

REUNERT LIMITED
 Incorporated in the Republic of South Africa
 Reg. No 1913/004355/06
 Ordinary share Code: RLO ISIN code: ZAE00057428
 ("Reunert" or "the group" or "the company")

UNAUDITED INTERIM FINANCIAL STATEMENTS 2018
 and cash dividend declaration for the six months ended 31 March 2018

Group profile

Reunert manages a diversified portfolio of businesses in the fields of Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics. The group was established in 1888, by Theodore Reunert and Otto Lenz, and has contributed to the South African economy in numerous ways. Reunert was listed on the JSE in 1948 and is included in the industrial goods and services (electronic and electrical equipment) sector of the JSE. The group operates mainly in South Africa with minor operations in Australia, Lesotho, Sweden, the USA, Zambia and Zimbabwe. Reunert's registered offices are located in Woodmead, Johannesburg, South Africa.

COMMENTARY

Overview

Reunert welcomes the new political administration appointed at the ruling party's elective conference in December 2017. Reunert recognises the commitment, and subsequent action taken towards ethical leadership, inclusive growth and improved economic growth. We believe this will translate into improved economic conditions for all South Africans.

Reunert provided FY2018 guidance (as part of its 2017 results overview published in November 2017) on the political and economic changes that may have an impact on the environment in which the group operates. Several adverse changes in the operating environment occurred in the period under review. Reunert's half year results to 31st March 2018 reflect a 10% increase in revenue and an 8% decline in operating profit (before interest, dividends and empowerment transactions) ("operating profit"). The decrease in profitability is largely due to:

1. The significant strengthening of the Rand against the US dollar ("USD") experienced since December 2017 which has impacted the group's profitability on 30% of its revenue which is foreign currency denominated;
2. An unprecedented reduction in demand from State-Owned Enterprises ("SOEs") and municipalities which materially impacted the Electrical Engineering segment's profitability; and
3. The country liquidity constraints in Zambia.

Measure	Units	Six months to 31 March 2018	Six months to 31 March 2017	%
Group revenue	R million	4 841	4 421	10
Group operating profit (before interest, dividends and empowerment transactions)	R million	567	616	(8)
Operating margin	%	11,7	13,9	(16)
Profit for the period	R million	448	469	(4)
Headline earnings per share	Cents	275	275	0
Normalised headline earnings per share	Cents	276	292	(5)
Q1: Average exchange rate	Rand:1 USD	13,61	13,90	(2)
Q2: Average exchange rate	Rand:1 USD	11,95	13,22	(10)
Period end exchange rate	Rand:1 USD	11,84	13,14	(10)

FINANCIAL PERFORMANCE

Group revenue

Group revenue increased by 10% from R4 421 million to R4 841 million. This was primarily driven by a 25% increase in revenue from the Applied Electronics segment arising from our new segment subsidiaries and our large export order book. Revenue in the Electrical Engineering segment increased marginally due to higher metal prices, offset by a substantial reduction in revenue in our telecom cable joint venture and the impact of the stronger Rand. Revenue in the ICT segment increased in line with inflation, despite the deflationary pressure of the stronger Rand, driven by positive sales volumes.

GROUP OPERATING PROFIT

Group operating profit declined by 8% from R616 million to R567 million. The primary drivers of this decrease were:

1. The lower margin achieved on export sales and lower earnings from our foreign operations due to the appreciation in the average USD:Rand exchange rate achieved in the period, which directly impacted profitability;
2. The material reduction in demand from SOEs and municipalities which adversely impacted capacity utilisation and margins in the Electrical Engineering segment; and
3. The reduced manufacturing activities in Zamefa because of Zambia's ongoing liquidity constraints.

These factors resulted in the operating profit in the Electrical Engineering segment declining significantly and the Applied Electronics segment's operating profit remaining flat despite a 25% increase in revenue.

The ICT segment achieved a 14% increase in operating profit from increased volumes, improved margins and accelerated new customer deals as the segment continued to successfully implement its Total Office Provider strategy.

Capital allocation

During the six months under review, the group concluded two acquisitions:

- The business of Skywire, which provides Broad Band Connectivity and is an essential component of the "Total Office Provider" solution set in the ICT segment; and
- Dopptech Proprietary Limited, which provides leading edge and complementary technology to our Applied Electronics fuze business.

These acquisitions are fully aligned with the group's strategic intent of investing into early life cycle and innovative businesses.

In addition to the two acquisitions, the group continued to re-purchase its own shares under its general authority from shareholders. In the six months, the group purchased a further 1,2 million shares at a total consideration of R85,3 million.

CASH RESOURCES

The reduction in the group's cash resources mainly resulted from the two acquisitions (R227 million), the share buy-back programme (R85 million), investment in working capital (R269 million) and the increase in the Quince rental book (R195 million). The group's cash resources are expected to improve in the second half of the financial year.

Taxation

During the period under review, the company was successful with a tax appeal in the Supreme Court of Appeal in Bloemfontein. The favourable ruling resulted in the group releasing a provision for normal taxation of R40 million resulting in a 21% effective rate of tax incurred for the six month period.

SEGMENTAL RESULTS

Electrical Engineering

The segment's revenue increased by 2% from R2 381 million to R2 431 million.

The power cable revenue was positively impacted, and operating margins negatively impacted, by the pass through of increased metal prices as part of the standard contract pricing formulae. The adverse liquidity environment in Zambia resulted in Zamefa reducing its manufacturing output to curtail its ongoing funding requirements caused by the build-up of trade receivables. This development substantially reduced Zamefa's contribution to the group.

Our telecom cable joint venture's key customer substantially reduced its demand for both copper and fibre communication cable as it sought to improve its working capital management by reducing its stock holdings. This resulted in this business returning a loss to the group of R9 million for the period under review as against a profit of R23 million in the prior period.

Our circuit breaker business suffered the impact of reduced revenue and operating profit due to the impact of the strengthening of the Rand on its hard currency revenues and a weakening in local demand particularly in the building sector.

The segment's operating profit declined by 33% from R327 million to R219 million.

Information Communication Technologies

The positive momentum built through the successful execution of the total office provider strategy, together with the firmer exchange rate continues to benefit the office automation business. The business was able to provide better pricing into the franchise channel leading to a further increase in both its market share and the number of higher capacity/higher margin units sold which contributed to a substantial increase in profitability.

The segment's voice over internet business continued to attract a significant number of new customers and thereby grow its annuity business although this was partially offset by a reduction in minutes utilised per customer due to the weak economic climate. Good progress was also made in preparing this business for the provision of data connectivity to its customers.

The Quince book increased to R2,6 billion due to the strong sales in Office Automation and the quality of the book remains excellent.

The ICT segment's revenue accordingly increased by 4% from R1 602 million to R1 670 million with another strong improvement in its operating profit which increased by 14% from R278 million to R317 million.

Applied Electronics

The segment's revenue increased by 25% from R693 million to R863 million on the back of positive export sales and the impact of the acquisitions made in this segment. However, due mainly to the stronger average exchange rate experienced, margins were reduced in the segment resulting in operating profit being flat for the period at R61 million.

The sales of mining radars was well under expectations in the first half of the financial year but are expected to recover to normal levels in the second half. Reutech Communications has made good progress in the negotiation of the next phase of the order for tactical radios from the local customer, as well as in securing good export orders, some of which will be executed in the second half of the financial year.

Although the fuze factory operated at full capacity, the exchange rate and mix of products delivered in the first half of the financial year tempered the results from this business.

Terra Firma continues to make good progress in concluding and executing Engineering, Procurement, Construction and Management contracts for the installation of large scale industrial and commercial solar solutions.

Directorate

Tumeka Ramuedzisi was appointed to the Board as an independent non-executive director and as a member of the Audit Committee and the Social Ethics and Transformation Committee with effect from 1 April 2018.

Thabang Motsohi, an independent non-executive director who was a member of the Risk Committee and Social, Ethics and Transformation Committee, retired at the conclusion of the Annual General Meeting ("AGM") held on the 12th of February 2018 on reaching the prescribed retirement age of 70.

The Board welcomes Tumeka to the Board and thanks Thabang for his input and contribution over the period of his tenure.

There were no other changes to the composition of either the Board or the Board Committees during the period under review.

Prospects

The group expects an improved performance in the second half of the financial year, subject to there being no material changes to the macro economic conditions. The expectation is supported by the strong export order books of the Applied Electronics segment, our anticipation of some improvement in volumes and product mix in the Electrical Engineering segment and the contribution of the ICT segment's performance reinforced by the contribution from the acquisition of Skywire.

Business risk to Reunert remains in terms of the Rand's strength, exchange rate volatility and from the fiscal and organisational capacity of key state and municipal customers to place orders at a normal rate.

Post FY18, recent political changes position both the country and the general business environment on a positive trajectory which should result in improved economic activity. The group remains well positioned to capitalise on the expected improvements in South Africa's economic activity and increase in infrastructure spend.

CASH DIVIDEND

Notice is hereby given that an inflation related increase has been considered in the declaration of a gross interim cash dividend No 184 of 125,0 cents per ordinary share (2017: 120,0 cents per share) for the six months ended 31 March 2018.

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 100,0 cents per share.

The issued share capital at the declaration date is 184 439 996 ordinary shares.

In compliance with the requirements of Strate Proprietary Limited and the Listing Requirements of the JSE Limited the following dates are applicable:

Last date to trade (cum dividend)	Tuesday, 19 June 2018
First date of trading (ex dividend)	Wednesday, 20 June 2018
Record date	Friday, 22 June 2018
Payment date	Monday, 25 June 2018

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 20 June 2018 and Friday, 22 June 2018, both days inclusive.

On behalf of the board

Trevor Munday	Alan Dickson	Nick Thomson
Chairman	Chief Executive Officer	Chief Financial Officer

Sandton, 25 May 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the six months ended 31 March 2018

R million

	Notes	Six months ended 31 March			Year ended
		2018 (Unaudited)	2017 (Unaudited)	% change	30 September 2017 (Audited)
Revenue		4 841	4 421	10	9 773
EBITDA*		636	681	(7)	1 635
Depreciation and amortisation		(69)	(65)	6	(138)
Operating profit before net interest income and dividends, and empowerment transactions	2	567	616	(8)	1 497
Net interest income and dividends	3	8	44	(82)	65
Profit before empowerment transactions		575	660	(13)	1 562
Empowerment transactions	4	(2)	(20)		(20)
Profit before taxation		573	640	(10)	1 542
Taxation		(119)	(188)	(37)	(437)
Profit after taxation		454	452	-	1 105
Share of joint ventures' and associate's profit		(6)	17		37

Profit for the period		448	469	(4)	1 142
Profit attributable to:					
Non-controlling interests		3	17	(82)	30
Equity holders of Reunert Cents		445	452	(2)	1 112
Basic earnings per share	5,6	275	276	-	680
Diluted earnings per share	5,6	270	273	(1)	670

* Earnings before net interest income and dividends; taxation; depreciation and amortisation; and empowerment transactions.

Other measures of earnings per share

Cents	Notes	Six months ended 31 March 2018 (Unaudited)	2017 (Unaudited)	% change	Year ended 30 September 2017 (Audited)
Headline earnings per share	5, 6	275	275	-	679
Diluted headline earnings per share	5, 6	270	272	(1)	670
Normalised headline earnings per share	5, 6	276	292	(5)	697
Diluted normalised headline earnings per share	5, 6	271	289	(6)	687
Interim/total cash dividend per share		125	120	4	474

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 March 2018

R million	Notes	Six months ended 31 March 2018 (Unaudited)	2017 (Unaudited)	Year ended 30 September 2017 (Audited)
Profit for the period		448	469	1 142
Other comprehensive income, net of taxation:				
Items that may be reclassified subsequently to profit or loss		(62)	(3)	8
(Losses)/gains arising from translating the financial results of foreign subsidiaries		(40)	(3)	8
Translation loss on net investment in subsidiary*		(22)	-	-
Total comprehensive income		386	466	1 150
Total comprehensive income attributable to:				
Non-controlling interests		(2)	19	34
- Share of profit for the period		3	17	30
- Share of other comprehensive income		(5)	2	4
Equity holders of Reunert		388	447	1 116
- Share of profit for the period		445	452	1 112
- Share of other comprehensive income		(57)	(5)	4

* Translation loss arising on the loan component of the group's net investment in a foreign subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

R million	Notes	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
Non-current assets				
Property, plant, equipment, investment properties and intangible assets	7	1 246	1 066	1 095
Goodwill		1 088	925	921
Investments and loans		61	49	55
Investment in joint ventures and associate		153	169	159
Rental and finance lease receivables		1 851	1 578	1 682
Deferred taxation		111	83	105
		4 510	3 870	4 017
Current assets				
Inventory		1 372	1 430	1 439
Rental and finance lease receivables		773	656	747
Accounts receivable and taxation		2 256	2 016	2 222
Derivative assets		16	5	12
Money market instruments		-	270	130
Cash and cash equivalents		1 055	1 562	1 522
		5 472	5 939	6 072
Total assets		9 982	9 809	10 089
Equity attributable to equity holders of Reunert Limited		6 896	6 858	7 138
Non-controlling interests		97	98	105
Total equity		6 993	6 956	7 243
Non-current liabilities				
Deferred taxation		112	96	112
Put option liability	8	125	-	121
Long-term borrowings	9	69	42	73
		306	138	306
Current liabilities				
Accounts payable, provisions and taxation		2 095	2 112	2 304
Derivative liabilities		26	1	28
Bank overdrafts and short-term loans		551	399	197
Current portion of long-term borrowings	9	11	203	11
		2 683	2 715	2 540
Total equity and liabilities		9 982	9 809	10 089

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 March 2018

R million	Notes	Six months ended 31 March 2018 (Unaudited)	2017 (Unaudited)	Year ended 30 September 2017 (Audited)
Share capital			365	356
Balance at the beginning of the period			359	343
Issue of shares			6	13
Share-based payment reserves			198	165
Balance at the beginning of the period			176	136
Equity-settled share-based payments			24	29
Shares acquired for incentive scheme			(2)	-

Equity transactions/put option with non-controlling shareholders	(118)	-	(116)
Balance at the beginning of the period	(116)	-	-
Put option	-	-	(116)
Equity transaction with non-controlling interests	(2)	-	-
Empowerment shares*	(276)	(276)	(276)
Treasury shares**	(312)	(136)	(227)
Balance at the beginning of the period	(227)	(28)	(28)
Shares bought back during the period	(85)	(112)	(203)
Shares used for incentive scheme	-	4	4
Foreign currency translation reserves	(38)	(12)	(3)
Balance at the beginning of the period	(3)	(7)	(7)
Other comprehensive income	(35)	(5)	4
Translation loss on net investment in foreign subsidiary	(22)	-	-
Balance at the beginning of the period	-	-	-
Current period loss	(22)	-	-
Retained earnings	7 099	6 761	7 225
Balance at the beginning of the period	7 225	6 843	6 843
Profit for the period attributable to equity holders of Reunert	445	452	1 112
Cash dividends declared and paid	(571)	(534)	(730)
Equity attributable to equity holders of Reunert	6 896	6 858	7 138
Non-controlling interests	97	98	105
Balance at the beginning of the period	105	81	81
Share of total comprehensive income	(2)	19	34
Dividends declared and paid	(5)	(6)	(15)
Net changes in non-controlling interests	(1)	4	5
Total equity at end of the period	6 993	6 956	7 243

* These are Reunert Limited shares held by Bargene1 Investments Proprietary Limited (Bargene1), a company sold by Reunert to its empowerment partner in 2007. Until the amount owing by the empowerment partner is repaid to Reunert, Bargene1 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: 4 604 380 (2017: 2 107 979) (September 2017: 3 392 422).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 31 March 2018

R million	Notes	Six months ended 31 March		Year ended
		2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
EBITDA		636	681	1 635
Increase in net working capital		(269)	(55)	(225)
Other net non-cash movements		25	11	60
Cash generated from operations		392	637	1 470
Net interest income and dividends		12	44	70
Taxation paid		(210)	(206)	(375)
Dividends paid (including to non-controlling interests)		(576)	(540)	(745)
Net (outflow)/inflow from operating activities		(382)	(65)	420
Net (outflow)/inflow from investing activities		(351)	49	(21)
Capital expenditure		(54)	(49)	(143)
Net inflow arising from disposal of businesses		-	-	15
Gross cashflows on acquisition of businesses	10	(227)	(242)	(241)
Increase in total rental and finance lease receivables		(195)	(77)	(231)
Net other investments and loans (granted)/repaid		(6)	4	(2)
Dividends received from joint venture		-	-	30
Investments net of other capital proceeds*		131	413	551
Net outflow from financing activities		(88)	(133)	(386)
Shares issued		6	13	16
Investment in treasury shares		(85)	(112)	(203)
Net long-term borrowings repaid		(4)	(34)	(199)
Shares acquired for incentive scheme		(2)	-	-
Equity transactions with non-controlling interests		(3)	-	-
(Decrease)/increase in net cash resources		(821)	(149)	13
Net cash resources at the beginning of the period		1 325	1 312	1 312
Net cash resources at the end of the period		504	1 163	1 325
Cash and cash equivalents		1 055	1 562	1 522
Bank overdrafts		(344)	(325)	(138)
Short-term borrowings		(207)	(74)	(59)
Net cash resources at the end of the period		504	1 163	1 325

* This includes R130 million withdrawal from investments in long-dated money market instruments (2017: R400 million) (September 2017: R540 million).

CONDENSED SEGMENTAL ANALYSIS at 31 March 2018

R million	Six months ended 31 March		% of total	% change	Year ended		% of total
	2018 (Unaudited)	2017 (Unaudited) Restated ³			30 Sept 2017 (Audited)	30 Sept 2017 (Audited)	
Revenue ¹							
Electrical Engineering	2 431	2 381	49	2	5 247	51	
ICT	1 670	1 602	34	4	3 307	32	
Applied Electronics	863	693	17	25	1 720	17	
Other	5	8	-	(38)	14	-	
Total segment revenue	4 969	4 684	100	6	10 288	100	
Revenue from equity-accounted joint venture in Electrical Engineering segment	(114)	(251)			(489)		
Revenue from equity-accounted associate in ICT segment	(14)	(12)			(26)		
Revenue as reported	4 841	4 421		10	9 773		
Operating profit							
Electrical Engineering	219	327	39	(33)	696	45	
ICT	317	278	57	14	635	41	
Applied Electronics	61	61	11	-	276	18	
Other	(38)	(26)	(7)	(4)	(59)	(4)	
Total segment operating profit	559	640	100	(13)	1 548	100	
Operating loss/(profit) from equity-accounted joint venture in Electrical Engineering segment	9	(23)			(48)		

Operating profit from equity-accounted associate in ICT segment	(1)	(1)		(3)
Operating profit as reported	567	616	(8)	1 497

- 1 Inter-segment revenue is immaterial and has not been separately disclosed.
2 Net interest charged on group funding provided to Quince has been eliminated in line with the consolidation principles of IFRS. This elimination amounted to R70 million (2017:R56 million, September 2017: R125 million).
Should Quince be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.
3 The segment analysis for March 2017 has been restated in order to eliminate the effect of head office administration costs from the operating segments.

Reconciliation of segment operating profit:
R million

	2017 Operating profit as previously reported	Elimination of head office administration costs	2017 Operating profit as reported now
Electrical Engineering	309	8	327
ICT	263	15	278
Applied Electronics	54	7	61
Other	14	(40)	(26)
Total segment operating profit	640	-	640

R million	At 31 March		At 30 Sept 2017	
	2018 (Unaudited)	% of total	2017 (Unaudited)	% of total
Total assets				
Electrical Engineering	2 869	29	2 758	28
ICT	4 490	45	3 777	39
Applied Electronics	1 970	20	1 853	19
Other ⁴	653	6	1 421	14
Total assets as reported	9 982	100	9 809	100

4 Other consists mainly of group treasury cash balances.

NOTES

1 Basis of preparation

This unaudited interim financial report has been prepared in accordance with the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in effect for the group at 1 October 2017, and further complies with the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committees and the Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. This interim financial 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 for the period ended 31 March 2018, were consistent with those applied in the prior financial year's audited consolidated annual financial statements. These accounting policies comply with IFRS.

R million	Six months ended 31 March		Year ended
	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
2 Operating profit			
Operating profit includes:			
- Cost of sales	3 350	2 931	6 366
- Other expenses excluding depreciation and amortisation	855	828	1 783
- Other income	21	11	30
- Realised (loss)/gain on foreign exchange and derivative instruments	(10)	19	(20)
- Unrealised (loss)/gain on foreign exchange and derivative instruments	(11)	(11)	1
3 Net interest income and dividends			
Interest income and dividends	31	64	113
Interest expense	(19)	(20)	(43)
Put option liability: unwinding of discount	(4)	-	(5)
Total	8	44	65
4 Empowerment transactions			
BBBEE costs	2	20	20
Taxation thereon	-	-	-
Net empowerment transactions after taxation*	2	20	20

* Included in March and September 2017 is a donation to create an empowerment structure for R1 million.

R million/millions of shares granted	Six months ended 31 March		Year ended
	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
5 Number of shares and earnings 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)	162	164	164
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	3	2	2
Weighted average number of shares used to determine diluted basic, headline and normalised headline earnings per share (millions of shares)	165	166	166
6 Headline earnings			
6.1 Profit attributable to equity holders of Reunert	445	452	1 112
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) (March and September 2017:tax and NCI of Rnil)	-	(2)	(1)
Headline earnings	445	450	1 111

R million	Six months ended 31 March	Year ended
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	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
6.2 Normalised headline earnings*			
Headline earnings	445	450	1 111
Normalised headline earnings are determined by eliminating the effect of the following items from headline earnings:			
Empowerment transactions	2	20	20
Once-off IFRS 2 share based payment cost of BBBEE transactions (tax and NCI of Rnil) (March and September 2017: tax and NCI of Rnil)	-	19	19
Once-off donation to create empowerment structure (tax and NCI of Rnil)	-	1	1
Once-off other BBBEE costs	2	-	-
Recurring merger and acquisition costs (tax and NCI of Rnil) (March and September 2017: tax and NCI of Rnil)	-	9	9
Normalised headline earnings	447	479	1 140

* 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 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 necessitate 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.

R million	Six months ended 31 March		Year ended
	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
7 Goodwill			
Carrying value at the beginning of the period	921	737	737
Acquisition of businesses ¹ (Note 10)	183	172	171
Adjustment to goodwill on finalisation of acquisition made in prior financial year	-	33	33
Disposal of a controlling interest in a subsidiary	-	(12)	(12)
Disposal of businesses	-	-	(9)
Exchange differences on consolidation of foreign subsidiaries	(16)	(5)	1
Carrying value at the end of the period	1 088	925	921

1 At 31 March 2018, the purchase price allocation of the acquisitions made in the 2018 financial year have not been finalised and therefore the amounts reported are provisional and subject to change.

R million	Six months ended 31 March		Year ended
	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
8 Put Option Liability			
As part of the Terra Firma and Ryonix acquisitions, the group has granted put options in favour of the non-controlling shareholders for 25% of the issued share capital, in both cases.			
A reconciliation of the closing balance is as below:			
Balance at the beginning of the period	121	-	-
Raised at acquisition at fair value	-	-	116
Fair value remeasurements	-	-	-
Unwinding of discount	4	-	5
Balance at the end of the period	125	-	121
The obligations were classified as level 3 instruments in the fair value hierarchy. For Terra Firma, the fair value of the put option liability has been determined using a discounted cash flow valuation technique and is based on earnings multiples stipulated in the sales and purchase agreement. Significant unobservable inputs include:			
- The 2020 forecast revenue and net profit after tax (NPAT) have been used. These forecasts are based on management's best estimate of the revenue and NPAT likely to be achieved in 2020.			
- The earnings multiples stipulated in the sales and purchase agreement.			
- The discount rate of 8%, being the average cost of borrowing.			
The put option for Ryonix is immaterial. 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/increase by R3 million respectively.			
9 Long-term borrowings			
Total long-term borrowings (including finance leases)	80	245	84
Less: short-term portion (including finance leases)	(11)	(203)	(11)
	69	42	73

R million	2018 (Unaudited)
10 Acquisition of businesses	
During the current period the group made the following acquisitions:	
- Skywire Proprietary Limited: With effect from 1 March 2018, the group acquired 100% of the business and related assets of Skywire, a provider of broad band connectivity. The R146 million in goodwill arising from the acquisition is attributable to the expected high growth in this business and the ability to harvest significant synergies through the ICT segment's distribution network. As the group is seeking to diversify their product offerings, and their existing services depend on reliable high-speed data connections, Skywire data-access products provide a natural extension of the segment's service offering. Synergies will also be obtained from the vertical integration with the group's other businesses in the ICT segment. A contingent purchase consideration amounting to R93 million was raised on acquisition. This is disclosed in note 13.	205
- Dopptech Proprietary Limited: With effect from 1 March 2018, the group acquired 100% of the share capital of Dopptech Proprietary Limited. The R37 million in goodwill arising from the acquisition is attributable to the business's core product offerings; customer relationships in key geographic regions not currently	

accessible to the group; and a well-developed R&D capability in electro-mechanical engineering that will assist with product development within the Applied Electronics segment. A contingent purchase consideration amounting to R17,5 million was raised on acquisition. This is disclosed in note 13.

	20
Cost of investments	225
Net borrowings acquired on acquisition	2
Net cashflows on acquisition of businesses	227
Contingent purchase considerations	111
Total purchase price	338
Gross assets acquired and liabilities taken over:	
Property, plant and equipment and intangible assets	183
Inventory	3
Deferred taxation	(31)
Goodwill	183
Net assets acquired	338
Revenue since acquisition	10
Loss after taxation since acquisition	(2)
Revenue for the 6 months ended 31 March 2018 as though the acquisition dates had been 1 October 2017	50
Profit after taxation for the 6 months ended 31 March 2018 as though the acquisition dates had been 1 October 2017	12
2017	
Refer to 2017 published results	

- 11 Unconsolidated subsidiary
The financial results of Cafca Limited (Cafca), a 70% held 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 2018, Cafca's share capital and reserves amounted to USD17 million.

Counterparty R million	Relationship	Sales	Purchases	Lease payments	Treasury shares
12 Related party transactions					
All related-party transactions, trading account and loan balances are on the same terms and conditions as those with non-related parties.					
March 2018					
CBI-electric Telecom Cables Proprietary Limited	A joint venture	-	1	-	-
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	8	5	-	-
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	-	-	-	276
Lexshell 661 Investment Proprietary Limited	A joint venture	-	-	-	-
March 2017					
CBI-electric Telecom Cables Proprietary Limited	A joint venture	3	1	-	-
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	7	5	-	-
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	-	-	-	276
Lexshell 661 Investment Proprietary Limited	A joint venture	-	-	-	-
September 2017					
CBI-electric Telecom Cables Proprietary Limited	A joint venture	3	35	-	-
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	2	22	-	-
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	-	-	-	276
Lexshell 661 Investment Proprietary Limited	A joint venture	-	-	1	-

R million	Six months ended 31 March		Year ended
	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
13 Contingent purchase considerations			
As part of the acquisitions of Skywire and Dopptech (note 10), the group recognised further additional contingent purchase considerations as follows:			
Balance at the beginning of the period ¹	27	40	40
Raised at acquisition at fair value (Skywire and Dopptech)	111	-	-
Fair value re-measurements and other profit/loss adjustments	(11)	(7)	(13)
Balance at the end of the period ²	127	33	27

These were classified as level 3 instruments in the fair value hierarchy based on the following unobservable inputs:
For Skywire and Omnigo, the fair value of the contingent payable is determined using a cash flow valuation technique and is based on earning multiples stipulated in the purchase agreement

Skywire has two payments due within a one year period:
- R70 million based on the expected profit after tax (PAT) at 31 March 2019 at an agreed earnings multiple.
- R25 million based on a defined business plan according to which the company has to achieve certain predefined strategic tasks and objectives within 12 months of the acquisition date.
The discount rate used is 9,1% (Jibar plus 2%).

The purchase consideration for Omnigo was determined by deducting, from profit before interest and tax (PBIT), 25% of the average capital (total assets less current liabilities) employed in the business. The amount is assessed on an annual basis using forecasted average capital employed and PBIT. The discount rate used is 9,1% (Jibar plus 2%).

For Dopptech, R17,5 million was classified as a level 1 instrument in the fair value hierarchy as the amounts are fixed and stipulated within the purchase agreement.

- 1 This relates to the acquisition of Omnigo in the 2016 period
2 The balance of the contingent purchase considerations have been included in 'Accounts payable, provisions and taxation' on the balance sheet

- 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		Year ended
	2018 (Unaudited)	2017 (Unaudited)	30 September 2017 (Audited)
Current ratio (:1)	2,0	2,2	2,4
Quick ratio (:1)	1,5	1,7	1,8
Dividend yield (%)*	6,4	6,2	7,0
Return on capital employed (%)	15,5	17,4	19,8
Net number of ordinary shares in issue (million)	161	163	162
Number of ordinary shares in issue (million)	185	184	185
Less: Empowerment shares (million)	(19)	(19)	(19)
Less: Treasury shares (million)	(5)	(2)	(4)
Capital expenditure	54	49	143
- expansion	32	29	98
- replacement	22	20	45
Capital commitments in respect of property, plant and equipment	64	83	39
- contracted	43	46	20
- authorised not yet contracted	21	37	19
Commitments in respect of operating leases	231	62	126
Contingent liabilities**	-	-	-

* Calculated as the total dividend (interim 125 cents per share and prior financial year final dividend per share 354 cents) (2017: 120 cents per share and 326 cents per share respectively) divided by the closing Reunert share price of 7 448 cents (2017: 7 200 cents).

** 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 condensed consolidated statement of financial position at 31 March 2018. Definitions of ratios and other financial terms are the same as those incorporated in the 2017 Integrated Report.

ADMINISTRATION

Directors: TS Munday (chairman) *, T Abdool-Samad*, AE Dickson (chief executive officer), SD Jagoe*, S Martin*, M Moodley, NDB Orleyn**, SG Pretorius*, T Ramuedzisi*, MAR Taylor, NA Thomson (chief financial officer), R Van Rooyen*
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Sponsor
One Capital Sponsor Services Proprietary Limited

Registered auditors
Deloitte & Touche

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 2018 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 Secretary

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