804,9	
Quince net borrowings	(1 239,2)	(721,4)		(619,0)	
Quince bank balances and cash	–	123,8		72,5	
Quince short-term borrowings	(1 239,2)	(845,2)		(691,5)	
Net cash resources including Quince net borrowings at the end of the period	94,4	675,8		1 185,9	

Notes

	31 March 2011 R million (Unaudited)	31 March 2010 R million (Unaudited)	30 September 2010 R million (Audited)
Note 1			
Other income and EBITDA			
EBITDA is stated after:			
– Cost of sales	3 694,8	3 649,3	7 599,5
– Other expenses excluding depreciation and amortisation	862,3	820,0	1 727,5
– Other income	10,3	23,7	54,9
– Realised loss on foreign exchange and derivative instruments	(17,8)	(10,5)	(15,5)
– Unrealised profit/(loss) on foreign exchange and derivative instruments	2,6	(25,2)	(56,0)

	31 March 2011 R million (Unaudited)	31 March 2010 R million (Unaudited)	30 September 2010 R million (Audited)
Note 2			
Net interest and dividend income			
Interest received	53,0	57,7	109,0
– From Quince Capital (Pty) Limited (Quince)	24,1	25,1	44,0
– External	28,9	32,6	65,0
Interest paid	(6,8)	(9,3)	(12,0)
– To Quince	(2,6)	(2,8)	(4,8)
– External	(4,2)	(6,5)	(7,2)
Dividend income	–	–	1,4
Total	46,2	48,4	98,4

	31 March 2011 R million (Unaudited)	31 March 2010 R million (Unaudited)	30 September 2010 R million (Audited)
Note 3			
Abnormal items			
Gain on disposal of investment classified as available-for-sale	348,2	–	–
Less: Costs associated with disposal	(1,8)	–	–
Net gain on disposal of investment in NSN (refer to note 8)	346,4	–	–
BEE transaction expense	–	(34,0)	(34,0)
Taxation (refer to note 4)	0,3	–	–
Net abnormal items after taxation	346,7	(34,0)	(34,0)

	31 March 2011 R million (Unaudited)	31 March 2010 R million (Unaudited)	30 September 2010 R million (Audited)
Note 4			
Taxation			
An estimate of the expected capital gains tax payable on the disposal of the investment in NSN (refer to notes 3 and 8) was provided for in prior years as a result of the change in the nature of the investment from an equity accounted associate to an available-for-sale financial instrument carried at fair value. The current year taxation effect of the gain (refer to note 3) is due to an adjustment between the estimate provided previously and the amount currently expected to be paid.			

	31 March 2011 R million (Unaudited)	31 March 2010 R million (Unaudited)	30 September 2010 R million (Audited)
Note 5			
Number of shares used to calculate earnings per share			
Weighted average number of shares in issue used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	169,3	178,7	178,7
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	1,2	1,6	1,6
Weighted average number of shares used to determine diluted basic, diluted headline and diluted normalised headline earnings per share (millions of shares)	170,5	180,3	180,3

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NASHUA

REUTECH

CBI electric

Commentary

Reunert is pleased to report a 9% increase in normalised headline earnings per share to 260,7 cents from 238,9 cents achieved in 2010. Revenue increased by 2% despite the group's decision to exit the consumer business of Nashua Electronics. A continual focus on productivity improvements increased margins enabling the group to grow operating profit by 4% to R604 million.

Basic earnings increased by 97% due to the profit of R346 million realised on the sale of the NSN shares. Headline earnings per share growth of 18% was notably due to the one-off charge of R34 million for the BEE transaction completed in Reutech in 2010 not being repeated this year, and the buyback of 19,2 million shares.

Reunert ended the six months with available cash of R1,3 billion after the buyback of shares to the value of R1,1 billion, offset by the sale of its 40% stake in NSN for R794 million.

REVIEW OF OPERATIONS

CBI-electric

Revenue increased by 14% to R1,5 billion due to strong demand for certain electrical products, as well as increased exports into international markets. Operating profit increased by 16% to R253 million.

The demand for energy cables continued at the level achieved during the second half of last year. The price of copper remained at premium levels. Increased efficiency contributed to better gross margins.

The low voltage business experienced strong demand for its products from international markets. Operating profit was significantly up on the previous period due to increased exports and the return to profitability of the Australian operation. Strict cost control and efficiency also led to improved margins.

Telecommunications cables had a disappointing first period with revenue remaining flat and operating margins decreasing because of reduced throughput in the factory. The delay in the long haul fibre networks and low demand for copper cable were the major causes.

Nashua

Nashua performed well in quiet market conditions with revenue remaining constant at R3,4 billion while operating profit increased by 8% to R315 million.

The office automation operations experienced increased unit sales over the previous period but had no growth in revenue in a competitive market. Prices to the market were reduced as a result of the strong rand. The franchises owned by Nashua performed well and contributed positively to the division's profitability. The strategy of purchasing larger franchises continues.

Nashua Communications achieved pleasing results and the expected benefits of adding Panasonic's PABX business to its portfolio were achieved.

Nashua Mobile continues to perform satisfactorily despite the reduction in this business's interconnect rates. Revenue and operating profit were in line with the previous period.

The restructuring at Nashua Electronics is now complete. The contribution from this division is small at this stage but encouraging.

Quince, the division's financing operation, performed well after a few difficult years. The operation is now focused on its core business of financing office automation and telecoms customers. Bad debts have reduced to minimal levels.

Reutech

Revenue for the period was 20% down on the previous period at R308 million with operating profit decreasing by 35% to R14 million. The contribution from Fuchs was significantly down for the period due to the non-receipt of an export order which is still expected during the year. The remaining businesses in the division performed as expected.

NSN

Reunert exercised its option to sell its shares in NSN to the controlling NSN shareholder in January 2011, as reported on SENS on 4 February 2011. R794 million was realised for the investment, which gave rise to the abnormal profit of R346 million.

ECN

Reunert announced on SENS on 14 March 2011 that it had acquired the business of ECN Telecommunications (Pty) Ltd (ECN). The transaction is subject to approval by the South African Competition Authorities. ECN's existing portfolio of internet protocol based telecommunication services will add converged voice and data capability to Nashua Mobile.

PROSPECTS

Should the current market conditions continue the board expects the second half performance to exceed that achieved in the first six months and earnings should increase.

The financial information on which the above forecast is based has not been reviewed and reported on by the company's external auditors.

DIVIDEND

The interim dividend has been increased to 77 cents per share (2010: 67 cents) which is a 15% increase over the comparable period. The board intends over time to narrow the difference between the interim and final dividend.

DIRECTORATE AND APPRECIATION

At the annual general meeting held on 8 February 2011 Brian Connellan and Bobby Makwetla retired from the board. The board expresses its appreciation to both of them for their valuable service to the group over many years.

The board is pleased to welcome Yolanda Cuba and Brand Pretorius as board members. Yolanda was appointed with effect from 1 January 2011 and Brand with effect from 22 February 2011.

Reunert Management Services resigned as company secretary on 1 April 2011 and Natasha Camhee was appointed as company secretary on that date.

CASH DIVIDEND

Notice is hereby given than an interim cash dividend No 170 of 77 cents per share (2010: 67 cents per share) has been declared by the directors for the six months ended 31 March 2011. In compliance with the requirements of Strate, the following dates are applicable:

Last date to trade (cum dividend)	Thursday, 9 June 2011
First date of trading (ex dividend)	Friday, 10 June 2011
Record date	Friday, 17 June 2011
Payment date	Monday, 20 June 2011

Shareholders may not dematerialise or rematerialise their share certificates between Friday, 10 June 2011 and Friday, 17 June 2011, both days inclusive.

As agreed to by shareholders at the company's annual general meeting held on 8 February 2011 dividend cheques amounting to less than R50,00 due to any holder of the company's shares will not be paid, unless otherwise requested in writing, but will be suppressed and retained in the company's unclaimed dividend account. Once the accumulated amount exceeds R50,00, such payment may be claimed by shareholders by submitting a written claim.

On behalf of the board

Trevor Munday

Chairman

Nick Wentzel

Chief Executive

Sandton, 17 May 2011

Directors: T S Munday (Chairman) *, NC Wentzel (Chief Executive), Y Z Cuba *, B P Gallagher, S D Jagoe*, T J Motsosi*, K W Mzondeki* , G J Oosthuizen, S G Pretorius *, N D Orleyn**, D J Rawlinson, Dr J C van der Horst *, R Van Rooyen*
*Independent non-executive; ** 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 (Pty) Limited. 70 Marshall Street, Johannesburg, 2001
P O Box 61051, Marshalltown, 2107

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

Secretaries' certification: In terms of Section 268 G(d) of the Companies Act of 1973, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the six months ended 31 March 2011 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.

Natasha Camhee

Company Secretary (appointed effective 1 April 2011)

Enquiries: Carina de Klerk +27 11 517 9000 or e-mail invest@reunert.co.za.
For more information log on to the Reunert website at www.reunert.com.

REUNERT

REUNERT LIMITED

www.reunert.com