

REUNERT

REUNERT LIMITED



ANNUAL FINANCIAL STATEMENTS 2017

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DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors are responsible for the preparation and fair presentation, in conformity with International Reporting Standards and the Companies Act of South Africa, 71 of 2008 ("Companies Act"), of the consolidated and separate annual financial statements of Reunert Limited ("annual financial statements") comprising the statements of financial position at 30 September 2017; the statements of comprehensive income; changes in equity; and cash flows for the year then ended.

To discharge this responsibility, the Board ensures through the review of information supplied by management and the reports of both the internal and external auditors, that the group (comprising the company, its subsidiaries, its joint ventures and associate) has instituted and applied appropriate internal controls and has operated a control environment that:

- > ensures (within appropriate cost benefit parameters) the safeguarding of the group's assets;
- > transactions are undertaken in accordance with the group's policies and procedures and within the group's delegation of authority limits; and
- > there is reasonable assurance as to the reliability of the group's financial information.

The Board also ensures that the group has instituted a risk management system which provides reasonable assurance that risks are:

- > identified;
- > assessed;
- > managed to acceptable levels; or
- > transferred.

Through its enquiries, the Board is not aware of any material breakdown in either internal controls or risk management that occurred during the year under review.

The Board has considered both the ability of the company and its subsidiaries to continue as going concerns for at least the next 12 months and the liquidity and solvency of the company before and after approving the final dividend for the 2017 financial year.

The company's external auditors, Deloitte & Touche, are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

On the recommendation of the Audit Committee, the financial statements set out on pages 7 to 81 were approved by the Board on 20 November 2017 and are signed on its behalf by:



Trevor Munday
Chairman



Alan Dickson
Chief executive officer



Nick Thomson
Chief financial officer

COMPANY SECRETARY'S CERTIFICATION

FOR THE YEAR ENDED 30 SEPTEMBER 2017

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I, Karen Louw, duly authorised on behalf of the company secretary, Reunert Management Services Proprietary Limited (registration number 1980/007949/07), certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 September 2017, all such returns and notices as are required in terms of the aforesaid Act and that all such returns and notices appear to be true, correct and up to date.



Karen Louw
on behalf of Reunert Management Services Proprietary Limited
Group company secretary
20 November 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Reunert Limited Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Reunert Limited, its subsidiaries, joint ventures and associate ("the Group") set out on pages 12 to 78, which comprise the statements of financial position as at 30 September 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 September 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our audit report with regard to the separate financial statements for the year ended 30 September 2017.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>Revenue recognition</p> <p>Revenue recognition is presumed to be a significant risk in terms of ISA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.</p> <p>Based on our risk assessment there is a risk regarding inappropriate revenue recognition at the Group's subsidiaries, specifically relating to the validity of revenue recognised. Our focus included the accuracy of contract accounting and the forecasted cost and associated percentage of completion. The recognition of revenue from contracts in respect of the Group's manufacturing activities, is dependent on the estimated percentage of completion of the contracts in progress at year-end.</p>	<p>The following procedures were performed in assessing the accounting for the validity of revenue in the current year:</p> <ul style="list-style-type: none"> > Obtained an understanding of the revenue recognition process in respect of these transactions (including contract accounting) to assess compliance with IFRS both from the recognition and measurement perspective as well as in terms of the presentation and disclosure requirements of IFRS; > Assessed the adequacy of the design and implementation of identified controls over the revenue processes; > Performed operating effectiveness assessments on the relevant controls; and > Inspected a sample of supporting evidence for the underlying transactions and assessed the accounting treatment to ensure it is in terms of IAS 18 - Revenue. <p>The recognition and disclosure of revenue is considered to be appropriate.</p>
<p>Goodwill impairment</p> <p>As disclosed in Note 12, the carrying value of goodwill recognised by the Group amounted to R921 million. Significant judgement is required by the directors in assessing the impairment of this goodwill, which is determined with reference to its value in use, based on cash flow forecasts for each affected cash generating unit. Accordingly, we identified the impairment of goodwill as representing a key audit matter.</p> <p>The assumptions with the most significant impact on the cash flow forecasts were:</p> <ul style="list-style-type: none"> > The growth rate applied is a highly subjective area of the forecast, since it is based on the directors' experience and expectations rather than observable market data; and > The discount rate, which is derived from the weighted average cost of capital incorporating risk factors. The calculation of the discount rate is complex and judgemental. 	<p>In evaluating the goodwill for potential impairment, we reviewed the value in use calculations prepared by the directors, with a particular focus on the estimated growth rates and discount rates. We performed various procedures, including:</p> <ul style="list-style-type: none"> > Tested the entity's controls relating to the preparation of the cash flow forecasts; > Tested the inputs into the cash flow forecast against historical performance in respect of each cash generating unit; > Compared the growth rates used to historical and external data regarding economic growth rates for the regions included in the cash generating units; > Involved Deloitte specialists to assist with the testing of the discount rate. The specialists' procedures included evaluating the Group's current funding rates, funding structures and risk profile against relevant market data; > Recomputed the value in use of each cash generating unit; > Performed sensitivity analyses on the growth rates and discount rates to evaluate the impact on the value in use; and > Assessed the appropriateness of the Group's disclosures. <p>The growth rates used in the calculation of the values in use were found to be appropriate. The discount rates applied in respect of some of the affected cash generating units were found to be somewhat optimistic, although this did not indicate any impairment of the goodwill. The disclosure substantially complies with the applicable accounting standards.</p>

Independent Auditor's Report continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Acquisition accounting	
<p>Reunert continued with synergistic corporate actions, which included the purchase offer for the majority share in Nanoteq (Pty) Ltd, Terra Firma Solutions (Pty) Ltd and Ryonix Robotics (Pty) Ltd.</p> <p>IFRS 3 – Business Combinations (“IFRS 3”) applies to the accounting for these acquisitions which have been disclosed in Note 29.</p> <p>The determination of the effective date of control, the acquisition date fair values of the identifiable assets acquired and the liabilities assumed, as well as other accounting treatments per IFRS 3 requires judgement and have therefore been identified as a key audit matter.</p>	<p>The following procedures were performed in assessing the accounting for the various acquisitions in the current year:</p> <ul style="list-style-type: none"> > Assessed the design and implementation of controls management has in place around the acquisitions function; > Obtained an understanding of the underlying agreements; > Assessed the nature of control obtained and the reasonability of the effective date of control; > Assessed the reasonability of management’s valuation of the fair values of the assets acquired and the liabilities assumed; > Assessed the accuracy of the relating journal entries; > Agreed the consideration paid to proof of payment and/or the underlying agreement; and > Independently recalculated the goodwill balance and agreed it to management’s calculation. <p>We further investigated any significant findings following the assessments performed above. We concur with management’s accounting and disclosure for the purchase price allocations of the acquisitions.</p>
IFRS 2 – Share based payment expense	
<p>Reunert has implemented certain changes to its corporate equity structure, which includes segment level Black Economic Empowerment (“BBBEE”) transactions. IFRS 2 – Share-based Payment applies to the accounting for BBBEE transactions where the value of cash and other assets received is less than the fair value of equity instruments granted to the BBBEE partner, i.e. for the provision of BBBEE equity credentials.</p> <p>Significant judgement is required in determining the valuation of the IFRS 2 share-based payment expenses relating to the measurement of the fair value of the shares acquired by the BBBEE participants. Given this significant judgment exercised by the directors, we have identified the charge as a key audit matter. The Group’s IFRS 2 charge is disclosed in Note 5.</p>	<p>In assessing the IFRS 2 Share-based payment expenses recognised by the directors, we performed the following procedures:</p> <ul style="list-style-type: none"> > Obtained an understanding of the underlying agreements; > Inspected the Investment Committee and Remuneration Committee approvals for these transactions respectively; > Obtained the directors’ valuation of the IFRS 2 expenses as calculated by their expert; > Involved Deloitte specialists to independently value the IFRS 2 expense and investigated any material differences; and > Assessed the recognition of the associated accounting treatment and disclosures. <p>From the evidence obtained, the valuation and recognition of the BBBEE related share-based payment expenses appear reasonable. Furthermore, we find the disclosures to be appropriate.</p>

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report, and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Integrated Report, which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- > Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Reunert Limited for 32 years.

The logo for Deloitte & Touche, featuring the company name in a stylized, cursive script.

Deloitte & Touche
Registered Auditor

Per: James Welch
Partner
29 November 2017

AUDIT COMMITTEE REPORT

The Audit Committee is an independent statutory committee appointed by the shareholders.

The Board formally delegates such additional duties and responsibilities to the Audit Committee beyond the statutory and regulatory duties of the Audit Committee as set out in the Companies Act and the JSE Listing Requirements, as it considers appropriate. These duties are summarised in the Audit Committee charter which is reviewed annually by the Audit Committee and then formally approved by the Board.

During the year under review, the Audit Committee conducted its affairs in accordance with the charter and assisted the Board in discharging its responsibilities under the Companies Act, the King Code of Governance Principles for South Africa 2009 (King III), and commenced the process of ensuring its charter and duties are properly aligned with the requirements of the King IV Report on Corporate Governance for South Africa, 2016 (King IV) which process will be completed during the 2018 financial year.

As required by the Audit Committee charter, the committee conducted a self-assessment as to the effectiveness of the committee, the chairman and the individual members of the committee. No material issues resulted from this review.

Composition and meetings

Members: R van Rooyen (Chairman), T Abdool-Samad, S Martin, P Mahanyele¹.

The Audit Committee comprises of at least three independent non-executive directors and meets at least three times a year. The chief executive, chief financial officer, external auditors, internal auditors and financial executives attend committee meetings by request and the chairman of the Board by invitation.

¹ P Mahanyele resigned on 1 November 2017.

Attendance register	Appointed to committee	14 November 2016	26 May 2017	18 September 2017	13 November 2017
R van Rooyen	17 Nov 2009	✓	✓	✓	✓
T Abdool-Samad	1 July 2014	✓	✓	✓	✓
S Martin	1 Dec 2013	✓	✓	✓	✓
P Mahanyele	1 Oct 2015	✓	✓	✓	N/A

Statutory duties

In execution of its statutory duties during the financial year and pursuant to the provisions of the JSE Listings Requirements, the audit committee:

- > confirmed the appointment of both Deloitte & Touche (Deloitte) as the independent external auditors and Mr James Welch as the designated audit partner for the 2017 financial year;
- > confirmed that Deloitte and the designated audit partner have not been removed from the JSE list of accredited auditors and accounting specialists;
- > reviewed the findings of the Independent Regulatory Board for Auditors (IRBA) resulting from their March 2017 inspection, which indicated that the quality control processes of Deloitte and the performance of the designated audit partner were satisfactory;
- > approved the Deloitte engagement letter, the audit plan and the audit fees payable to Deloitte;
- > obtained a statement from Deloitte confirming that its independence was not impaired;
- > pre-approved the non-audit services provided by Deloitte in terms of the approved policy as follows:
 - total fees charged by Deloitte in respect of all services were R23,3 million;
 - of which the group's external audit fee amounted to R19,6 million, including the audit fees for the new acquisitions (2016: R16,8 million); and
 - the fees for other services amounted to R3,7 million (2016: R3,9 million), which was lower than the maximum cap for non-audit services of 20% of the external audit fee or R3,92 million.
- > the nature and extent of the other services were also carefully considered prior to the engagements being approved by the Audit Committee and in the committee's opinion would not impact on the external auditor's independence;
- > as required by section 3.84(h)(iii) of the JSE Listings Requirements, obtained the information listed in paragraph 22.15(h) of the JSE Listings Requirements in its assessment of the suitability of Deloitte, as well as Mr Welch, for reappointment;
- > concluded that, based on the outcome of the inspection by IRBA of Deloitte (conducted between January and March 2017) and Mr Welch (conducted during June 2016), no matters were raised that impacted negatively on the suitability of either Deloitte or Mr Welch for reappointment as external auditors;
- > satisfied itself that there are no current, pending or finalised legal or disciplinary processes which affect the suitability of Deloitte and Mr Welch for appointment as Reunert's external auditor and individual designated auditor, respectively;

Audit Committee Report continued

- > based on the committee's evaluation of:
 - Deloitte's independence;
 - quality of work performed;
 - value for money in terms of fees charged;
 - the committee's consideration of the public debate on mandatory auditor rotation and the new legislated requirement for external auditor rotation; and
 - the findings in the IRBA report outlined above,recommends to the shareholders for consideration at the next AGM, the appointment of Deloitte as external auditors for the group's consolidated annual financial statements for the year ending 30 September 2018;
- > as required by section 3.84(h)(ii) of the JSE Listings Requirements, considered and satisfied itself that the group has adequate financial reporting procedures to ensure the timely and accurate preparation of the group's consolidated annual financial statements, free from material error and that these procedures are operating as intended; and
- > satisfied itself as to the appropriateness of the expertise and experience of the chief financial officer, and the expertise, resources and experience of the finance function.

Other responsibilities

The committee has performed its duties and responsibilities during the financial year according to its charter and terms of reference as follows:

Integrated reporting, interim reporting and annual financial statements:

- > guided the integrated reporting process, having regard to all factors and risks that may impact on the integrity of the integrated report;
- > assessed and recommended to the Board, the group's ability to continue as a going concern for at least the next 12 months and accordingly confirmed that the interim and annual financial statements were appropriately prepared on the going concern basis;
- > reviewed the interim and annual financial statements and other financial information made public, for recommendation to the Board, and satisfied itself that they fairly present the results of operations, cash flows and the financial position of both Reunert Limited and the group;
- > considered the accounting treatment for significant or unusual transactions and all material accounting judgements;
- > considered the appropriateness of the group's accounting policies and any changes made thereto;
- > reviewed any significant legal and tax matters and considered any concerns identified therein that could have a material impact on the annual financial statements;
- > reviewed the solvency and liquidity tests undertaken prior to relevant transactions and dividend declarations;
- > considered and made recommendations to the board on the proposal for interim and final dividends; and
- > met separately with management, Deloitte and internal audit to assess reporting controls and matters pertaining to the annual financial statements.

Effectiveness of external audit function:

- > reviewed and approved Deloitte's audit plan, their budgeted and final fee for the reporting period and their terms of engagement;
- > reviewed and evaluated Deloitte's audit process and concluded it to be satisfactory;
- > determined whether any reporting irregularities were identified and reported by Deloitte – no such irregularities were identified;
- > reviewed Deloitte's reports and obtained their assurance that adequate accounting records are being maintained;
- > reviewed the findings and recommendations of Deloitte and confirmed that no unresolved issues of concern exist between the group and Deloitte; and
- > through the conduct of an internal survey of the business unit chief executive officers, chief financial officers and key accounting staff, positively assessed Deloitte's performance of the 2017 external audit.

Key audit matters:

- > the committee noted the key audit matters set out in the independent external auditor's report, namely:
 - revenue recognition;
 - acquisition accounting;
 - goodwill impairment; and
 - IFRS 2 – Share-based Payment expenses.

The committee has deliberated on these matters and is comfortable that they have been appropriately addressed through the external audit, internal audit and the work undertaken by management.

Internal control, financial risk management, information technology and internal audit:

- > reviewed and approved the internal audit function's terms of reference, the annual internal audit plan and evaluated the independence, effectiveness and performance of the chief audit executive and the internal audit function and found it to be satisfactory;
- > considered the reports of the internal auditors on the group's systems of internal control including financial controls, financial risk management, information technology and maintenance of effective internal control systems, and concluded that there were no material breakdowns in internal control;
- > reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto; and
- > received written assurance as to the effectiveness of the group's system of internal controls and financial risk management from internal audit.

Legal and regulatory compliance:

- > reviewed legal matters that could have a material impact on the group;
- > considered reports provided by management, internal audit and Deloitte regarding compliance with legal and regulatory requirements;
- > monitored the resolution of items received through the group's independent, confidential whistle-blowing service; and
- > evaluated the consolidated feedback presented by the company secretary of the annual compliance certification undertaken by the managing director of each of the group's business units.

Sustainability information:

- > monitored the process of sustainability reporting; and
- > received the necessary assurance from internal audit that material disclosures are reliable and do not conflict with the financial information.

Conclusion

The committee was satisfied that it has complied with all its statutory and other responsibilities and, having had regard to all material risks and factors that may impact on the integrity of the integrated report and the annual financial statements, following its review, the audit committee recommended the integrated report and the annual financial statements of Reunert Limited for the year ended 30 September 2017 for approval by the Board.



Rynhardt van Rooyen

Chairman
Sandton

20 November 2017

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Authorised and issued capital

The authorised capital of the company remained unchanged.

During the current year, 318 600 (2016: 474 200) shares were issued in terms of the 2006 share scheme at issue prices ranging from R39,30 to R59,55 (2016: R39,30 to R60,80) per share at a total consideration of R16 million.

As part of our capital allocation and demonstrating the confidence we have in Reunert's future, we commenced a share buyback programme in September 2016, under general shareholder authority permitting us to purchase up to nine million shares. During the current year we repurchased 3 005 606 (2016: 443 331) shares at an average price of R67,39 (2016: R62,69) per share, inclusive of transaction costs and a total consideration of R202,5 million (2016: R27,8 million), of which R4 million (56 515 shares) was applied to the conditional share plan. By year-end we had repurchased a net cumulative 3 392 422 shares at an average price of R66,86. We continued to repurchase shares during the closed period in terms of a firm mandate that was effected prior to the closed period in accordance with the JSE Listings Requirements.

Review of operations and results

The growth in the group's revenue, operating profit and earnings are presented in the table below.

Measure	Units	2017	2016	%
Revenue	R million	9 773	8 511	15
Operating profit	R million	1 497	1 315	14
Basic earnings per share	cents	680	577	18
Headline earnings per share	cents	679	570	19
Normalised headline earnings per share	cents	697	662	5

Group revenue increased by 15% to R9,8 billion (2016: R8,5 billion). The major area of growth was in the Electrical Engineering segment, where segment revenue grew by 28%. Revenue in the ICT segment was flat. In the office automation business, revenue increased from the sales of fewer, but higher-value units. In the voice-over-internet business the final statutory reduction in interconnect rates resulted in lower income despite the positive customer growth. Revenue in the Applied Electronics segment grew by 14% despite a stronger Rand impacting export revenue and that full export fuze production only resumed in the second half.

Group operating profit increased by 14% from R1,3 billion to R1,5 billion. The Electrical Engineering segment's operating profit improved by 14%, driven by strong growth in our cable businesses and the incorporation of our acquisition in Zambia. The stronger Rand negatively impacted our circuit breaker business.

The 16% increase in the ICT segment's operating profit was mainly due to the successful implementation of margin-enhancing programmes in Nashua and ECN and volume growth on higher-volume office automation equipment and voice minutes.

Despite profit growth in all the Applied Electronics segment's businesses, except the fuze business, the segment returned a 10% decline in operating profit. The fuze business returned to full production in the second half of the financial year after securing new long-term contracts.

Cash dividend

An interim ordinary cash dividend No 182 of 120 cents (2016: No 180 of 113 cents) per share was declared on 29 May 2017, and a final ordinary cash dividend No 183 of 354 cents (2016: No 181 of 326 cents) per share was declared on 20 November 2017, bringing the total distribution out of the 2017 profit for the year to 474 cents (2016: 439 cents).

Subsidiary companies

Annexure A sets out the principal subsidiaries of the company.

Note 29 sets out the acquisitions concluded during the year.

Directorate and secretariat

Directors are subject to retirement by rotation at least once every three years in terms of the Memorandum of Incorporation (MOI) and, if available, may be re-elected by the shareholders at the succeeding annual general meeting (AGM). Appointments are not for a fixed term. M Moodley, NDB Orleyn, SG Pretorius and NA Thomson retire by rotation at the next AGM. The Nomination and Governance Committee, at its meeting on 20 November 2017, recommended that they be re-elected and having made themselves available for re-election. P Mahanyele tendered her resignation from the Board with effect from 1 November 2017. TJ Motsosi will retire from the Board on 12 February 2018, having reached mandatory retirement age.

Interests of directors

At the reporting date, fully paid ordinary Reunert shares were held directly and indirectly by the directors as indicated in the table below:

	Direct beneficial		Indirect beneficial		Held by associates		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
AE Dickson	83 275	–	–	–	–	–	83 275	–
M Moodley	27 932	–	–	–	–	–	27 932	–
NDB Orley ¹	–	–	–	–	1 554 000	1 554 000	1 554 000	1 554 000
MAR Taylor	23 869	–	–	–	–	–	23 869	–
NA Thomson	56 178	–	–	–	–	–	56 178	–
	191 254	–	–	–	1 554 000	1 554 000	1 745 254	1 554 000

¹ These shares are held indirectly through Bargenel Investments Proprietary Limited (Bargenel) in Reunert, which relates to the empowerment deal concluded in 2007.

Their holding has remained unchanged from 30 September 2017 to 20 November 2017.

The directors have no financial interest in contracts entered into by the group during the year. For further information on directors' share options, refer to note 25 of the annual financial statements.

Attributable interest

The attributable interest of the company in the aggregate profits and losses of its consolidated subsidiaries for the year is as follows:

Rm	2017	2016
Net income	1 086	981
Net losses	(39)	(152)
	1 047	829

Going concern

The directors confirm that the group and company have adequate resources to operate for the next 12 months as a going concern.

Subsequent events

The directors are not aware of any matters or circumstances arising between the end of the financial year and the date of these financial statements, which materially affect the financial position or results of the company or group.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The annual financial statements, comprising Reunert (referred to as “the company”), its subsidiaries, joint ventures and associate (altogether referred to as “the group”), incorporate the following principal accounting policies, set out below. In these accounting policies “the group” refers to both the group and company.

Statement of compliance

The annual financial statements have been prepared in accordance with:

- > International Financial Reporting Standards (IFRS) including the interpretations adopted by the International Accounting Standards Board (IASB) which were in issue and effective for the group at 30 September 2017;
- > the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
- > JSE Listings Requirements;
- > the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
- > the requirements of the Companies Act.

Basis of preparation

In line with the disclosure initiative amendments to IAS 1 – Presentation of Financial Statements, which provided improved presentation and disclosure guidelines, the presentation and disclosure of the annual financial statements have been revised. Specific accounting policies have been included in the various notes to the annual financial statements.

The annual financial statements have been prepared on the going concern and historical-cost basis, except for financial instruments that are measured at fair values, as explained in note 28.

The accounting policies set out below have been applied, in all material respects, consistently to all periods presented in these annual financial statements.

The group structure is diverse, with its various subsidiaries operating in a wide range of activities. The main streams of business activity are concentrated in the following three segments, namely: Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics. Our main operations are located in South Africa, with others in Australia, Lesotho, Sweden, USA and Zambia.

Functional and presentation currency

The Reunert group’s functional and presentation currency is Rand and all amounts, unless otherwise stated, are stated in millions of Rand (Rm). The following exchange rates were used when preparing these annual financial statements:

	1 USD	1 SEK	1 ZMW	1 AUD
Year-end rate:	R13,49	R1,65	R1,39	R10,58
Annual average rate:	R13,36	R1,53	R1,40	R10,18

Critical judgements and estimates

The preparation of the annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of intangible assets

Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero. The basis for determining the useful lives for the various categories of intangible assets is as follows:

Computer software, customer list, restraint of trade and order book

The useful lives of unique software products controlled by the group are based on historical experience with similar assets, as well as anticipation of future events such as technological changes and anticipated replacement periods. Useful lives of other intangible assets are based on the expected pattern of consumption of the future economic benefits.

Models, designs and prototypes

Useful lives of intangible assets are either based on the expected contract periods for the industrialised product, or are based on the expected pattern of consumption of the future economic benefits of the asset. An accelerated pattern of consumption has been applied for acquired intangible assets in Ryonic, due to the nature of the technology and expected future changes to models and prototypes. Refer to note 11.

Acquisitions

Three acquisitions were made in the current year namely: Nanoteg, Terra Firma and Ryonic. The group achieved control over these entities as a result of the purchase of the majority of the equity shares in these entities and its ability to use its majority equity interest to affect the variable returns from these businesses. Consequently, these acquisitions and the purchase price allocation were evaluated as an acquisition of a business and treated as a business combination in terms of IFRS 3 – Business Combinations. Refer to note 29.

Impairment of goodwill

The recoverable amounts of the cash-generating units (CGUs) to which goodwill is attributable are determined as the higher of fair value less costs to sell or value in use. Value in use is determined using discounted cash flow calculations covering a five-year period and including a terminal value. Management is confident that projections covering periods up to five years are appropriate based on the long-term nature of the group's infrastructure and operating model. The group prepared cash flow forecasts derived from the most recent financial budgets and forecasts prepared by management and approved by the Board and are extrapolated for the subsequent years using the relevant growth rates. The key assumptions for the discounted cash flows are those regarding the discount rates and growth rates, and are based on management's past experience.

Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates used were consistent with the long-term average growth rates for each of the markets in which the respective CGU operated. Refer to note 12.

Services delivered over time

Various assumptions are applied in arriving at the profit or loss recognised for services delivered over time, the most significant of which relates to the estimation of total costs, which assists in determining the percentages of completion and the revenue to be recognised over the terms of the contract. These estimates and judgements are made by regular analysis of detailed contract accounts and involvement of contract managers with an intimate knowledge of the contracts.

Share-based payments

Empowerment transactions

In 2016 the group concluded empowerment transactions in the Electrical Engineering and Applied Electronics segments. During the current year the group concluded a further empowerment transaction in the Applied Electronics segment of the business. Judgement is required to determine the charge to the statement of profit or loss based on the difference between the fair value of the shares granted and the consideration received.

Conditional share plan

Judgement is required in assessing the factors that affect the annual cost of share-based payments to be charged to profit and loss. This judgement is exercised by determining the probability of units vesting in terms of the executive conditional share option schemes in as far as the attainment of the normalised headline earnings per share (NHEPS) and total shareholder return (TSR) targets are concerned. The judgements include assessing the expected forecast share price, dividend yield, risk-free interest rate, consumer price index (CPI) and the list of constituents used in the index for the measurement of TSR. Volatility was estimated using the daily closing share price and the dividend yield was estimated by using the average dividend yield over the year prior to the valuation date. Refer to notes 5 and 19.

Classification of leases

The majority of leases in the group are contained in the ICT segment and are initiated through the Nashua channel. Nashua franchises purchase equipment from Nashua, and rent the equipment to customers. A Nashua franchise enters into a rental agreement with a customer (i.e. the lessee) to rent equipment for a period of time and a contract is signed between the Nashua franchise and the customer. This is considered to be a finance lease between the customer and Nashua franchise. The critical judgements that the group considered with respect to the classification of the lease transactions were:

- > whether the lease terms are for the major part of the economic life of the assets; and
- > whether, at inception of the leases, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the assets. Refer to note 14.

Accounting policies continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Put option liability

The group has granted put options in favour of the non-controlling shareholders of Terra Firma and Ryonic for 25% of the share capital in both cases.

The fair value of the Terra Firma put option liability is determined using a discounted cash flow model based on the estimated exercise price on the date the option is likely to be exercised. The exercise price is based on management's best estimate of Terra Firma's forecast revenue and net profit for the 12 months ended September 2020.

Judgement is required to determine the expected date of exercising of a put option by the Terra Firma non-controlling interests. In terms of the sale agreement the non-controlling interests have the right to exercise the put option in September 2019 or September 2020. The exercise date has been estimated at September 2020, as this is likely to result in a more favourable outcome to the non-controlling interests.

The fair value of the Ryonic put option liability is determined using a discounted cash flow model. Judgement is required to determine the forecast cash flows for Ryonic at the date the put option is exercised by the non-controlling interests. The forecasted cash flows have been determined using management's best estimate of cash flows at exercise date.

Refer to note 28.

New accounting standards

Revised standards affecting the reported financial performance and/or the financial position

IAS 38 – Intangible Assets	Amendments to clarify the basis for calculation of amortisation as being the expected pattern of consumption of the future economic benefits of an asset. IAS 38 requires prospective application from 1 October 2016
IFRS 10 – Consolidated Financial Statements	Amendments related to the application of the investment entities exceptions
IFRS 11 – Joint Arrangements	Amendment requiring the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 – Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3
IFRS 12 – Disclosure of Interests in Other Entities	Amendments related to the application of the investment entities exceptions
IAS 16 – Property, Plant and Equipment	Amendments resulting from clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)
IAS 27 – Separate Financial Statements	Amendments relating to equity method in separate financial statements
IAS 28 – Investments in Associates and Joint Ventures	Amendments related to the application of the investment entities exceptions

Revised standards affecting presentation and disclosure only

IAS 1 – Presentation of Financial Statements	Amendments clarify that only material information should be disclosed, the order of notes and the presentation of certain items on the face of the statement of financial position and comprehensive income. IAS 1 requires prospective application from 1 October 2016
IFRS 7 – Financial Instruments: Disclosures	Amendments resulting from September 2014 Annual Improvements to IFRS

At the date of these annual financial statements, the following relevant standards and interpretations were in issue but not yet effective

	DETAILS OF AMENDMENT	EFFECTIVE FOR ANNUAL PERIODS COMMENCING BEGINNING ON OR AFTER
IFRS 2 – Share-based Payment	Amendment clarifies that the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments when determining the fair value of cash-settled share-based payments. In addition, the amendment clarifies how to account for the modification that changes a transaction from cash-settled to equity-settled and the impact of a “net settlement feature” on the classification of the share-based payment. The amendment will not have a material impact on the group.	1 January 2018
IFRS 9 – Financial Instruments	<p>The standard will be adopted by the group for the financial reporting period commencing 1 October 2018.</p> <p>IFRS 9 provides guidance on the classification, measurement and recognition of financial assets and financial liabilities and replaces IAS 39. The standard establishes three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. Classification of financial assets into these categories is dependent on the entity’s business model (which depicts its objectives with respect to the management of financial assets as a whole) and the characteristics of the contractual cash flows of the specific financial asset. There were no significant changes to the classification guidance for financial liabilities. IFRS 9 introduces a new expected credit loss impairment model that replaces the incurred loss impairment model used in IAS 39. This will have an impact mainly in Quince (our in-house finance company).</p> <p>The group is busy with an impact assessment of the new standard.</p> <p>The group is still to make a decision on the transition method to be applied.</p>	1 January 2018

Accounting policies continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	DETAILS OF AMENDMENT	EFFECTIVE FOR ANNUAL PERIODS COMMENCING BEGINNING ON OR AFTER
IFRS 15 – Revenue from Contracts with Customers	<p>The standard will be adopted by the group for the financial reporting period commencing 1 October 2018.</p> <p>IFRS 15 requires an entity to recognise revenue in such a manner as to depict the transfer of the goods or services to customers, at an amount representing the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has a five-step process to be applied to all contracts with customers. The standard provides guidance for identifying the contract with the customer, identification of the deliverables (performance obligations), determination of the transaction price (including the treatment of variability in the transaction price, and significant financing components), how to allocate the transaction price, and when to recognise revenue.</p> <p>Reunert has performed a high-level impact assessment of contracts with customers within the Electrical Engineering and Applied Electronics segments, and a detailed impact assessment of its significant contracts with customers within the ICT segment in line with the new standard. Potential impacts on revenue generated from the Electrical Engineering and Applied Electronics segments are still being investigated. The impact on revenue generated from the ICT segment has been assessed to have an immaterial impact on the group's results.</p> <p>The group is still to make a decision on the transition method to be applied.</p>	1 January 2018
IFRS 16 – Leases	<p>The standard will be adopted by the group for the financial reporting period commencing 1 October 2019.</p> <p>IFRS 16 requires a lessee to recognise a right-of-use asset and lease obligations for all leases except for short-term leases, or leases of low value assets, which leases may be treated similarly to operating leases under the current standard IAS 17 if the exceptions are applied. A lessee measures its lease obligation at the present value of future lease payments, and recognises a right-of-use asset initially measured at the same amount as the lease obligation including costs directly related to entering into the lease. Right-of-use assets are subsequently treated in a similar way to other assets such as property, plant and equipment or intangible assets dependent on the nature of the underlying item.</p> <p>The group has a number of property rental agreements in place. In accordance with the above, right-of-use assets and lease obligations associated to these rentals would be recognised in the statement of financial position. The amendment will not have a material impact on the group. The group is still to make a decision on the transition method to be applied or the application of exceptions related to short-term and low value asset leases.</p>	1 January 2019

	DETAILS OF AMENDMENT	EFFECTIVE FOR ANNUAL PERIODS COMMENCING BEGINNING ON OR AFTER
IAS 7 – Cash Flow Statement	The standard will be adopted by the group for the financial reporting period commencing 1 October 2018. The amendments require an entity to provide disclosures that enable users of annual financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash change, by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The additional disclosures required will not have a material impact on the group.	1 January 2017
IAS 12 – Income Taxes	The standard will be adopted by the group for the financial reporting period commencing 1 October 2018. The amendment clarifies that where the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences. The amendment will not have a material impact on the group.	1 January 2017
IAS 40 – Investment Property	Amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of property by itself does not constitute evidence of a change in use. The amendment will not have a material impact on the group.	1 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. Advance consideration should be recognised at the spot rate on the date when it was received or paid. The amendment will not have a material impact on the group.	1 January 2018
IFRS 1 – First-time Adoption of International Financial Reporting Standards	Amendments deleted the short-term exemptions as they had now served their intended purpose. The amendment will not have a material impact on the group.	1 January 2017
IFRS 12 – Disclosure of Interests in Other Entities	Amendments to clarify the scope of the standard by specifying that the disclosure requirements apply to an entity's interests that are held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. IFRS 12 requires retrospective application for all periods beginning on or after 1 January 2017. The amendment will not have a material impact on the group.	1 January 2017
IFRIC 23 – Uncertainty over Income Tax Treatment	IFRIC 23 was published to clarify the accounting for any uncertainties over income tax treatments under IAS 12. The amendment will not have a material impact on the group.	1 January 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Rm	Notes	GROUP		COMPANY	
		2017	2016	2017	2016
Revenue	1	9 773	8 511	253	1 194
EBITDA¹		1 635	1 433	(756)	905
Depreciation and amortisation		(138)	(118)	(9)	(9)
Operating profit/(loss) before net interest and dividends	2	1 497	1 315	(765)	896
Interest income and dividends	3	113	164	1 162	3 394
Interest expense	4	(48)	(27)	(2)	(10)
Profit before empowerment transactions		1 562	1 452	395	4 280
Empowerment transactions	5	(20)	(113)	–	–
Profit before taxation		1 542	1 339	395	4 280
Taxation	6	(437)	(404)	(19)	(78)
Profit after taxation		1 105	935	376	4 202
Share of joint ventures' and associate's profits	26	37	28		
Profit for the year		1 142	963	376	4 202
Profit for the year attributable to:					
Non-controlling interests		30	9		
Equity holders of Reunert		1 112	954	376	4 202
Basic earnings per share (cents)	7 and 9	680	577		
Diluted earnings per share (cents)	7 and 9	670	572		

¹ Earnings before interest income and dividends; interest expense; taxation; depreciation and amortisation; and empowerment transactions.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Profit for the year	1 142	963	376	4 202
Comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Gains/(losses) arising from translating the financial results of foreign subsidiaries	8	(19)		
Total comprehensive income for the year	1 150	944	376	4 202
Total comprehensive income attributable to:				
Non-controlling interests	34	3		
– Share of comprehensive income	30	9		
– Share of gains/(losses) on translation	4	(6)		
Equity holders of Reunert	1 116	941	376	4 202

STATEMENTS OF FINANCIAL POSITION AT 30 SEPTEMBER 2017

Rm	Notes	GROUP		COMPANY	
		2017	2016	2017	2016
Assets					
Non-current assets					
Property, plant and equipment	10	862	880	6	10
Investment properties	10	28	24	160	161
Intangible assets	11	205	115	–	1
Goodwill	12	921	737	–	9
Interest in subsidiaries	13	–	–	2 095	2 420
Other investments and loans	–	55	53	2	2
Investments in joint ventures and associate	26	159	152	–	–
Amounts owing by subsidiaries	13	–	–	6 257	6 338
Rental and finance lease receivables	14	1 682	1 449	–	–
Deferred taxation assets	16	105	104	4	–
		4 017	3 514	8 524	8 941
Current assets					
Inventory	17	1 439	1 295	24	133
Rental and finance lease receivables	14	747	695	–	–
Accounts receivable	15	2 200	1 957	22	116
Taxation	–	22	51	–	–
Derivative assets	–	12	15	–	–
Money market instruments	18	130	670	–	–
Cash and cash equivalents	18	1 522	1 712	7	20
		6 072	6 395	53	269
Total assets		10 089	9 909	8 577	9 210
Equity and liabilities					
Capital and reserves					
Share capital	19	359	343	359	343
Share-based payment reserves	19	176	136	–	–
Empowerment shares	19	(276)	(276)	–	–
Treasury shares	19	(227)	(28)	–	–
Put option	–	(116)	–	–	–
Foreign currency translation reserve	–	(3)	(7)	–	–
Retained earnings	–	7 225	6 843	7 982	8 428
Equity attributable to equity holders of Reunert	–	7 138	7 011	8 341	8 771
Non-controlling interests	–	105	81	–	–
Total equity		7 243	7 092	8 341	8 771
Non-current liabilities					
Deferred taxation liabilities	16	112	102	–	14
Long-term borrowings	20	73	43	–	5
Put option liability	28	121	–	–	–
		306	145	–	19
Current liabilities					
Provisions	21	177	179	80	15
Trade and other payables	22	2 080	1 835	71	247
Taxation	–	47	23	3	4
Derivative liabilities	–	28	6	–	4
Amounts owing to subsidiaries	13	–	–	77	140
Bank overdrafts and short-term loans	18	197	400	–	–
Current portion of long-term borrowings	20	11	229	5	10
		2 540	2 672	236	420
Total equity and liabilities		10 089	9 909	8 577	9 210

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Rm	Notes	GROUP		COMPANY	
		2017	2016	2017	2016
Cash flows from operating activities					
Cash generated from operations before working capital changes	A	1 695	1 483	9	95
(Increase)/decrease in net working capital	B	(225)	(396)	(2)	29
Cash generated from operations		1 470	1 087	7	124
Interest received		113	156	118	134
Interest paid		(43)	(27)	(2)	(10)
Dividends received		–	8	669	3 260
Taxation paid	C	(375)	(431)	(38)	(87)
Net cash inflow from operating activities available to pay dividends		1 165	793	754	3 421
Dividends paid (including to outside shareholders in subsidiaries)	D	(745)	(690)	(822)	(763)
Net cash inflow/(outflow) from operating activities		420	103	(68)	2 658
Cash flows from investing activities					
Investments to maintain operating capacity		303	(546)	56	62
(Increase)/decrease in total rental and finance lease receivables		(231)	14	–	–
Repayment of other investments and loans		6	51	–	46
Other investments and loans granted		(8)	(8)	–	–
Dividend received from joint venture		30	35	–	–
Proceeds from investment in insurance cell captive		–	48	–	–
Change in amounts with subsidiaries		–	–	59	–
Replacement of property, plant and equipment and intangible assets		(45)	(48)	(3)	(8)
Investments made and other capital proceeds ¹		551	(638)	–	24
Investments to increase operating capacity		(324)	(659)	–	547
Expansion of property, plant and equipment and intangible assets		(98)	(174)	(3)	(18)
Cash flows in respect of discontinued operations		–	(23)	–	–
Acquisition of subsidiaries and businesses	E	(241)	(462)	–	(192)
Disposal of subsidiaries and businesses	F	15	–	3	757
Net cash (outflow)/inflow from investing activities		(21)	(1 205)	56	609
Cash flows from financing activities					
Funds provided by equity holders of Reunert		16	25	16	25
Investment in treasury shares		(203)	(28)	–	–
Subscription for subsidiaries' shares by non-controlling shareholders		–	3	–	–
Equity transactions with non-controlling shareholders		–	(40)	–	–
Long-term borrowings raised		37	21	–	–
Long-term borrowings repaid		(236)	(202)	(10)	(8)
Government grant received relating to plant and equipment		–	(1)	–	–
Change in amounts with subsidiaries		–	–	(7)	(3 492)
Net cash outflow from financing activities		(386)	(222)	(1)	(3 475)
Net increase/(decrease) in cash and cash equivalents		13	(1 324)	(13)	(208)
Net cash and cash equivalents at the beginning of the year		1 312	2 636	20	228
Net cash and cash equivalents at the end of the year		1 325	1 312	7	20
Made up of:					
Cash and cash equivalents	18	1 522	1 712	7	20
Bank overdrafts	18	(138)	(327)	–	–
Short-term borrowings	18	(59)	(73)	–	–
Net cash and cash equivalents		1 325	1 312	7	20
Net cash flows from operating activities before dividends paid		1 165	793	–	–
Operating cash flow before dividends paid per share (cents)		717	480	–	–

¹ This includes R540 million withdrawal from investments in long-dated money market instruments (2016: investments made R670 million).

NOTES TO THE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
A. Reconciliation of profit before taxation to cash generated from operations before working capital changes				
Profit before taxation	1 542	1 339	395	4 280
<i>Adjusted for:</i>				
Interest received	(113)	(156)	(118)	(134)
Interest paid – cash	43	27	2	10
Interest paid – unwind of present value discount	5	–	–	–
Dividends received – cash	–	(8)	(669)	(3 260)
Dividends received – in specie	–	–	(375)	–
Depreciation of property, plant and equipment	110	100	9	8
Amortisation of intangible assets	28	18	–	1
Impairment of intangible assets	–	13	–	–
Net gain on disposal of property, plant and equipment and intangible assets	(1)	(22)	–	(22)
Net loss/(gain) on derecognition of investments and investments in subsidiaries	–	–	829	(809)
Provision against investment in subsidiaries	–	–	(130)	9
Share-based payment expense in respect of empowerment transactions	20	113	–	–
Share-based payment expense in respect of the group's share option schemes	22	7	–	–
Share-based payment expense in respect of the group's deferred bonus plan	8	–	–	–
Provisions and other non-cash movements	31	52	66	12
Cash generated from operations before working capital changes	1 695	1 483	9	95
B. Working capital changes				
Inventory and work in progress	(144)	(154)	(8)	1
Accounts receivable and derivative assets	(284)	201	8	91
Trade and other payables, provisions and derivative liabilities	203	(443)	(2)	(63)
Working capital changes	(225)	(396)	(2)	29
C. Reconciliation of taxation paid to the amounts disclosed in the statement of profit or loss as follows				
Net amounts outstanding at beginning of year	28	(10)	(4)	(10)
Taxation per the statement of profit or loss	(437)	(404)	(19)	(78)
Less: deferred tax expense/(credit)	11	12	(18)	(3)
Taxation provisions via acquisitions	(2)	(1)	–	–
Net amounts outstanding at end of year	25	(28)	3	4
Cash amounts paid	(375)	(431)	(38)	(87)
D. Reconciliation of cash dividends paid to the amounts disclosed in the statements of changes in equity as follows				
Dividends per the statement of changes in equity	(730)	(687)	(822)	(763)
Dividends paid to non-controlling interests	(15)	(3)	–	–
Cash amounts paid	(745)	(690)	(822)	(763)

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
E. Analysis of acquisition of subsidiaries and businesses				
Deferred taxation	(10)	19	–	–
Property, plant and equipment	5	199	–	–
Non-current receivables	2	–	–	–
Intangible assets	77	2	–	–
Inventory	4	151	–	–
Accounts receivable and taxation	69	443	–	–
Net borrowings on hand at the time of acquisition	(23)	(282)	–	–
Accounts payable, provisions and taxation	(56)	(410)	–	–
Short-term borrowings	(7)	–	–	–
Shares purchased	–	–	–	(192)
Non-controlling interest at acquisition	(14)	(32)	–	–
Fair value of assets and liabilities acquired	47	90	–	(192)
Purchase consideration	(218)	(180)	–	192
Goodwill arising on acquisition	(171)	(90)	–	–
Purchase consideration	(218)	(180)	–	(192)
Net borrowings acquired at acquisition	(23)	(282)	–	–
Gross cash flow on acquisition of subsidiaries and businesses	(241)	(462)	–	(192)
F. Analysis of disposal of subsidiaries and businesses				
Inventory	7	–	117	193
Accounts receivable	11	–	86	311
Trade and other payables and provisions	(26)	–	(178)	(263)
Property, plant and equipment	2	–	2	61
Intangible assets	–	–	1	7
Investment in subsidiaries	–	–	–	152
Net amount due to group companies	–	–	(34)	(513)
Existing goodwill	21	–	9	–
Surplus on disposal	–	–	–	809
Cash on hand at time of disposal	2	–	14	204
Proceeds on disposal	17	–	17	961
Less: Cash on hand at time of disposal	(2)	–	(14)	(204)
Net cash flow on disposal of subsidiaries and businesses	15	–	3	757

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

GROUP					
Rm	Notes	Share capital	Share-based payment reserves	Empowerment shares ¹	Treasury shares ²
Balance at 30 September 2015					
		318	16	(276)	–
Comprehensive income for the year					
Other comprehensive income for the year					
Total comprehensive income for the year					
Share-based payment	19		120		
Dividends declared and paid	8				
Acquisition of businesses					
Subscription for shares by non-controlling shareholder					
Issue of shares	19	25			
Shares bought back					(28)
Transactions with BEE partners					
Transfer to retained earnings					
Other					
Balance at 30 September 2016					
		343	136	(276)	(28)
Comprehensive income for the year					
Other comprehensive income for the year					
Total comprehensive income for the year					
Issue of shares	19	16			
Share-based payment expenses					
– in terms of the conditional share plan (CSP)	19		24		
– shares issued in terms of the CSP	19		(4)		
– in terms of the empowerment transaction	19		20		
Shares bought back					
– shares acquired					(203)
– shares used for CSP					4
Put option	28				
Dividends declared and paid	8				
Acquisition of businesses	29				
Adjustment to non-controlling interests on finalisation of an acquisition made in the prior year					
Balance at 30 September 2017					
		359	176	(276)	(227)

¹ 18 500 000 Reunert shares are held by Bargenel, a company sold by Reunert to an accredited empowerment partner in 2007. In terms of IFRS, until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is to be consolidated by the group, as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.

² These are Reunert shares bought back and held by a subsidiary. During 2017 3 005 606 shares were bought back. 56 515 shares were utilised to issue to qualifying employees in terms of the CSP. At 30 September 2017 3 392 422 shares were held as treasury shares (2016: 443 331).

GROUP

Equity transactions/ put option with non- controlling shareholders	Foreign currency translation reserves	Retained earnings	Attributable to equity holders of Reunert Limited	Non- controlling interests	Total equity
–	6	6 615	6 679	46	6 725
		954	954	9	963
	(13)		(13)	(6)	(19)
	(13)	954	941	3	944
			120	–	120
		(687)	(687)	(3)	(690)
			–	32	32
				3	3
			25		25
			(28)		(28)
(40)			(40)		(40)
40		(40)	–		–
		1	1		1
–	(7)	6 843	7 011	81	7 092
		1 112	1 112	30	1 142
	4		4	4	8
	4	1 112	1 116	34	1 150
			16		16
			24		24
			(4)		(4)
			20		20
			(203)		(203)
			4		4
(116)			(116)		(116)
		(730)	(730)	(15)	(745)
			–	14	14
				(9)	(9)
(116)	(3)	7 225	7 138	105	7 243

Statements of changes in equity continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

					COMPANY		
Rm	Notes	Share capital	Retained earnings	Total equity			
Balance at 30 September 2015		318	4 989	5 307			
Comprehensive income for the year			4 202	4 202			
Other comprehensive income for the year			–	–			
Total comprehensive income for the year			4 202	4 202			
Dividends declared and paid	8		(763)	(763)			
Issue of shares	19	25		25			
Balance at 30 September 2016		343	8 428	8 771			
Comprehensive income for the year			376	376			
Other comprehensive income for the year			–	–			
Total comprehensive income for the year			376	376			
Dividends declared and paid	8		(822)	(822)			
Issue of shares	19	16		16			
Balance at 30 September 2017		359	7 982	8 341			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Revenue

Revenue comprises net invoiced sales to customers, revenue from the rendering of services, rental from leasing fixed and moveable assets and interest earned in the group's financing operations, and excludes value added tax (VAT).

Revenue is measured at the fair value of the consideration received or receivable and is reduced by an allowance for customer returns, rebates and other items of a similar nature.

Invoiced sales and contract revenue

Revenue is derived from the sale of cables; electrical distribution, protection and control equipment; multi-function printers/copiers; and radars, fuzes and communication products. Revenue is recognised when an entity has delivered products to the customer or if the entity only retains insignificant risks of ownership. It is considered that at the point of delivery that the following apply:

- > There is no continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- > The amount of revenue can be measured reliably.
- > It is probable that the economic benefits associated with the transaction will flow to the group.
- > The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Contract revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by reference to the costs incurred to date as a percentage of total estimated costs to be incurred.

Services

The key components of service revenue are:

> Print, document solutions and communication products services

Revenue for the rendering of these services is recognised on a fixed unit rate based on volumes consumed by customers. Revenue from the rendering of these services is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits will flow to the group. Costs associated with rendering of services including consumables is charged in proportion to the work performed.

> Engineering contract solution services

Contract revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by reference to the costs of services incurred to date as a percentage of total estimated costs of services to be incurred.

Interest received on lease receivables

The group recognises interest earned on lease receivables on a time-proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity using the effective interest method.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Revenue				
Invoiced sales and contract revenue	7 771	6 591	146	953
Services	1 634	1 557	42	182
Interest received on lease receivables	335	314	–	–
Other revenue	33	49	65	59
	9 773	8 511	253	1 194
Revenue by geography				
South Africa	7 003	6 435	243	1 090
Africa (excluding South Africa)	1 100	330	10	103
Asia	299	619	–	–
Australia	183	184	–	–
Europe	642	678	–	1
India	270	–	–	–
America	276	265	–	–
	9 773	8 511	253	1 194

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
2. Operating profit before interest and dividends				
Cost of sales	6 366	5 402	114	726
Other income	30	45	3	832
Total operating expenses	1 940	1 839	78	404
Loss on derecognition of investments	–	–	829	–
Included in cost of sales, other income or expenses:				
Auditors' remuneration:				
– Audit fees	20	17	5	5
– Other fees	4	4	–	1
	24	21	5	6
Realised loss/(gain) on foreign exchange and derivative instruments ¹	20	(26)	–	13
Unrealised (gain)/loss on foreign exchange and derivative instruments ¹	(1)	16	–	–
	19	(10)	–	13
Research and development expenditure:				
Externally funded	93	77	–	–
Internally funded	70	70	–	–
	163	147	–	–
Staff costs (included in cost of sales and other operating expenses):				
Salaries and wages	1 820	1 637	–	–
Pension and provident fund contributions ²	131	127	–	–
Other staff costs	161	135	–	–
	2 112	1 899	–	–
Share-based payment expense in respect of the group's share option schemes ³	30	7	–	–
Write-down of inventory	6	16	–	1

¹ Transactions denominated in a foreign currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Derivative instruments are initially measured at fair value at the date the derivative contract is entered into and are subsequently stated at fair value at each reporting date. The resulting gains or losses are charged to the statement of profit or loss.

² Payments to defined contribution retirement plans are charged as an expense as they fall due. In line with the group's policy to provide retirement benefits to its employees, 81% (2016: 81%) of the group's employees belong to various retirement schemes. The total contributions for the year to these funds amounted to R131 million (2016: R127 million).

³ Included in share-based payment expenses is an amount of R8 million (2016: Rnil) relating to the deferred bonus plan. This is classified as a cash-settled share-based payment with the equivalent amount included in liabilities.

3. Interest income and dividends

Dividends are recognised in profit or loss when the group's or company's right to receive payments is established.

Interest on held-to-maturity investments and loans and receivables is calculated using the effective interest method and is recognised in the statement of profit or loss.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Dividend income	–	8	1 044	3 260
Interest income:				
– Subsidiaries	–	–	116	133
– Bank deposits, loans and receivables	113	156	2	1
	113	156	118	134
Total interest income and dividends	113	164	1 162	3 394
Interest earned on financial assets analysed by category of asset:				
– Bank deposits	110	151	2	1
– Loans and receivables	3	5	116	133
	113	156	118	134

4. Interest expense

Interest expense is recognised in the statement of profit or loss using the effective interest method.

Subsidiaries	–	–	–	5
Long-term borrowings	3	3	–	–
Unwinding of present value discount	5	–	–	–
Short-term loans and bank overdrafts	40	24	2	5
	48	27	2	10
External interest expense in Quince (included in group cost of sales)	18	36		

5. Empowerment transactions

To the extent that an entity grants shares in an empowerment transaction and the fair value of the cash or other assets received is less than the fair value of the shares granted, the difference is accounted for as a charge to the statement of profit or loss in the period in which the grant date of the transaction is established.

In 2016 the group concluded empowerment transactions in the Electrical Engineering and Applied Electronics segments.

During the current year the group concluded a further empowerment transaction in the Applied Electronics segment of the business, refer to note 19.

IFRS 2 Share-based Payment cost of BBEE transaction ¹	20	113	–	–
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¹ Included in the current year charge is a donation to create an empowerment structure for R1 million. There was no taxation on this transaction and no portion was allocated to non-controlling interests.

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

6. Taxation

Current taxation comprises tax payable on the taxable income for the year, using the tax rates enacted at the reporting period date, and any adjustment to tax payable in respect of previous years.

Rm	Notes	GROUP		COMPANY	
		2017	2016	2017	2016
South African current taxation:					
– Current year		412	387	36	76
– Prior year		4	(1)	1	5
South African deferred taxation:					
– Current year	16	(4)	9	(18)	2
– Prior year	16	1	(3)	–	(5)
		413	392	19	78
Foreign taxation:					
– Current		10	6		
– Deferred taxation	16	14	6		
Taxation charge as per the statement of profit or loss		437	404	19	78
Tax rate reconciliation		%	%	%	%
South African normal tax rate		28,0	28,0	28,0	28,0
Movement in rate of taxation due to:					
– Dividends received and other exempt income		–	(1,8)	(74,0)	(26,8)
– Reorganisation cost		–	–	58,6	–
– Research and development allowance		(0,7)	(0,7)	–	–
– Recurring disallowable expenses ¹		1,1	1,9	1,1	0,5
– Recurring non-taxable income ²		–	–	(9,1)	–
– Empowerment transactions and merger and acquisitions costs		0,4	3,3	–	–
– Other		(0,5)	(0,5)	0,2	0,1
Effective rate of taxation		28,3	30,2	4,8	1,8

¹ Includes disallowable expenses such as legal and consulting fees, share-based payments in respect of the group's share option schemes, and depreciation on property plant and equipment and intangible assets on which no tax allowances are available.

² Relates to provision for losses on investments and loans.

The group has total estimated tax losses available to be offset against future taxable income of R158 million (2016: assessed losses of R230 million), of which R30 million has been raised as deferred tax assets (2016: R58 million). Of the R158 million tax losses, R68 million relates to foreign subsidiaries. Judgement is applied in determining whether deferred tax assets are raised on tax losses. Deferred tax assets are raised only if there is convincing evidence that there will be sufficient taxable profits in future years to recover the assets.

The group has capital gains tax losses of R18,3 million (2016: R18,1 million) which can be offset against future capital gains. Deferred tax assets have accordingly not been raised due to the uncertainty of any future capital gains.

	GROUP	
	2017	2016
7. Number of shares used to calculate earnings per share¹		
Weighted average number of shares in issue used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	164	165
Adjusted by the dilutive effect of:		
– Unexercised share options granted (millions of shares)	2	2
Weighted average number of shares used to determine diluted, diluted headline and diluted normalised headline earnings per share (millions of shares)	166	167

¹ The earnings used to determine earnings per share and diluted earnings per share is the profit for the year attributable to equity holders of Reunert R1 112 million (2016: R954 million). (Refer to the statement of profit or loss).

	GROUP		COMPANY	
Rm	2017	2016	2017	2016
8. Cash dividends				
Ordinary dividends paid:				
– Final 2016 – 326 cents per share (2015: 302 cents per share)	600	555	600	555
– Interim 2017 – 120 cents per share (2016: 113 cents per share)	222	208	222	208
– Attributable to Reunert shares held by a special purpose entity	(83)	(76)		
– Attributable to Reunert shares held by a subsidiary	(9)	–		
	730	687	822	763
Final ordinary cash dividend declared:				
– 354 cents per share (2016: 326 cents per share)	653	600	653	600
– Attributable to Reunert shares held by a special purpose entity	(65)	(60)		
– Attributable to Reunert shares held by a subsidiary	(12)	–		
	576	540	653	600

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

		GROUP		
		Notes	2017	2016
9.	Headline earnings and normalised headline earnings			
	Headline earnings per share (cents)	7 and 9.1	679	570
	Diluted headline earnings per share (cents)	7 and 9.1	670	565
	Normalised headline earnings per share (cents)	7 and 9.2	697	662
	Diluted normalised headline earnings per share (cents)	7 and 9.2	687	656
Rm				
9.1	Headline earnings			
	Profit attributable to equity holders of Reunert		1 112	954
	Headline earnings are determined by eliminating the effect of the following items from attributable earnings:			
	– Net gain on disposal of assets (after a tax charge of Rnil and non-controlling interests (NCI) portion of Rnil) (2016: tax charge of R2 million, NCI of Rnil)		(1)	(20)
	– Impairment of intangible assets (tax and NCI Rnil) (2016: tax credit of R3 million, NCI of R2 million)		–	8
	Headline earnings		1 111	942
9.2	Normalised headline earnings¹			
	Normalised headline earnings are determined by adjusting headline earnings for the effects of empowerment transactions and merger and acquisition costs.			
	Headline earnings	9.1	1 111	942
	Empowerment transactions		20	113
	– Once-off IFRS 2 charge on BBBEE transactions (tax and NCI of Rnil) (2016: tax and NCI of Rnil)		19	113
	– Once-off donation to create an empowerment structure (tax and NCI of Rnil)		1	–
	– Recurring merger and acquisition costs (tax and NCI of Rnil (2016: tax and NCI of Rnil))		9	39
	Normalised headline earnings		1 140	1 094

¹ The pro forma financial information above has been prepared for illustrative purposes only to provide information on how the normalised earnings adjustments might have impacted on the financial results of the group. Because of its nature, the pro forma financial information may not be a fair reflection of the group's results of operation, financial position, changes in equity or cash flows.

The summarised pro forma financial effects have been prepared in a manner consistent in all respects with IFRS, the accounting policies adopted by Reunert Limited as at 30 September 2017, the revised SAICA guide on pro forma financial information, and the Listings Requirements of the JSE Limited.

There are no post-balance sheet events which require adjustment to the pro forma financial information.

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

The pro forma financial information should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants' reasonable assurance report thereon, which is available for inspection at the company's registered office.

10. Property, plant and equipment and investment property

Investment properties are held to earn rental income and for capital appreciation, whereas owner-occupied properties are held for use by the group, in the supply of goods, services or for administration purposes. In cases where a property has dual use, consideration is given annually to whether the use of the property for the production or supply of goods or services or for administrative purposes is insignificant to that property. If it is, the property is classified as investment property, otherwise it is classified as owner occupied. This determination is made by reference to the percentage of the building's floor space. All property is recognised at cost. Where an item of property, plant and equipment comprises major components with different useful lives, these components are accounted for as separate items.

Subsequent expenditure relating to an item of property, plant and equipment and investment property is capitalised when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. All other subsequent expenditure (repairs and maintenance) is recognised as an expense when it is incurred.

Property, plant and equipment and investment property are derecognised on disposal or when no future economic benefit is expected from the continued use of the asset and the profit or loss on disposal is recognised in the statement of profit or loss.

Land is not depreciated and is stated at cost less accumulated impairment losses. All other items of plant and equipment and investment property are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of assets commences when the assets are ready for their intended use.

Depreciation is provided on a straight-line basis over the estimated useful lives which represents the expected pattern of consumption of the future economic benefits of property, plant and equipment and investment properties in order to reduce the cost of the asset to its estimated residual value. The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually, with the effect of any changes in estimate accounted for on a prospective basis.

Where the group is a lessee in terms of a finance leasing arrangement and there is no reasonable certainty that ownership will be obtained by the end of the lease term, leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

GROUP						
Rm	Investment property total	Owner- occupied freehold land and buildings	Owner- occupied leasehold buildings	Plant and equipment and vehicles	Capital work in progress	Property, plant and equipment total
10. Property, plant and equipment and investment property continued 2017						
Cost	33	243	154	1 429	36	1 862
Accumulated depreciation and impairments	9	34	52	896	–	982
Net book value at the beginning of the year	24	209	102	533	36	880
Additions						
– Acquisition of businesses	–	–	1	4	–	5
– Other additions	2	1	–	84	14	99
Disposals						
– Disposal of businesses	–	–	–	(2)	–	(2)
– Other disposals	–	–	–	(10)	–	(10)
Transfers						
– Transfers from intangibles	–	–	–	2	–	2
– Transfers to inventory	–	–	–	(3)	–	(3)
– Transfers between categories	5	(5)	–	26	(26)	(5)
Depreciation	(3)	(4)	(2)	(101)	–	(107)
Exchange rate difference	–	–	3	(1)	1	3
Cost	41	239	158	1 513	25	1 935
Accumulated depreciation and impairments	13	38	54	981	–	1 073
Net book value at the end of the year	28	201	104	532	25	862
2016						
Cost	35	217	55	1 172	8	1 452
Accumulated depreciation and impairments	8	31	44	730	–	805
Net book value at the beginning of the year	27	186	11	442	8	647
Additions						
– Acquisition of businesses	–	–	99	78	22	199
– Other additions	–	23	–	112	9	144
Disposals	(1)	–	–	(9)	–	(9)
Transfers	–	3	–	3	(3)	3
Depreciation	(2)	(3)	(5)	(90)	–	(98)
Exchange rate difference	–	–	(3)	(3)	–	(6)
Cost	33	243	154	1 429	36	1 862
Accumulated depreciation and impairments	9	34	52	896	–	982
Net book value at the end of the year	24	209	102	533	36	880

		COMPANY				
Rm	Investment property total	Owner- occupied freehold land and buildings	Owner- occupied leasehold buildings	Plant and equipment and vehicles	Capital work in progress	Property, plant and equipment total
10. Property, plant and equipment and investment property continued						
2017						
Cost	192	–	50	25	–	75
Accumulated depreciation and impairments	31	–	44	21	–	65
Net book value at the beginning of the year	161	–	6	4	–	10
Additions	3	–	–	3	–	3
Disposals of businesses	–	–	–	(1)	–	(1)
Transfers						
– Transfers to group companies	–	–	–	(1)	–	(1)
– Transfers between categories	–	–	(6)	6	–	–
Depreciation	(4)	–	–	(5)	–	(5)
Cost	195	–	–	55	–	55
Accumulated depreciation and impairments	35	–	–	49	–	49
Net book value at the end of the year	160	–	–	6	–	6
2016						
Cost	129	38	50	329	7	424
Accumulated depreciation and impairments	14	14	40	268	–	322
Net book value at the beginning of the year	115	24	10	61	7	102
Additions	16	7	–	1	–	8
Disposals						
– Disposals of businesses	–	–	–	(57)	(4)	(61)
– Other disposals	(1)	–	–	–	–	–
Transfers	34	(31)	–	–	(3)	(34)
Depreciation	(3)	–	(4)	(1)	–	(5)
Cost	192	–	50	25	–	75
Accumulated depreciation and impairments	31	–	44	21	–	65
Net book value at the end of the year	161	–	6	4	–	10

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. Property, plant and equipment and investment property continued

Notes

1. A register of group property may be inspected at the registered office of the company.
2. The fair value of the group's investment properties at 30 September 2017 has been determined on the basis of valuations carried out at 30 September 2016 by Gensec Property Services Limited trading as JHI, independent valuers who are not a related party to the group. JHI is a member of the SA Institute of Valuers having the appropriate qualifications and who have recent experience in the locations and categories of the investment properties being valued.

The open market value of freehold investment properties amounted to R17 million at 30 September 2016.

We are of the view that the valuation performed in 2016 is still appropriate based on current market conditions in the property sector.

The valuations, which conform to International Valuation Standards, were arrived at by using various methodologies, including the most commonly used discounted cash flow approach.

The open market value of leasehold investment properties approximates their carrying value.

3. Useful lives used for the following categories:

Investment properties	12 to 50 years
Buildings	12 to 50 years
Plant, equipment and vehicles	3 to 33,3 years

4. A leasehold investment property with a book value of R14 million (2016: R16 million) serves as security for finance leases (refer to note 20).

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
5. Operating lease receivables				
Gross carrying amount of land and buildings leased under operating leases	34	8	191	188
Accumulated depreciation	(13)	(1)	(35)	(31)
	21	7	156	157
Gross carrying amount of plant and equipment leased under operating leases	28	27	–	–
Accumulated depreciation	(24)	(23)	–	–
	4	4	–	–

Significant leasing arrangements

Land and buildings: group and company

No purchase options exist. Renewal options are included in the leases for periods between one and three years and with escalations between CPI and 10%. No subleasing or additional building is allowed without Reunert's prior consent.

Plant and equipment

These leases are largely for mining surveillance radars, which the customer may terminate at one month's notice. A purchase option at a full margin exists. The equipment may only be used within the customer's group.

6. The amounts included in the statement of profit or loss for investment properties are as follows:

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Rental income	8	12	62	48
Direct operating expenses	5	4	28	19

11. Intangible assets

The significant intangible assets arise mainly in the Applied Electronic segment.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives, other than for intangible assets relating to Ryonic, are amortised on a straight-line basis over their estimated useful lives, which represents the expected pattern of consumption of the future economic benefits. The amortisation methods and estimated remaining useful lives are reviewed at least annually with the effect of any changes in estimate being accounted for in future periods. An accelerated pattern of consumption has been applied for acquired intangible assets in Ryonic due to the nature of the technology and the expected future changes to models and prototypes.

Internally generated intangible assets – research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if the development phase criteria per IAS38 are met.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation costs have been recognised under depreciation and amortisation in the statement of profit or loss.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Based on a review of the recoverable amounts of the group's intangible assets for the year, no impairments were required. The recoverable amount of the relevant assets has been determined based on the value in use.

Useful lives of intangible assets

Refer to the accounting policy, critical judgements and estimates.

All intangible assets have definite lives and are subject to amortisation in accordance with the useful lives below.

Computer software, customer list, restraint of trade and order book	1 – 15 years
Models, designs and prototypes	3 – 10 years

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

GROUP			
Rm	Computer software, customer list, restraint of trade and order book	Models, designs and prototypes	Total
11. Intangible assets continued			
2017			
Cost	187	82	269
Accumulated amortisation and impairments	152	2	154
Net book value at the beginning of the year	35	80	115
Additions			
– Acquisition of businesses	57	20	77
– Other additions	7	35	42
Transfers to property, plant and equipment	–	(2)	(2)
Amortisation charge for the year	(14)	(14)	(28)
Exchange rate difference	–	1	1
Cost	251	136	387
Accumulated amortisation and impairments	166	16	182
Net book value at the end of the year	85	120	205
2016			
Cost	176	29	205
Accumulated amortisation and impairments	133	1	134
Net book value at the beginning of the year	43	28	71
Additions			
– Acquisition of businesses	2	–	2
– Other additions	21	57	78
Transfers	–	(5)	(5)
Amortisation charge for the year	(17)	(1)	(18)
Impairment loss for the year	(13)	–	(13)
Cost	187	82	269
Accumulated amortisation and impairments	152	2	154
Net book value at the end of the year	35	80	115

COMPANY			
Rm	Computer software, customer list, restraint of trade and order book	Models, designs and prototypes	Total
11. Intangible assets continued			
2017			
Cost	10	–	10
Accumulated amortisation and impairments	9	–	9
Net book value at the beginning of the year	1	–	1
Transfers to group companies	(1)	–	(1)
Cost	– ¹	–	– ¹
Accumulated amortisation and impairments	– ¹	–	– ¹
Net book value at the end of the year	– ¹	–	– ¹
2016			
Cost	31	–	31
Accumulated amortisation and impairments	23	–	23
Net book value at the beginning of the year	8	–	8
Additions	1	–	1
Disposal of businesses	(7)	–	(7)
Amortisation charge for the year	(1)	–	(1)
Cost	10	–	10
Accumulated amortisation and impairments	9	–	9
Net book value at the end of the year	1	–	1

¹ Nil due to rounding

Notes to the annual financial statements continued
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12. Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries and is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquirer, and the fair value of the acquirer's previously held equity interest in the acquiree, if any, over the net of the acquisition date amounts of the identifiable assets acquired, including any intangible assets and liabilities and contingent liabilities assumed.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Carrying value at the beginning of the year	737	653	9	9
Acquisition of businesses and subsidiaries ¹	171	90	–	–
Adjustment to goodwill on finalisation of acquisition made in the prior year	33	–	–	–
Disposal of a controlling interest in a subsidiary	(12)	–	–	–
Disposal of businesses	(9)	–	(9)	–
Exchange differences on consolidation of foreign subsidiaries	1	(6)	–	–
Carrying value at the end of the year	921	737	–	9

¹ At 30 September 2017, the purchase price allocation of the acquisitions made in 2017 has not been finalised and therefore the amounts reported are provisional and subject to change (refer to note 29).

Impairment of goodwill

The following information summarises the individual assumptions used to test for impairment of goodwill at a cash generating unit (CGU) level.

The following CGU's have significant carrying amounts of goodwill:

Significant CGU's	Measurement currency	Discount rate (pre-tax)	Terminal growth rate	GROUP	
				2017	2016
Electrical Engineering:					
African Cables	ZAR	20,22%	2,00%	61	61
Zamefa	ZMW	24,08%	4,00%	69	36
ICT:					
Nashua	ZAR	17,37%	0,00%	203	215
Quince	ZAR	20,69%	3,00%	124	124
ECN	ZAR	16,00%	4,00%	140	140
Prodoc	SEK	7,19%	1,50%	66	65
Applied Electronics:					
Omnigo	ZAR	17,20%	4,00%	40	40
Terrafirma Solutions	ZAR	18,08%	2,00%	88	–
Nanoteq	ZAR	17,10%	4,00%	69	–
				860	681
Other ²	ZAR	16,18% – 18,06%	3,00% – 6,00%	61	56
Carrying amount at end of the year				921	737

² This consists of the aggregate of individual immaterial goodwill balances, across all segments above.

If the discount rates were increased by 1%, no impairment would be required.

If the growth rates were decreased by 1% no impairment would be required.

No impairments were made to goodwill in the current or prior year as discounted cash flows are expected to exceed the carrying value thereof.

13. Interest in subsidiaries

A subsidiary is an entity over which the group has control. Control is achieved when the company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

In the separate financial statements of the holding company, subsidiaries are measured at cost less accumulated impairment.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The operating results of subsidiaries are included from the date that control commences to the date that control ceases. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the group's accounting policies.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein (refer to note 29).

Rm	COMPANY	
	2017	2016
(Refer to annexure A)		
Shares at cost	2 190	2 645
Provision for impairment ¹	(95)	(225)
Balance at the beginning of the year	(225)	(218)
Additional provisions created during the year	(15)	(57)
Unutilised amounts reversed during the year	145	50
Interest in subsidiaries	2 095	2 420
Amounts owing by subsidiaries ²	6 257	6 338
Amounts owing to subsidiaries ²	(77)	(140)
	6 180	6 198

¹ The provision for impairment has been determined on the basis that the carrying values of the investments exceed the recoverable amount of the underlying subsidiaries. The recoverable amount is determined by reference to the subsidiary's underlying net asset value, or the net present value of its expected future cash flows or its fair value less cost to sell. Where the recoverable amounts of the underlying subsidiaries are lower than the carrying amounts an impairment is recognised in the statement of profit or loss.

² These loans have no fixed terms of repayment and do not bear interest except for the amounts owing by Reunert Finance Company Proprietary Limited (RFCL), which bear interest at rates approximating the overnight deposit/call rates, and no security has been provided for them.

The amounts owing to subsidiaries are repayable on demand and as such are short term in nature and therefore their carrying values approximate fair value. These loans and amounts owing by subsidiaries and minor unlisted share investments are assumed to have a carrying value that approximates fair value.

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14. Rental, finance lease and other receivables

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Gross receivables	3 123	2 755	–	–
Collectible within one year	956	887	–	–
Collectible after one year	2 167	1 868	–	–
Unearned finance income	(678)	(596)	–	–
Provision for doubtful debts	(16)	(16)	–	–
Other	–	1	–	–
Net receivables	2 429	2 144	–	–
Collectible within one year	747	695	–	–
Collectible after one year	1 682	1 449	–	–

The majority of gross receivables relates to 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.

There are no contingent rent payments, additional restrictions imposed or guaranteed residual values.

The average lease term is three to five years and the equipment may be upgraded thereafter and a new financing contract entered into.

The carrying amount of the rental and finance lease receivables approximate fair value because the rates inherent in the deals are market related and are the same rates used to discount back to their carrying values.

15. Accounts receivable

Trade receivables comprise amounts due from customers across all three segments of the group. Trade receivables are recognised initially at their fair value of goods sold or work performed on services and contracts, and are reduced by appropriate allowances for estimated irrecoverable amounts and cost of collection. Impairment is recognised when there is evidence that the group or company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is charged to the statement of profit or loss. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

Refer to note 28, financial instruments, for accounting policies relating to financial assets.

Other receivables include unbilled contract revenue due from customers, claims and prepayments in the Electrical Engineering and Applied Electronics segments.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as unbilled contract revenue.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Trade receivables	1 931	1 637	29	115
Unbilled contract revenue	49	108	–	–
Claims, prepayments and other receivables	364	310	2	6
Provision for doubtful debts	(144)	(98)	(9)	(5)
	2 200	1 957	22	116

GROUP				
Rm	Insured debtors	Individuals/ contractors and small business	Mines/large business/ government – national and regional	Total
15. Accounts receivable continued				
15.1 Movement in the allowance for doubtful debts classified into major risk types				
2017				
Balance at the beginning of the year	(2)	(43)	(53)	(98)
(Increase)/decrease in allowance	(8)	5	(49)	(52)
Amounts written off during the year (against provision)	–	5	1	6
Balance at the end of the year	(10)	(33)	(101)	(144)
An amount of R16 million (2016: R16 million) relating to the provision against doubtful rental and finance lease receivables (refer to note 14) is held in addition to the total provision of R144 million.				
2016				
Balance at the beginning of the year	(3)	(25)	(29)	(57)
Decrease/(increase) in allowance	1	(19)	(11)	(29)
Acquisition of businesses	–	(11)	(9)	(20)
Amounts written off during the year (against provision)	–	5	3	8
Other	–	7	(7)	–
Balance at the end of the year	(2)	(43)	(53)	(98)
COMPANY				
2017				
Balance at the beginning of the year	–	(2)	(3)	(5)
Increase in allowance	–	(5)	–	(5)
Disposal of businesses	–	–	1	1
Balance at the end of the year	–	(7)	(2)	(9)
2016				
Balance at the beginning of the year	–	(8)	(5)	(13)
Increase in allowance	–	(1)	(1)	(2)
Disposal of businesses	–	7	3	10
Balance at the end of the year	–	(2)	(3)	(5)

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GROUP				
Rm	Insured debtors	Individuals/ contractors and small business	Mines/large business/ government – national and regional	Total
15. Accounts receivable continued				
15.2 Ageing of past due¹ but not impaired accounts receivable classified into major risk types				
2017				
1 – 30 days	10	19	71	100
31 – 60 days	5	12	17	34
61 – 90 days	1	2	65	68
90+ days	11	3	117	131
Total	27	36	270	333
2016				
1– 30 days	11	12	139	162
31 – 60 days	3	4	61	68
61 – 90 days	1	1	22	24
90+ days	2	2	112	116
Total	17	19	334	370
COMPANY				
2017				
1 – 30 days	3	3	–	6
31– 60 days	2	5	1	8
61 – 90 days	–	–	–	–
90+ days	–	–	–	–
Total	5	8	1	14
2016				
1 – 30 days	1	1	1	3
31 – 60 days	1	–	1	2
61 – 90 days	–	–	–	–
90+ days	–	1	–	1
Total	2	2	2	6

¹ This indicates the period after normal credit terms

15. Accounts receivable continued

Trade and other receivables consist of a large number of customers spread across diverse industries. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, excluding state-owned enterprises, municipalities and government departments which are considered a low credit risk due to implicit sovereign support to the entity.

Before accepting any new customers, an assessment is made of the potential customer's credit quality and defines a credit limit specific to that customer.

The average credit period on the sale of goods is 30 days.

In determining the recoverability of trade receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Where the recoverability of accounts receivable is considered doubtful, provision is made so that the carrying values reflect the estimated recoverable amount.

As a result of the credit vetting process which takes place before credit terms are agreed, we believe the credit quality of accounts receivable is good. Due to the inherent credit quality of our customers, they are generally not required to provide collateral.

The carrying amounts of Rand-denominated receivables approximate fair value because of the short-term nature of these instruments.

The carrying amounts of foreign currency denominated receivables have been converted at the rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments.

16. Deferred taxation (liabilities)/assets

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxation is provided for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items credited or charged to other comprehensive income, or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The effect on deferred tax of any changes in tax rates is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Notes to the annual financial statements continued
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Rm	Notes	GROUP		COMPANY	
		2017	2016	2017	2016
16. Deferred taxation (liabilities)/ assets continued					
Movement of deferred taxation					
Net balance at the beginning of the year		2	(6)	(14)	(17)
Current year charge	6	(10)	(15)	18	(2)
Deferred tax directly in equity		2	–	–	–
Adjustments for prior years	6	(1)	3	–	5
Adjustment to deferred tax on finalisation of acquisition made in the prior year		11	–	–	–
Subsidiaries acquired		(10)	19	–	–
Exchange rate differences		(1)	1	–	–
Net balance at the end of the year		(7)	2	4	(14)
Represented by:					
Deferred taxation liabilities		(112)	(102)	–	(14)
Deferred taxation assets		105	104	4	–
		(7)	2	4	(14)
The deferred taxation assets arise mainly due to temporary differences. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is likely to be sufficient to recover these assets.					
Analysis of deferred taxation					
Capital allowances		(192)	(167)	(5)	(3)
Provisions and accruals		116	89	9	(11)
Advance income offset by allowed future expenditure		20	18	–	–
Effect of tax losses		30	58	–	–
Share-based payment reserve		15	6	–	–
Other (net)		4	(2)	–	–
Net balance at the end of the year		(7)	2	4	(14)

17. Inventory and work in progress

Inventory comprises raw material and component parts used in the process of manufacture, and finished goods comprise completed products including energy and telecom cables, low-voltage products, office automation, radars, fuzes and communication systems.

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out, weighted average and standard cost bases. The latter are assessed on an ongoing basis and updated when required to approximate actual cost. Cost includes direct material costs together with appropriate allocations of labour and overheads based on normal operating capacity.

Obsolete, redundant and slow-moving inventory is identified on a regular basis and is written down to its estimated net realisable value. Consumables are written down with regard to their age, condition and utility.

Contracts in progress are valued at the lower of actual cost less progress invoicing and net realisable value. Cost comprises direct materials, labour, expenses and a proportion of overhead expenditure.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Inventory and work in progress				
Raw materials, components and consumable stores	500	479	–	–
Finished goods	388	392	–	–
Merchandise	243	229	27	143
Work in progress	436	324	–	–
	1 567	1 424	27	143
Provision against inventory	(128)	(129)	(3)	(10)
	1 439	1 295	24	133
The value of inventory has been determined on the following bases:				
First-in first-out	211	214	24	21
Weighted average cost	449	414	–	–
Net realisable value	13	7	–	–
Standard cost	766	660	–	112
	1 439	1 295	24	133

18. Money market instruments

Investment in long-dated money market instruments ¹	130	670	–	–
Cash and cash equivalents				
Bank balances and cash ²	1 522	1 712	7	20
Bank overdrafts	(138)	(327)	–	–
Short-term borrowings	(59)	(73)	–	–
Bank overdrafts and short-term loans	(197)	(400)	–	–
	1 325	1 312	7	20

¹ The group deposits excess cash into money market instruments with local banks. The notice periods vary between three and 12 months.

² At 30 September 2017 Quince has utilised R2 002 million (2016: R1 666 million) of group cash resources to finance a portion of its rental receivable book, which does not form part of bank balances and cash.

The carrying amounts approximate fair value because of the short-term nature of these instruments.

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19. Share capital

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received net of any direct issue costs. Equity is not subsequently remeasured.

Black economic empowerment transactions

Empowerment transactions involving the disposal of equity interests in subsidiaries or the issuance of equity instruments are recognised when the accounting recognition criteria have been met (refer to note 5).

Treasury shares

Treasury shares are equity instruments of the company that are held by a subsidiary of the company.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Authorised share capital

235 000 000 ordinary shares of no par value (2016: 235 000 000)

	Number of shares 2017	Number of shares 2016
Issued share capital		
Ordinary shares of no par value		
At the beginning of the year	184 005 796	183 531 596
Shares issued during the year in terms of the Reunert 2006 Option Scheme	318 600	474 200
At the end of the year	184 324 396	184 005 796

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Ordinary shares				
At the beginning of the year	343	318	343	318
Arising on the issue of ordinary shares	16	25	16	25
Total issued share capital at the end of the year	359	343	359	343
Share-based payment reserves				
As a result of IFRS 2 – Share-based Payment				
At the beginning of the year	136	16	–	–
Arising on empowerment transactions ¹	20	113	–	–
Net expense of executive share options	20	7	–	–
At the end of the year	176	136	–	–
Empowerment shares²				
Reunert shares bought back and held by Bargenel 18 500 000 (2016: 18 500 000)	(276)	(276)	–	–
Treasury shares³				
Reunert shares bought back and held by a subsidiary: 3 392 422 (2016: 443 331)	(227)	(28)	–	–

¹ The IFRS 2 charge was determined using a Monte Carlo simulation technique with a term structure of interest rate. The risk-free rate used was 8,18% and the volatility was determined using the Reunert historical volatility, estimated at 20,78%.

² 18 500 000 Reunert shares are held by Bargenel, a company sold by Reunert to an accredited empowerment partner in 2007. In terms of IFRS, until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is to be consolidated by the group, as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.

³ These are Reunert shares bought back and held by a subsidiary. During 2017, 3 005 606 shares were bought back at an average share price of R67,39 per share, including transaction costs. 56 515 shares were utilised to issue to qualifying employees in terms of the CSP. During 2016 443 331 were bought back at an average share price of R62,69 including transaction costs.

19. Share capital continued

	Number of shares 2017	Number of shares 2016
Unissued ordinary shares		
Total shares reserved to meet the requirements of the Reunert 2006 Option Scheme	1 450 000	1 700 000
The directors have general authority over these shares until the next annual general meeting.		

The group issues equity-settled options to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest, with a corresponding increase in the equity-settled employee benefit reserve in equity. At the end of each reporting period, the group revises its estimate of the number and value of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Executive share option schemes

Options to take up Reunert ordinary shares are granted to executives in terms of the Reunert 1985 and 2006 Option Scheme.

The terms of both schemes allow the recipient of the options to exercise one third of their shares after three years and a further one third each in years four and five. Any options unexercised lapse after 10 years from the date of initial issue or the moment an option holder resigns from the group. Should the option price exceed the market price, option holders may decline to exercise their right to have Reunert shares issued to them. The total number of options exercisable at the end of the year is R 1 226 500 (2016: R 1 549 000). All options in terms of these schemes have fully vested and no expense has been raised in the current year in relation to these schemes. The remaining contractual lives of these options range from one to four years.

The exercise prices for these options range from R39,30 to R71,30 per share.

Conditional share plan

Options to take up Reunert ordinary shares at a strike price of Rnil are granted to executives in terms of the conditional share plan (CSP) introduced in 2012. Two broad schemes exist, a performance scheme, granted only to selected senior executives and a retention scheme, granted to selected senior executives and specialist (key) employees. Senior executives were granted retention options for the first time in November 2014.

The measurement criteria for the performance scheme are an equal combination of real growth in normalised headline earnings per share (NHEPS) and total shareholder return. In respect of these performance options issued in November 2012 and 2013 50% vest after three years from the date of issue and the remaining 50% after four years. Performance options issued from November 2014 onwards vest after four years.

No performance conditions are attached to the retention options. Retention options in respect of the November 2012 scheme vest after four years and, accordingly, vested during the current year. 50% of the retention options issued in November 2012 and 2013 vest after three years from the date of issue and the remaining 50% after four years. Performance options issued from November 2014 onwards vest after four years.

The fair value of retention shares granted to employees is measured by use of a lognormal method and the fair value of the performance shares granted to senior executives is valued using a bespoke Monte Carlo simulation model.

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	Fair value per unit on inception R	Number of units unvested at the beginning of the year Thousands	Units granted during the year Thousands	Units vested during the year Thousands	Units expired/ forfeited during the year ¹ Thousands	Number of units unvested at the end of the year Thousands
19. Share capital continued						
2017						
Issued on 19 November 2012 (2012)						
Key – retention	61,37	56	–	(56)	–	–
Executive – performance	14,99	320	–	–	(320)	–
Issued on 20 November 2013 (2013)						
Key – retention	57,75	50	–	–	(5)	45
Executive – performance	24,72	775	–	–	(402)	373
Issued on 17 November 2014 (2014)						
Key – retention	46,17	101	–	–	(15)	86
Executive – performance	33,94	791	–	–	–	791
Executive – retention	46,17	92	–	–	–	92
Issued on 20 November 2015 (2015)						
Key – retention	55,38	78	–	–	(7)	71
Executive – performance	41,92	893	–	–	(16)	877
Executive – retention	55,38	111	–	–	(3)	108
Issued on 21 November 2016 (2016)						
Key – retention	49,57	–	113	–	(8)	105
Executive – performance	37,00	–	952	–	(10)	942
Executive – retention	49,57	–	107	–	(2)	105
		3 267	1 172	(56)	(788)	3 595
2016						
Issued on 19 November 2012 (2012)						
Key – retention	61,37	68	–	–	(12)	56
Executive – performance	14,99	700	–	–	(380)	320
Issued on 20 November 2013 (2013)						
Key – retention	57,75	59	–	–	(9)	50
Executive – performance	24,72	852	–	–	(77)	775
Issued on 17 November 2014 (2014)						
Key – retention	46,17	111	–	–	(10)	101
Executive – performance	33,94	807	–	–	(16)	791
Executive – retention	46,17	97	–	–	(5)	92
Issued on 20 November 2015 (2015)						
Key – retention	55,38	–	82	–	(4)	78
Executive – performance	41,92	–	909	–	(16)	893
Executive – retention	55,38	–	114	–	(3)	111
		2 694	1 105	–	(532)	3 267

¹ During the year ended 30 September 2017 no CSP units vested based on performance conditions. Accordingly, all of the 2012 and 50% of the 2013 performance units expired.

19. Share capital continued

The valuations were performed by Ernst & Young Advisory Services Limited.

The fair values of the options other than those issued in terms of the CSP were calculated using a binomial option pricing model.

The fair value of the CSP for key employees and executives with retention options was calculated by assuming the share price movement follows a lognormal distribution over the vesting period. The value at vesting date was discounted back to the valuation date.

The fair value of the CSP for executive employees with performance options was calculated using a Monte Carlo simulation technique.

The volatility of the return on company share was estimated as the annualised standard deviation of daily log returns of the share price over the four years prior to the valuation date.

No forfeitures were used in the models.

The inputs into the models were as follows:

	Share price at issue R	Expected volatility %	Expected option life Years	Expected dividend yield %	Risk-free interest rate %
Conditional share plan					
2012					
Retention	75,57	23,31	4	4,74	The risk-free rate for the key and executive options varies from 4,92% (year 1) to 5,54% (year 5) and is based on the risk-free swap curve produced by Standard Bank on 19 November 2012.
Performance	75,57	23,31	3/4	4,74	
2013					
Retention	71,47	21,53	4/5	4,34	The risk-free rate for the key and executive options varies from 5,32% (year 1) to 6,88% (year 5) and is based on the ZAR zero coupon swap curve produced by Standard Bank on 19 November 2013.
Performance	71,47	21,53	3/4	4,34	
2014					
Retention	58,44	22,78	4/5	4,88	The risk-free rate for the key and executive options varies from 6,29% (year 1) to 7,58% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 17 November 2014.
Performance	58,44	22,78	4	4,88	
2015					
Retention	64,74	23,89	4/5	6,25	The risk-free rate for the key and executive options varies from 5,98% (year 1) to 7,78% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 20 November 2015.
Performance	64,74	23,89	4	6,25	
2016					
Retention	61,50	24,37	4/5	5,39	The risk-free rate for the key and executive options varies from 7,45% (year 1) to 7,88% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 21 November 2016.
Performance	61,50	24,37	4	5,39	

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20. Long-term borrowings

Long-term borrowings consists of finance leases and long-term loans.

The majority of the finance lease liability relates to property lease agreements.

Assets subject to finance lease agreements, where considered material and, where the group or company assumes substantially all the risks and rewards of ownership, are capitalised as property, plant and equipment at the lower of fair value or the present value of minimum lease payments at inception of the lease and the corresponding liability is raised.

Lease payments are allocated using the rate implicit in the lease to determine the lease finance cost, which is charged to profit or loss over the term of the relevant lease, and the capital payment, which reduces the liability to the lessor.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Secured – at amortised cost				
Finance leases	22	24	5	15
Less: Short-term portion	(2)	(2)	(5)	(10)
Total secured	20	22	–	5
Unsecured – at amortised cost				
Long-term loans ¹	62	248	–	–
Less: Short-term portion	(9)	(227)	–	–
Total unsecured	53	21	–	–
Long-term borrowings	73	43	–	5
Maturity analysis of unsecured loans				
– within one year	9	227	–	–
– between one year and five years	53	21	–	–
These loans bear interest at rates ranging between 5% and 15%.				
Amounts payable under finance leases				
Total minimum lease payments	30	35	5	16
<1 year	4	4	5	11
1 – 5 years	18	17	–	5
>5 years	8	14	–	–
Less: Future finance charges	(8)	(11)	–	(1)
<1 year	(2)	(2)	–	(1)
1 – 5 years	(5)	(7)	–	–
>5 years	(1)	(2)	–	–
Present value of minimum lease payments	22	24	5	15
<1 year	2	2	5	10
1 – 5 years	13	10	–	5
>5 years	7	12	–	–

Reunert Management Services Proprietary Limited (RMS) entered into a lease agreement with C-Max Investments 151 Proprietary Limited whereby a building in Midrand is leased over a period of 12 years at an interest rate of 9,8% per annum. The book value of these assets is disclosed in note 10.

The Nashua building, situated at 54 Maxwell Drive, Sandton, is leased over a period of 12 years at an interest rate of 10,5% per annum.

The other finance leases relate to minor equipment with average lease terms of three to five years. The group has options to purchase the equipment for nominal amounts at the conclusion of the lease agreement.

The group's obligations under finance leases are secured by the lessors' title to the leased assets.

The fair value of the lease liabilities are approximately equal to their carrying amounts because they have been determined by discounting the future cash flows of these liabilities back to present values using current market related interest rates.

¹ Includes a liability relating to cash-settled share-based payments. The total liability at 30 September 2017 amounts to R8 million (2016: Rnil). The group issues cash-settled options to certain employees in terms of a deferred share incentive scheme. In terms of the scheme employees are entitled, at their election, to receive their short-term incentive scheme as either cash or deferred shares or a combination thereof. Where the employees elect to receive shares, the value of the shares that vest after three years will be matched in cash. The value of these cash-settled options is recognised and measured as a liability at the fair value of the deferred shares at the end of the reporting period. The corresponding expense is recognised in profit or loss based on the closing share price.

21. Provisions

A provision is raised when a reliable estimate can be made of a present legal or constructive obligation, resulting from a past event, which will probably result in an outflow of economic benefits, and there is no realistic alternative to settling the obligation created by the event, which occurred before the reporting period date.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

GROUP						
Description of nature of obligation Rm	Carrying amounts at the beginning of the year	Acquired provisions in terms of new business	Additional provisions created during the year	Amounts utilised during the year	Unutilised amounts reversed during the year	Carrying amounts at the end of the year
Warranty ¹	91	1	28	(3)	(7)	110
Contract completion	27	–	11	–	(6)	32
Performance and other ²	61	–	10	(28)	(8)	35
	179	1	49	(31)	(21)	177
COMPANY						
Warranty ¹	15	–	55	–	–	70
Other	–	–	10	–	–	10
	15	–	65	–	–	80

¹ The provision for warranty claims represents management's best estimate of the future outflow of economic benefits that will be required under the group's/company's obligations under the product warranties issued. The estimates have been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

² A major portion of the performance obligation provision relates to the Omnigo Proprietary Limited acquisition and the contingent purchase consideration.

22. Trade and other payables

Trade and other payables consist of a large number of suppliers spread across diverse industries.

Trade and other payables are classified as financial liabilities and are measured at amortised cost.

Refer to note 28, financial instruments, for the accounting policy relating to financial liabilities.

Rm	GROUP		COMPANY	
	2017	2016	2017	2016
Trade payables	1 182	949	33	188
Advance payments received	238	292	–	–
Sundry creditors and accruals	660	594	38	59
	2 080	1 835	71	247

Due to the long-term nature of certain research and development contracts within the Applied Electronics segment, advance payments are requested from customers in order to fund working capital requirements. The advance payments are secured by either parent company guarantees or bank guarantees. The advance payments are only repayable if the customer cancels the contract. Should cancellation occur, the total costs incurred to date of cancellation may be offset against the advance payment received. The advance payment liabilities are reduced through the supply of goods against orders and/or against the achievement of contract milestones.

Before onboarding any new suppliers, an assessment is made of the potential supplier and a payment limit specific to that supplier is defined.

The average credit period on the purchase of goods is 30 days.

The carrying amounts of accounts payable denominated in Rand approximate fair value because of the short-term nature of these liabilities.

The carrying values of accounts payable denominated in foreign currencies have been converted at the rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments.

Notes to the annual financial statements continued
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Rm	GROUP		COMPANY	
	2017	2016	2017	2016
23. Commitments				
Expenditure on property, plant and equipment				
– Contracted	20	10	7	1
– Authorised but not yet contracted	19	50	4	3
Total expenditure on property, plant and equipment	39	60	11	4
The above expenditure is expected to occur in 2018 and will be financed from existing group resources.				
Operating lease commitments in respect of land and buildings, vehicles and other assets				
<1 year	44	25	1	1
1 – 5 years	82	38	2	1
Total operating lease commitments in respect of land and buildings, vehicles and other assets	126	63	3	2

The group leases offices and other equipment under operating leases that are cancellable at various short-term notice periods at the end of the lease by either party.

Operating lease costs are recognised on a straight-line basis over the term of the lease.

The lease agreements contain terms of renewal and escalation clauses but do not include purchase options.

The group has no contingent rentals in respect of operating leases.

24. Contingent liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity; or a present obligation that arises from past events but is not recognised because:

- > it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- > the amount of the obligation cannot be measured with sufficient reliability.

Reunert Limited and its various subsidiaries have issued sureties and guarantees to the value of R760 million (2016: R792 million). These sureties and guarantees relate mainly to security provided with respect to:

- > advance payments received from customers;
- > performance guarantees in favour of customers;
- > payment guarantees to suppliers; and
- > guarantees in support of banking facilities.

All liabilities expected to arise from the issuance of these sureties and guarantees have been reflected under trade and other payables and bank overdrafts.

The directors are confident that Reunert Limited and its subsidiaries have no exposure arising from the guarantees and sureties in issue, beyond the liabilities recognised in the statement of financial position at the year-end.

25. Directors' remuneration and interests

Payable to the directors of the company by the company and its subsidiaries for services as directors:

R'000	Salary	Bonus and performance-related payments	Travel allowances	Retirement contributions	Medical contributions	Sub-total	Deferred Shares and other ¹	Total	Fair value of CSP at grant date ²
Executive directors									
2017									
AE Dickson	4 909	4 630	132	253	48	9 972	1 544	11 516	3 651
M Moodley	2 290	1 565	–	221	49	4 125	1 565	5 689	1 072
MAR Taylor	3 432	2 227	–	176	65	5 900	2 227	8 126	1 538
NA Thomson	3 944	2 309	–	193	103	6 549	2 309	8 857	1 937
	14 575	10 731	132	843	265	26 546	7 643	34 189	8 198
2016									
AE Dickson	4 517	–	132	344	47	5 040	6 585	11 625	3 932
M Moodley	2 159	814	–	209	48	3 230	1 898	5 128	1 238
MAR Taylor	3 130	–	–	225	110	3 465	1 622	5 087	1 802
NA Thomson	3 636	674	–	250	114	4 674	3 818	8 492	2 237
	13 442	1 488	132	1 028	319	16 409	13 923	30 332	9 209

¹ This represents the short term incentive that was invested into the deferred bonus plan (DBP). At their election, those directors who are entitled to a short term incentive in 2017 can elect to receive up to 50% (2016: 100%) of their incentive in deferred shares. Should the directors elect to take deferred shares, then the shares are acquired by the company from the market for the participating directors. These shares are restricted in nature and cannot be sold, pledged or alienated in any way for a period of three years from date of their acquisition. The value of the shares that vest after the three year period will be matched in cash. In 2016, 'other' includes a once-off relocation allowance paid to AE Dickson.

² Conditional Share Plan (CSP). This has been determined using the fair value per unit and the expected vesting probability of the non market conditions at grant date. The expected vesting probability assumes that 30.27% of the four year options will vest from the NHEPS performance (non-market condition). For further details relating to the valuation methodologies and assumptions used refer to note 19.

R'000	COMPANY	
	2017	2016
Non-executive directors		
<i>Total paid for the year (all directors' and committee fees)</i>		
TS Munday	1 423	1 367
T Abdool-Samad	583	577
SD Jagoe	356	356
P Mahanyele	448	404
S Martin	608	576
TJ Motsosi	403	382
NDB Orleyn	585	554
SG Pretorius	595	575
R van Rooyen	652	636
	5 653	5 427

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	Balance of unexercised options as at 1 October 2016	Number of options granted during the year	Number of options exercised during the year	Balance of unexercised options as at 30 September 2017	Option price R	Date of allocation	Date from which exercisable
25. Directors' remuneration and interests continued							
Share options							
<i>Executive directors</i>							
AE Dickson	33 400	–	–	33 400	39,30	18/6/2009	18/6/2012
	53 000	–	–	53 000	59,55	17/2/2011	17/2/2014
	86 400	–	–	86 400			

	Balance of unvested units as at 1 October 2016	Number of units granted during the year	Number of units expired ¹ during the year	Balance of unvested units as at 30 September 2017	Share price at grant date R	Date of allocation	Date from which vesting begins
Conditional share plan							
<i>Executive directors</i>							
AE Dickson	39 699	–	(39 699)	–	75,57	19/11/2012	19/11/2015
	47 013	–	(23 507)	23 506	71,47	20/11/2013	20/11/2016
	147 844	–	–	147 844	58,44	17/11/2014	17/11/2018
	129 648	–	–	129 648	64,74	20/11/2015	20/11/2019
	–	153 463	–	153 463	61,50	21/11/2016	21/11/2020
M Moodley ²	23 881	–	–	23 881	58,44	17/11/2014	17/11/2018
	47 332	–	–	47 332	64,74	20/11/2015	20/11/2019
	–	54 378	–	54 378	61,50	21/11/2016	21/11/2020
MAR Taylor	38 111	–	(38 111)	–	75,57	19/11/2012	19/11/2015
	43 655	–	(21 828)	21 827	71,47	20/11/2013	20/11/2016
	59 292	–	–	59 292	58,44	17/11/2014	17/11/2018
	59 422	–	–	59 422	64,74	20/11/2015	20/11/2019
	–	78 020	–	78 020	61,50	21/11/2016	21/11/2020
NA Thomson	85 523	–	–	85 523	64,74	20/11/2015	20/11/2019
	–	98 256	–	98 256	61,50	21/11/2016	21/11/2020
	721 420	384 117	(123 145)	982 392			

¹ During the year ended 30 September 2017 no CSP units vested based on performance conditions. Accordingly all of the 2012 units and 50% of the 2013 performance units expired.

² 28 859 units were granted to M Moodley on 20/11/2013, when the share price was R71,47, which was before she was appointed as an executive director. Vesting of these units began on 20/11/2016. At 30 September 2017, 11 544 units expired.

The executive directors' service contracts expressly provide for a six-month notice period.

26. Summarised financial information of joint ventures and associate

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The equity method of accounting for joint ventures is adopted in the annual financial statements. The consolidated financial statements include the group's share of profit or loss and other comprehensive income of the associate and joint ventures from the date significant influence commences until the date significant influence ceases.

Dividends received from joint ventures are deducted from the carrying value of the investment.

JOINT VENTURES AND ASSOCIATE				
Rm	2017		2016	
	Total	Reunert share	Total	Reunert share
Statement of comprehensive income				
Revenue	1 037	518	906	453
Depreciation and amortisation	11	5	9	4
Interest income	4	2	3	2
Interest expense	2	1	–	–
Other expenses	122	61	94	47
Taxation	28	14	22	11
Profit after taxation	74	37	57	28
Statement of financial position				
Non-current assets	201	100	141	70
Current assets (excluding cash)	317	158	300	150
Cash and cash equivalents	84	42	69	34
Non-current financial liabilities	(56)	(28)	–	–
Other non-current liabilities	(18)	(9)	(18)	(9)
Current financial liabilities	(140)	(70)	(113)	(56)
Other current liabilities	(35)	(17)	(40)	(20)
Equity	(353)	(176)	(339)	(169)

The table below reconciles the summarised financial information to the carrying amount of the group's interest in joint ventures and associate:

Rm	2017	2016
Group's interest in net assets of joint ventures at the beginning of the year	169	176
Total comprehensive income attributable to Reunert	37	28
Dividends received during the year	(30)	(35)
Group's interest in net assets of joint ventures and associate at the end of the year	176	169
Reversal of revaluation of property, plant and equipment on creation of joint venture ¹	(17)	(17)
Carrying amount of interest in joint ventures and associate at the end of the year	159	152

¹ Net of depreciation

JOINT VENTURES AND ASSOCIATE				
			Interest %	
	Nature of activity	Place of business	2017	2016
Lexshell 661 Investments Proprietary Limited	Property holding	Woodmead, Gauteng	50	50
CBI Electric Telecom Cables Proprietary Limited	Manufacturer of telecommunication cables	Brits, North West	50	50
Oxirostax Proprietary Limited	Office automation	Somerset West, Western Cape	49	100

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

GROUP						
Counterparty Rm	Relationship	Sales	Purchases	Lease payments made	Treasury shares	
27. Related-party transactions						
All related-party transactions and balances are on the same terms and conditions as those with non-related parties.						
2017						
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	2	22	–	–	
CBI-electric Telecom Cables Proprietary Limited	A joint venture	3	35	–	–	
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276	
Lexshell 661 Investments Proprietary Limited	A joint venture	–	–	1	–	
2016						
CBI-electric Telecom Cables Proprietary Limited	A joint venture	1	–	–	–	
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276	
Lexshell 661 Investments Proprietary Limited	A joint venture	–	–	–	–	

The related party transactions at group level are eliminated.

COMPANY

Annexure A contains the details of the company's:

- shareholding in;
- loans with;
- interest income from;
- dividends received from; and
- dividends paid to,

its subsidiaries, joint ventures, associate and special purpose entity

Counterparty	Sales	Purchases	Lease payments made	Lease payments received	Net administration fees paid	Interest paid	Trade receivables	Trade payables
2017								
Subsidiaries of Reunert	1	5	6	58	57	–	1	1
2016								
Subsidiaries of Reunert	446	9	2	48	210	5	39	3

Directors' remuneration is disclosed in note 25.

28. Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, receivables, trade payables, borrowings and derivative instruments. Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method used to calculate the amortised cost of a financial instrument and to allocate interest income or expense over the relevant period.

Financial assets

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

At each reporting period date, loans and receivables are assessed for indicators of impairment and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investment have been negatively impacted. These include change in market conditions or risk factors affecting the financial asset and specific counterparty conditions that provide evidence that future cash flows may be negatively impacted.

Derecognition of loans and receivables

The group derecognises a loan and receivable only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments issued by the group

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual terms of the arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received net of any direct issue costs.

Equity is not subsequently remeasured.

Treasury shares

Treasury shares are equity instruments of the company that are held by a subsidiary of the company.

Repurchases of the company's own equity instruments are recognised and deducted directly from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

Financial liabilities are either classified as:

- > financial liabilities at FVTPL; or
- > other financial liabilities at amortised cost.

Financial liabilities include interest-bearing bank loans and overdrafts, trade and other payables and financial liabilities that arise from put options.

Financial liabilities at FVTPL

Non-controlling interests that have written put options to sell their interest in the subsidiary to the group are initially recognised in equity at fair value with a corresponding financial liability. Fair value is the present value of the future cash flows expected to settle the put obligation discounted at the average cost of borrowing. Any subsequent movement in the fair value of the written put option is recognised in profit or loss. The unwinding of the present value is recognised within interest expense in profit or loss using the effective interest method.

28. Financial instruments continued

Financial liabilities continued

Financial liabilities at amortised cost

Trade and other payables are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

Financial liabilities are derecognised when the liability is extinguished, meaning that the obligation specified in the contract is discharged, cancelled or expires.

Hedge accounting

Quince Capital designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of interest rate risk as fair value hedges.

At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Recognised fair value measurements

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	GROUP		COMPANY	
	2017	2016	2017	2016
28. Financial instruments continued				
Significant categories of financial instruments				
<i>Financial assets</i>				
Loans and receivables (included in other investments and loans, amounts owing by subsidiaries, rental and finance lease receivables, accounts receivable, money market instruments and cash and cash equivalents)	6 062	6 256	6 286	6 473
<i>Financial liabilities</i>				
Amortised cost (included in long-term and current portion of long-term borrowings, trade and other payables, amounts owing to subsidiaries and bank overdrafts and short-term loans)	(1 914)	(1 960)	(153)	(401)
FVTPL put option liability	(121)	–	–	–

There were no reclassifications of financial assets and liabilities during the year. There were no financial assets or liabilities settled or extinguished which did not meet the derecognition requirements.

	GROUP		COMPANY	
	2017 Level 3	2016 Level 3	2017 Level 3	2016 Level 3
Fair value measurements				
Reconciliation of carrying value of level 3 financial assets and liabilities				
<i>Financial liabilities – Put option</i>				
Opening balance	–	–	–	–
Raised at acquisition at fair value	116	–	–	–
Time value of money adjustments/Unwinding of interest expense	5	–	–	–
Closing balance¹	121	–	–	–

¹ Includes R9 million relating to Ryonics.

As noted in note 29 as part of the Terra Firma acquisition, the non-controlling interest have put options to the group over 25% of the company's equity.

The put option is exercisable for the first time in 2019 or thereafter in 2020. Management has used the 2020 year as its best estimate of the exercise date based on the most favourable option to the non-controlling interest.

The fair value of the put option liability has been determined using a discounted cash flow valuation technique. Significant unobservable inputs include the following:

- > Put obligation estimated using year 2020 forecast revenue and net profit after tax (NPAT). The forecast is based on management's best estimate of the revenue and NPAT likely to be achieved in 2020.
- > The above is based on multiples stipulated in the sales and purchase agreement.
- > The discount rate used is the average cost of borrowing, which is 8%.

If the key unobservable inputs to the valuation model, being estimated, were 1% higher/lower while all the other variables were held constant, the carrying amount of the put option liabilities would decrease and increase by R3 million respectively.

Notes to the annual financial statements continued
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28. Financial instruments continued

Risk management

The Reunert group is exposed to liquidity, credit, foreign currency, interest rate and commodity price risks arising from its financial instruments.

The processes and financial management of assets and liabilities are consistent with the previous financial year.

The risk management relating to each of these risks is discussed under the headings below. The group's objective in using derivative instruments for hedging purposes is to reduce the uncertainty over future cash flows arising from foreign currency, interest rate and commodity price risk exposures.

Liquidity risk

Liquidity risk is the risk that an entity in the group will be unable to meet its obligations in respect of financial liabilities when they become due.

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows.

Senior management across the group is responsible for the management of liquidity risk.

The overnight call market is mainly used for short-term borrowings, with three to six-month borrowings used when deemed appropriate. Excess cash is only deposited with reputable banks and is spread over more than one bank to reduce exposures to any one institution.

The following table details the group's remaining contractual maturity for its financial liabilities. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the group is required to pay. The table includes both interest and principal cash flows.

GROUP				
Rm	<1 year	1 – 5 years	>5 years	Total
2017				
Financial liabilities included in trade and other payables	(1 633)	–	–	(1 633)
Bank overdrafts and current portion of long-term borrowings	(208)	–	–	(208)
Long-term borrowings	–	(63)	(17)	(80)
Put option liability	–	(137)	–	(137)
	(1 841)	(200)	(17)	(2 058)
2016				
Financial liabilities included in trade and other payables	(1 288)	–	–	(1 288)
Bank overdrafts and current portion of long-term borrowings	(629)	–	–	(629)
Long-term borrowings	–	(30)	(13)	(43)
	(1 917)	(30)	(13)	(1 960)
COMPANY				
Rm	<1 year	1 – 5 years	>5 years	Total
2017				
Financial liabilities included in trade and other payables	(71)	–	–	(71)
Bank overdrafts and current portion of long-term borrowings	(5)	–	–	(5)
Amounts owing to subsidiaries	(77)	–	–	(77)
	(153)	–	–	(153)
2016				
Financial liabilities included in trade and other payables	(246)	–	–	(246)
Bank overdrafts and current portion of long-term borrowings	(10)	–	–	(10)
Long-term borrowings	–	(5)	–	(5)
Amounts owing to subsidiaries	(140)	–	–	(140)
	(396)	(5)	–	(401)

The current portion of financial assets is sufficient to pay the financial liabilities expected to fall due within the next 12 months.

28. Financial instruments continued

Borrowing capacity

In terms of the company's Memorandum of Incorporation (MOI) the directors may borrow funds as they deem fit, subject to the company satisfying the solvency and liquidity test, as contemplated in section 4 of the Companies Act.

The group has unutilised borrowing facilities and has substantial capacity to borrow funds if required.

Capital management

The group has minimal debt levels mainly as a result of the substantial cash reserves available. There are accordingly no significant debt covenants imposed on the group and no breaches or defaults on any borrowings have taken place during the year. Cash reserves are available to fund future acquisitions as part of the group's growth strategy as well as to fund any replacement or expansionary capital requirements.

Capital allocation is evaluated against expected returns using appropriate weighted average cost of capital (WACC) rates and risk profiles.

Credit risk

Credit risk refers to the risk of financial loss due to counterparties to financial instruments, including debtors, not meeting their contractual obligations. This risk is managed through ongoing credit evaluations of the financial condition of all customers. The granting of credit is controlled by application and credit vetting procedures which are updated and reviewed on an ongoing basis.

The credit risk on funds included in cash and cash equivalents and money market instruments is limited because the counterparties are banks with high credit ratings. Below is the maximum exposure to credit risk of financial assets included in trade and other receivables, rental and finance lease receivables, and in other investments and loans, before any impairment losses or credit enhancements and excluding any collateral held, classified into major risk types:

	GROUP		COMPANY	
Rm	2017	2016	2017	2016
Insured debtors	499	253	11	9
Contractors	95	97	–	–
Individuals/small businesses	1 214	1 077	19	14
Mines/large businesses/government and parastatals	2 284	2 396	1	59
Municipalities	495	197	–	–
	4 587	4 020	31	82

Notes to the annual financial statements continued
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28. Financial instruments continued

Foreign currency risk

Certain transactions within the group are denominated in foreign currencies, mainly US Dollars and Euros. This exposes the group to the risk of exchange rate fluctuations for these currencies.

The group manages these risks within parameters defined by operational management. Forward exchange contracts and other relevant financial instruments are used to hedge foreign currency exposure to US Dollars and Euros.

Forward exchange contracts (FECs) for the group are summarised below:

	GROUP			
	Foreign amount Million	Market value Rm	Contract value Rm	Unrealised gains/(losses) Rm
2017				
<i>Imports – trade</i>				
USD	(9)	(120)	(115)	5
Euro	(12)	(191)	(186)	5
<i>Exports – trade</i>				
USD	27	367	363	(4)
Euro	2	31	31	–
Accounts payable in foreign currencies				650
Of which covered by forward exchange contracts				296
Loans payable in foreign currencies				73
Of which covered by forward exchange contracts				–
Accounts receivable in foreign currencies				590
Of which covered by forward exchange contracts				180
Loans receivable in foreign currencies				58
Of which covered by forward exchange contracts				–

	GROUP			
	Foreign amount Million	Market value Rm	Contract value Rm	Unrealised (losses)/gains Rm
2016				
<i>Imports – trade</i>				
USD	(11)	(155)	(157)	(2)
Euro	(9)	(117)	(121)	(4)
<i>Exports – trade</i>				
USD	6	80	92	12
Euro	1	7	7	–
Accounts payable in foreign currencies				328
Of which covered by forward exchange contracts				158
Loans payable in foreign currencies				3
Of which covered by forward exchange contracts				–
Accounts receivable in foreign currencies				613
Of which covered by forward exchange contracts				60
Loans receivable in foreign currencies				104
Of which covered by forward exchange contracts				28

COMPANY

There were no significant FECs for the company as at 30 September 2017 (2016: Euro 8 million)

28. Financial instruments continued

Foreign currency sensitivity analysis

The following details the group's sensitivity to a 20% weakening (2016: 20% weakening) in the Rand against the relevant foreign currencies. A 20% (2016: 20%) decrease represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and FECs and adjusts their translation at the year-end for a 20% change in foreign currency rates.

Profit after tax for the year ended 30 September 2017 would increase by R5 million (2016: increase of R25 million) if the Rand weakened by 20% against the relevant foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Quince, the group's asset-backed finance company, has originated fixed-rate customer loans and is therefore exposed to changes in their fair value as market interest rates change over the term of these fixed-rate customer loans. Quince has elected to mitigate this risk by entering into interest rate swap agreements to mitigate the exposure to the fair value arising from interest rate risk.

The interest rate swaps were designated as fair value hedging instruments. The aim of this hedge is to transform the fixed-rate loan assets into variable-rate loans, to mitigate the risk arising from interest rate risk, thus hedging the fair value of the financial asset.

The fair value of the interest rate swaps is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract. The fair value was determined to be a R8,6 million liability (2016: R3.2 million asset).

The effectiveness of the hedging relationship is assessed prospectively and retrospectively at each reporting date using statistical methods in the form of a Dollar-offset analysis. The hedge effective testing concluded that the hedging relationships were ineffective and consequently, hedge accounting was not achieved. Total loss resulting from the interest rate swap was R12 million.

Details of the interest rate hedging instruments are:

Rm	GROUP			Total
	<1 year	Contracts expiring in: 1 – 5 years	>5 years	
2017				
<i>Quince</i>				
Contract value	–	750	–	750
Average fixed interest rate	–	7,5%	–	7,5%
2016				
<i>Quince</i>				
Contract value	–	550	–	550
Average fixed interest rate	–	7,5%	–	7,5%
<i>Other</i>				
Contract value	–	7	–	7
Average fixed interest rate	–	8,1%	–	8,1%

The interest rate swaps reset on a quarterly basis. The floating rate is based on the three-month JIBAR rate.

The interest rate hedges settle on a monthly basis. The floating rate on the interest rate hedge is the monthly JIBAR. The group will settle the difference between the fixed and floating interest rate on a net basis. The company has not entered into any interest rate hedging instruments.

Interest rate swap sensitivity analysis

If the interest rate had been 1% lower and all other variables remained constant, the group's profit after tax for the year ended 30 September 2017 would have decreased by R2,3 million (2016: R2,4 million). Management regularly reviews the open position as new information becomes available and enters into interest rate swap agreements to mitigate the company's risk exposure to interest rate risk.

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Rm	GROUP				Total
	Weighted average effective interest rate %	Floating interest rate	Fixed interest rate	Non-interest-bearing	
28. Financial instruments continued					
Interest rate analysis					
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.					
2017					
<i>Assets</i>					
Cash and cash equivalents and money market instruments	7,7	1 350	130	172	1 652
Financial assets included in current accounts receivable and rental and finance lease receivables	13,8	446	357	1 887	2 690
Other investments and loans	8,0	29	19	7	55
Non-current rental and finance lease receivables	14,9	723	959	–	1 682
		2 548	1 465	2 066	6 079
<i>Liabilities</i>					
Financial liabilities included in trade and other payables	2,2	(199)	–	(1 434)	(1 633)
Bank overdrafts and current portion of long-term borrowings	7,8	(166)	(5)	(37)	(208)
Long-term borrowings and put option liability	7,5	–	(175)	(19)	(194)
		(365)	(180)	(1 490)	(2 035)
Net financial assets		2 183	1 285	576	4 044
2016					
<i>Assets</i>					
Cash and cash equivalents and money market instruments	7,1	2 300	48	34	2 382
Financial assets included in current accounts receivable and rental and finance lease receivables	14,3	396	384	1 608	2 388
Other investments and loans	10,8	52	–	1	53
Non-current rental and finance lease receivables	14,8	709	735	5	1 449
		3 457	1 167	1 648	6 272
<i>Liabilities</i>					
Financial liabilities included in trade and other payables	2,9	(283)	(26)	(979)	(1 288)
Bank overdrafts and current portion of long-term borrowings	6,6	(629)	–	–	(629)
Long-term borrowings	10,0	(6)	–	(37)	(43)
		(918)	(26)	(1 016)	(1 960)
Net financial assets		2 539	1 141	632	4 312

28. Financial instruments continued

Interest rate sensitivity analysis

The analyses are prepared assuming the amount of net assets outstanding at the balance sheet date was outstanding for the whole year. A 2% increase is used for both the current year and prior year and represents management's assessment of a reasonable maximum change in interest rates over the next 12 months. A 2% decrease would have the opposite effect on net profit after tax.

If the group's interest rates had been 2% higher and all other variables remained constant, the group's profit after tax for the year ended 30 September 2017 would increase by R31 million (2016: increase by R36 million). This is mainly attributable to the group's exposure to interest rates on its variable rate deposits.

COMPANY					
Rm	Weighted average effective interest rate %	Floating interest rate	Fixed interest rate	Non- interest- bearing	Total
Interest rate analysis					
The company's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are:					
2017					
<i>Assets</i>					
Cash and cash equivalents	3,7	7	-	-	7
Financial assets included in accounts receivable	-	-	-	20	20
Other investments and loans	8,0	2	-	-	2
Amounts owing by subsidiaries	7,0	2 109	-	4 148	6 257
		2 118	-	4 168	6 286
<i>Liabilities</i>					
Financial liabilities included in trade and other payables	-	-	-	(71)	(71)
Bank overdrafts and current portion of long-term borrowings	7,0	-	(5)	-	(5)
Amounts owing to subsidiaries	-	-	-	(77)	(77)
		-	(5)	(148)	(153)
Net financial assets/(liabilities)		2 118	(5)	4 020	6 133
2016					
<i>Assets</i>					
Cash and cash equivalents	6,4	20	-	-	20
Financial assets included in accounts receivable	-	-	-	113	113
Other investments and loans	4,7	2	-	-	2
Amounts owing by subsidiaries	7,3	5 842	-	496	6 338
		5 864	-	609	6 473
<i>Liabilities</i>					
Financial liabilities included in trade and other payables	2,2	(135)	-	(111)	(246)
Bank overdrafts and current portion of long-term borrowings	10,5	-	(10)	-	(10)
Amounts owing to subsidiaries	10,0	(50)	-	(90)	(140)
Long-term borrowings	10,5	-	(5)	-	(5)
		(185)	(15)	(201)	(401)
Net financial assets/(liabilities)		5 679	(15)	408	6 072

Interest rate sensitivity analysis

If the company's interest rates had been 2% higher and all other variables remained constant, the company's profit after tax for the year ended 30 September 2017 would increase by R30 million (2016: increase by R82 million). This is mainly attributable to the company's exposure to interest rates on its variable rate deposits.

29. Acquisitions of businesses

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries and is measured as the excess of the sum of the consideration transferred together with the amount of any non-controlling interests in the acquirer, and the fair value of the acquirer's previously held equity interest in the acquiree, if any, over the net of the acquisition date amounts of the identifiable assets acquired, including any intangible assets and liabilities and contingent liabilities assumed. All acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services received.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets and liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognised at that time.

Non-controlling interests (NCI) in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. NCI consists of the amount of those interests at the date of the original business combination and the NCI's share of changes in equity since the date of the combination. Losses applicable to the NCI in excess of the NCI's share of changes in equity are allocated against the interests of the group, except to the extent that the NCI has a binding obligation and is able to make an additional investment to cover the losses.

2017

GROUP

During the current period, the group obtained control over the following entities through the acquisition of a majority interest in the equity shares.

1. Nanoteq Proprietary Limited

With effect from 1 October 2016, the group acquired 100% of the share capital of Nanoteq. The acquisition and related goodwill of R69 million is attributable to the synergies from the vertical integration with the group's other businesses in the Applied Electronics segment.

2. Terra Firma Solutions Proprietary Limited

With effect from 1 March 2017, the group accounted for its acquisition of 51% of the share capital of Terra Firma Solutions. The acquisition and related goodwill of R88 million is attributable to the expected high growth in this business and the ability for the group to diversify into new products and geographical areas. The following options exist: a call option in favour of Reunert Limited for a further 9% (September 2018); and a put at the option of the NCIs for 25% (September 2019/2020) which, if all are exercised, will increase the group's holding in Terra Firma's share capital to 85%. At the reporting date it is estimated that the fair value of the call option is Rnil and the fair value of the put option is R112 million. A put obligation liability has been recognised in non-current liabilities with a corresponding entry to equity. Refer to note 28.

3. Ryonic Robotics Proprietary Limited

With effect from 1 March 2017, the group accounted for its acquisition of 74,9% of the share capital of Ryonic. The acquisition and related goodwill of R14 million is attributable to the ability of the group to leverage its interest in Ryonic's sales into new products and geographical areas in the rapidly advancing field of robotics, automation, machine learning and autonomous machine control. A put option exists in favour of the NCIs for some or all of the NCI's equity in the company. The put option is exercisable at any time after the fifth anniversary of the effective date of the acquisition. At the reporting date it is estimated that the fair value of the put option is R9 million. A put obligation liability has been recognised in non-current liabilities with a corresponding entry to equity. Refer to note 28.

Rm	Nanoteq	Terra Firma	Ryonic	Total
29. Acquisitions of businesses continued				
<i>Cost of investments</i>	95	102	21	218
Net borrowings at time of acquisition	34	(16)	5	23
<i>Gross cash flows on acquisition of business</i>	129	86	26	241
Non-controlling interest ¹	–	14	– ²	14
<i>Total funding of acquisitions</i>	129	100	26	255
<i>Represented by:</i>				
Property, plant and equipment and intangible assets	59	2	21	82
Non-current receivables	–	2	–	2
Inventory	2	1	1	4
Gross accounts receivable and taxation ³	28	41	–	69
Short-term borrowings	(5)	–	(2)	(7)
Deferred taxation	(5)	1	(6)	(10)
Accounts payable, provisions and taxation	(19)	(35)	(2)	(56)
Goodwill	69	88	14	171
<i>Net assets acquired</i>	129	100	26	255
Revenue since acquisition	83	83	4	170
Profit after taxation since acquisition	13	9	(3)	19
Revenue for the 12 months ended 30 September 2017 as though the acquisition date had been 1 October 2016	83	182	5	270
Profit after taxation for the 12 months ended 30 September 2017 as though the acquisition date had been 1 October 2016	13	20	(4)	29

¹ Non-controlling interests have been recognised using the proportionate share basis.

² This value is nil due to the negative net asset value at acquisition.

³ The value of uncollectible accounts receivable at acquisition was negligible.

Metal Fabricators of Zambia PLC (Zamefa)

The goodwill arising on the 2016 acquisition of Zamefa was increased by R33 million due to the reassessment of the trade receivables at acquisition. There was no impact on the actual purchase price.

COMPANY

No acquisitions were made during the year.

2016

Refer to the 2016 published results

30. Disposal and transfer of businesses

2017

During the course of the year the group realised net proceeds on disposals of R15 million. These businesses were sold at net book value.

Transactions under common control

During the year the group undertook various reorganisation activities that resulted in transactions between the holding company and certain subsidiaries. These transactions were accounted for as transactions under common control, which is excluded from IFRS 3 – Business Combinations as it involves the combination of businesses that are ultimately controlled by the same company before and after the transaction. Such business combinations are accounted for at the net asset value of the business transferred and therefore no goodwill arises on these business combinations. No effect of the transactions is recorded at a group level as the transactions eliminate on consolidation. In the separate financial statements of the company and its subsidiaries, the net assets acquired or disposed of were accounted for using their historical carrying values. Any differences between the proceeds and the net assets disposed were recognised in profit or loss of the relevant entity.

Material transactions that affected the company are as follows

Unbundling of Quince

Quince Capital Holdings Proprietary Limited was unbundled on 31 August 2017 under the provisions of section 56 of the Companies Act. This led to a dividend in specie of the investment in Quince Capital Proprietary Limited (cost of R375 million) and a final cash dividend of R466 million from Quince Capital Holdings Proprietary Limited being received. Against these dividends totalling R841 million, a R812 million loss was recognised on the derecognition of the cost of the original investment.

Transfer of the Nashua Office Automation division

With effect from 1 October 2016 the net assets and business of Nashua Office Automation, a division of Reunert Limited, were transferred to Nashua Proprietary Limited, another group company, at the net book value of Rnil.

Rm	Nashua Office Automation
Net assets transferred	
Property, plant and equipment and intangible assets	(1)
Inventory	(112)
Trade and sundry receivables	(85)
Cash on hand at time of transfer	(14)
Trade and sundry payables and provisions	178
Net amounts due to group companies	34
Amount received	–

2016

Refer to the 2016 published results

31. Subsequent events

No events have arisen between the end of the financial year and the date of these financial statements, which materially affect the financial position or results of the company or group.

32. Litigation

There is no material litigation being undertaken against the group. The group has made adequate provision against any cases where it considers there are reasonable prospects for the litigation to succeed. The group has adequate resources and good grounds to defend any litigation it is aware of.

SEGMENTAL ANALYSIS

Business segments

A segment is a distinguishable component of the group that is engaged in activities from which it may earn revenue and incur expenses, including revenues and expenses relating to transactions with other components of the group, whose operating results are regularly reviewed by the chief decision-maker and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision-maker. The chief decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Reunert Limited's Board of directors.

The business segments identified are Electrical Engineering, Information Communication Technologies (ICT), Applied Electronics and Other. The segments have been identified based on products, technology, services, markets and customer segmentation.

Electrical Engineering encompasses the design, manufacture, installation and maintenance of a complete range of power cables, the manufacture and supply of copper and optical fibre telecommunication cable, the manufacture and supply of low-voltage distribution, protection and control equipment, and the supply of high and medium-voltage switchgear and transformers. This segment's market includes municipalities, parastatals, utilities, and the mining and building industries.

ICT is a provider of data and voice communication and network services and solutions; a distributor of business systems with products focusing mainly on office automation and telecommunications; and asset-based rental solutions. The market comprises corporate and retail customers, small to medium-sized enterprises (SMEs), government and state-owned entities.

Applied Electronics specialises in tactical very high frequency/ultra high frequency/high frequency (VHF/UHF/HF) communication systems; designs and manufactures fuzes and related defence products for artillery, mortar, naval and aircraft weapon systems; develops and manufactures ground and naval search and tracking radar systems; designs and manufactures mining radar sensor systems used in open-cast mining; manufactures electronic components and printed circuit boards (PCBs); provides renewable energy engineering solutions; develops and designs robotics; and develops cryptographic products and solutions to meet cybersecurity requirements.

In addition, this segment manufactures and supplies remote-controlled weapon platforms and supplies system engineering and logistic support services in telecommunications, radar, satellite, mining, fare management and transportation fields. Markets here are local and international defence forces, mining houses, municipalities and corporates.

The "other" segment is made up of the group's administration, finance and property portfolio.

The majority of the group's operations are situated in South Africa with operations in Australia, Lesotho, Sweden, the United States of America and Zambia. The revenue and profits derived outside South Africa are currently not material, and accordingly it would not be meaningful to provide geographical segmental information.

Reunert does not have a single customer or grouping of customers which meets the requirements to be separately disclosed in terms of IFRS 8 – Operating Segments.

The accounting policies of the reportable segments are the same as the group's accounting policies described in these financial statements.

Segmental analysis continued

	2017		2016		% change
	Rm	%	Rm	%	
Revenue					
Electrical Engineering	5 247	51	4 106	46	28
ICT	3 307	32	3 332	37	(1)
Applied Electronics	1 720	17	1 505	17	14
Other	14	–	21	–	(33)
Total operations	10 288	100	8 964	100	15
Revenue from equity-accounted joint venture (Electrical Engineering)	(489)		(453)		
Revenue from equity-accounted associate (ICT)	(26)				
Revenue as reported per the statement of comprehensive income	9 773		8 511		15
Intersegment revenue is immaterial and has not been disclosed.					
The geographical analysis of revenue is detailed in Note 1.					
The analysis of revenue between products and services is not provided as the cost to collate the information would be excessive.					
Operating profit before interest and dividends					
Electrical Engineering	696	45	610	45	14
ICT ¹	635	41	549	41	16
Applied Electronics	276	18	305	23	(10)
Other	(59)	(4)	(111)	(9)	47
Total operations	1 548	100	1 353	100	14
Operating profit from equity-accounted joint venture (Electrical Engineering)	(48)		(38)		
Operating profit from equity-accounted associate (ICT)	(3)				
Operating profit as reported per the statement of comprehensive income	1 497		1 315		14

¹ Net interest charged to Quince through the group treasury function has been eliminated in line with the consolidation principles of IFRS. This amounted to R125 million (2016: R95 million).

Rm	2017	2016
Empowerment transactions		
Electrical Engineering	–	93
ICT	–	–
Applied Electronics	20	20
Other ¹	–	–
Total empowerment transactions as reported per the statement of comprehensive income	20	113
Total assets		
Electrical Engineering	3 115	2 699
ICT	3 952	4 084
Applied Electronics	1 854	1 477
Other ¹	1 168	1 649
Total assets as reported per the statement of financial position	10 089	9 909
¹ Other includes bank balances of R0,9 billion (2016: R1,7 billion) because it manages the group's treasury function.		
Inventory and contracts in progress		
Electrical Engineering	700	601
ICT	244	243
Applied Electronics	495	451
Other	–	–
Total inventory and contracts in progress as reported per the statement of financial position	1 439	1 295
Accounts receivable and rental and finance lease receivables – current		
Electrical Engineering	1 167	967
ICT	1 195	1 134
Applied Electronics	571	516
Other	14	35
Total accounts receivable and rental and finance lease receivables as reported per the statement of financial position	2 947	2 652
Trade and other payables, derivative liabilities and provisions		
Electrical Engineering	947	790
ICT	608	618
Applied Electronics	650	568
Other	80	44
Trade and other payables, derivative liabilities and provisions as reported per the statement of financial position	2 285	2 020
Capital expenditure		
Electrical Engineering	30	35
ICT	27	35
Applied Electronics	82	129
Other	4	23
Capital expenditure as reported	143	222
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		
Electrical Engineering	56	43
ICT	31	59
Applied Electronics	42	22
Other	9	7
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets as reported	138	131
Number of employees		
Electrical Engineering	2 952	2 975
ICT	1 707	1 978
Applied Electronics	1 873	1 472
Other	77	67
Number of employees as reported	6 609	6 492

PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATE AND SPECIAL PURPOSE ENTITY – ANNEXURE A

	Share capital R (unless otherwise stated)	Effective percentage holding	
		2017 %	2016 %
Refer to the segmental analysis for a description of the business activities and markets.			
Electrical Engineering			
Reunert Electrical Engineering Holdings Proprietary Limited	8 000 047	100	100
CBI Electric: African Cables			
Reunert Investment Company No 1 Proprietary Limited	4 000	100	100
CBI Electric Mzansi (RF) Proprietary Limited ²	10 000 000	80	80
ATC Proprietary Limited ²	392 052 911	80	80
Zambia			
Metal Fabricators of Zambia PLC ¹	27 090KW	75,0	75,4
CBI-electric: Low and Medium Voltage			
Circuit Breaker Industries GmbH (incorporated in Germany)	EUR25 565	100	100
Circuit Breaker Industries Inc. (incorporated in USA)	USD50000	100	100
Circuit Breaker Industries Lesotho Proprietary Limited (incorporated in Lesotho)	LS1 000	100	100
Circuit Breaker Industries Proprietary Limited	46	100	100
Heineman Electric (incorporated in Australia)	AUD2	100	100
Reunert Investment Company No 3 Proprietary Limited	5 028 000	100	100
Polybox Proprietary Limited ³	5 000 100	51,22	51,22
CBI-electric Telecom Cables Proprietary Limited² (joint venture)	246 312 400	40	40
ICT			
Reunert ICT Holdings Proprietary Limited	423 148 971	100	100
Pansolutions			
NPC (Air conditioning) Proprietary Limited ⁴	–	100	100
NPC (Electronics) Proprietary Limited	–	100	100
Pansolutions Proprietary Limited	1 000	100	100
Pansolutions Holdings Proprietary Limited	43 099 743	100	100
Nashua Office Automation⁵			
Nashua Proprietary Limited	947 794	100	100
Kopano Solutions Company Proprietary Limited	2 000 000	74	74
Acuo Technologies Proprietary Limited ⁴	4 000	100	100
Nashua Holdings Proprietary Limited ¹	2	100	100
Algoa Office Automation Proprietary Limited	200	70	70
Circular Drive Property Proprietary Limited	200	51	51
Classic Number Trading 80 Proprietary Limited	200	100	100
Zevoli 151 Proprietary Limited	190	85	85
Bridoon Trade and Invest 197 Proprietary Limited	20 140 100	80	80
Paarl and West Coast Office Automation Proprietary Limited	100	51	51
Just Jasmine Investments 201 Proprietary Limited	120	51	51
Main Street 1052 Proprietary Limited	400	75	75
Main Street 1051 Proprietary Limited	100	100	100
Oxirostax Proprietary Limited (associate)	120	49	100
Prodoc Svenska AB	240 000kr	60	60
Quince			
Quince Capital Holdings Proprietary Limited ⁴	–	100	100
Quince Capital Proprietary Limited ¹	75 268 322	100	100
Nashua Communications Proprietary Limited	100	100	100
Electronic Communications Network Proprietary Limited	100	100	100

Interest of holding company				Interest and dividends paid to/(received from) the holding company	
Shares		Indebtedness			
2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
38	38	-	-	8	-
68	68	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16	16	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
662	268	-	-	-	-
-	2	-	-	-	-
-	-	-	(4)	4	-
45	45	(68)	(67)	-	-
-	6	-	(50)	-	-
-	-	-	15	-	-
-	-	-	(8)	8	-
-	-	348	348	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	813	-	-	906	95
-	-	-	-	-	-
-	12	-	-	-	-
-	-	9	87	-	-

Principal subsidiaries, joint ventures, associate and special purpose entity – Annexure A continued

	Share capital R (unless otherwise stated)	Effective percentage holding	
		2017 %	2016 %
Applied Electronics			
Reunert Applied Electronics Holdings Proprietary Limited	18 118 517	100	100
Reutech Mzansi (RF) Proprietary Limited⁶	10 000 000	80	90
Reutech Proprietary Limited	39 023 797	80	90
Omnigo Proprietary Limited	1 000	80	90
Nanoteq Proprietary Limited⁷	100	80	–
Fuchs Electronics Proprietary Limited	50 000	100	100
Ryonic Robotics Proprietary Limited⁸	100	74,9	–
Reunert Investment Company No 2 Proprietary Limited	2 000	100	100
Terra Firma Solutions Proprietary Limited⁹	5 675 200	51	–
RC&C Manufacturing			
RC&C (Parow Factory) Properties Proprietary Limited	2	100	100
RC&C Manufacturing Company Proprietary Limited ¹	100	100	100
Investments and services			
Reunert Finance Company Proprietary Limited	4 000 000	100	100
Reunert Executive Services Proprietary Limited	1 200 000	100	100
Reunert Management Services Proprietary Limited	4 000	100	100
Reunert Connect Proprietary Limited	1 000	100	100
Julopro Proprietary Limited	120	100	100
Reunert International Investments (Mauritius) Ltd ¹⁰	USD10 000 086	100	100
Sundry companies (net) ^{1 and 13}			
Investment in terms of a broad-based share-based payment transaction encompassing group employees ¹¹			
Special purpose entity			
Bargenel Investments Proprietary Limited ¹²			
Provision for impairment			
Interest in subsidiaries			
Amounts owing by subsidiaries to Reunert company in total (refer to note 13)			
Amounts owing to subsidiaries (refer to note 13)			

¹ Reunert Limited has provided financial support to these companies, either in the form of a parent company guarantee or a letter of support to these subsidiaries for a period of one year from the signature date of the annual financial statements, or to enable these entities to continue trading and settle their obligations as they fall due.

² Reunert Limited owns 100% of Reunert Electrical Engineering Holdings Proprietary Limited, which owns 80% of CBI-electric Mzansi (RF) Proprietary Limited (CBI-electric Mzansi) (previously Nabuspace Proprietary Limited) resulting in an indirect interest of 80%. CBI-electric Mzansi owns 100% of ATC Proprietary Limited, which owns 50% of CBI-electric Telecom Cables Proprietary Limited.

³ Reunert Limited owns 100% of CBI Proprietary Limited, which owns 51,22% of Polybox Proprietary Limited, resulting in an indirect investment of 51,22%.

⁴ These companies are in the process of being either deregistered or liquidated.

⁵ In terms of IFRS 12 – Disclosure of Interests in Other Entities, none of the non-controlling interests are individually material to the Reunert group results.

⁶ Reunert Limited owns 100% of Reunert Applied Electronics Holdings (RAEH), which owns 70% of Reutech Mzansi (RF) Proprietary Limited (Reutech Mzansi) (previously Aldagam Investments Proprietary Limited) and 100% of Bantel Investments Proprietary Limited, which owns 10% of Reutech Mzansi, which results in RAEH holding an 80% indirect investment in Reutech Mzansi. Reutech Mzansi owns 100% of Reutech Proprietary Limited, which owns 100% of Omnigo Proprietary Limited and 100% of Nanoteq Proprietary Limited.

⁷ Reutech Proprietary Limited acquired 100% of Nanoteq Proprietary Limited during 2017.

⁸ Reunert Applied Electronics Holdings purchased 74,9% of Ryonic Robotics Proprietary Limited during 2017.

⁹ Reunert Investment Company No 2 Proprietary Limited acquired 51% of Terra Firma Solutions Proprietary Limited during 2017.

¹⁰ Reunert Limited owns 100% of Reunert International Investments (Mauritius) Limited, which owns 75,0% of Metal Fabricators of Zambia PLC, resulting in a 75,0% indirect investment.

Interest of holding company				Interest and dividends paid to/(received from) the holding company	
Shares		Indebtedness		2017 Rm	2016 Rm
2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
46	43	-	-	14	-
-	-	-	-	-	-
-	-	-	-	-	250
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15	15	102	-	-	-
-	-	-	-	-	-
1	1	-	-	-	-
-	-	-	-	-	-
4	4	5 559	5 842	116	283
-	-	-	-	-	25
-	-	-	-	-	55
-	-	21	21	-	-
-	-	219	25	-	-
154	154	-	-	-	-
-	4	(10)	(11)	21	2 538
29	44	-	-	-	-
1 112	1 112	-	-	-	71
2 190 (95)	2 645 (225)	6 180	6 198	1 077	3 317
2 095 6 257 (77)	2 420 6 338 (140)				
6 180	6 198				

¹¹ In terms of IFRS 2 – Share-based Payment, the share premium of R83,80 per share on the 520 100 shares issued has been allocated to Reunert's investment in subsidiaries. During the year the process to deregister or liquidate four of the subsidiaries commenced. As a result, the investments in these subsidiaries, totaling R10 676 000, were fully impaired. In addition Reunert transferred the investments in some of these subsidiaries to other group companies.

¹² Reunert sold its investment in Bargenel's ordinary shares in 2007 as part of a BBBEE ownership transaction whereby the 9% of Reunert's issued share capital held by Bargenel was effectively sold to Reunert's empowerment partners. This transaction was funded by Reunert taking up preference share capital in Bargenel to fund the market value of the Reunert shares held by Bargenel. As a result of this transaction, Reunert owns Bargenel's entire issued cumulative "A" preference shares (1 112 405 shares of R0,01 each, issued at a premium of R999,99 per share). Reunert has not recognised the cumulative arrear preference dividend of R237 million (2016: R235 million) it is entitled to as at 30 September 2017, as Bargenel is not in the financial position to meet this obligation. In addition, Reunert has indemnified Bargenel to the extent of R33 million, being a portion of the potential capital gains tax that would arise on the sale by Bargenel of the Reunert shares. This indemnity represents the capital gains tax on the difference between the market price of the Reunert shares at the effective date of the transaction and their base cost in Bargenel, limited to that proportion of the Bargenel shares not held directly or indirectly by the Rebatona Educational Trust. During 2017 Reunert Limited paid ordinary dividends totalling R83 million to Bargenel (2016: R76 million) and Bargenel paid preference dividends totalling R83 million to Reunert Limited (2016: R147 million).

¹³ The group has been undertaking a reorganisation of its structure. As a result certain subsidiaries have paid liquidation and other dividends, many of which were included in the sundry companies category and some have been or will be deregistered or liquidated. The dividends received by Reunert Ltd in 2016 included R2 498 million from Reutech Engineering Services and R37 million from Moshate Technology Holdings.

UNCONSOLIDATED SUBSIDIARY – ANNEXURE B

FOR THE YEAR ENDED 30 SEPTEMBER 2017

CAFCA

The financial results of Cafca Limited (Cafca), a subsidiary incorporated in Zimbabwe, have not been consolidated into the group results as the group does not exercise management control:

- > Reunert has not appointed a majority of directors to the Board of directors of Cafca and therefore does not control the Board; and
- > the difficult economic circumstances in Zimbabwe have resulted in a major liquidity crisis which renders Reunert's access to economic benefits from Cafca (eg dividends) such that it does not have the ability to affect its variable returns through its powers over Cafca.

		%
Reunert Electrical Engineering's holding		70
		Rm
Shares at cost		7,3
Less: Amount written off		(7,3)
Carrying value of investment		–
	30 September 2017 US\$000	30 September 2016 US\$000
Income statement		
Revenue	19 042	18 417
Operating profit	1 087	893
Net finance (cost)	–	(79)
Profit before taxation	1 087	814
Taxation charge	(465)	(294)
Profit after taxation	622	520
Other comprehensive income	–	–
Total comprehensive income	622	520
Balance sheet		
Assets		
<i>Non-current assets</i>	3 282	3 265
	3 282	3 265
<i>Current assets</i>		
Inventory	8 257	8 202
Accounts receivable	2 408	3 644
Cash	4 168	1 473
	14 833	13 319
Total assets	18 115	16 584
Equity and liabilities		
Share capital and reserves	15 459	14 810
Non-current liabilities	788	682
Current liabilities	1 868	1 092
Total equity and liabilities	18 115	16 584

At 30 September 2017 the retained earnings amounted to US\$15 million (30 September 2016: US\$15 million).

SHAREHOLDINGS IN EXCESS OF 5% – ANNEXURE C

AS AT 30 SEPTEMBER 2017

Beneficial shareholders holding 5% or more	Number of shares	
	(millions)	%
Government Employees' Pension Fund	24	13,1
Bargenel Investments Proprietary Limited ¹	19	10,0

	2017		2016	
	Number of shares		Number of shares	
	(millions)	%	(millions)	%
Major holdings through fund managers in excess of 5%				
Public Investment Corporation Limited	21	11,3	21	11,3
Allan Gray Proprietary Limited	11	6,2	23	12,5
Old Mutual Investment Group (South Africa) Proprietary Limited	11	6,0	12	6,6
Investec Asset Management Proprietary Limited	9	5,0	*	*

¹ Empowerment shares

* Holdings were below 5%

ABBREVIATIONS AND ACRONYMS

ABBREVIATION	FULL NAME
AFS	annual financial statements
AGM	annual general meeting
ATC	ATC Proprietary Limited
Bargenel	Bargenel Investments Proprietary Limited
bn	billion
Cafca	Cafca Limited
CSP	conditional share plan
EBITDA	Earnings before net interest income, taxation, depreciation and amortisation and empowerment transactions
FECs	forward exchange contracts
Fuchs	Fuchs Electronics Proprietary Limited
FVTPL	fair value through profit and loss
IAS	International Accounting Standards
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
JSE	JSE Limited
m	million
MOI	Memorandum of Incorporation
Nanoteq	Nanoteq Proprietary Limited
NCI	non-controlling interest
Omnigo	Omnigo Proprietary Limited
Polybox	Polybox Proprietary Limited
Quince	Quince Capital Proprietary Limited
Reunert	Reunert Limited
RFCL	Reunert Finance Company Proprietary Limited
RMS	Reunert Management Services Proprietary Limited
Ryonic	Ryonic Robotics Proprietary Limited
SPE	special purpose entity
Telecom Cables	CBI-electric Telecom Cables Proprietary Limited
Terra Firma	Terra Firma Solutions Proprietary Limited
Zamefa	Metal Fabricators of Zambia PLC

CORPORATE ADMINISTRATION AND INFORMATION

REUNERT LIMITED

(Incorporated in the Republic of South Africa)

ISIN: ZAE000057428

Short name: REUNERT

JSE code: RLO

Currency: ZAR

Registration number: 1913/004355/06

Founded: 1888

Listed: 1948

Sector: Electronic and electrical equipment

Business address and registered office

Nashua Building
Woodmead North Office Park
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Woodmead 2191
Sandton
South Africa

Postal address

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South Africa

Group secretary and administration

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Corporate and sustainability information and investor relations

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Telefax: +27 11 806 5003

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)

Principal bankers

Nedbank
Standard Bank

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