REUNERT

REUNERT LIMITED

UNAUDITED INTERIM FINANCIAL STATEMENTS 2017

AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 MARCH 2017

CONTENTS

COMMENTARY

OVERVIEW

Reunert has continued to execute its strategy and has pleasure in presenting results, that reflect further real growth for the six months ended 31 March 2017. Revenue increased by 10% from R4 022 million to R4 421 million and operating profits increased by 9% from R564 million to R616 million. These results were achieved in challenging operational circumstances in which the political and economic environment contributed to reduced economic growth and increased Rand volatility. In addition, the Applied Electronics segment experienced a lull in orders from a major export market while follow-up contracts were negotiated and concluded. The growth in revenue and operating profit as well as changes in the earnings metrics are presented in the table below.

Measure	Unit	**6 months to 31 March 2017**	6 months to 31 March 2016	%
Revenue	R million	**4 421**	4 022	10
Operating profit (before interest, dividends and empowerment transactions)	R million	**616**	564	9
Operating margin	%	**13,9**	14,0	(1)
Basic earnings per share	Cents	**276**	272	1
Headline earnings per share	Cents	**275**	271	1
Normalised headline earnings per share	Cents	**292**	282	4

GROUP RE-ORGANISATION

During the reporting period, the group changed its corporate structure and created three new statutory entities which were established to hold all businesses in the respective segment. This necessitated the previous divisions of Reunert being corporatised and transferred to the appropriate segment holding company. The costs of the holding company, which were historically recovered from Reunert's own divisions, are now recovered through increased management fees from the segments. This restructure has no impact on the consolidated group accounts.

The Segmental Analysis in the interim financial statements reflects the impact of this new structure. Similar levels of management fees were not charged in the comparative period. The Segment Performance set out overleaf reflects the like-for-like comparatives on the assumption that this restructure had not been implemented for this period.

FINANCIAL PERFORMANCE

Group revenue

Group revenue increased by 10% from R4 022 million to R4 421 million. This growth was driven by a 31% increase in revenue in the Electrical Engineering segment, from R1 824 million to R2 381 million. Revenue in the Information, Communication and Technology (ICT) segment declined by 5%, from R1 698 million to R1 602 million, and the revenue in the Applied Electronics segment was flat at R693 million.

Group operating profit

The 10% increase in revenue translated into a 9% increase in operating profit, mainly due to organic growth in our traditional operations and the positive impact of acquisitions, which more than offset the negative impact of a stronger Rand and a decline in orders from a large export market.

Electrical Engineering's operating profit increased by 20%, ICT improved its operating profit by 11% and Applied Electronics' operating profit reduced by 50%.

Interest received

Over the past 18 months, the group has undertaken acquisitions (R751 million), increased plant capacity (R203 million), re-financed our in-house finance company (R200 million), deployed working capital to support the group's growth (R451 million) and bought back shares (R140 million). These investments, all of which are aligned with our strategy, have resulted in the group's net interest received reducing from R70 million in the six months to 31 March 2016 to R44 million in the six months to 31 March 2017.

SEGMENT PERFORMANCE

Electrical Engineering

This segment continued its strong performance, which was primarily driven by integration benefits from the acquisition of Zamefa; enhanced market share resulting in good production volumes in the circuit breaker and power cable factories; and strong local demand for optic fibre due to the acceleration of rollouts of fibre-to-the-home and fibre-to-the-business.

This resulted in revenue increasing by 31% and operating profit by 20%.

ICT

Due to a firmer Rand exchange rate and the continued movement to fewer but higher capacity machines in the market, revenue in the Nashua Office Automation business ended the period lower although margins improved. The ongoing efficiency programme and the improved margins resulted in an increased operating profit for the period under review. The strong currency also negatively impacted the Rand equivalent income of Prodoc, despite the company achieving real growth in Swedish Krone.

Our Voice Over Internet Protocol (VoIP) business continued to perform strongly as it increased both the number of customers and minutes carried. This volume increase offset the impact of the statutory reduction in in-bound interconnect rates. The benefit of lower out-bound interconnect rates and operational efficiencies resulted in an improved operating profit in this business.

Our in-house finance company increased its finance book. The quality of the book remained high despite the challenging economic conditions.

Overall, the segment's revenues decreased by 5%, and operating profits improved by 11%.

Applied Electronics

Revenue was flat in the Applied Electronics segment. There was good growth in both revenue and profit in the Tactical Communications and Radar businesses. This improvement was offset by the reduction in revenue and profit due to a lull in orders from a major export market and the impact of a stronger Rand. New export contracts have subsequently been received and the associated businesses will return to full production in the second half of the financial year.

As a result, revenue was flat and operating profit reduced by 50%.

ACQUISITIONS

Over the last 18 months, the group has concluded five acquisitions totalling R751 million (inclusive of debt and minority interests assumed); R494 million was invested in the 2016 financial year and the remaining R257 million in the reporting period. These acquisitions, with the exception of Zamefa, are all early life-cycle and innovative businesses which are expected to achieve higher revenue growth than in the traditional Reunert businesses. Their contribution to the group's operating profit should also develop positively as these businesses mature. The Board is pleased with the level of integration already achieved and with the progress made in the development of these business's operating models.

Our cash and money market deposits ended the period at R1,8 billion. This, together with our largely unleveraged finance book of R2,2 billion in our in-house finance company and our unutilised borrowing capacity, ensures we continue to have adequate financial resources to invest in our strategy.

SHARE BUYBACKS

Under the general authority granted by shareholders, the group continued to purchase shares in the open market. During the period under review, the group purchased 1,7 million shares at a cost of R112 million, bringing the total cash returned to shareholders since the commencement of the programme to R140 million (2,1 million shares).

COMMENTARY continued

PROSPECTS

The group will benefit from an improvement in export orders, received during this period, which will reflect in the second half's profit as these export orders translate into sales. This, together with the enhanced output in our tactical communication business, should lead to an improved second half operating profit in the Applied Electronic segment.

This, in combination with the expected continued solid performance of the Electrical Engineering and ICT segments, underpins our expectations that real growth for the year will be achieved, provided the economic and political environment does not deteriorate materially and that no major disruption occurs during the tri-annual wage negotiations in the metals industry.

The financial information on which the prospects are based has neither been reviewed nor reported on by the group's external auditors.

CASH DIVIDEND

Notice is hereby given that a gross interim cash dividend No 182 of 120,0 cents per ordinary share (2016: 113,0 cents per share) has been declared by the directors for the six months ended 31 March 2017.

The dividend has been declared from retained earnings.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt from, or who do not qualify for, a reduced rate of withholding tax.

Accordingly for those shareholders subject to withholding tax, the net dividend amounts to 96,0 cents per share.

The issued share capital at the declaration date is 184 279 096 ordinary shares.

In compliance with the requirements of Strate, the following dates are applicable:

Last date to trade (cum dividend)	Tuesday, 20 June 2017
First date of trading (ex dividend)	Wednesday, 21 June 2017
Record date	Friday, 23 June 2017
Payment date	Monday, 26 June 2017

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 21 June 2017 and Friday, 23 June 2017, both days inclusive.

On behalf of the Board

Trevor Munday
Chairman
Sandton, 29 May 2017

Alan Dickson
Chief executive officer

Nick Thomson
Chief financial officer

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 31 March 2017

R million	Notes	Six months ended 31 March **2017 (Unaudited)**	2016 (Unaudited)	% change	Year ended 30 September 2016 (Audited)
Revenue		**4 421**	4 022	10	8 511
EBITDA		**681**	622	9	1 433
Depreciation and amortisation		**65**	58	12	118
Operating profit before interest, dividends and empowerment transactions	2	**616**	564	9	1 315
Net interest income and dividends	3	**44**	70	(37)	137
Profit before empowerment transactions		**660**	634	4	1 452
Empowerment transactions	4	**(20)**	–		(113)
Profit before taxation		**640**	634	1	1 339
Taxation		**188**	190	1	404
Profit after taxation		**452**	444	2	935
Share of joint venture's profit and associate's profit		**17**	9	89	28
Profit for the period		**469**	453	4	963
Profit attributable to:					
Non-controlling interests		**17**	3	467	9
Equity holders of Reunert		**452**	450	–	954
Cents					
Basic earnings per share	5,6	**276**	272	1	577
Diluted earnings per share	5,6	**273**	269	1	572

Cents	Notes	2017 (Unaudited)	Restated Six months ended 31 March 2016 (Unaudited)	% change	Year ended 30 September 2016 (Audited)
Other measures of earnings per share					
Headline earnings per share	5,6	**275**	271	1	570
Diluted headline earnings per share	5,6	**272**	268	1	565
Normalised headline earnings per share	5,6	**292**	282*	4	662
Diluted normalised headline earnings per share	5,6	**289**	279*	4	656
Interim/total cash dividend per share		**120**	113	6	439

* *The March 2016 normalised and diluted normalised headline earnings per share have been restated to align with the policy adopted in September 2016 of eliminating the effect of merger and acquisition costs from normalised headline earnings.*

Cents	As reported previously	Effect of restatement	Restated
Normalised headline earnings per share – March 2016	268	14	282
Diluted normalised headline earnings per share – March 2016	265	14	279

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2017

R million	Six months ended 31 March 2017 (Unaudited)	Six months ended 31 March 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
Profit for the period	**469**	453	963
Other comprehensive income, net of taxation:			
Items that may be reclassified subsequently to profit or loss			
(Losses)/ gains arising from translating the financial results of foreign subsidiaries	**(3)**	10	(19)
Total comprehensive income	**466**	463	944
Total comprehensive income attributable to:			
Non-controlling interests	**19**	3	3
Share of comprehensive income	**17**	3	9
Share of translation gain/(loss)	**2**	–	(6)
Equity holders of Reunert	**447**	460	941

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2017

R million	Notes	Six months ended 31 March 2017 (Unaudited)	Six months ended 31 March 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
Non-current assets				
Property, plant and equipment, investment properties and intangible assets		**1 066**	766	1 019
Goodwill	7	**925**	671	737
Investments and loans	8	**49**	90	53
Investment in joint ventures and associate		**169**	157	152
Rental and finance lease receivables		**1 578**	1 537	1 449
Deferred taxation		**83**	114	104
		3 870	3 335	3 514
Current assets				
Inventory		**1 430**	1 274	1 295
Rental and finance lease receivables		**656**	702	695
Accounts receivable and taxation		**2 016**	1 782	2 008
Derivative assets	9	**5**	3	15
Money market instruments		**270**	–	670
Cash and cash equivalents		**1 562**	2 355	1 712
		5 939	6 116	6 395
Total assets		**9 809**	9 451	9 909
Equity attributable to equity holders of Reunert		**6 858**	6 675	7 011
Non-controlling interests		**98**	43	81
Total equity		**6 956**	6 718	7 092
Non-current liabilities				
Deferred taxation		**96**	101	102
Long-term borrowings	10	**42**	247	43
		138	348	145
Current liabilities				
Accounts payable, provisions and taxation		**2 112**	2 134	2 037
Derivative liabilities	9	**1**	6	6
Bank overdrafts and short-term loans		**399**	44	400
Current portion of long-term borrowings	10	**203**	201	229
		2 715	2 385	2 672
Total equity and liabilities		**9 809**	9 451	9 909

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2017

R million	Six months ended 31 March 2017 (Unaudited)	Six months ended 31 March 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
Share capital	**356**	337	343
Balance at the beginning of the period	**343**	318	318
Issue of shares	**13**	19	25
Share-based payment reserves	**165**	32	136
Balance at the beginning of the period	**136**	16	16
Share-based payment expense	**33**	16	120
Treasury shares used for incentive scheme	**(4)**	–	–
Equity transactions with empowerment partners and non-controlling shareholders	**–**	–	–
Balance at the beginning of the period	**–**	–	–
Net changes in non-controlling interests	**–**	–	(40)
Transferred to retained earnings	**–**	–	40
Empowerment shares*	**(276)**	(276)	(276)
Treasury shares#	**(136)**	–	(28)
Balance at the beginning of the period	**(28)**	–	–
Shares bought back during the period	**(112)**	–	(28)
Shares used for incentive scheme	**4**	–	–
Foreign currency translation reserves	**(12)**	16	(7)
Balance at the beginning of the period	**(7)**	6	6
Other comprehensive income	**(5)**	10	(13)
Non distributable reserves	**1**	–	1
Balance at the beginning of the period	**1**	–	–
Increase in capital reserve	**–**	–	1

R million	Six months ended 31 March 31 March 2017 (Unaudited)	 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
Retained earnings	**6 760**	6 566	6 842
Balance at the beginning of the period	**6 842**	6 615	6 615
Total comprehensive income attributable to equity holders of Reunert	**452**	450	954
Cash dividends declared and paid	**(534)**	(499)	(687)
Transfer to reserves[Δ]	**–**	–	(40)
Equity attributable to equity holders of Reunert	**6 858**	6 675	7 011
Non-controlling interests	**98**	43	81
Balance at the beginning of the period	**81**	46	46
Post-acquisition amendment to purchase price allocation of prior year acquisition	**(11)**	–	–
Share of total comprehensive income	**19**	3	3
Dividends declared and paid	**(6)**	(3)	(3)
Net changes in non-controlling interests	**15**	(3)	35
Total equity at end of the period	**6 956**	6 718	7 092

* *These are Reunert Limited shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to its empowerment partner in 2007.*
Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the group as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.

\# *Reunert shares bought back and held by a subsidiary: 2 107 979 (2016: nil) (September 2016: 443 331).*

Δ *Impact of the final settlement of prior empowerment transactions.*

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2017

R million	Notes	Six months ended 31 March 2017 (Unaudited)	Six months ended 31 March 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
EBITDA		**681**	622	1 433
(Increase)/decrease in net working capital		**(55)**	(235)	(396)
Other net non-cash movements		**11**	28	50
Cash generated from operations		**637**	415	1 087
Net interest and dividends		**44**	70	137
Taxation paid		**(206)**	(231)	(431)
Dividends paid (including to non-controlling interests)		**(540)**	(502)	(690)
Net (outflows)/inflows from operating activities		**(65)**	(248)	103
Net inflow/(outflow) from investing activities		**49**	(90)	(1 205)
Capital expenditure		**(49)**	(74)	(222)
Net inflow arising from disposal of businesses		**–#**	27	–
Net outflow arising from acquisition of businesses	11	**(242)**	(13)	(462)
Movement in total rental and finance lease receivables		**(77)**	(48)	14
Non-current loans repaid		**4**	6	43
Proceeds from investment in insurance cell captive		**–**	–	48
Dividends received from joint venture		**–**	10	35
Investments net of other capital items*		**413**	–	(638)
Other		**–**	2	(23)
Net (outflow)/inflow from financing activities		**(133)**	13	(222)
Shares issued		**13**	19	25
Investment in treasury shares		**(112)**	–	(28)
Net long-term borrowings repaid		**(34)**	(5)	(181)
Equity transactions with non-controlling interests		**–**	–	(40)
Other		**–**	(1)	2
Decrease in net cash resources		**(149)**	(325)	(1 324)
Net cash resources at the beginning of the period		**1 312**	2 636	2 636
Net cash resources at the end of the period		**1 163**	2 311	1 312
Cash and cash equivalents		**1 562**	2 355	1 712
Bank overdrafts		**(325)**	–	(327)
Short-term borrowings		**(74)**	(44)	(73)
Net cash resources at the end of the period		**1 163**	2 311	1 312

* *This includes R400 million movement in investments in long-dated money market instruments (2016: Rnil) (September 2016: R670 million).*

\# *Nil due to rounding.*

SUMMARISED SEGMENTAL ANALYSIS

at 31 March 2017

R million	2017 (Unaudited) Six months ended 31 March	% of total	2016 (Unaudited)	% of total	% change	2016 (Audited) Year ended 30 September	% of total
Revenue*							
Electrical Engineering	**2 381**	**51**	1 824	43	31	4 106	46
ICT	**1 602**	**34**	1 689	40	(5)	3 332	37
Applied Electronics	**693**	**15**	696	17	–	1 505	17
Other	**8**	**–**	11	–	(27)	21	–
Total segment revenue	**4 684**	**100**	4 220	100	11	8 964	100
Revenue from equity-accounted joint venture – Electrical Engineering	**(251)**		(198)			(453)	
Revenue from equity-accounted associate – ICT	**(12)**		–			–	
Revenue as reported	**4 421**		4 022		10	8 511	
Operating profit#							
Electrical Engineering	**309**	**48**	272	47	14	610	45
ICT^Δ	**263**	**41**	250	44	5	549	41
Applied Electronics	**54**	**9**	122	21	(56)	305	23
Other^Δ	**14**	**2**	(68)	(12)	121	(111)	(9)
Total segment operating profit	**640**	**100**	576	100	11	1 353	100
Operating profit from equity-accounted joint ventures – Electrical Engineering	**(23)**		(12)			(38)	
Operating profit from equity-accounted associate – ICT	**(1)**		–			–	
Operating profit as reported	**616**		564		9	1 315	

* *Inter-segment revenue is immaterial and has been eliminated from segment revenue.*

\# *Head office recoveries have not been eliminated from operating profit as the chief operating decision-maker judges the performance of the segment net of these fees. The increase in head office recoveries from the prior year is due primarily to a group re-organisation.*

Δ *Net interest charged on group funding provided to Quince has been eliminated in line with the consolidation principles of IFRS. This elimination amounted to R56 million (2016: R41 million) (September 2016: R95 million).*

R million	2017 (Unaudited) Six months ended 31 March	% of total	2016 (Unaudited)	% of total	2016 (Audited) Year ended 30 September	% of total
Total assets						
Electrical Engineering	**2 758**	**28**	2 091	22	2 699	27
ICT	**3 777**	**39**	4 058	43	4 084	41
Applied Electronics	**1 853**	**19**	1 330	14	1 477	15
Other†	**1 421**	**14**	1 972	21	1 649	17
Total assets as reported	**9 809**	**100**	9 451	100	9 909	100

† *Other consists mainly of group treasury cash balances.*

NOTES

1 Basis of preparation

This interim financial report was prepared in accordance with the framework concepts and the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Boards (IASB) in issue and effective for the group at 1 October 2016 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committees and Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. This interim report was prepared using the information as required by IAS 34 – Interim Financial Reporting, and complies with the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008, of South Africa. This report was compiled under the supervision of NA Thomson CA(SA) (chief financial officer).

The group's accounting policies applied in this interim report were consistently applied with those used in the group annual financial statements for the year ending 30 September 2016. These accounting policies comply with IFRS.

		Six months ended 31 March		Year ended 30 September
	R million	**2017 (Unaudited)**	2016 (Unaudited)	2016 (Audited)
2.	**Operating profit**			
	Operating profit includes:			
	– Cost of sales	**2 931**	2 566	5 402
	– Other expenses excluding depreciation and amortisation	**828**	887	1 731
	– Other income	**11**	22	45
	– Realised gain on foreign exchange and derivative instruments	**19**	30	26
	– Unrealised (loss)/gain on foreign exchange and derivative instruments	**(11)**	1	(16)
3	**Net interest income and dividends**			
	Interest income and dividends*	**64**	76	164
	Interest expense	**(20)**	(6)	(27)
	Total	**44**	70	137
4	**Empowerment transactions**			
	Share based payment charges#	**19**	–	113
	Donation to an empowerment partner	**1**	–	–
	Taxation thereon	**–**	–	–
	Net empowerment transactions after taxation	**20**	–	113

** Includes dividends of Rnil (2016: Rnil) (September 2016: R8 million).*

 # This represents IFRS 2 (Share-based Payment) charges as a result of the introduction of empowerment partners in the Electrical Engineering and Applied Electronics segments.

R million	Six months ended 31 March 2017 (Unaudited)	Six months ended 31 March 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
5 Number of shares used to calculate earnings per share			
Weighted average number of shares in issue used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	**164**	165	165
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**2**	2	2
Weighted average number of shares used to determine diluted basic, headline and normalised headline earnings per share (millions of shares)	**166**	167	167
6 Headline earnings			
6.1 Profit attributable to equity holders of Reunert	**452**	450	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 interest (NCI) portion of Rnil) (2016: tax charge R2 million, NCI Rnil) (September 2016: tax charge R2 million, NCI Rnil)	**(2)**	(10)	(20)
Impairment of intangible asset (tax and NCI Rnil) (March and September 2016: tax credit R3 million, NCI R2 million)	**–**	7	8
Headline earnings	**450**	447	942

NOTES continued

R million	Restated Six months ended 31 March **2017 (Unaudited)**	2016 (Unaudited)	Year ended 30 September 2016 (Audited)
6.2 Normalised headline earnings*			
Headline earnings	**450**	447	942
Normalised headline earnings are determined by eliminating the effect of the following items from attributable headline earnings:			
IFRS 2 charges on BBBEE transactions undertaken in the current year and prior year (tax and NCI Rnil) (September 2016: Rnil)	**19**	–	113
Donation to empowerment partner (tax and NCI Rnil) (September 2016: Rnil)	**1**	–	–
Merger and acquisition costs (tax and NCI Rnil) (September 2016: tax and NCI Rnil)	**9**	23#	39
Net economic interest in profit attributable to non-controlling interests with outstanding equity-related loan accounts. These were not recognised as the significant risks and rewards of ownership had not passed to the non-controlling shareholders.	**–**	(5)Δ	–
Normalised headline earnings	**479**	465	1 094

* *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 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 2016, 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.

\# *This amount has been restated as disclosed in the other measures of earnings per share.*

	As reported previously	Effect of restatement	Restated
Merger and acquisition costs (R million)	**–**	23	23
Normalised headline earnings (R million)	**442**	23	465

Δ *This adjustment was not required in September 2016 as Reunert bought back the non-controlling interests during 2016.*

R million		Six months ended 31 March 2017 (Unaudited)	Six months ended 31 March 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
7	**Goodwill**			
	Carrying value at the beginning of the period	**737**	653	653
	Acquisition of businesses*	**172**	12	90
	Derecognition of a subsidiary due to reduction of investment	**(12)**	–	–
	Adjustment to goodwill on finalisation of acquisition made in the prior year	**33**	–	–
	Exchange differences on consolidation of foreign subsidiaries	**(5)**	6	(6)
	Carrying value at the end of the period	**925**	671	737
8	**Investments and loans**			
	Loans – at cost	**35**	75	37
	Investment in insurance cell – at fair value	**14**	15	16
	Carrying value at the end of the period	**49**	90	53
9	**Fair value classification and measurement**			
	At the balance sheet date the only financial instruments that the group held at fair value were:			
	Derivative assets	**5**	3	15
	Derivative liabilities	**1**	6	6
	These were classified as Level 2 instruments in the fair value hierarchy and comprise forward exchange contracts and interest rate swaps. The fair value of these derivative financial instruments is calculated using a discounted cash flow model with the major variables being the discount rate, the spot exchange rate and prevailing interest rates.			
	The valuations were performed by major financial institutions.			
10	**Long-term borrowings**			
	Total long-term borrowings (including finance leases)#	**245**	448	272
	Less: short-term portion (including finance leases)	**(203)**	(201)	(229)
		42	247	43

** At 31 March 2017, the purchase price allocation of the acquisitions made in 2017 and the second half of 2016 have not been finalised and therefore the amounts reported are provisional and subject to change.*

 # These borrowings include R200 million (2016: R400 million) (September 2016: R200 million) in respect of the Quince rental book, which is repayable in May 2017 (2016: R200 million was repayable in May 2016) (September 2016: R200 million).

R million	Six months ended 31 March 2017 (Unaudited)
11 Acquisition of businesses	
During the current period the following entities were acquired by the group and will form part of the Applied Electronics segment:	
– **Nanoteq Proprietary Limited:** With effect from 1 October 2016, the group acquired 100% of the share capital of Nanoteq Proprietary Limited. The R69 million in goodwill arising from the acquisition is attributable to the synergies from the vertical integration with the group's other businesses in the Applied Electronics Segment.	95
– **Terra Firma Solutions Proprietary Limited:** With effect from 1 March 2017, the group acquired 51% of the share capital of Terra Firma Solutions Proprietary Limited. The R87 million in goodwill arising from the acquisition is attributable to the high growth in this business and the ability for the group to diversify into new products and geographical areas. The following options exist: callable for a further 9% (September 2018) and a put for a further 25% (September 2019/2020), which if exercised, will increase the group's holding of Terra Firma's share capital to 85%. At the reporting date it is estimated that the fair value of these options is nil.	102
– **Ryonic Robotics Proprietary Limited:** With effect from 1 March 2017, the group acquired 74,9% of the share capital of Ryonic Robotics Proprietary Limited. The R16 million in goodwill arising from the acquisition is attributable to the high growth in this business, unique product offering and the ability for the group to diversify into new products and geographical areas.	21
Cost of investments	218
Net borrowings at time of acquisition	24
Net cash flows on acquisition of businesses	242
Non-controlling interest	15
	257

R million	Six months ended 31 March 2017 (Unaudited)
11 Acquisition of businesses continued	
Gross assets acquired and liabilities taken over:	
Deferred taxation	(7)
Property, plant and equipment and intangible assets	72
Non-current receivables	2
Inventory	5
Accounts receivable and taxation	80
Short-term borrowings	(7)
Accounts payable, provisions and taxation	(60)
Goodwill	172
Net assets acquired	257
Revenue since acquisition	48
Profit after taxation since acquisition	8
Revenue for the six months ended 31 March 2017 as though the acquisition dates had been 1 October 2016	151
Profit after taxation for the six months ended 31 March 2017 as though the acquisition dates had been 1 October 2016	19
2016	
Refer to 2016 published results	

12 Unconsolidated subsidiary

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 the 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.

The amounts involved are not material to the group's results.
At 31 March 2017 Cafca's share capital and reserves amounted to US$15 million.

NOTES continued

13 Related-party transactions

Counterparty R million	Relationship	Sales	Purchases	Treasury shares
All related-party transactions, trading account and loan balances are on the same terms and conditions as those with non-related parties.				
March 2017				
CBI-electric Telecom Cables Proprietary Limited	A joint venture	3	1	–
Nashua Winelands	An associate	7	5	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	276
March 2016				
CBI-electric Telecom Cables Proprietary Limited	A joint venture	–	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	276
September 2016				
CBI-electric Telecom Cables Proprietary Limited	A joint venture	1	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	276

14 Litigation

There is no material litigation being undertaken against the group. The group has made adequate provision against any cases where the group 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.

15 Events after reporting date

No events have occurred after the reporting date that require additional disclosure or adjustment to the results presented.

ADDITIONAL INFORMATION

R million (unless otherwise stated)	Six months ended 31 March 2017 (Unaudited)	Six months ended 31 March 2016 (Unaudited)	Year ended 30 September 2016 (Audited)
Current ratio (:1)	**2,2**	2,6	2,4
Quick ratio (:1)	**1,7**	2,0	1,9
Dividend yield (%)	**6,2**	6,0	7,2
Net number of ordinary shares in issue (million)	**163**	165	165
Number of ordinary shares in issue (million)	**184**	184	184
Less: empowerment shares (million)	**(19)**	(19)	(19)
Less: treasury shares (million)	**(2)**	–	–
Capital expenditure	**49**	74	222
– expansion	**29**	54	174
– replacement	**20**	20	48
Capital commitments in respect of property, plant and equipment	**83**	91	60
– contracted	**46**	53	10
– authorised not yet contracted	**37**	38	50
Commitments in respect of operating leases	**62**	74	63
Contingent liabilities	**–**	–	–

ADMINISTRATION

REUNERT LIMITED

Incorporated in the Republic of South Africa
Reg. No 1913/004355/06
Ordinary share Code: RLO ISIN code: ZAE000057428
("Reunert", "the group" or "the company")

Directors: T S Munday (Chairman) *, T Abdool-Samad*, A E Dickson (Chief Executive Officer), S D Jagoe*, P Mahanyele*, S Martin*, M Moodley, T J Motsohi*, N D B Orleyn**, S G Pretorius*, M A R Taylor, N A Thomson (Chief Financial Officer), R Van Rooyen*
* Independent non-executive; ** Non-executive

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Income taxation reference number 9100/101/71/7P

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
PO Box 61051
Marshalltown, 2107

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Secretaries' certification

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 period ended 31 March 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 and correct.

Karen Louw
for Reunert Management Services Proprietary Limited
Group Company Secretaries

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30 May 2017 (publication date)

www.reunert.co.za