

Segmental analysis

BUSINESS AND GEOGRAPHIC SEGMENTS

Business segments

The group is currently organised into four segments:

CBI-electric comprising CBI-electric: low voltage, CBI-electric: energy cables and CBI-electric: telecom cables, **Nashua** comprising Nashua Office Automation, Nashua Mobile, Nashua Electronics and RCCF (refer to note 34), **NSN** and **Reutech** comprising Reutech Precision Products, Reutech Communications, Reutech Solutions and Reutech Radar Systems.

The group overview on pages 6 to 8 gives details of the activities of each division.

These divisions are the basis on which the group reports its primary business segments. Segment information about these businesses is presented below.

The group's operations are situated mostly in South Africa, with minor operations situated in Australia, Germany and the United States of America. It is, therefore, not considered meaningful to disclose information on geographic segments according to location of operation.

REVENUE INCLUDING ASSOCIATE COMPANIES*

	2008 Rm	%	2007 Rm	%	% change
CBI-electric**	3 951,9	36	3 315,1	29	19
Nashua	6 445,2	58	5 816,3	52	11
NSN***	—	—	1 712,9	15	
Reutech	622,3	6	490,5	4	27
Total operations	11 019,4	100	11 334,8	100	(3)
Less: Reunert's attributable portion of associate companies' revenue	(98,3)		(1 760,4)		
Revenue as reported per the income statement	10 921,1		9 574,4		14

* Intersegment revenue is immaterial and has not been disclosed.

**2007 revenue includes an amount of R96,3 million for inventory sold at book value by ATC (Pty) Limited to CBI-Electric Aberdare ATC Telecom Cables (Pty) Limited.

***Revenue excludes commission received attributable to the investment in NSN (refer to note 2). Revenue of NSN in 2008 is not included due to the change in accounting treatment of the investment in NSN (refer to note 15).

OPERATING PROFIT INCLUDING ASSOCIATE COMPANIES

	2008 Rm	%	2007 Rm	%	% change
CBI-electric	675,3	42	553,9	36	22
Nashua	652,8	41	674,7	44	(3)
NSN*	139,0	9	211,2	13	(34)
Reutech	136,9	8	109,2	7	25
Total operations	1 604,0	100	1 549,0	100	4
Less: Reunert's attributable portion of associate companies' net operating profit	(31,4)		(230,3)		
Operating profit as reported in the income statement	1 572,6		1 318,7		19

* Operating profit in 2008 represents commission received, whereas the 2007 figure represents 40% of the NSN operating profit (refer to notes 2, 14 and 15).

Segmental analysis > continued

TOTAL ASSETS* (INCLUDING ASSOCIATE COMPANIES)

	2008 Rm	2007 Rm
CBI-electric	2 187,2	1 690,3
Nashua	4 266,6	3 231,6
NSN**	—	538,7
Reutech	313,2	259,2
Total operations	6 767,0	5 719,8
Less: Reunert's attributable portion of associate companies' assets	—	(1 409,2)
Total assets* as reported per the balance sheet	6 767,0	4 310,6

*Total assets exclude deferred taxation assets, cash and cash equivalents and RCCF bank balances and cash.

**NSN not included due to the change in accounting treatment (refer to note 15).

TRADE AND OTHER PAYABLES, DERIVATIVE LIABILITIES AND PROVISIONS, INCLUDING ASSOCIATE COMPANIES

	2008 Rm	2007 Rm
CBI-electric	560,0	465,0
Nashua	1 102,4	1 191,7
NSN *	—	372,5
Reutech	133,8	174,9
Total operations	1 796,2	2 204,1
Less: Reunert's attributable portion of associate companies' liabilities	—	(393,3)
Trade and other payables, derivative liabilities and provisions as reported per the balance sheet	1 796,2	1 810,8

*NSN not included due to the change in accounting treatment (refer to note 15).

CAPITAL EXPENDITURE EXCLUDING ASSOCIATE COMPANIES

	2008 Rm	2007 Rm
CBI-electric	76,9	111,3
Nashua	22,8	28,2
Reutech	17,4	9,5
Capital expenditure as reported	117,1	149,0

DEPRECIATION AND IMPAIRMENTS OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS EXCLUDING ASSOCIATE COMPANIES

	2008 Rm	2007 Rm
CBI-electric	45,1	41,4
Nashua	33,2	29,0
Reutech	8,3	5,5
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets as reported	86,6	75,9

NUMBER OF EMPLOYEES EXCLUDING ASSOCIATE COMPANIES

	2008	2007
CBI-electric	3 805	3 411
Nashua	2 396	2 144
Reutech	995	968
Number of employees as reported	7 196	6 523

Seven year review

	2008 Rm	2007 Rm	2006 Rm	2005* Rm	2004** Rm	2003** Rm	2002** Rm
CONDENSED BALANCE SHEETS							
ASSETS							
Property, plant and equipment	569,6	565,7	455,4	328,4	196,2	213,7	157,1
Intangible assets	21,7	13,0	11,9	7,9	—	—	—
Goodwill	415,3	372,8	326,8	329,0	324,8	306,9	360,0
Investments and loans	865,3	727,9	148,8	116,2	109,9	20,8	151,6
RCCF accounts receivable	1 957,0	—	1 403,8	1 028,2	528,5 [†]	1 220,0	953,9
Deferred taxation assets	32,0	37,9	59,1	37,5	56,2	33,1	25,9
Cash and cash equivalents	794,6	530,6	969,3	784,4	451,3	484,8	283,5
RCCF bank balances and cash	82,0	—	—	—	—	—	—
Other current assets [#]	2 938,1	2 631,2	2 284,7	1 570,9	1 422,9	1 367,9	1 401,5
Total assets	7 675,6	4 879,1	5 659,8	4 202,5	3 089,8	3 647,2	3 333,5
EQUITY AND LIABILITIES							
Ordinary and preference equity holders of Reunert	3 675,4	2 469,0	1 680,9	1 561,7	983,1	1 156,5	1 071,1
Minority interest	20,7	14,4	38,2	43,0	39,7	121,2	103,5
Total equity	3 696,1	2 483,4	1 719,1	1 604,7	1 022,8	1 277,7	1 174,6
Deferred taxation liabilities	208,2	115,8	141,6	81,7	44,3	63,8	45,9
Long-term borrowings	12,8	278,8	115,0	111,7	—	—	—
RCCF long-term borrowings	699,9	—	—	—	—	—	—
RCCF short-term borrowings	1 164,4	—	1 187,9	866,8	314,1 [†]	900,7	838,0
Current liabilities [#]	1 894,2	2 001,1	2 496,2	1 537,6	1 708,6	1 405,0	1 275,0
Total equity and liabilities	7 675,6	4 879,1	5 659,8	4 202,5	3 089,8	3 647,2	3 333,5
CONDENSED INCOME STATEMENTS							
Revenue	10 921,1	9 574,4	8 236,4	7 012,0	6 247,3	6 103,9	5 062,9
Operating profit	1 572,6	1 318,7	1 272,7	917,3	700,5	607,7	472,1
Net interest and dividends received	60,3	54,8	64,9	50,1	65,1	45,2	36,5
Profit before abnormal items	1 632,9	1 373,5	1 337,6	967,4	765,6	652,9	508,6
Abnormal items	1,5	(447,6)	1,6	3,9	6,0	—	(18,7)
Profit before taxation	1 634,4	925,9	1 339,2	971,3	771,6	652,9	489,9
Taxation	(486,8)	(427,4)	(500,5)	(326,5)	(309,0)	(224,4)	(177,3)
Profit after taxation	1 147,6	498,5	838,7	644,8	462,6	428,5	312,6
Share of associate companies' profits/(losses)	16,1	148,4	95,2	79,2	66,8	(82,6)	89,6
Profit for the year	1 163,7	646,9	933,9	724,0	529,4	345,9	402,2
Profit for the year attributable to:							
Minority interest	7,1	7,6	11,1	10,7	51,0	50,5	31,6
Equity holders of Reunert	1 156,6	639,3	922,8	713,3	478,4	295,4	370,6
	1 163,7	646,9	933,9	724,0	529,4	345,9	402,2
Headline earnings attributable to equity holders of Reunert	1 159,8	481,3	918,6	708,1	526,9	345,6	429,3

	2008 Rm	2007 Rm	2006 Rm	2005* Rm	2004** Rm	2003** Rm	2002** Rm
CONDENSED CASH FLOW STATEMENTS							
EBITDA	1 659,2	1 393,0	1 335,9	967,2	811,9	712,3	559,7
Changes in working capital	(295,2)	(439,0)	(252,8)	(101,3)	113,0	210,5	(157,2)
Cash generated from operations excluding changes in RCCF receivables	1 364,0	954,0	1 083,1	865,9	924,9	922,8	402,5
Net interest and dividends received	147,2	200,8	120,9	119,3	65,1	45,2	144,9
Taxation paid	(410,8)	(568,6)	(347,4)	(364,9)	(313,5)	(178,7)	(209,0)
Dividends paid	(569,0)	(879,3)	(464,2)	(308,3)	(268,1)	(258,4)	(201,0)
Share buy back	—	—	—	—	(476,6)	—	—
Other (net)	19,4	23,7	(4,3)	29,3	(5,8)	(2,8)	12,5
Net cash flows from operating activities excluding changes in RCCF receivables	550,8	(269,4)	388,1	341,3	(74,0)	528,1	149,9
Net cash flows from investing activities	(921,3)	1 008,6	(185,7)	(48,5)	(250,1)	(102,8)	(466,3)
Net cash flows from financing activities	(380,3)	274,5	27,0	156,1	18,7	(17,5)	2,2
Net cash (utilised)/generated (before RCCF receivables)	(750,8)	1 013,7	229,4	448,9	(305,4)	407,8	(314,2)
(Increase)/decrease in RCCF receivables	(32,5) [°]	(300,7) [°]	(375,6)	(499,7)	691,5 [†]	(269,8)	(208,8)
Net cash (utilised)/generated	(783,3)	713,0	(146,2)	(50,8)	386,1	138,0	(523,0)

*The 2005 information has been restated to take account of the effect of adopting SAICA Circular 9/2006 and IFRS on 1 October 2004.

**The 2002 to 2004 information has not been restated to take account of the effect of adopting IFRS and is therefore still in terms of SA GAAP.

[†]In December 2003, R1 255,5 million was received on the sale of the RCCF debtors book.

[°]Increase in RCCF receivables while it was a consolidated subsidiary (refer to note 34).

#In the prior years inventory items were shown net of advance payments received from customers. These utilised advanced payments are now disclosed in current liabilities.

Summary of statistics

	2008	2007	2006	2005**	2004 [†]	2003 [†]	2002 [†]
SHARES							
Number of ordinary shares on which earnings per share is calculated (million)	177,9	176,7	175,1	173,4	189,9	188,3	187,0
Net worth per share (cents)	2 060	1 390	953	896	572	612	572
Headline earnings per share (cents)	651,9	272,4	524,6	408,4	277,5	183,5	229,5
Normalised headline earnings per share (cents)	630,1	570,3	495,3	380,2	277,5	183,5	229,5
Basic earnings per share (cents)	650,1	361,7	527,0	411,4	251,9	156,9	198,1
Dividends per share (cents) – normal – special	319,0	314,0	273,0 200,0	222,0	160,0	120,0	118,0
Dividend cover (times)	2,0	1,8	1,8	1,7	1,7	1,5	1,9
Cashflow per share (cents)	629,5	345,0	486,7	374,6	353,2	417,7	187,7
Ordinary shares in issue (million) (net of treasury shares)	178,4	177,7	176,3	174,4	171,8	188,8	187,3
Number of transactions – JSE	67 690	70 848	46 549	20 938	13 452	11 308	12 765
Number of shares traded (million)	129,8	176,3	138,2	92,7	94,9	76,4	76,4
Value of shares traded (Rm)	8 019,9	13 549,1	8 519,7	3 473,0	2 129,5	1 380,4	1 438,2
Number of shares traded as a percentage of gross issued shares	65,9	89,9	70,7	47,9	49,7	37,1	37,4
Market price per share (cents)							
– year-end	5 749	6 700	6 814	4 230	2 790	1 710	1 860
– highest	8 049	8 800	7 745	4 400	2 900	2 230	2 220
– lowest	4 528	6 325	4 185	2 600	1 695	1 560	1 610
Earnings yield (%)	11,0	8,5	7,3	9,0	10,0	10,7	12,3
Dividend yield (%)	5,5	4,7	4,0	5,2	5,7	7,0	6,3
Price : Earnings ratio (times)	9,1	11,7	13,8	11,1	10,1	9,3	8,1
Market capitalisation (net of treasury shares) (Rm)	10 257	11 904	12 012	7 376	4 792	3 228	3 482
JSE actuaries' electronics sector index at 30 September	10 705	13 886	11 644	7 851	5 328	3 852	3 887
OTHER							
Number of employees	7 196	6 523	6 276	5 320	5 169	4 918	4 318
Revenue per employee (R'000)	1 518	1 468	1 312	1 318	1 209	1 241	1 173
Operating profit per employee (R'000)	219	202	203	172	136	124	109
Wealth created per employee (R'000)	477	383	439	405	409	335	312
Employment cost per employee (R'000)	172	166	153	161	149	142	130

	2008	2007	2006	2005**	2004 [†]	2003 [†]	2002 [†]
PROFITABILITY, ASSET MANAGEMENT, LIQUIDITY AND LEVERAGE							
EBITDA as a percentage of revenue [#]	15,2	14,5	16,2	13,8	13,0	11,7	11,1
Operating margin (%) [#]	14,4	13,8	15,5	13,1	11,2	10,0	9,3
Net asset turn (times) (including RCCF)	3,4	5,4	8,0	7,7	7,6	6,8	5,9
Net asset turn (times) (excluding RCCF)	4,0	5,7	9,7	9,7	11,2	8,9	8,6
Normalised return on ordinary shareholders' funds (%)	36,5	48,6	53,5	49,8	49,3	31,0	44,1
Return on net operating assets (%)	50,1	82,4	131,9	108,9	99,6	63,5	70,0
Return on net operating assets excluding investments in associates (%)	52,9	86,9	136,8	110,9	96,7	78,4	71,5
Taxation as a percentage of profit before taxation [§]	29,8	32,2	34,2	33,8	36,4	34,4	34,9
Total liabilities to total shareholders' funds (%) [°]	102,6	92,3	226,0	161,1	197,8	180,5	179,9
Net borrowings to total shareholders' funds (%) [§]	27,6	0,0	21,5	13,8	3,2	32,8	47,4
Current ratio (excluding RCCF) [°]	2,0	1,7	1,1	1,4	1,1	1,3	1,3
Current ratio (including RCCF)	1,5	1,7	1,0	1,1	1,1	1,0	1,0
Interest cover (times)	36,8	25,6	38,1	42,0	69,4	12,1	25,5

*The 2005 normalised headline earnings per share have been restated to take account of the effect of the R24,1 million cost of the equity instrument offered to Powerhouse in 2005 to take up 25,1% of ATC (Pty) Limited's shares.

**The 2005 information has been restated to take account of the effect of adopting SAICA Circular 9/2006 and IFRS on 1 October 2004.

[†]The 2002 to 2004 statistics have not been restated to take account of the effect of adopting IFRS and therefore are still in terms of SA GAAP.

[°]These ratios have been restated in 2002 to 2007 to take account of the reallocation of the advance payments from inventory and contracts in progress to trade and other payables. (Refer to note 18.)

[#]The 2008 percentages have been increased by 1,3% each as a result of the NSN commission now disclosed in operating income, whereas income from NSN was previously disclosed as income from associates.

[§]The STC on a special dividend in 2006 and the share buy back in 2004 has been excluded in this calculation as well as abnormal items.

[§]There were no net borrowings in 2007 mainly due to Quince being equity accounted.

Definitions

Average net operating assets

The average net operating assets is calculated by taking the average of the opening and closing balances of each year.

Average ordinary shareholders funds

The average ordinary shareholders funds is calculated by taking the average of the opening and closing balances of each year.

Cash flow per share

Cash flow from operating activities, excluding the movement in RCCF accounts receivable, before dividends paid, divided by the weighted average number of shares in issue during the year, net of treasury shares.

Current ratio (excluding RCCF)

Current assets, excluding RCCF accounts receivable, divided by short-term non-interest-bearing debt which excludes RCCF short-term borrowings.

Current ratio (including RCCF)

Current assets, divided by short-term non-interest-bearing debt and RCCF short-term borrowings.

Dividend cover

Normalised headline earnings per share divided by dividend per share.

Dividend yield

Dividend per share divided by market price per share at year-end.

Earnings yield

Normalised headline earnings per share divided by market price per share at year-end.

EBITDA

Earnings (operating profit) before interest, taxation, depreciation and amortisation of intangible assets.

Headline earnings per share

Attributable earnings adjusted for attributable value of items in terms of SAICA Circular 08/2007, divided by the weighted average number of ordinary shares in issue during the year.

Market capitalisation

Market price per share at year-end multiplied by number of ordinary shares in issue, net of treasury shares.

Net asset turn (excluding RCCF)

Revenue divided by average net operating assets (excluding RCCF).

Net asset turn (including RCCF)

Revenue divided by average net operating assets (including RCCF).

Net borrowings

Total borrowings net of cash and cash equivalents.

Net interest cover

Operating profit and dividends from associate company divided by net interest paid.

Net operating assets (excluding RCCF)

Total assets, excluding long-term and short-term RCCF accounts receivable, cash and cash equivalents and RCCF bank balances and cash less current liabilities, excluding bank overdrafts and short-term portion of long-term borrowings and RCCF short-term borrowings.

Net operating assets (including RCCF)

Total assets, excluding cash and cash equivalents, less current liabilities, excluding bank overdrafts and short-term portion of long-term borrowings.

Net worth per share

Ordinary shareholders' funds divided by shares in issue at year-end, net of treasury shares.

Normalised headline earnings per share

Attributable headline earnings adjusted for the interest in profit that is economically attributable to BEE partners which, in terms of IFRS, is not charged as a minority interest in the income statement, and other items included in profit that are directly associated with BEE transactions, divided by the weighted average number of ordinary shares in issue during the year.

Operating margin

Operating profit divided by revenue.

Return on net operating assets

Operating profit, plus share of associate company's profit, less adjustments for capital items excluded from headline earnings, divided by average net operating assets.

Normalised return on net operating assets excluding investments in associates

As for return on net operating assets excluding investments in and share of associate company's profit.

Return on ordinary shareholders' funds

Normalised headline earnings divided by average ordinary shareholders' funds.

Total assets

Property, plant and equipment, intangible assets, investments and non-current assets.

Total borrowings

Interest-bearing debt.

Total liabilities

Total liabilities excluding deferred taxation.

Weighted average number of ordinary shares

The weighted average number of ordinary shares is the number of ordinary shares in issue at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year, multiplied by the number of days that the shares are issued as a proportion of the total number of days in the year.