



REUNERT

REUNERT LIMITED

GROUP AUDITED ANNUAL  
FINANCIAL  
STATEMENTS

2019

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# DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors are responsible for the preparation and fair presentation, in conformity with International Reporting Standards (IFRS) and the Companies Act of South Africa, 71 of 2008 (Companies Act) of the consolidated and separate annual financial statements of Reunert Limited for the year ended 30 September 2019 (annual financial statements), comprising the statements of financial position, the statement of profit or loss and comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the annual financial statements including the summary of significant accounting policies. The directors are also responsible for preparing the directors' report.

To discharge this responsibility, the Board of directors (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
- > 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
- > 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 Group 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 2019 financial year.

The Company's external auditors, Deloitte & Touche, are responsible for reporting on whether the annual financial statements are fairly presented in accordance with IFRS and the requirements of the Companies Act. They have issued an unmodified audit opinion in this regard which is set out on pages 2 to 5.

On the recommendation of the Audit Committee, the annual financial statements, set out on pages 6 to 90, were approved by the Board on 18 November 2019 and are signed on its behalf by:



**Trevor Munday**  
Chair



**Alan Dickson**  
Chief Executive Officer



**Nick Thomson**  
Chief Financial Officer

## COMPANY SECRETARY'S CERTIFICATION

FOR THE YEAR ENDED 30 SEPTEMBER 2019

In terms of section 88(2)(e) of the Companies Act, I, Karen Louw, duly authorised on behalf of the Group 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 2019, all such returns and notices as are required in terms of the aforesaid Act and that all such returns and notices are true and correct.



**Karen Louw**  
on behalf of Reunert Management Services Proprietary Limited  
Group Company Secretary

18 November 2019

# 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 (the Group) set out on pages 12 to 88, which comprise the consolidated and separate statements of financial position as at 30 September 2019, and the consolidated and separate statements of profit or loss, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate 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 2019, 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 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 and separate 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 2019.

**Key audit matter****How the matter was addressed in the audit****Revenue recognition**

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 (ISA 240). Based on our risk assessment there is a risk regarding inappropriate revenue recognition at the Group’s subsidiaries, specifically relating to the occurrence of revenue recognised (contracts with customers).

The following procedures were performed in assessing the validity of revenue in the current year:

- > Understood the revenue recognition process in respect of these transactions to assess compliance with IFRS 15 – Revenue from Contracts with Customers both from the recognition and measurement perspective as well as in terms of the presentation and disclosure requirements
- > Assessed the adequacy of the design and implementation of identified controls over the revenue processes
- > Performed operating effectiveness assessments on the relevant controls of certain components
- > Inspected a sample of supporting evidence for the underlying transactions and assessed the accounting treatment to ensure it is in terms of IFRS 15 – Revenue from Contracts with Customers
- > Inspected the annual financial statements to determine whether the disclosure is appropriate in terms of IFRS 15 – Revenue from Contracts with Customers

Our overall conclusion is that management has appropriately recognised revenue in terms of IFRS.

**Goodwill impairment**

As disclosed in note 12, the carrying value of goodwill recognised by the Group amounts to R999 million. 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.

The assumptions with the most significant impact on the value-in-use calculations were:

- > The growth rates applied which is a subjective area of the forecasts
- > The discount rates, which are derived from the weighted average cost of capital incorporating risk factors specific to the cash flow being assessed. The calculation of the discount rate is complex and judgemental

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:

- > 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
- > An audit specialist was used to assist with performing an independent assessment of the discount rate of certain components. The specialist’s procedures included evaluating the 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
- > The growth rates used in the calculation of the values in use were found to be appropriate

# INDEPENDENT AUDITOR'S REPORT continued

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Reunert Limited Consolidated and Separate Financial Statements for the year ended 30 September 2019', which includes the directors' report, the Audit Committee report and the Company Secretary's certification as required by the Companies Act, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. 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 and will 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 IFRS and the requirements of the Companies Act, 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

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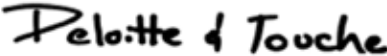
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 34 years.

The logo for Deloitte & Touche, featuring the company name in a stylized, handwritten-style font.

**Deloitte & Touche**

*Registered Auditor*

**Per: Nita Ranchod**

*Partner*

19 November 2019

# AUDIT COMMITTEE REPORT

The Audit Committee is an independent statutory committee recommended by the Board and 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 Limited Listings Requirements (JSE Listings Requirements), as it considers appropriate. These duties are summarised in the Audit Committee Terms of Reference 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 Terms of Reference and assisted the Board in discharging its responsibilities under the Companies Act and the King Report on Corporate Governance™ for South Africa, 2016 (King IV)<sup>1</sup>.

The Audit Committee conducted a self-assessment as to the effectiveness of the committee, the Chair, and the individual members of the committee. No material issues resulted from this review.

The composition and effectiveness of the Audit Committee were also evaluated by the Nomination and Governance Committee as part of its annual review.

## COMPOSITION AND MEETINGS

Members: R van Rooyen (Chair), T Abdool-Samad, AB Darko<sup>2</sup>, LP Fourie<sup>2</sup>, S Martin, and MT Matshoba-Ramuedzisi. The Audit Committee comprises at least three independent non-executive directors and meets at least three times a year. The Chair of the Board attends all meetings. The Chief Executive Officer, Chief Financial Officer, external auditors, internal auditors and financial executives attend Audit Committee meetings by request.

Attendance register	Appointed to committee	14 November 2018	20 May 2019	9 September 2019	11 November 2019
R van Rooyen	17 November 2009	✓	✓	✓	✓
T Abdool-Samad	1 July 2014	✓	✓	✓	✓
AB Darko	1 October 2019				✓
LP Fourie	1 October 2019				✓
S Martin	1 December 2013	✓	✓	✓	✓
MT Matshoba-Ramuedzisi	1 April 2018	✓	✓	✓	✓

## 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 Ms Ranchod as the designated audit partner for the 2019 financial year
- > Considered the information required in terms of the JSE Listings Requirements in assessing the suitability of both Deloitte and the designated audit partner for appointment, including accreditation by the JSE
- > Approved the Deloitte engagement letter, the audit plan, and the audit fees payable to Deloitte
- > Evaluated a statement from Deloitte confirming that its independence was not impaired
- > Reviewed and reconfirmed the policy with regard to non-audit services which is:
  - o The cost of non-audit services provided by the external auditors may not, other than in exceptional circumstances, exceed 20% of the external audit fee, and the nature of such non-audit services should not impair the external auditor's independence
- > Carefully considered the nature and extent of the other services prior to the engagements being approved and confirmed that in the Audit Committee's opinion, they would not impact the external auditor's independence
- > Pre-approved the non-audit services provided by Deloitte in terms of the approved policy as follows:
  - o Total fees charged by Deloitte in respect of all services were R27,0 million (2018: R25,2 million) of which the Group's external audit fee amounted to R23,7 million (2018: R21,9 million), including the audit fees for the new acquisitions
  - o The fees for other services amounted to R3,3 million (2018: R3,3 million) which was lower than the maximum cap for non-audit services of 20% of the external audit fee
- > Recommends to the shareholders for consideration at the next Annual General Meeting (AGM) the reappointment of both Deloitte and the designated audit partner as external auditors for the Group's annual financial statements for the year ending 30 September 2020
- > In making this recommendation it:
  - o Considered the information listed in paragraph 22.15(h) as required by paragraph 3.84(g)(iii) of the JSE Listings Requirements

<sup>1</sup> Copyright and trademarks are owned by The Institute of Directors in South Africa NPC and all of its rights are reserved.

<sup>2</sup> AB Darko and LP Fourie were appointed to the Board and the Audit Committee on 1 October 2019.



- o Concluded that, based on the outcome of the most recent inspection by IRBA of Deloitte, no matters were raised that negatively impacted the suitability of Deloitte for reappointment as external auditors
- o Satisfied itself that there are no current, pending, or finalised legal or disciplinary processes which affect the suitability of Deloitte for appointment as Reunert's external auditor
- o Considered Deloitte's independence, quality of work performed, and value for money in terms of fees charged
- o Recognised that the Chief Executive Officer and Chief Financial Officer have held their roles since 2014 and 2015 respectively and this mitigates any familiarity risk implicit in the extended tenure of Deloitte of 34 years
- o Considered the IRBA guidelines on mandatory audit firm rotation
- > As required by paragraph 3.84(g)(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 annual financial statements, free from material error, and that these procedures are operating as intended
- > 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 Audit Committee has performed its duties and responsibilities as follows:

### **Integrated reporting, interim reporting and annual financial statements for the year ended 30 September 2019**

- > Guided the integrated reporting process, having regard to all factors and risks that may impact the integrity of the Integrated Report
- > Assessed and recommended to the Board, the Company's and Group's ability to continue as going concerns 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
- > Met separately with management, Deloitte, and internal audit to assess reporting controls and matters pertaining to the annual financial statements

### **External audit function**

- > Reviewed and evaluated Deloitte's audit plan and concluded it to be satisfactory
- > Determined whether any reporting irregularities were identified and reported by Deloitte – no such irregularities were identified
- > Reviewed the findings and recommendations of Deloitte and confirmed that no unresolved issues of concern exist between the Group and Deloitte

### **Key audit matters**

The Audit Committee noted the key audit matters set out in the independent external auditor's report, namely:

- > Revenue recognition
- > Goodwill impairment

The Audit Committee also concluded positively on its own key accounting matters which were:

- > The disposal of Prodoc Svenska AB (Prodoc) and the related accounting treatment
- > Accounting for any goodwill arising on acquisition of subsidiaries and the impairment testing of significant goodwill balances at year-end
- > The adoption of the new accounting standards, IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers and the related accounting treatment and resulting disclosures in the annual financial statements
- > Accounting for share-based payments including the Group's conditional share plans and share matching schemes

The Audit Committee has deliberated on these matters based on information provided to the committee by the external auditors and management, and is comfortable that they have been appropriately addressed through the external audit, internal audit, and the work undertaken by management.

# AUDIT COMMITTEE REPORT continued

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

The Audit Committee also:

- > 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 (including written assurances) on the Group's systems of internal control including financial and disclosure 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
- > Received written assurance as to the effectiveness of the Group's systems of internal control including financial and disclosure controls and financial risk management from internal audit

## Legal and regulatory compliance

- > Reviewed legal matters that could have a material impact on the Group and none were identified
- > 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
- > Evaluated the 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
- > Received the necessary assurance from internal audit and various third-party assurance providers that material disclosures are reliable and do not conflict with the financial information

## CONCLUSION

The Audit Committee is 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 the integrity of the Integrated Report and the annual financial statements, following its review and having concluded on its findings, the Audit Committee recommended the Integrated Report and the annual financial statements of Reunert Limited for the year ended 30 September 2019 which were approved by the Board on 18 November 2019.



**Rynhardt van Rooyen**

*Chair*

Sandton

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## AUTHORISED AND ISSUED CAPITAL

The authorised share capital of the Company remained unchanged.

During the current financial year, 364 800 (2018: 261 000) shares were issued in terms of the 2006 Share Scheme at issue prices ranging from R39,30 to R59,55 (2018: R39,30 to R59,55) per share at a total consideration of R14 million (2018: R15 million).

## REVIEW OF OPERATIONS AND RESULTS

The Group's revenue, operating profit, profit for the year, and earnings per share are presented in the table below:

Measure	Units	2019	2018	% change
Revenue	Rm	10 714	10 492	2
Operating profit	Rm	1 361	1 542	(12)
Profit for the year	Rm	804	1 152	(30)
Basic earnings per share	cents	490	717	(32)
Headline earnings per share	cents	573	703	(19)
Normalised headline earnings per share	cents	578	687	(16)
Total cash dividend per share for the year	cents	513	493	4

## OVERVIEW

Group revenue increased by 2% to R10 714 million (2018: R10 492 million). Group operating profit declined by 12% to R1 361 million (2018: R1 542 million) primarily due to the quantum of once-off items included in the prior year and the decline in the Electrical Engineering segment's contribution in the current financial year due to the lower electrical infrastructure spend particularly by Eskom and municipalities.

## ELECTRICAL ENGINEERING (EE)

The EE segment delivered a disappointing performance. Although revenue increased by 6% to R5 457 million (2018: R5 139 million), operating profit contracted by 27% to R323 million (2018: R440 million). This contraction arose primarily from our two local cable businesses where the demand for cables fell materially in the second half of the year due to the factors described in the overview.

The operating conditions in Zambia remained largely consistent with that of the prior year. The currency remained fairly stable and we continued to manage Metal Fabrications of Zambia PLC (Zamefa) for cash generation. Of importance is that the government decided to retain the current value added tax (VAT) regime but to zero rate VAT on copper cathode. Unexpectedly, the government also chose to amend the duty regime which negatively impacts Zamefa's profitability. This change resulted in the R97 million impairment for both goodwill (R57 million) and Zamefa's plant and equipment (R40 million). This impairment is despite the benefit to Zamefa's cash flow of the zero rating of copper cathode. We continue to engage with the Zambian Minister of Finance and members of his team, to explain the impact on Zamefa of this latest decision and to try and retain the duty regime which has been in place since 1993.

## INFORMATION COMMUNICATION TECHNOLOGIES (ICT)

The ICT segment's operating profit reduced by 6% to R748 million (2018: R792 million), with revenues falling by 6% to R3 236 million (2018: R3 443 million). The decrease in operating profit was due to the R77 million once-off benefit which arose in 2018 on the remeasurement of the contingent consideration for SkyWire Proprietary Limited (SkyWire). Adjusting for this once-off item, operating profit grew by 5%.

## APPLIED ELECTRONICS (AE)

The AE segment's operating profit decreased by 6% to R358 million (2018: R380 million) largely due to the once-off profit of R2 million in the current year and R28 million included in the prior year on the disposal of property, plant and equipment. Adjusting for these once-off items, operating profit would have increased by 1% to R356 million (2018: R352 million). Revenue increased by 7% to R2 346 million (2018: R2 198 million). This was a commendable performance given the record level of sales into significant export contracts achieved last financial year.

## DISPOSAL OF SUBSIDIARY

In March 2019, the Group disposed of its controlling shareholding in Prodoc, the Group's Swedish office automation business. The rationale for this disposal was the consistent low earnings from this business and the strategic misalignment with the ICT segment strategy. This disposal resulted in a loss of R44 million.

# DIRECTORS' REPORT continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## CAPITAL EXPENDITURE

The Group invested R56 million (2018: R56 million) into the replacement of property, plant and equipment and a further R102 million (2018: R106 million) to expand its operations. All expenditure was financed out of available cash resources and represented 12% (2018: 23%) of free cash flow<sup>1</sup> before capital expenditure.

## CASH RESOURCES

The statement of financial position was well managed and, pleasingly, released R318 million (2018: R498 million) from working capital. This resulted in free cash flow of R1 313 million (2018: R641 million) being 163% (2018: 56%) of the profit for the financial year, comfortably leaving the Group with the financial resources to pursue its strategy, expand organically, and protect our dividend return to shareholders which underpins the Reunert investment case.

The Group's net cash and cash equivalents amounted to R616 million (2018: R572 million) at the financial year-end. The Group continues to have significant facilities with tenures up to one year available to it.

## NEW ACCOUNTING STANDARDS

The Group adopted the new accounting standards IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

Due to the significant preparatory work undertaken in anticipation of the adoption of these standards, their introduction progressed without any significant issues arising in the current financial year. The impact on the 2019 opening retained earnings of the Group is reflected in the table below:

Rm	Gross impact	Tax impact	Impact on non-controlling interests	Impact on opening retained income
Increase in impairment relating to adoption of expected credit loss model	39	(9)	(3)	27
Revenue recognition impact of applying IFRS 15	48	(13)	(6)	29
<b>Total</b>	<b>87</b>	<b>(22)</b>	<b>(9)</b>	<b>56</b>

## PROSPECTS<sup>2</sup>

Reunert's ICT and AE segments continue to perform well as their strategic execution translates into good financial performance. We expect this to continue into the new financial year. There remains some uncertainty on the timing, rate and quantum of any EE recovery, but the steps taken in 2019 have created a base for a stabilised financial performance.

Our statement of financial position remains strong and cash flow generation is expected to continue at levels that support our dividend philosophy and operational and strategy execution.

Reunert remains positively positioned for a material improvement in performance when economic activity in South Africa improves.

## CASH DIVIDEND

An interim cash dividend No. 186 of 130 cents (2018: number 184 of 125 cents) per ordinary share was declared on 24 May 2019 and a final cash dividend No. 187 of 383 cents (2018: number 185 of 368 cents) per ordinary share was declared on 18 November 2019, bringing the total distribution out of the 2019 profit for the year to 513 cents (2018: 493 cents) per ordinary share.

## SUBSIDIARY COMPANIES

Annexure A sets out the principal subsidiaries of the Company.

Notes 30 and 31 set out the acquisitions and disposal respectively concluded during the year.

<sup>1</sup> Cash from operations ± interest received/(paid) – tax paid.

<sup>2</sup> Any forecast financial information has not been reviewed or reported on by the Group's auditors.

## 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 and eligible, may be re-elected by the shareholders at the succeeding AGM. Appointments are not for a fixed term. T Abdool-Samad, AE Dickson, M Moodley, Adv. NDB Orleyn, and NA Thomson retire by rotation at the upcoming AGM. The Nomination and Governance Committee, at its meeting on 18 November 2019, recommended that they be re-elected having made themselves available for re-election. AB Darko and LP Fourie were appointed to the Board as independent non-executive directors on 1 October 2019 and are required to retire at the upcoming AGM, and being eligible, offer themselves for re-election. MAR Taylor resigned from the Board on 1 October 2019 but will continue in his role as the head of the ICT segment until the end of the 2020 financial year. SG Pretorius and R van Rooyen were due to retire from the Board at the 2019 AGM having both reached mandatory retirement age. However, at the request of the Board, their retirement was delayed for a year and as such they will retire at the upcoming AGM.

## 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	
	2019	2018	2019	2018	2019	2018	2019	2018
AE Dickson	105 876	105 876	–	–	–	–	105 876	105 876
M Moodley	53 726	53 726	–	–	–	–	53 726	53 726
Adv. NDB Orleyn <sup>1</sup>	–	–	–	–	1 554 000	1 554 000	1 554 000	1 554 000
MAR Taylor	56 473	56 473	–	–	–	–	56 473	56 473
NA Thomson	89 981	89 981	–	–	–	–	89 981	89 981
	<b>306 056</b>	306 056	–	–	<b>1 554 000</b>	1 554 000	<b>1 860 056</b>	1 860 056

<sup>1</sup> These shares are held indirectly through Bargenel Investments Proprietary Limited's (Bargenel) investment in Reunert, which relates to the empowerment transaction concluded in 2007.

The directors' holdings have remained unchanged from 30 September 2019 to 18 November 2019.

The directors have no financial interest in contracts entered into by the Group during the financial year. For further information on directors' share options, refer to note 26 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	2019	2018
Net income	968	1 199
Net losses	(183)	(133)

## 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 18 November 2019, which materially affect the financial position or results of the Company or Group or which require disclosure.

## APPRECIATION

We owe our performance to the dedication of our employees at each of our business units and thank them for their efforts. We thank our customers for their support and business, and commit to continue to place them at the centre of our efforts, and all our stakeholders for their support.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The annual financial statements comprising Reunert Limited (referred to as the Company), its subsidiaries, joint ventures, and associate (collectively referred to as the Group), incorporate the following principal accounting policies. 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 2019
- > The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee
- > The JSE Limited Listings Requirements (JSE Listings Requirements)
- > The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council
- > The requirements of the Companies Act of South Africa, 71 of 2008 (Companies Act)

## BASIS OF PREPARATION

In line with the presentation and disclosure guidelines to IAS 1 – Presentation of Financial Statements, the accounting policies include those policies which are material to the understanding and interpretation of the annual financial statements. Certain accounting policies have been included as part of the notes to the annual financial statements, where it enhances communication with users. The annual financial statements have been prepared on the going concern and historical cost basis, except where otherwise disclosed in the relevant accounting policy. Examples include:

- > Financial instruments
- > Share-based payments
- > Business combinations

which are measured at fair value.

The accounting policies either set out below or incorporated in the notes to the annual financial statements have been consistently applied, in all material respects, with those applied in the previous year, except for the adoption of IFRS 9 and IFRS 15, the impact of which has been presented in the changes in accounting policies set out under note 33. There have been no other material changes in judgements or estimates of amounts reported in prior reporting periods.

The Group's business interests are diverse, with its various subsidiaries operating across a wide range of activities. The main streams of business activity are organised into the following three segments, namely EE, ICT and AE. Our main operations are located in South Africa, with others in Australia, India, Lesotho, Mauritius, USA, and Zambia. The annual financial statements were compiled under the supervision of NA Thomson CA(SA) (Chief Financial Officer).

## FUNCTIONAL AND PRESENTATION CURRENCY

The Reunert Group's functional and presentation currency is the rand (ZAR) 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:

2019	USD1	SEK1	ZMW1	AUD1
Year-end rate	<b>R15,19</b>	<b>R1,55</b>	<b>R1,16</b>	<b>R10,27</b>
Annual average rate	<b>R14,34</b>	<b>R1,54</b>	<b>R1,15</b>	<b>R10,09</b>
2018	USD1	SEK1	ZMW1	AUD1
Year-end rate	R14,18	R1,59	R1,16	R10,24
Annual average rate	R13,1	R1,53	R1,3	R9,92

## 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 these assumptions form the basis of making judgements about carrying amounts 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 or such other periods as applicable.

## 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:

### Customer lists

The value and useful lives of customer lists acquired in an acquisition comprise both contractual and non-contractual customer relationships. In determining the value and related useful lives of customer lists, the Group considered various factors including existing customer contracts, historical customer information, and the length of time the customer is in existence with the Group. Judgement was applied in estimating the following significant factors in determining the value and useful lives of customer lists:

- > Expected willingness of customer to remain with the Group
- > Expected action by competitors or potential competitors
- > The impact that technological advances may have on customer relationships
- > Estimated cash flows from customers over a period of time

### Acquisitions

Two acquisitions were made in the current financial year, namely OculusIP Proprietary Limited (OculusIP) and Blue Nova Energy (Blue Nova). The Group achieved control over Blue Nova and OculusIP by acquiring the underlying assets and liabilities of the businesses and is able to use its majority equity interest to affect its variable returns from these businesses. Consequently, these acquisitions and the purchase price allocations (PPA) were evaluated as an acquisition of a business and treated as a business combination in terms of IFRS 3 – Business Combinations.

The PPA for OculusIP was determined after estimating the value of both tangible and intangible assets (customer lists and trademarks) at acquisition date. The intangible assets in OculusIP were valued by independent knowledgeable experts. In valuing the intangible assets for customer lists, estimates were made of the expected future cash flows from existing customer contracts over a period of 10 years. Trademarks were valued using the relief from royalty approach over a period of five years.

The PPA for Blue Nova Energy was determined after estimating the value of both tangible and intangible assets (customer lists, trademarks and unpatented technology) at acquisition date. The intangible assets in Blue Nova Energy were valued by independent knowledgeable experts. In valuing the intangible assets for customer lists, estimates were made of the expected future cash flows from existing customer contracts over a period of five years. Trademarks and unpatented technology were valued using the relief from royalty approach over a period of 10 years and five years respectively.

Refer to note 30.

### Impairment of goodwill

The recoverable amounts of the cash generating units (CGUs) to which goodwill is attributable are determined as the higher of their fair value (realisable value) less costs to sell or value in use. Value in use is determined using discounted cash flow calculations covering a discrete five-year period and then incorporating a terminal value for the underlying business. 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 budget and forecasts prepared by management and approved by the Board which are then extrapolated for the subsequent years using relevant growth rates. The key assumptions used to determine the discounted cash flows are those regarding the discount rates to be applied and growth rates, and are compiled based on management's past experience and on published estimates such as gross domestic product growth rates, quoted interest rates, etc.

Management calculates discount rates using pretax 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. CGUs have been determined at the lowest level of cash flow that are considered largely independent from other cash flows. These are usually at an aggregated business unit level.

### Significant judgement for goodwill impairment testing of Zamefa

Management has assessed the recent budget announcements in Zambia concerning the VAT zero rating of copper cathode and possible amendments to the duty drawback regime. Management has concluded that the change in the VAT regime will be beneficial to the Company's working capital cycle and will release additional funding for increased production and that the proposed duty drawback amendments will be detrimental to the future profitability of the Company. The future cash flows have been prepared excluding the benefit of duty drawback. This has led to the Group impairing R57 million goodwill and R40 million property, plant and equipment. Management is continuing to pursue a suitable dispensation around duty drawback for Zamefa due to its importance as both that of an employer and exporter to the Zambian economy. Should a dispensation be received, the impairment of plant and equipment resulting from the amendment to the duty drawback will be reassessed.

For more detail on goodwill, refer to note 12.

# ACCOUNTING POLICIES continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## Contracts with customers' recognition and measurement

For certain contracts with customers, revenue is recognised over time by assessing whether the Group has an enforceable right to payment from the customer for the performance completed to date. This assessment is done at inception of the contract using a cost-plus reasonable margin approach. Judgement is applied by estimating the costs to be incurred at inception of the contract over the contract period and the expected margin. In determining this assessment and estimate, reference is made to the contract terms, agreed payment milestones, estimated future costs likely to be incurred, and the history of profitability for past and similar contracts. This is applied primarily in our manufacturing businesses.

Various assumptions are applied in arriving at the revenue recognised for goods and services delivered over time. The most significant of these relates to the estimation of total costs, which assist in determining the inputs used towards completion of a performance obligation and the measure of progress for revenue recognised over time. The estimates and judgements applied in determining each input are made by regular analysis of detailed contract accounts and involvement of contract managers with knowledge of both its contracts and the industry.

Certain contracts with customers allow customers to take benefit of discounts if criteria or requirements in those contracts are met. The Group uses judgement in determining whether and to what extent these discounts will be utilised.

For more detail on revenue recognition, refer to note 1.

## Share-based payments

### Conditional Share Plan (CSP)

Judgement is required in assessing the factors that impact the annual share-based payments expense to be charged to profit or 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 performance of the companies 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. For on-market conditions (TSR), the number of units expected to vest is assessed at inception of the arrangement, as is the initial unit valuation in order to determine the expected annual cost of the units granted over their vesting period. The probability of vesting of units linked to non-market conditions (NHEPS growth) is reassessed annually by an independent valuation expert in order to determine the number of units still expected to vest. The number so determined is applied to the initial unit valuation in order to 'true up' the cost to be charged to profit or loss over the vesting period.

Refer to note 19.

## Classification of leases

The majority of leases to customers in the Group are contained in the ICT segment and are initiated through the Nashua channel. Nashua franchises and allied dealers purchase equipment from Nashua, and rent the equipment to customers. A Nashua franchise or dealer 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 or dealer and the customer.

These are normally classified as finance leases 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
- > 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

Generally, these rental agreements are then sold to the Group's finance business (Quince) for the present value of the future rentals. Through this arrangement, the Nashua franchise or dealer will account for a dealer margin (the difference between the present value of the future rentals and the cost of the equipment purchased from Nashua) and Quince will account for finance income over the duration of the underlying rental arrangements.

Refer to note 14.

## Put option liability

The Group has granted put options in favour of the non-controlling shareholders of Terra Firma Solutions Proprietary Limited for 25% (2018: 25%) of that Company's issued share capital. The put can be exercised between 2019 and 2023.

The fair value of the Terra Firma put option liability is determined annually using a discounted cash flow model which discounts its estimated exercise price on the date the option is likely to be exercised. The estimated exercise price is based on management's best estimate of Terra Firma's forecast revenue and net profit for the year ending 30 September 2020 applied to the contracted valuation formulae contained in the shareholder agreement.



Judgement is required to determine the expected date of exercising of the put option by the Terra Firma non-controlling interests. The measurement date has been estimated at 30 September 2020, as this is likely to result in a more favourable outcome to the non-controlling interests.

Refer to note 29.

### **Impairment of non-derivative financial assets**

The adoption of IFRS 9 has resulted in the replacement of the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The ECL for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

Refer to note 29.

## **NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP**

On 1 October 2018, the Group changed its accounting policies and made certain adjustments following the adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The appropriate details and impact of these changes are disclosed in note 33, changes in accounting policies.

## **NEW AND AMENDED ACCOUNTING STANDARDS NOT YET ADOPTED BY THE GROUP**

The new accounting standards listed below will become effective in future reporting periods and have not been applied by the Group in these annual financial statements. The new standards will be implemented on their effective dates for the Group in accordance with the requirements of the new standards. There are no other standards and interpretations in issue but not yet adopted that are expected to have a material impact on the Group.

### **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 is not expected to have a material impact on the Group.

### **IFRS 16 – Leases (effective for financial years commencing after 1 January 2019)**

IFRS 16 introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all operating leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Lessee accounting for finance leases will be similar under IFRS 16 to its existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is not expected to be material for the Group. The Group expects that the most significant impact of the new standard will result from its current property and network site operating leases.

#### **Group as lessee**

Information on the Group's leases currently classified as operating leases, which are not recognised on the statement of financial position, is presented in note 24 and provides an indication of the magnitude of assets and liabilities that will be recognised on the statement of financial position from 2020. However, the commitments information provided in note 24 is on an undiscounted basis whereas the amounts recognised under the new standard will be on a discounted basis.

For most contracts there is limited judgement needed to determine whether an agreement contains a lease. However, where the Group has contracts for the use of fibre and other fixed lines, judgement is required to determine whether the Group controls the line and therefore has a lease.

On adoption of IFRS 16 operating expense (rental) will be replaced with interest and depreciation, so the components behind key metrics such as earnings before interest income and expense, taxation, depreciation and amortisation, impairments of non-financial assets, loss on disposal of subsidiary and empowerment transactions (EBITDA) will change. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will be negative in the initial stages of the lease, before being positive in later years.

The effect on the Group's cash generated from operations will increase, as lease costs will no longer be included in this category of cash flows. Interest paid will increase, as it will include the interest portion of the lease liability repayments. This is expected to have a net positive impact on net cash generated from operating activities. Net cash used in financing activities will increase, as the capital portion of lease liability repayments will be included within repayment of borrowings.

The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). The Group's current estimate of the primary financial impact of these changes on the statement of financial position on adoption is the recognition of an additional lease liability at 1 October 2019 of between R195 million and R235 million. The right-of-use asset recognised at 1 October 2019 will be between R190 million and R230 million. All lease straight lining balances relating to IAS 17 – Operating Leases will be released to right-of-use assets on 1 October 2019. Right-of-use assets will be tested for impairment under IAS 36.

# STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Notes	Group		Company	
		2019	2018	2019	2018 Restated <sup>1</sup>
<b>Revenue</b>	1	<b>10 714</b>	10 492	<b>1 188</b>	1 479
<b>EBITDA</b>		<b>1 526</b>	1 699	<b>412</b>	1 428
Depreciation and amortisation		<b>(165)</b>	(157)	<b>(4)</b>	(6)
<b>Operating profit</b>	2	<b>1 361</b>	1 542	<b>408</b>	1 422
Interest income	3	<b>44</b>	60	<b>–</b>	–
Interest expense	4	<b>(59)</b>	(49)	<b>(1)</b>	(1)
<b>Profit before loss on disposal of subsidiary, impairments of non-financial assets and empowerment transactions</b>		<b>1 346</b>	1 553	<b>407</b>	1 421
Loss on disposal of subsidiary	31	<b>(44)</b>	–	<b>–</b>	–
Impairment against investment in subsidiaries	13	<b>(67)</b>	–	<b>(108)</b>	(25)
Impairment of goodwill	12	<b>(40)</b>	–	<b>–</b>	–
Impairment of property, plant and equipment	10	<b>(3)</b>	–	<b>–</b>	–
Empowerment transactions	5	<b>(3)</b>	(42)	<b>–</b>	(10)
<b>Profit before taxation</b>		<b>1 192</b>	1 511	<b>299</b>	1 386
Taxation	6	<b>(387)</b>	(358)	<b>(5)</b>	7
<b>Profit after taxation</b>		<b>805</b>	1 153	<b>294</b>	1 393
Share of joint ventures' and associate's loss	27	<b>(1)</b>	(1)	<b>–</b>	–
<b>Profit for the year</b>		<b>804</b>	1 152	<b>294</b>	1 393
<b>Profit for the year attributable to:</b>					
Non-controlling interests		<b>14</b>	(6)		
Equity holders of Reunert		<b>790</b>	1 158		
<b>Basic earnings per ordinary share (cents)</b>	7	<b>490</b>	717		
<b>Diluted earnings per ordinary share (cents)</b>	7	<b>484</b>	705		

<sup>1</sup> In the current financial year, impairment against investment in subsidiaries has been reflected separately on the statement of profit or loss. Previously the impairment was included in EBITDA (2018: R25 million).

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Group		Company	
	2019	2018	2019	2018
<b>Profit for the year</b>	<b>804</b>	1 152	<b>294</b>	1 393
<b>Other comprehensive income, net of taxation:</b>				
Items that may be reclassified subsequently to the statement of profit or loss:				
	<b>5</b>	(65)	–	–
Translation differences of foreign operations	<b>12</b>	(23)		
Recycled to the statement of profit or loss on disposal of foreign subsidiary	<b>(10)</b>	–		
Translation loss on net investment in foreign subsidiary <sup>1</sup>	<b>(5)</b>	(42)		
Changes in fair value of financial asset	<b>8</b>	–	–	–
Total comprehensive income for the year	<b>809</b>	1 087	<b>294</b>	1 393
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	<b>16</b>	(9)		
Share of profit/(loss) for the year	<b>14</b>	(6)		
Share of other comprehensive income/(loss)	<b>2</b>	(3)		
Equity holders of Reunert	<b>793</b>	1 096	<b>294</b>	1 393
Share of profit for the year	<b>790</b>	1 158	<b>294</b>	1 393
Share of other comprehensive income/(loss)	<b>3</b>	(62)	–	–

<sup>1</sup> Translation loss arising on the loan component of the Group's net investment in a foreign subsidiary.

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

Rm	Notes	Group		Company	
		2019	2018	2019	2018
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	823	890	5	5
Investment property	10	39	37	182	177
Intangible assets	11	430	370	–	–
Goodwill	12	999	1 053	–	–
Interest in subsidiaries	13	–	–	2 838	2 509
Other investments and loans	–	60	56	–	2
Investments in joint ventures and associate	27	154	158	–	–
Amounts owing by subsidiaries	13	–	–	5 296	6 222
Finance leases and loans receivable	14	2 082	1 990	–	–
Deferred taxation assets	16	143	151	17	17
		<b>4 730</b>	<b>4 705</b>	<b>8 338</b>	<b>8 932</b>
<b>Current assets</b>					
Inventory	17	1 376	1 461	–	–
Finance leases and loans receivable	14	893	821	–	–
Trade and other receivables	15	2 293	2 657	11	54
Taxation	–	63	37	–	–
Derivative assets	–	10	7	–	–
Cash and cash equivalents	18	939	765	15	2
		<b>5 574</b>	<b>5 748</b>	<b>26</b>	<b>56</b>
<b>Total assets</b>		<b>10 304</b>	<b>10 453</b>	<b>8 364</b>	<b>8 988</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	19	388	374	388	374
Share-based payment reserves	19	229	256	–	–
Empowerment shares	19	(276)	(276)	–	–
Treasury shares	19	(342)	(342)	–	–
Equity transactions/put option with non-controlling interests	–	(108)	(108)	–	–
Other reserves <sup>1</sup>	–	(52)	(65)	–	–
Retained earnings	–	7 473	7 599	7 866	8 492
Equity attributable to equity holders of Reunert	–	<b>7 312</b>	<b>7 438</b>	<b>8 254</b>	<b>8 866</b>
Non-controlling interests	–	119	88	–	–
<b>Total equity</b>		<b>7 431</b>	<b>7 526</b>	<b>8 254</b>	<b>8 866</b>
<b>Non-current liabilities</b>					
Deferred taxation liabilities	16	138	156	–	–
Long-term loans	20	57	82	–	–
Put option liability	29	–	120	–	–
Share-based payment liability	21	14	23	–	–
		<b>209</b>	<b>381</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Put option liability	29	120	–	–	–
Current portion of long-term loans	20	3	18	–	–
Share-based payment liability	21	18	–	–	–
Derivative liabilities	–	16	65	–	–
Provisions	22	154	150	80	82
Taxation	–	28	3	–	2
Trade and other payables	23	2 002	2 117	19	29
Amounts owing to subsidiaries	13	–	–	11	9
Bank overdrafts and short-term facilities	18	323	193	–	–
		<b>2 664</b>	<b>2 546</b>	<b>110</b>	<b>122</b>
<b>Total equity and liabilities</b>		<b>10 304</b>	<b>10 453</b>	<b>8 364</b>	<b>8 988</b>

<sup>1</sup> Refer to the statement of changes in equity for the split of the other reserves.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Notes	Group		Company	
		2019	2018	2019	2018
<b>Cash flows from operating activities</b>					
Cash generated from operations before working capital changes	A	1 460	1 620	1 136	1 420
Decrease/(increase) in net working capital	B	318	(498)	33	(61)
Cash generated from operations		1 778	1 122	1 169	1 359
Cash interest received		44	60	–	–
Cash interest paid		(50)	(40)	(1)	(1)
Taxation paid	C	(403)	(445)	(7)	(7)
Net cash inflow from operating activities available to pay dividends		1 369	697	1 161	1 351
Dividends paid (including to outside shareholders in subsidiaries)	D	(817)	(781)	(920)	(883)
Net cash inflow/(outflow) from operating activities		552	(84)	241	468
<b>Cash flows from investing activities</b>					
Investments to maintain operating capacity		(299)	(263)	202	35
Cash invested in finance leases and loans receivable		(252)	(375)	–	–
Repayment of other investments and loans		–	10	2	–
Other investments and loans granted		(1)	(13)	–	–
Dividend received from joint venture		3	–	–	–
Repayment of loans previously advanced to subsidiaries <sup>1</sup>		–	–	443	330
Cash advanced to treasury company <sup>1</sup>		–	–	(243)	(200)
Loans advanced to subsidiary <sup>1</sup>		–	–	–	(95)
Replacement of property, plant and equipment and intangible assets		(56)	(56)	–	–
Proceeds from disposal of property, plant and equipment and realisation of investments <sup>2</sup>		7	171	–	–
Investments to increase operating capacity		(119)	(334)	(9)	(27)
Expansion of property, plant and equipment and intangible assets		(102)	(106)	(9)	(23)
Acquisition of subsidiaries and businesses	E	(32)	(228)	–	–
Disposal of subsidiaries and businesses	F	15	–	–	(4)
Net cash (outflow)/inflow from investing activities		(418)	(597)	193	8
<b>Cash flows from financing activities</b>					
Funds provided by equity holders of Reunert		14	15	14	15
Cash invested in subsidiaries' shares		–	–	(437)	(439)
Investment in treasury shares		–	(115)	–	–
Shares acquired for equity-settled incentive scheme		(74)	(2)	–	–
Proceeds on disposal of shares to non-controlling interests		12	2	–	–
Purchase of additional shares in terms of a call option with non-controlling interests		(30)	(4)	–	–
Put option liability settled		–	(1)	–	–
Long-term loans raised		12	31	–	–
Long-term loans repaid		(10)	(11)	–	(5)
Contingent consideration paid		(16)	–	–	–
Loans advanced by subsidiaries		–	–	2	–
Repayment of loans previously advanced by subsidiaries		–	–	–	(52)
Net cash outflow from financing activities		(92)	(85)	(421)	(481)
<b>Net increase/(decrease) in net cash and cash equivalents</b>		<b>42</b>	<b>(766)</b>	<b>13</b>	<b>(5)</b>
<b>Net cash and cash equivalents as at 1 October as reported in the statement of financial position</b>		<b>572</b>	<b>1 325</b>	<b>2</b>	<b>7</b>
<b>Net cash and cash equivalents as at 30 September before translation adjustments</b>		<b>614</b>	<b>559</b>	<b>15</b>	<b>2</b>

<sup>1</sup> In the prior year, these were combined. The amounts have been shown separately to enhance disclosure.

<sup>2</sup> In 2018, this includes a R130 million withdrawal from investments in long-dated money market instruments.

# STATEMENTS OF CASH FLOWS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Notes	Group		Company	
		2019	2018	2019	2018
<b>Made up of:</b>					
Cash and cash equivalents	18	939 (323)	765 (193)	15 –	2 –
Bank overdrafts	18	(154)	(126)	–	–
Short-term facilities	18	(169)	(67)	–	–
<b>Net cash and cash equivalents as at 30 September as reported in the statement of financial position</b>		<b>616</b>	572	<b>15</b>	2
<b>Foreign exchange translation adjustments on:</b>					
Cash and cash equivalents		(2)	11	–	–
Bank overdrafts and short-term facilities		–	(24)	–	–
<b>Net cash and cash equivalents as at 30 September before translation adjustments</b>		<b>614</b>	559	<b>15</b>	2
Net cash flows from operating activities before dividends paid					
		1 369	697	–	–
Operating cash flow before dividends paid per share (cents)					
		849	432	–	–

# NOTES TO THE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Group		Company		
	2019	2018	2019	2018	
<b>A. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES</b>					
Profit before taxation	1 192	1 511	299	1 386	
<b>Adjusted for:</b>					
Cash interest received	(44)	(60)	–	–	
Cash interest paid	50	40	1	1	
Interest paid – unwind of present value discount	9	9	–	–	
Depreciation of property, plant and equipment	119	110	4	6	
Amortisation of intangible assets	46	47	–	–	
Net gain on disposal of property, plant and equipment and intangible assets	(2)	(28)	–	–	
Loss on disposal of subsidiary	44	–	–	–	
Impairment of interests in and loans to subsidiaries	–	–	834	25	
Impairment of assets	112	–	–	–	
Share-based payment expense in respect of empowerment transactions	3	32	–	–	
Share-based payment expense in respect of the Group's share option schemes	12	37	–	–	
Share-based payment expense in respect of the Group's Deferred Bonus Plan	9	15	–	–	
Unrealised forex gains	(92)	–	–	–	
Contingent consideration no longer required	(4)	(100)	–	–	
Put option liability fair value remeasurement	(9)	(9)	–	–	
Provisions movements	13	16	(2)	3	
Other non-cash movements	2	–	–	(1)	
<b>Cash generated from operations before working capital changes</b>		<b>1 460</b>	1 620	<b>1 136</b>	1 420

# NOTES TO THE STATEMENTS OF CASH FLOWS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Group		Company	
	2019	2018	2019	2018
<b>B. WORKING CAPITAL CHANGES</b>				
Inventory	66	(48)	–	–
Trade and other receivables and derivative assets	392	(538)	43	(59)
Trade and other payables, provisions and derivative liabilities	(140)	88	(10)	(2)
<b>Working capital changes</b>	<b>318</b>	<b>(498)</b>	<b>33</b>	<b>(61)</b>
<b>C. RECONCILIATION OF TAXATION PAID TO THE AMOUNTS DISCLOSED IN THE STATEMENT OF PROFIT OR LOSS AS FOLLOWS:</b>				
Net amounts outstanding as at 1 October	34	(25)	(2)	(3)
Taxation per the statement of profit or loss	(387)	(358)	(5)	7
Less: deferred tax	(18)	(28)	–	(13)
Tax deduction in terms of the CSP – benefit through retained earnings	13	–	–	–
Taxation provision of subsidiary disposed of	(8)	–	–	–
Taxation arising on shares sold to non-controlling interests	(2)	–	–	–
Net amounts outstanding as at 30 September	(35)	(34)	–	2
<b>Cash amounts paid</b>	<b>(403)</b>	<b>(445)</b>	<b>(7)</b>	<b>(7)</b>
<b>D. RECONCILIATION OF CASH DIVIDENDS PAID TO THE AMOUNTS DISCLOSED IN THE STATEMENT OF CHANGES IN EQUITY AS FOLLOWS:</b>				
Dividends paid per the statement of changes in equity	(803)	(772)	(920)	(883)
Dividends paid to non-controlling interests	(14)	(9)	–	–
<b>Cash amounts paid</b>	<b>(817)</b>	<b>(781)</b>	<b>(920)</b>	<b>(883)</b>
<b>E. ANALYSIS OF ACQUISITION OF SUBSIDIARIES AND BUSINESSES (REFER TO NOTE 30):</b>				
Property, plant and equipment	–	71	–	–
Intangible assets	–	164	–	–
Inventory	–	2	–	–
Trade and other receivables and taxation	–	2	–	–
Deferred taxation	–	(46)	–	–
Trade and other payables, provisions and taxation	–	(111)	–	–
Net loans on hand at the time of acquisition	–	(3)	–	–
Fair value of assets and liabilities acquired	–	79	–	–
Purchase consideration	–	(225)	–	–
Goodwill arising on acquisition	–	(146)	–	–
Purchase consideration	–	(225)	–	–
Net loans acquired at acquisition	–	(3)	–	–
Gross cash flow on acquisition of subsidiaries and businesses	–	(228)	–	–
<b>F. ANALYSIS OF DISPOSAL OF SUBSIDIARIES AND BUSINESSES (REFER TO NOTE 31):</b>				
Property, plant and equipment	–	–	–	1
Inventory	–	–	–	24
Trade and other receivables	–	–	–	27
Cash on hand at time of disposal	–	–	–	4
Trade and other payables and provisions	–	–	–	(40)
Net amount due to Group companies	–	–	–	(16)
<b>Proceeds on disposal</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Cash on hand at time of disposal	–	–	–	(4)
<b>Net cash flow on disposal of subsidiaries and businesses</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4)</b>

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Notes	Group			
		Share capital	Share-based payment reserves	Empowerment shares <sup>2</sup>	Treasury shares <sup>3</sup>
<b>Balance as at 1 October 2017</b>		359	176	(276)	(227)
Profit for the year		-	-	-	-
From other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
Issue of shares	19	15	-	-	-
Share-based payments					
– In terms of the CSP	19	-	49	-	-
– Shares acquired for incentive scheme (CSP)	19	-	(2)	-	-
– In terms of the empowerment transaction	19	-	32	-	-
Shares bought back		-	-	-	(115)
Dividends paid	8	-	-	-	-
Acquisition of businesses	30	-	-	-	-
Subscription for shares by non-controlling interests		-	-	-	-
Transfer from retained earnings <sup>1</sup>		-	1	-	-
<b>Balance as at 30 September 2018</b>		<b>374</b>	<b>256</b>	<b>(276)</b>	<b>(342)</b>
IFRS 9 and 15 transitional adjustment	33	-	-	-	-
Profit for the year		-	-	-	-
From other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
Issue of shares	19	<b>14</b>	-	-	-
Share-based payments					
– In terms of the CSP	19	-	<b>1</b>	-	-
– Shares acquired for incentive scheme (CSP)	19	-	<b>(74)</b>	-	-
– In terms of the empowerment transaction	19	-	<b>3</b>	-	-
Recycled to the statement of profit or loss on disposal of foreign subsidiary		-	-	-	-
Dividends paid	8	-	-	-	-
Tax deduction in terms of the CSP		-	-	-	-
Subscription for shares by non-controlling interests	30	-	-	-	-
Disposal of a business	31	-	-	-	-
Additional shares acquired from, net of shares sold to non-controlling interests	32	-	-	-	-
Transfer from retained earnings		-	<b>43</b>	-	-
<b>Balance as at 30 September 2019</b>		<b>388</b>	<b>229</b>	<b>(276)</b>	<b>(342)</b>

<sup>1</sup> R3 million of the transfer from retained earnings relates to the Terra Firma acquisition and R8 million relates to the finalisation of the put option in Ryonix Robotics Proprietary Limited (Ryonix).

<sup>2</sup> 18 500 000 Reunert shares are held by Bargenel, a company sold by Reunert to its empowerment partner in 2007. In terms of IFRS, until the amount owing by the empowerment partner is repaid to Reunert, Bargenel will be consolidated by the Group, as the significant risks and rewards of ownership in the underlying equity have not passed to the empowerment partner.

<sup>3</sup> These are Reunert shares bought back in the market and held by a subsidiary. During 2018, 1 605 276 shares were bought back. At 30 September 2018, 4 997 698 shares were held as treasury shares. No further shares were bought back in 2019.



## Group

Equity transactions/ put option with non-controlling interests	Gain on fair value movement of investment in financial asset	Translation loss on net investment in foreign subsidiary	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of Reunert Limited	Non-controlling interests	Total equity
(116)	–	–	(3)	7 225	7 138	105	7 243
–	–	–	–	1 158	1 158	(6)	1 152
–	–	(42)	(20)	–	(62)	(3)	(65)
–	–	(42)	(20)	1 158	1 096	(9)	1 087
–	–	–	–	–	15	–	15
–	–	–	–	–	49	–	49
–	–	–	–	–	(2)	–	(2)
–	–	–	–	–	32	–	32
–	–	–	–	–	(115)	–	(115)
–	–	–	–	(772)	(772)	(9)	(781)
(3)	–	–	–	–	(3)	(1)	(4)
–	–	–	–	–	–	2	2
11	–	–	–	(12)	–	–	–
<b>(108)</b>	<b>–</b>	<b>(42)</b>	<b>(23)</b>	<b>7 599</b>	<b>7 438</b>	<b>88</b>	<b>7 526</b>
–	–	–	–	<b>(56)</b>	<b>(56)</b>	<b>(9)</b>	<b>(65)</b>
–	–	–	–	<b>7 543</b>	<b>7 382</b>	<b>79</b>	<b>7 461</b>
–	–	–	–	<b>790</b>	<b>790</b>	<b>14</b>	<b>804</b>
–	<b>6</b>	<b>(5)</b>	<b>2</b>	–	<b>3</b>	<b>2</b>	<b>5</b>
–	<b>6</b>	<b>(5)</b>	<b>2</b>	<b>790</b>	<b>793</b>	<b>16</b>	<b>809</b>
–	–	–	–	–	<b>14</b>	–	<b>14</b>
–	–	–	–	–	<b>1</b>	–	<b>1</b>
–	–	–	–	–	<b>(74)</b>	–	<b>(74)</b>
–	–	–	–	–	<b>3</b>	–	<b>3</b>
–	–	–	<b>10</b>	–	<b>10</b>	–	<b>10</b>
–	–	–	–	<b>(803)</b>	<b>(803)</b>	<b>(14)</b>	<b>(817)</b>
–	–	–	–	<b>13</b>	<b>13</b>	–	<b>13</b>
–	–	–	–	–	–	<b>43</b>	<b>43</b>
–	–	–	–	–	–	<b>(12)</b>	<b>(12)</b>
<b>(27)</b>	–	–	–	–	<b>(27)</b>	<b>7</b>	<b>(20)</b>
<b>27</b>	–	–	–	<b>(70)</b>	–	–	–
<b>(108)</b>	<b>6</b>	<b>(47)</b>	<b>(11)</b>	<b>7 473</b>	<b>7 312</b>	<b>119</b>	<b>7 431</b>

# STATEMENTS OF CHANGES IN EQUITY continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Rm	Notes	Company		
		Share capital	Retained earnings	Total equity
<b>Balance as at 1 October 2017</b>		359	7 982	8 341
Profit for the year		–	1 393	1 393
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year			1 393	1 393
Issue of shares	19	15	–	15
Dividends paid	8	–	(883)	(883)
<b>Balance as at 30 September 2018</b>		<b>374</b>	<b>8 492</b>	<b>8 866</b>
Profit for the year		–	<b>294</b>	<b>294</b>
Other comprehensive income for the year		–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>294</b>	<b>294</b>
Issue of shares	19	<b>14</b>	–	<b>14</b>
Dividends paid	8	–	<b>(920)</b>	<b>(920)</b>
<b>Balance as at 30 September 2019</b>		<b>388</b>	<b>7 866</b>	<b>8 254</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 1. REVENUE

### Revenue from contracts with customers

#### Products and services

Revenue from products is derived from the sale of cables; electrical distribution, protection and control equipment; multi-function printers; radars; fuzes; and communication products. These give rise to revenue recognised at a point in time.

The key components of service revenue are print; document solutions; communication products and services; and engineering contract solution services. These give rise to revenue recognised over time.

When the Group enters into a contract with a customer, goods and services deliverable under the contract are identified as distinct separate performance obligations.

Revenue is recognised when the Group satisfies a performance obligation for a product or service to a customer:

- > Over time for products mainly when the Group's performance produces an asset for a customer without an alternative use and the Group has an enforceable right to payment for the performance completed to date
- > Over time for services when the customer simultaneously receives and consumes the benefits provided by the Group's performance or when the Group's performance enhances or creates an asset controlled by the customer
- > Revenue over time is recognised based on volumes consumed by the customer as this best represents the obligations provided to the customer in terms of the contract, for example service contracts related to print solutions in the ICT segment

Where the requirements for revenue to be satisfied over time are not met, the Group recognises revenue at a point in time when the customer obtains control of a product or service. For product sales, control is transferred generally at the point when the Group transfers ownership to the customer.

The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts, rebates, allowance for customer returns, and items of a similar nature.

The transaction price is allocated between the identified performance obligations according to the relative standalone selling prices of the performance obligations. Any variable consideration for discounts, rebates, or other variability on a contract is estimated either using the expected value or the most likely amount depending on the nature of the contract.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires the gross value of the transaction billed to the customer net of trade discounts to be recognised with any related administrative fees charged as an operating cost. Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned. The Group has not identified any contracts in which it was an agent.

Under certain service contracts, the Group receives consideration from customers for installation services at the inception of the contract. No separate performance obligation exists for the installation services provided at inception and accordingly, the consideration received is recognised as a contract liability and recognised in revenue over the period of the service contract.

#### Contract assets and liabilities

Contract assets and liabilities do not contain any contracts where the consideration is variable and payment terms are expected to be in line with normal credit terms after invoicing. Contract liabilities include a contract with a customer in the AE segment that contains a significant financing component.

Contract assets and liabilities result from agreements entered into with customers that contain both products and services as deliverables. When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer, a contract asset is recognised. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract. If the contract exceeds 12 months, the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central customer credit risk. Typically, the timing of receipt of payment is less than 12 months after the satisfaction of the performance obligation. All contract assets are subject to an impairment test under IFRS 9.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 1. REVENUE continued

### Other

#### Interest received on lease receivables

The Group recognises interest earned on lease receivables using the implicit interest rate of the lease.

#### Dividend and interest income

The Company classifies dividend and interest income as revenue in line with it being an investment holding company. Dividends from investments are recognised when the Company's right to receive payment has been established, receipt is probable, and the amount is reliably measured. Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

For information purposes, the revenue recognition policy prior to adopting IFRS 15 on 1 October 2018 was as follows:

Revenue comprises net invoiced sales to customers, revenue from the rendering of services, rental from leasing fixed and moveable assets, interest earned from the Group's financing operations and dividends and interest received and excludes 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; and multi-function printers, radars, fuzes and communication products. Revenue is recognised either when an entity has delivered products (risks and rewards transferred) to the customer or if the entity only retains insignificant risks of ownership. It is considered that, at the point of delivery, the following criteria have been met:

- > 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 and 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 rate method.

#### Dividends and interest income

Dividends from investments are recognised when the Company's right to receive payment has been established. Interest is recognised on a time proportion basis with reference to the principal received and the effective interest rate applicable.

## 1. REVENUE continued

Rm	Segment				Total
	EE	ICT	AE	Other	
<b>Group 2019</b>					
<b>Revenue from contracts with customers</b>					
<b>Category of revenue</b>					
Products	4 936	1 619	2 148	–	8 703
Services	214	1 159	109	–	1 482
	5 150	2 778	2 257	–	10 185
<b>Timing of revenue recognition:</b>					
Revenue recognised at a point in time	4 983	2 133	1 616	–	8 732
Revenue recognised over time	167	645	641	–	1 453
	5 150	2 778	2 257	–	10 185
Total revenue from contracts with customers	5 150	2 778	2 257	–	10 185
<b>Other revenue</b>					
Interest received on lease receivables	–	425	–	–	425
Rental revenue	–	–	13	11	24
Other revenue	–	4	76	–	80
Total revenue	5 150	3 207	2 346	11	10 714
<b>Revenue by geography</b>					
South Africa	3 314	2 875	1 350	11	7 550
Africa (excluding South Africa)	1 156	97	82	–	1 335
Asia <sup>1</sup>	29	–	750	–	779
Australia	140	–	12	–	152
Europe	144	235	120	–	499
The Americas	367	–	32	–	399
Total revenue	5 150	3 207	2 346	11	10 714
<b>Revenue to be recognised on remaining performance obligations in respect of open contracts</b>					
In the next 12 months					682
More than 12 months					172

<sup>1</sup> Includes revenue earned from India.

Assets and liabilities related to contracts with customers have been recognised and disclosed in note 15, trade and other receivables and note 23, trade and other payables.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 1. REVENUE continued

Rm	Segment				Total
	EE	ICT	AE	Other	
<b>Group</b>					
<b>2018</b>					
<b>Revenue</b>					
Gross invoiced sales					8 243
Services					1 488
Interest received on lease receivables					379
Rental and other revenue					382
					10 492
<b>Revenue by geography</b>					
South Africa					7 351
Africa (excluding South Africa)					1 063
Asia <sup>1</sup>					951
Australia					140
Europe					754
The Americas					233
					10 492

<sup>1</sup> Includes revenue earned from India.

Rm	South Africa
<b>Company</b>	
<b>2019</b>	
<b>Revenue</b>	
Dividends and interest income	1 123
Rental	65
	1 188
<b>2018</b>	
<b>Revenue</b>	
Dividends and interest income	1 415
Rental	64
	1 479

## 2. OPERATING PROFIT

Rm	Group		Company	
	2019	2018	2019	2018
Included in operating profit are the following:				
Cost of sales	<b>7 457</b>	7 050	–	–
Less: depreciation and amortisation included in cost of sales	<b>(58)</b>	(51)	–	–
Cost of sales before depreciation and amortisation	<b>7 399</b>	6 999	–	–
Other income <sup>1</sup>	<b>80</b>	82	<b>3</b>	9
Fair value on contingent consideration <sup>2</sup>	<b>4</b>	100	–	–
Total operating expenses <sup>3</sup>	<b>1 980</b>	2 082	<b>783</b>	66
Less: depreciation and amortisation included in operating expenses	<b>(107)</b>	(106)	<b>(4)</b>	(6)
Total operating expenses before depreciation and amortisation	<b>1 873</b>	1 976	<b>779</b>	60
Included in cost of sales, other income or expenses:				
Profit on disposal of property, plant and equipment	<b>2</b>	28	–	–
Impairment of non-derivative financial assets <sup>4</sup>	<b>22</b>	28	–	–
Auditor's remuneration				
– Audit fees	<b>24</b>	22	<b>6</b>	5
– Other fees	<b>3</b>	3	–	–
	<b>27</b>	25	<b>6</b>	5
Realised forex losses <sup>5</sup>	<b>66</b>	99	–	–
Unrealised forex gains <sup>5</sup>	<b>(92)</b>	(21)	–	–
Net forex (gains)/losses	<b>(26)</b>	78	–	–
Research and development expenditure:				
Externally funded	<b>132</b>	90	–	–
Internally funded	<b>20</b>	76	–	–
	<b>152</b>	166	–	–
Employee costs (included in cost of sales and other operating expenses):				
Salaries and wages	<b>1 874</b>	1 916	–	–
Pension and provident fund contributions <sup>6</sup>	<b>198</b>	182	–	–
Other employee costs	<b>94</b>	62	–	–
	<b>2 166</b>	2 160	–	–
Share-based payment expense <sup>7</sup>	<b>21</b>	52	–	–
Write down of inventory	<b>2</b>	6	–	–

<sup>1</sup> Includes a put option liability fair value gain of R9 million (2018: R9 million).

<sup>2</sup> Included in the fair value gain in 2018 is an amount of R77 million relating to the remeasurement of the SkyWire contingent consideration. This arose due to the delay in the execution of a significant contract which was taken into account in the determination of the contractual purchase price. This delay resulted in the warranted profit not being achieved which reduced the final instalment of the purchase price from R93 million to R16 million.

<sup>3</sup> Included in the Company operating expenses is impairment of loans to subsidiaries as disclosed in note 13. In 2018, the impairment against the investments in subsidiaries was reflected in operating profit and has now been disclosed directly in the statement of profit or loss.

<sup>4</sup> This relates to amounts due to bad debts written off, and recovered and the movement in the ECL impairment with regard to trade and other receivables, finance leases, and loans receivable.

<sup>5</sup> 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 the statement of 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 in the statement of profit or loss.

<sup>6</sup> 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, 94% (2018: 93%) of the Group's employees belong to various retirement schemes.

<sup>7</sup> Included in the share-based payment expense is an amount of R9 million (2018: R15 million) relating to the Deferred Bonus Plan. This is classified as a cash-settled, share-based payment with the equivalent amount included in liabilities (refer to note 11, share-based payments).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 3. INTEREST INCOME

Rm	Group	
	2019	2018
Interest earned on financial assets analysed by category of asset:		
Bank deposits	34	51
Other assets at amortised cost	10	9
<b>Total interest income</b>	<b>44</b>	<b>60</b>

## 4. INTEREST EXPENSE

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

Rm	Group		Company	
	2019	2018	2019	2018
Unwinding of discount of put option	9	9	-	-
Loans, bank overdrafts and other short-term facilities	50	40	1	1
Interest expense as per the statement of profit or loss	59	49	1	1
External interest expense in Quince (included in Group cost of sales as Quince is a finance business)	13	13	-	-
<b>Total interest expense using the effective interest rate method</b>	<b>72</b>	<b>62</b>	<b>1</b>	<b>1</b>

## 5. EMPOWERMENT TRANSACTIONS

To the extent that an entity grants shares as part of 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 in the statement of profit or loss in the period in which the principal terms of the agreement are reached.

The current financial year charge relates to an empowerment transaction in the AE segment. The 2018 charge is in respect of an empowerment transaction in the EE segment.

Legal, tax, and other consulting costs incurred in respect of empowerment transactions are accounted for as empowerment transactions in the period incurred.

IFRS 2 share-based payment cost of B-BBEE transactions	3	32	-	-
Professional costs related to B-BBEE transactions	-	10	-	10
	<b>3</b>	<b>42</b>	<b>-</b>	<b>10</b>

There was no taxation (2018: Rnil) on these transactions and R1 million (2018: Rnil) was allocated to non-controlling interests.



## 6. TAXATION

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

Rm	Notes	Group		Company	
		2019	2018	2019	2018
South African current taxation:					
– Current year		<b>399</b>	385	<b>6</b>	6
– Prior year		<b>4</b>	(5)	<b>(1)</b>	–
South African deferred taxation:					
– Current year	16	<b>(25)</b>	(4)	–	(13)
– Prior year	16	<b>4</b>	(3)	–	–
		<b>382</b>	373	<b>5</b>	(7)
Foreign taxation:					
– Current		<b>2</b>	6		
– Deferred taxation	16	<b>3</b>	(21)		
Taxation charge per the statement of profit or loss		<b>387</b>	358	<b>5</b>	(7)
%					
Tax rate reconciliation					
South African normal tax rate		<b>28,0</b>	28,0	<b>28,0</b>	28,0
Movement in rate of taxation due to:					
– Dividends received and other exempt income		–	–	<b>(100,0)</b>	(29,6)
– Non-taxable income <sup>1</sup>		<b>(0,7)</b>	(5,2)	–	–
– Research and development allowance		<b>(0,7)</b>	(0,5)	–	–
– Disallowable expenses <sup>2</sup>		<b>6,5</b>	1,2	<b>74,2</b>	1,1
– Empowerment transactions and acquisitions costs		<b>0,1</b>	0,8	–	–
– Other <sup>3</sup>		<b>(0,7)</b>	(0,6)	<b>(0,5)</b>	–
Effective rate of taxation		<b>32,5</b>	23,7	<b>1,7</b>	(0,5)

<sup>1</sup> Includes non-taxable fair value movements in the Terra Firma put option and amounts not taxable due to double tax agreements.

<sup>2</sup> Includes disallowable expenses such as legal and consulting fees, share-based payments in respect of the Group's share option schemes, loss on disposal of Prodoc, impairment of goodwill and losses on impairments of investments and loans.

<sup>3</sup> Includes withholding taxes, foreign tax rate differentials, and prior year tax adjustments.

The Group has total estimated tax losses available to be offset against future taxable income of R279 million (2018: R237 million). The full estimated tax losses have been considered in the raising of the deferred tax asset of R56 million raised (2018: R43 million). Of the R279 million tax losses, R119 million relates to foreign subsidiaries, primarily taxed at a rate of 15%. Estimated tax losses for which no deferred tax asset has been raised amounted to R53 million, of which R43 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. South African company tax losses do not expire; however, foreign tax losses relating to Zamefa can be carried forward for a maximum period of five years. 2015 tax losses of R14 million will expire in 2020, 2018 tax losses of R39 million will expire in 2023, and 2019 tax losses of R46 million will expire in 2024.

The Group has no capital gains tax losses for 2019 (2018: Rnil) which can be offset against future capital gains.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 7. NUMBER OF SHARES USED TO CALCULATE EARNINGS PER ORDINARY SHARE<sup>1</sup>

Rm	Group	
	2019	2018
Weighted average number of ordinary shares in issue, net of empowerment and treasury shares, for basic earnings, headline earnings, and normalised headline earnings per share (millions of shares)	161	161
Adjusted by the dilutive effect of:		
Unexercised share options granted (millions of shares)	2	3
Weighted average number of ordinary shares for diluted, diluted headline, and diluted normalised headline earnings per share (millions of shares)	163	164

<sup>1</sup> The earnings used to determine earnings per ordinary share and diluted earnings per ordinary share are the profit for the year attributable to equity holders of Reunert of R790 million (2018: R1 158 million) (refer to the statement of profit or loss).

## 8. DIVIDENDS

Rm	Group		Company	
	2019	2018	2019	2018
Ordinary dividends paid:				
– Final 2018 – 368 cents per ordinary share (2017: 354 cents per ordinary share)	679	653	679	653
– Interim 2019 – 130 cents per ordinary share (2018: 125 cents per ordinary share)	241	230	241	230
– Attributable to Reunert shares held by a special-purpose entity	(92)	(89)		
– Attributable to Reunert shares held by a subsidiary	(25)	(22)		
	803	772	920	883
Ordinary dividend declared:				
– Final 2019 – 383 cents per ordinary share (2018: 368 cents per ordinary share)	708	679	708	679
– Attributable to Reunert shares held by a special-purpose entity	(71)	(68)		
– Attributable to Reunert shares held by a subsidiary	(19)	(18)		
	618	593	708	679

## 9. HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS PER SHARE (NHEPS)

Per share	Notes	Group	
		2019	2018
Headline earnings (cents)	7 and 9.1	573	703
Diluted headline earnings (cents)	7 and 9.1	566	691
Normalised headline earnings (cents)	7 and 9.2	578	687
Diluted normalised headline earnings (cents)	7 and 9.2	571	675
<b>Rm</b>			
<b>9.1 Headline earnings</b>			
Profit for the year attributable to equity holders of Reunert		790	1 158
Headline earnings are determined by eliminating the effect of the following items from these earnings:			
– Loss on disposal of subsidiary (after tax credit and non-controlling interest (NCI) portion of Rnil) (2018: tax and NCI portion of Rnil)		44	–
– Goodwill impairment (after tax credit and NCI portion of Rnil) (2018: tax and NCI portion of Rnil)		67	–
– Impairment of property, plant and equipment (after a tax credit of R6 million and NCI portion of R8 million) (2018: tax and NCI portion of Rnil)		26	–
– Net gain on disposal of assets (after a tax charge of R1 million and NCI portion of Rnil) (2018: tax R5 million and NCI portion of Rnil)		(3)	(23)
<b>Headline earnings</b>		<b>924</b>	<b>1 135</b>
<b>9.2 Normalised headline earnings<sup>1</sup></b>			
Normalised headline earnings are determined by adjusting headline earnings for the effects of empowerment transactions and acquisition costs.			
Headline earnings	9.1	924	1 135
Empowerment transactions		2	42
– Recurring IFRS 2 cost of B-BBEE transactions (tax of Rnil and NCI portion of R1 million) (2018: tax and NCI portion Rnil)		2	–
– Once-off IFRS 2 cost of B-BBEE transactions (tax of Rnil and NCI portion of Rnil) (2018: tax and NCI portion Rnil)		–	32
– Once-off professional fees in respect of B-BBEE transactions (tax and NCI portion Rnil) (2018: tax and NCI portion Rnil)		–	10
Acquisition transactions		6	(68)
– Recurring professional fees for acquisitions (tax and NCI portion Rnil) (2018: tax and NCI portion Rnil)		6	9
– Once-off contingent consideration fair value remeasurement (tax and NCI portion Rnil) (2018: tax and NCI portion Rnil)		–	(77)
<b>Normalised headline earnings</b>		<b>932</b>	<b>1 109</b>

<sup>1</sup> 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 2019, the revised SAICA guide on pro forma financial information, and the JSE Listings Requirements.

There are no events which require adjustment to the pro forma financial information up to the date of this report.

The directors are responsible for and have compiled 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Investment property is 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 the overall use of 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, plant and equipment including investment property is initially 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 all depreciable assets commences when the assets are ready for their intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives which represents the expected pattern of consumption of the future benefits of property, plant and equipment and investment property 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 lease arrangement, the leased asset is depreciated over the shorter of the lease term or its useful life.

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.

## 10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY continued

Rm	Group					
	Owner-occupied freehold land and buildings	Owner-occupied leasehold buildings	Plant, equipment and vehicles	Capital work in progress	Property, plant and equipment total	Investment property <sup>2</sup>
<b>2019</b>						
Cost	235	92	1 558	29	1 914	57
Accumulated depreciation and impairments	40	7	977	-	1 024	20
Net carrying amount as at 1 October 2018	195	85	581	29	890	37
Additions						
Acquisition of businesses	-	-	2	-	2	-
Additions	10	-	77	11	98	-
Disposals						
Disposals	-	-	(5)	-	(5)	-
Disposal of business	-	-	(4)	-	(4)	-
Transfers						
Transfers from/(to) intangibles	-	-	3	(5)	(2)	-
Transfer from inventory	-	-	8	-	8	-
Transfer between categories	-	(5)	4	(4)	(5)	5
Depreciation	(4)	(2)	(112)	-	(118)	(1)
Impairment <sup>1</sup>	-	-	(40)	-	(40)	-
Exchange rate difference	-	-	(1)	-	(1)	(1)
Cost	245	88	1 589	31	1 953	56
Accumulated depreciation and impairments	44	10	1 076	-	1 130	17
Net carrying amount as at 30 September 2019	201	78	513	31	823	39
<b>2018</b>						
Cost	239	158	1 513	25	1 935	41
Accumulated depreciation and impairments	38	54	981	-	1 073	13
Net carrying amount as at 1 October 2017	201	104	532	25	862	28
Additions						
Acquisition of businesses	1	-	70	-	71	-
Additions	7	-	72	15	94	16
Disposals						
Disposals	(10)	-	(3)	-	(13)	-
Transfers						
Transfers from intangibles	-	-	3	-	3	-
Transfer from/(to) inventory	-	-	4	(2)	2	-
Transfer between categories	-	-	14	(9)	5	(5)
Depreciation	(4)	(4)	(100)	-	(108)	(2)
Exchange rate difference	-	(15)	(11)	-	(26)	-
Cost	235	92	1 558	29	1 914	57
Accumulated depreciation and impairments	40	7	977	-	1 024	20
Net carrying amount as at 30 September 2018	195	85	581	29	890	37

<sup>1</sup> As further explained in the accounting policies and the goodwill note (note 12), the plant, equipment and vehicles of Zamefa have been fully impaired (R40 million) based on the adjusted cash flows resulting from the amendment to the duty drawback mechanism announced by the Zambian government on 27 September 2019. Refer to the directors' report.

<sup>2</sup> Included in investment property is a property with a value of R10 million, held under a long-term finance lease which has been sublet to a third party.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY continued

Rm	Company				
	Owner-occupied leasehold buildings	Plant, equipment and vehicles	Capital work in progress	Property, plant and equipment total	Investment property
<b>2019</b>					
Cost	–	5	2	7	213
Accumulated depreciation and impairments	–	2	–	2	36
Net carrying amount as at 1 October 2018	–	3	2	5	177
Additions	–	–	–	–	9
Depreciation	–	–	–	–	(4)
Cost	–	5	2	7	224
Accumulated depreciation and impairments	–	2	–	2	42
Net carrying amount as at 30 September 2019	–	3	2	5	182
<b>2018</b>					
Cost	–	55	–	55	195
Accumulated depreciation and impairments	–	49	–	49	35
Net carrying amount as at 1 October 2017	–	6	–	6	160
Additions	–	–	2	2	21
Disposal of business	–	–	–	–	(1)
Transfers					
– Transfer between categories	2	(2)	–	–	–
Depreciation	(2)	(1)	–	(3)	(3)
Cost	–	5	2	7	213
Accumulated depreciation and impairments	–	2	–	2	36
Net carrying amount as at 30 September 2018	–	3	2	5	177

## 10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY continued

### Notes

- A register of the Group's and Company's property may be inspected at the registered office of the Company.
- The fair value of the Group's and Company's investment property at 30 September 2019 has been determined on the basis of valuations carried out at 30 September 2018 by Propval Property Valuation Services Proprietary Limited, independent valuers who are not a related party to the Group. Propval is a member of the South African Institute of Valuers having the appropriate qualifications and the relevant experience in the nature and type of investment properties being valued.

The fair value of the Group's freehold investment property amounted to R51 million at 30 September 2018.

We are of the view that the valuation performed in 2018 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. Group policy is to value properties every three years.

The fair value of leasehold investment properties approximates its carrying amount of R10 million at 30 September 2019.

- Useful lives used in the following categories:
 

Investment properties leasehold	12 years
Investment properties freehold	12 to 50 years
Buildings	20 to 50 years
Plant and equipment	3 to 30 years
Vehicles	4 to 20 years
- A leasehold investment property with a carrying amount of R10 million (2018: R11 million) serves as security for finance leases (refer to note 20).

Rm	Group		Company	
	2019	2018	2019	2018
5. Operating leases receivable				
Gross carrying amount of assets let out under operating leases	33	33	224	212
Accumulated depreciation	(17)	(14)	(42)	(38)
	16	19	182	174
<b>Land and buildings: Group and Company</b>				
No purchase option exists in the leases to third parties. Renewal options are included in the leases for periods between one and three years and with escalations between the consumer price index and 10%.				
No subleasing or alterations are allowed without Reunert's prior consent.				
<b>Plant and equipment</b>				
These leases are largely for mining surveillance radars, which the customer may terminate at a month's notice. A purchase option at normal margins exists.				
The equipment may only be used within the customer's group.				
Gross carrying amount of plant and equipment leased to third parties under operating leases	21	22	–	–
Accumulated depreciation	(19)	(19)	–	–
	2	3	–	–
6. The following amounts are included in the statement of profit or loss for investment properties:				
Rental revenue	11	9	65	63
Direct operating expenses	6	5	24	28

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 11. INTANGIBLE ASSETS

The significant intangible assets arise mainly in the AE and ICT segments.

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 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.

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 IAS 38 – Intangible Assets 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 the statement of 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.

### Useful lives of intangible assets

(Refer to the accounting policy for judgements and estimates.)

All intangible assets with definite lives are subject to amortisation in accordance with the useful lives below:

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



## 11. INTANGIBLE ASSETS continued

Rm	Group		
	Computer software, customer list, restraint of trade and order books	Models, designs, prototypes and brand names	Total
<b>2019</b>			
Cost	<b>454</b>	<b>145</b>	<b>599</b>
Accumulated amortisation and impairments	<b>198</b>	<b>31</b>	<b>228</b>
Net carrying amount as at 1 October 2018	<b>256</b>	<b>114</b>	<b>370</b>
Acquisition of businesses	<b>42</b>	<b>-</b>	<b>42</b>
Additions	<b>44</b>	<b>16</b>	<b>60</b>
Transfer to property, plant and equipment	<b>-</b>	<b>(3)</b>	<b>(3)</b>
Transfer from property, plant and equipment	<b>5</b>	<b>-</b>	<b>5</b>
Amortisation	<b>(39)</b>	<b>(7)</b>	<b>(46)</b>
Exchange rate difference	<b>2</b>	<b>-</b>	<b>2</b>
Cost	<b>513</b>	<b>157</b>	<b>670</b>
Accumulated amortisation and impairments	<b>203</b>	<b>37</b>	<b>240</b>
Net carrying amount as at 30 September 2019	<b>310</b>	<b>120</b>	<b>430</b>
<b>2018</b>			
Cost	262	136	398
Accumulated amortisation and impairments	177	16	193
Net carrying amount as at 1 October 2017	85	120	205
Acquisition of businesses	164	-	164
Additions	39	13	52
Transfer to property, plant and equipment	-	(3)	(3)
Amortisation	(32)	(15)	(47)
Exchange rate difference	-	(1)	(1)
Cost	454	145	599
Accumulated amortisation and impairments	198	31	228
Net carrying amount as at 30 September 2018	256	114	370

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 12. GOODWILL

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

Rm	Group	
	2019	2018
Carrying amount as at 1 October	1 053	921
Impairment of goodwill – Polybox and Zamefa	(67)	–
Disposal of business (note 31)	(62)	–
Acquisition of businesses <sup>1</sup> (note 30)	76	146
Exchange rate difference on consolidation of foreign subsidiaries	(1)	(14)
Carrying amount as at 30 September	999	1 053

### Impairment of goodwill

The following information summarises the individual assumptions used to test for impairment of goodwill at a CGU level, using the value-in-use method.<sup>2</sup>

The following CGUs have significant carrying amounts of goodwill:

	Measurement currency	Discount rate (pretax) <sup>3</sup>	Terminal growth rate <sup>4</sup>	Group	
				2019	2018
<b>Significant CGUs</b>		%	%	Rm	Rm
<b>EE</b>					
African Cables	ZAR	21,3	4,0	61	61
Zamefa	ZMW	28,8	4,0	–	57
<b>ICT</b>					
Nashua Office Automation	ZAR	18,0	4,0	203	203
Quince	ZAR	22,2	4,0	124	124
ECN	ZAR	17,8	4,0	140	140
Prodoc	SEK	–	–	–	64
SkyWire Technologies	ZAR	22,3	3,0	170	146
<b>AE</b>					
Omnigo	ZAR	19,7	4,5	40	40
Terra Firma	ZAR	19,4	4,0	88	88
Nanoteq	ZAR	19,6	4,0	69	69
Blue Nova Energy	ZAR	19,9	3,0	53	–
Other <sup>5</sup>	ZAR	19,2 – 20,7	4,0	948	992
				51	61
Net carrying amount as at 30 September				999	1 053
Gross goodwill carrying amount				1 066	1 212
Less: accumulated impairment loss <sup>6</sup>				(67)	(159)

<sup>1</sup> At 30 September 2019, the purchase price allocation relating to the intangible assets and contingent consideration of the acquisitions made in 2019 has not been finalised and therefore the amounts reported are provisional (refer to note 30).

<sup>2</sup> The base (year 1) for the value-in-use calculations is the management approved budget for 2020. Average growth rates used in years two to five are consistent with the terminal growth rates used, except for SkyWire Technologies (16%), Omnigo (19%), and Terra Firma (20%).

<sup>3</sup> The discount rate used is calculated as the weighted average cost of the different components of capital (WACC), being debt and equity. This is consistent with international best practice and covers the different industries in which the Reunert Group operates.

<sup>4</sup> The terminal growth rate is calculated using the South African CPI as a basis and thereafter adjusted for various risk factors. This is used to extrapolate the cash flow projections beyond the period covered of five years.

<sup>5</sup> This consists of the aggregate of individual immaterial goodwill balances across all segments above.

<sup>6</sup> In the prior financial year, this included the accumulated impairment loss on Prodoc, a business which was disposed of in the current financial year.

If the discount rates were increased by 1%, no impairment would be required except in the case of African Cables and Omnigo where an impairment of R14 million and R3 million respectively would arise. If the terminal growth rates were decreased by 1%, no impairment would be required. Management has concluded that a reasonable change in any of the key assumptions would not cause the carrying amount to exceed the recoverable amount.

An impairment of R67 million was charged against goodwill in the current financial year. R10 million of this impairment relates to the goodwill which arose on acquisition of Polybox (EE segment). This entity is part of the entities categorised as 'Other' above. The goodwill had been impaired due to the deteriorating trading circumstances of this entity. The remaining R57 million relates to the goodwill which arose on acquisition of Zamefa (EE segment). This goodwill has been fully impaired based on the adjusted cash flows resulting from the amendments to the duty drawback mechanism announced by the Zambian government on 27 September 2019. (Also refer to note 10 which details the R40 million impairment of Zamefa's property, plant and equipment arising as a result of the CGU impairment assessment.)

No goodwill impairment was made in the prior financial year as discounted cash flows were expected to exceed the carrying amount thereof.

### 13. INTEREST IN SUBSIDIARIES

A subsidiary is an entity over which the parent has control. Control is achieved when the parent has power over the investee, which is demonstrated primarily when the parent has the right to appoint the majority of the directors to the Board. It is also demonstrated by its exposure to its rights to variable returns from its involvement with the investee, and has the ability to use its power to affect these returns.

In the separate financial statements of the holding company, subsidiaries are measured at cost less accumulated impairment. The parent 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 30).

The impairment in relation to interests in subsidiaries has been determined by comparing the carrying amounts of the investments with the recoverable amounts of the underlying subsidiaries. The recoverable amount is the higher of fair value less cost to sell and value in use. 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 to the extent of the negative recoverable amounts.

Loans receivable for subsidiaries are assessed for impairment based on the expected future cash flows for each subsidiary. Refer to Annexure A.

Rm	Company	
	2019	2018
<b>Shares at cost</b>	<b>3 066</b>	2 629
<b>Impairment against investment in subsidiaries</b>	<b>(228)</b>	(120)
Balance as at 1 October	<b>(120)</b>	(95)
Created	<b>(110)</b>	(38)
Reversed	<b>2</b>	13
<b>Interest in subsidiaries</b>	<b>2 838</b>	2 509
<b>Gross amounts owing by subsidiaries</b>	<b>6 026</b>	6 226
<b>Impairment against loans to subsidiaries</b>	<b>(730)</b>	(4)
Balance as at 1 October	<b>(4)</b>	(4)
Created	<b>(726)</b>	–
Amounts owing by subsidiaries	<b>5 296</b>	6 222
Amounts owing to subsidiaries	<b>(11)</b>	(9)
	<b>5 285</b>	6 213
Total impairment loss in the statement of profit or loss	<b>834</b>	25

During the financial year, the Company impaired R108 million of its investment in Reunert International Investments (Mauritius) (R104 million), the Group's treasury company (Reunert Finance Company Proprietary Limited (RFCL)) (R4 million), and R726 million of its loan to RFCL. These impairments arose due to the treasury company's technical insolvent position arising as a result of the treasury company's impairment of its loans to Zamefa, CBI-Electric Mzansi (RF) Proprietary Limited and Reutech Mzansi (RF) Proprietary Limited (part of the EE and the AE segments' empowerment structures respectively), and in the case of Reunert International Investments, due to the technical insolvency of Zamefa.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 14. FINANCE LEASES AND LOANS RECEIVABLE

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. The difference between the gross receivable and the present value of the net investment in the lease is recognised as unearned finance income.

Interest received from leases 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.

Loans receivable are financial assets held at amortised cost.

Rm	Group	
	2019	2018
<b>Gross finance lease receivables</b>	<b>1 238</b>	1 349
Collectible within one year	<b>468</b>	474
Collectible after one year	<b>770</b>	875
<b>Unearned finance income</b>	<b>(252)</b>	(266)
To be earned within one year	<b>(86)</b>	(90)
To be earned after one year	<b>(166)</b>	(176)
<b>Net finance lease receivables</b>	<b>986</b>	1 083
Collectible within one year	<b>382</b>	384
Collectible after one year	<b>604</b>	699
<b>Loans receivable</b>	<b>2 030</b>	1 747
Collectible within one year	<b>524</b>	443
Collectible after one year	<b>1 506</b>	1 304
<b>Impairment<sup>1</sup></b>	<b>(41)</b>	(19)
Within one year	<b>(13)</b>	(6)
After one year	<b>(28)</b>	(13)
<b>Net finance leases and loans receivable</b>	<b>2 975</b>	2 811
Collectible within one year	<b>893</b>	821
Collectible after one year	<b>2 082</b>	1 990

<sup>1</sup> Details of the impairment have been disclosed below.

The gross finance lease receivables relate to the present value of discounted rental agreements, which are repayable over varying periods up to a maximum of five years from the statement of financial position date.

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

The average lease term is three to five years. However, the equipment may be upgraded thereafter and bundled together with additional equipment by the Nashua franchise/dealer to restore its utility and a new financing contract entered into both with the underlying customer and with the Group's financing business, Quince. The average effective interest rate charged is 14,62% (2018: 14,79%).

## 14. FINANCE LEASES AND LOANS RECEIVABLE continued

### Financial risk management

Risk is managed through ongoing credit evaluations of the financial condition of the underlying customers. The granting of credit is controlled by application and credit vetting procedures which are updated and reviewed on an ongoing basis. Concentrations of credit risk consist principally of loans to customers, franchises, and rental receivables. Credit risk with respect to these are limited due to the large number of corporate and institutional customers comprising the Company's customer base. These customers spread across various industry types and different geographical areas, the majority of which are in South Africa with an insignificant portion in Lesotho and Eswatini. The Group's fundamental principles to manage credit risk include:

- > Adherence to the Group's lending philosophy
- > A clear definition of the Group's target market
- > A qualitative and quantitative assessment of the creditworthiness of the Group's counterparties and security
- > Appropriate credit granting criteria
- > An analysis of related risks, including those associated with concentration
- > Proactive and regular monitoring of existing and potential exposures once the facilities have been approved
- > Active management of defaulting borrowers, with a primary focus on rehabilitation, complemented by efficient realisation of collateral in the event of continuing default, such that collateral value is protected and potential loss minimised
- > Cession of the underlying rental agreement with end-customers and related assets from the franchise to Quince

The Group applies the IFRS 9 general approach to measuring ECLs for finance leases and loans receivable. In applying the ECL model, the Group does not consider the finance lease receivables to have the same risk model as loans receivable, and has therefore used two different models in applying the general approach. This is calculated by applying a loss ratio to the balance at each reporting date. The loss ratio for the finance leases and loans receivable is calculated according to the ageing/payment profile by applying historic write-offs to the payment profile of the population.

The historic loss ratio is then adjusted for forward looking information to determine the ECL at the reporting date to the extent that there is a strong correlation between the forward looking information and the ECL.

The forward looking information includes variables such as:

- > Gross domestic product (GDP) per capita
- > Government budget/GDP
- > Government debt/GDP
- > Current account/GDP
- > Unemployment rate
- > Inflation rate (CPI)

### Loans receivable

In measuring ECL, the loss given default is calculated based on the recourse types available to the customers. The Group's finance company provides rental finance for office equipment rented by end-customers from the ICT distribution channels (mainly Nashua Office Automation franchises). This finance can be provided as follows:

- > No recourse – the franchise/distributor takes 100% of the credit risk related to the end-customer after the first 12 months. In the first 12 months, the credit risk is assumed as follows:
  - o The Group provides a credit screening warranty whereby the Group warrants the outcome of its credit vetting of customers for a period of 12 months as follows:
    - The initial warranty is set at 30% of the pay-out value for the first six months, decreasing to 27% for the next three months and 24% for the final three months after which the warranty expires
- > 50% recourse – the 50% recourse product has a specific credit screening warranty whereby the Group assumes 50% of losses resulting from the financial inability of a customer to pay throughout the life of the contract

The risk of recourse is incorporated in the loss given ratio of the respective contracts.

Below are the loan balances split between the recourse categories:

Rm	2019
100% recourse to franchise/dealer	1 038
50% recourse to franchise/dealer	932
0% recourse to franchise/dealer/broker	60
Gross loans receivable	2 030

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 14. FINANCE LEASES AND LOANS RECEIVABLE continued

### Finance leases receivable

The Group applies the same variables discussed above; however, no recourse is applied to the loss given default.

The loss allowance as at 30 September 2019 for finance leases and loans receivable to which a three-stage ECL model, as described in note 29, financial instruments, has been determined as follows:

### Gross carrying amounts by credit risk exposure

Rm	Carrying amount	12-month ECLs (stage 1)	Net carrying amount
Finance leases receivable	986	(13)	973
Loans	2 030	(28)	2 002
	<b>3 016</b>	<b>(41)</b>	<b>2 975</b>

No balances have transferred to stage two or three in the current financial year.

### Analysis of movement in the impairment

Rm	Group 2019
Balance as at 1 October 2018	(19)
Adjustment on adoption of IFRS 9	(19)
Revised opening balance	(38)
<b>Movement in the impairment through the statement of profit or loss</b>	
Reversed during the year	–
Raised during the year	(12)
Net movement in the statement of profit or loss	(12)
Written off against the impairment	9
Balance as at 30 September 2019	(41)

The carrying amount of the finance leases and loans receivable approximate fair value because the rates inherent in the agreements are market-related and are the same rates used to discount the total amount owing under the agreements back to their carrying amounts.

## 15. TRADE AND OTHER RECEIVABLES

Trade receivables comprise amounts due from customers across all three segments of the Group. The Group recognises an impairment for ECL as set out below.

Refer to note 29, financial instruments, for accounting policies relating to financial assets.

Contract assets are non-financial assets which arise mainly in the EE and AE segments based on long-term contracts with customers for the manufacture of goods and provision of services and solutions specific to customer requirements. These contract assets are recognised and classified as contract assets based on contract costs incurred to date plus recognised profits less recognised losses and progress billings.

Rm	Group		Company	
	2019	2018	2019	2018
<b>Trade and other receivables – current</b>				
Trade receivables	1 832	2 212	–	–
Contract assets	131	107	–	–
Prepayments and other receivables	480	470	14	15
Dividends receivable	–	–	–	42
Impairment <sup>1</sup>	(150)	(132)	(3)	(3)
<b>Net trade and other receivables</b>	<b>2 293</b>	<b>2 657</b>	<b>11</b>	<b>54</b>
<b>Reconciliation of contract assets under IFRS 15</b>				
Balance as at 1 October 2018	107		–	
Raised during the year	263		–	
Recognised as trade receivables during the year	(239)		–	
Balance as at 30 September 2019	131		–	
Impairment against contract assets (IFRS 9)	(5)		–	
<b>Net balance as at 30 September 2019</b>	<b>126</b>		<b>–</b>	

<sup>1</sup> The impairment for the Group relates to trade receivables, R145 million, and contract assets, R5 million.

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.

### 15.1 Assessment of ECL

The Group has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit and payment history. A large portion of the Group's revenues are generated in South Africa, with other notable operations in Africa, America, Australia, Asia, and Europe. There are no other significant geographical concentrations of credit risk. Management regularly reviews the receivables age analysis and follows up on long-outstanding receivables. Impairments are raised in accordance with Group policy which has been revised to be in line with the requirements of IFRS 9.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss model for all trade receivables. ECLs are calculated by using a provision matrix and applying a loss ratio to an age analysis of trade receivables and contracts, which have been aggregated into groupings that represent, to a large degree, how the Group manages its receivables and contract assets, major risk type, and similarities in risk, and this also illustrates the spread of credit risk at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

The historic loss ratio is then adjusted for forward looking information which includes inflation country GDP and interest rates. The historic write-offs are then assessed for a strong correlation against these economic factors to ascertain if an adjustment is required for these forward looking expectations. Management typically considers trade receivables aged in excess of 90 days past due (where the excessive ageing is not caused by administrative delays that are within the control of the Group), and those handed over to the Group's attorneys for legal collection processes, to be in default and accordingly increase the allowance for impairment raised on these receivables. Subsequent payments are included in the assessment over an adequate period which reduces the loss ratio when applying the model. ECLs are discounted at the original effective interest rate.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 15. TRADE AND OTHER RECEIVABLES continued

### 15.1 Assessment of ECL continued

The ECL as at 30 September 2019 applied to trade receivables is set out below:

Rm	Group			Average ECL/ impairment ratio %
	Gross	Impairment	Net	
<b>2019</b>				
<b>Analysis of trade receivables</b>				
Insured trade receivables covered by trade credit insurance	438	(11)	427	3
Individuals/contractors and small businesses	268	(42)	226	16
Mines/large businesses	760	(59)	701	8
State-owned entities/government	268	(30)	238	11
Municipalities	98	(3)	95	3
<b>Total</b>	<b>1 832</b>	<b>(145)</b>	<b>1 687</b>	<b>8</b>

Rm	Company			Average ECL/ impairment ratio %
	Gross	Impairment	Net	
<b>2019</b>				
Fully impaired receivables				
Other receivables	3	(3)	–	100
<b>Total</b>	<b>3</b>	<b>(3)</b>	<b>–</b>	<b>100</b>

#### Credit quality of trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes, for example, where the trade receivables have been handed over for collection and remain outstanding.

#### Analysis of movement in the impairment

Rm	Group	Company
	2019	2019
Balance as at 1 October 2018	(132)	(3)
Adjustment on adoption of IFRS 9	(20)	–
Revised balance as at 1 October 2018	(152)	(3)
<b>Movement in the impairment through the statement of profit or loss</b>		
Reversed during the year	24	–
Raised during the year	(30)	–
Net movement in the statement of profit or loss	(6)	–
Written off against the impairment	8	–
<b>Balance as at 30 September 2019</b>	<b>(150)</b>	<b>(3)</b>



## 15. TRADE AND OTHER RECEIVABLES continued

### 15.1 Assessment of ECL continued

In addition to the impairment against trade and other receivables, the Group provided an amount of R41 million (2018: R19 million) for impairment against finance leases and loans receivable (refer to note 14).

Disclosure under IAS 39 in 2018

Rm	Group			Total
	Insured trade receivables covered by credit insurance	Individuals/contractors and small businesses	Mines/large businesses and government <sup>1</sup>	
Balance as at 1 October 2017	(10)	(33)	(101)	(144)
(Increase)/decrease in allowance	(2)	(33)	20	(15)
Amounts written off during the year	2	14	–	16
Foreign exchange gain	–	–	11	11
<b>Balance as at 30 September 2018</b>	<b>(10)</b>	<b>(52)</b>	<b>(70)</b>	<b>(132)</b>

Rm	Company			Total
	Insured trade receivables covered by credit insurance	Individuals/contractors and small businesses	Mines/large businesses and government <sup>1</sup>	
Balance as at 1 October 2017	–	(7)	(2)	(9)
Decrease in allowance	–	4	–	4
Disposal of business	–	–	2	2
<b>Balance as at 30 September 2018</b>	<b>–</b>	<b>(3)</b>	<b>–</b>	<b>(3)</b>

Ageing of past due but not impaired trade and other receivables classified into major risk types

Disclosure under IAS 39 in 2018

Rm	Group			Total
	Insured trade receivables covered by credit insurance	Individuals/contractors and small businesses	Mines/large businesses and government <sup>1</sup>	
<b>2018</b>				
1 – 30 days	43	19	95	157
31 – 60 days	8	6	56	70
61 – 90 days	3	2	41	46
90+ days	32	2	123	157
Total	86	29	315	430

<sup>1</sup> Government includes national, regional, municipalities, and state-owned entities.

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.

The Company did not have any past due trade and other receivables in the prior financial year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 16. DEFERRED TAXATION ASSETS AND LIABILITIES

The measurement of deferred tax assets and liabilities 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 recognised on 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 recognised for all taxable temporary differences. Deferred tax assets are recognised for incurred tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which they 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 recognised 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.

Rm	Notes	Group		Company	
		2019	2018	2019	2018
Movement of deferred taxation					
Net balance as at 1 October		(5)	(7)	17	4
Current year charge	6	22	25	–	13
Deferred tax directly in equity		5	12	–	–
On translation loss on investment in foreign subsidiary included in comprehensive income		(4)	11		
Adjustments for prior years	6	(4)	3	–	–
Subsidiaries acquired	30	(7)	(46)		
Derecognised on disposal of subsidiary	31	(2)	–		
Exchange rate differences		–	(3)		
<b>Net balance as at 30 September</b>		<b>5</b>	<b>(5)</b>	<b>17</b>	<b>17</b>
Represented by:					
Deferred tax assets		143	151	17	17
Deferred tax liabilities		(138)	(156)	–	–
		<b>5</b>	<b>(5)</b>	<b>17</b>	<b>17</b>

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

Rm	Group		Company	
	2019	2018	2019	2018
Capital allowances	(235)	(221)	(7)	(7)
Provisions, impairments and accruals	171	144	24	24
Advance income offset by allowed future expenditure	7	(14)	–	–
Effect of tax losses	56	48	–	–
Share-based payments	24	35	–	–
Translation losses on investment in foreign subsidiary in comprehensive income	7	11		
Unrealised forex gains	(25)	(8)		
<b>Net balance as at 30 September</b>	<b>5</b>	<b>(5)</b>	<b>17</b>	<b>17</b>

## 17. INVENTORY

Inventory comprises raw materials (component parts used in the process of manufacture), finished goods (completed products including energy and telecommunications cables, low voltage products, office automation, radars, fuzes and communication systems), and work in progress (cost of raw materials, components, goods, and other overheads consumed in the manufacturing process to produce finished goods).

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the following bases:

- > First-in first-out (predominantly in the EE segment)
- > Weighted average (predominantly in the AE segment)
- > Standard cost (predominantly in the EE and AE segments)

The latter is 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	
	2019	2018
Inventory		
Raw materials, components and consumable stores	421	426
Finished goods	429	334
Merchandise	187	174
Work in progress	484	659
	<b>1 521</b>	1 593
Provision for slow-moving and obsolete inventory	(145)	(132)
	<b>1 376</b>	1 461
<b>Analysis of slow-moving and obsolete inventory</b>		
Gross value of inventory	202	201
Provision for slow-moving and obsolete inventory	(145)	(132)
Inventory disclosed at net realisable value	57	69

## 18. NET CASH AND CASH EQUIVALENTS

Rm	Group		Company	
	2019	2018	2019	2018
Cash and cash equivalents <sup>1</sup>	939	765	15	2
Bank overdrafts and short-term facilities	(323)	(193)	–	–
Bank overdrafts <sup>2</sup>	(154)	(126)	–	–
Short-term facilities <sup>2</sup>	(169)	(67)	–	–
Net cash and cash equivalents	616	572	15	2

<sup>1</sup> At 30 September 2019, the Group had applied R2 406 million (2018: R2 283 million) of its cash resources to finance a portion of its rental receivable book, which does not form part of bank balances and cash.

<sup>2</sup> These amounts include overdraft and overnight call facilities with major financial institutions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 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 as a deduction from equity. No gain or loss is recognised in the statement of 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 (2018: 235 000 000).

Number of shares	2019	2018
<b>Issued share capital</b>		
Ordinary shares of no par value		
As at 1 October	184 585 396	184 324 396
Shares issued during the year in terms of the Reunert 2006 Option Scheme	364 800	261 000
<b>As at 30 September</b>	<b>184 950 196</b>	184 585 396

Rm	Group		Company	
	2019	2018	2019	2018
<b>Ordinary shares</b>				
As at 1 October	374	359	374	359
Arising on the issue of ordinary shares	14	15	14	15
<b>As at 30 September</b>	<b>388</b>	374	<b>388</b>	374
<b>Empowerment shares<sup>1</sup></b>				
Reunert shares bought back and held by Bargenel: 18 500 000 (2018: 18 500 000)	(276)	(276)		
<b>Treasury shares<sup>2</sup></b>				
Reunert shares bought back and held by a subsidiary: 4 997 698 (2018: 4 997 698)	(342)	(342)		
<b>Share-based payment reserves</b>				
<b>As a result of IFRS 2 – Share-based Payment</b>				
<b>As at 1 October</b>	<b>256</b>	176	–	–
Arising on empowerment transactions	3	32	–	–
Net expense arising from the CSP	1	47	–	–
Shares acquired for the CSP	(74)	–	–	–
Transfer from retained earnings <sup>3</sup>	43	1	–	–
<b>As at 30 September</b>	<b>229</b>	256	–	–

<sup>1</sup> 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. The dividends received on these shares are eliminated on consolidation.

<sup>2</sup> These are Reunert shares bought back and held by a subsidiary. During 2019, no shares were bought back (2018: 1 605 276 shares were bought at an average share price of R71,87 per share, including transaction costs). The dividends received on these shares are eliminated on consolidation.

<sup>3</sup> Cost of CSP settlement in excess of cumulative IFRS 2 – Share-based Payment reserve for the 2014 CSP Scheme.

## 19. SHARE CAPITAL continued

	Number of shares	
	2019	2018
<b>Unissued ordinary shares</b>		
Total shares reserved to meet the requirements of the Reunert 2006 Option Scheme	<b>520 000</b>	1 400 000

The directors have general authority over these shares until the next AGM.

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 relating to on-market conditions (TSR) 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. For off-market conditions (growth in NHEPS), the fair value of the grant is valued at inception, but the probabilities of vesting are remeasured at each financial year-end and their expense is remeasured accordingly with a corresponding increase in the share-based payment reserve in equity. The impact of remeasurement of the off-market conditions is 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 for Reunert ordinary shares were granted 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 517 000 (2018: 935 500). All options in terms of these schemes have fully vested and no expense has been raised in the current financial year in relation to these schemes. The remaining contractual life of these options range from one to two years.

The exercise prices for these options range from R59,55 to R60,80 per share.

### CSP

Options for Reunert ordinary shares at a strike price of Rnil are granted to executives in terms of the 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 NHEPS and TSR. These performance units vest after four years from the date of issue.

No performance conditions are attached to the retention options. 50% of the retention options issued from November 2013 vest after four years from the date of issue and the remaining 50% after five years.

The fair value of retention shares granted to employees is measured by use of a log-normal method, and the fair value of the performance shares granted to senior executives is valued by an external valuation specialist using a bespoke Monte Carlo simulation model.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 19. SHARE CAPITAL continued

	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 <sup>1</sup> Thousands	Units expired/ forfeited during the year Thousands	Number of units unvested at the end of the year Thousands
<b>2019</b>						
<b>Issued on 20 November 2013</b>						
Key – retention	57,75	22	–	(22)	–	–
<b>Issued on 17 November 2014</b>						
Key – retention	46,17	85	–	(47)	–	38
Executive – performance	33,94	781	–	(781)	–	–
Executive – retention	46,17	90	–	(88)	(2)	–
<b>Issued on 20 November 2015</b>						
Key – retention	55,38	69	–	–	(5)	64
Executive – performance	41,92	877	–	–	–	877
Executive – retention	55,38	108	–	–	(4)	104
<b>Issued on 21 November 2016</b>						
Key – retention	49,57	104	–	–	(18)	86
Executive – performance	37,00	939	–	–	(39)	900
Executive – retention	49,57	104	–	–	(6)	98
<b>Issued on 20 November 2017</b>						
Key – retention	47,21	119	–	–	(11)	108
Executive – performance	44,10	1 075	–	–	(45)	1 030
<b>Issued on 19 November 2018</b>						
Key – retention	59,25	–	111	–	(5)	106
Executive – performance	50,46	–	977	–	(36)	941
Total		4 373	1 088	(938)	(171)	4 352
<b>2018</b>						
<b>Issued on 20 November 2013</b>						
Key – retention	57,75	45	–	(23)	–	22
Executive – performance	24,72	373	–	–	(373)	–
<b>Issued on 17 November 2014</b>						
Key – retention	46,17	86	–	–	(1)	85
Executive – performance	33,94	791	–	–	(10)	781
Executive – retention	46,17	92	–	–	(2)	90
<b>Issued on 20 November 2015</b>						
Key – retention	55,38	71	–	–	(2)	69
Executive – performance	41,92	877	–	–	–	877
Executive – retention	55,38	108	–	–	–	108
<b>Issued on 21 November 2016</b>						
Key – retention	49,57	105	–	–	(1)	104
Executive – performance	37,00	942	–	–	(3)	939
Executive – retention	49,57	105	–	–	(1)	104
<b>Issued on 20 November 2017</b>						
Key – retention	47,21	–	125	–	(6)	119
Executive – performance	44,10	–	1 079	–	(4)	1 075
Total		3 595	1 204	(23)	(403)	4 373

<sup>1</sup> During the financial year ended 30 September 2019, the 2014 executive performance and 50% of the retention scheme vested. The weighted average share price at the exercise date was R78,89.

## 19. SHARE CAPITAL continued

The valuations were performed by Financial Modelling Agency.

The fair value of the CSP for key employees and executives with retention options was calculated by assuming the share price movement follows a log-normal 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 conditions was calculated using a Monte Carlo simulation technique. The volatility of the return on the Company shares 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 %
<b>2014</b>					
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
<b>2015</b>					
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	
<b>2016</b>					
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	
<b>2017</b>					
Retention	65,46	22,96	4/5	7,28	The risk-free rate for the key and executive options varies from 7,22% (year 1) to 8,04% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 20 November 2017
Performance	65,46	22,96	4	7,28	
<b>2018</b>					
Retention	76,58	23,93	4/5	5,79	The risk-free rate for the key and executive options varies from 7,19% (year 1) to 7,90% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 19 November 2018
Performance	76,58	23,93	4	5,79	

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 20. LONG-TERM LOANS

Long-term loans consist of finance leases and long-term loans.

Assets subject to finance lease agreements, where the Group or Company assumes substantially all the risks and rewards of ownership, are capitalised 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 the statement of profit or loss over the term of the relevant lease, and the capital payment, which reduces the liability to the lessor.

Rm	Group	
	2019	2018
<b>Secured – at amortised cost</b>		
Finance leases	18	20
Less: current portion	(3)	(2)
Total secured	15	18
<b>Unsecured – at amortised cost</b>		
Long-term loans	42	80
Less: current portion	–	(16)
Total unsecured	42	64
<b>Long-term loans</b>	<b>57</b>	82
Maturity analysis of unsecured loans		
– Within one year	–	16
– Between one and five years	42	64
These loans bear interest at rates ranging between 10% and 15%.		
<b>Amounts payable under finance leases</b>		
Total minimum lease payments	22	26
< 1 year	4	4
1 – 5 years	18	19
> 5 years	–	3
Less: future finance charges	(4)	(6)
< 1 year	(1)	(2)
1 – 5 years	(3)	(4)
> 5 years	–	–
Present value of minimum lease payments	18	20
< 1 year	3	2
1 – 5 years	15	15
> 5 years	–	3

The majority of the finance lease liability relates to property lease agreements. 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 in terms of a finance lease over a period of 12 years at an interest rate of 9,8% per annum. The carrying amount of this asset is disclosed in note 10. The Group's obligations under the finance lease are secured by the lessor's title to the leased assets.

The fair value of the lease liabilities is 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 interest rates for equivalent duration instruments.

The Company has no long-term loans in the current or prior financial years.



## 21. SHARE-BASED PAYMENT LIABILITY

Rm	Group	
	2019	2018
Share-based payment liability – non-current	14	23
Share-based payment liability – current	18	–

The Group has granted certain employees the right to participate in a deferred share incentive scheme.

In terms of the scheme, employees are entitled, at their election, to receive their short-term incentive as either cash or in Reunert ordinary shares, or a combination thereof. Where the employees elect to receive Reunert ordinary shares, the value of the shares so held after three years will be matched by the Group in cash.

The matching expense is recognised in the statement of profit or loss based on the financial year-end closing share price multiplied by the number of Reunert ordinary shares, held by the employees, spread over the three-year period so that, by the end of the three-year period, the cumulative expense and the share-based payment liability equate to the market value of the Reunert ordinary shares.

## 22. 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 estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

Rm	Carrying amounts as at 1 October 2018	Assumed provisions in terms of acquisitions	Provisions created during the year	Utilised during the year	Reversed during the year	Carrying amounts as at 30 September 2019
<b>Description of nature of obligation</b>						
<b>Group</b>						
Warranties <sup>1</sup>	99	10	30	(7)	(17)	115
Contract-related <sup>2</sup>	34	–	14	(3)	(9)	36
Performance and other	17	–	9	(9)	(14)	3
	150	10	53	(19)	(40)	154
<b>Company</b>						
Warranties <sup>1</sup>	72	–	–	–	(5)	67
Contract-related <sup>2</sup>	10	–	–	–	–	10
Other	–	–	3	–	–	3
	82	–	3	–	(5)	80

<sup>1</sup> The provision for warranties represents management's best estimate of the future outflow of economic benefits that will be required under the Group's/Company's obligations in respect of 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.

<sup>2</sup> The provision represents management's best estimate of the future outflow of economic benefits that will be required to settle claims. The provision has been estimated using all known facts and circumstances and the probability of likely outcome.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 23. 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 29, financial instruments, for the accounting policy relating to financial liabilities.

Rm	Group		Company	
	2019	2018	2019	2018
Trade payables	1 136	1 310	–	–
Contract liabilities	242	207	–	–
General, payroll-related and other payables	583	563	19	29
Contingent consideration	41	37	–	–
	<b>2 002</b>	2 117	<b>19</b>	29
<b>Reconciliation of contract liabilities under IFRS 15</b>				
Balance as at 1 October 2018	207		–	–
Revenue recognised in respect of opening balance	(107)		–	–
Raised during the year	174		–	–
Revenue recognised based on additional raised	(32)		–	–
<b>Balance as at 30 September 2019</b>	<b>242</b>		<b>–</b>	–

Due to the nature of certain contracts within the AE segment, advance payments are requested from customers in order to fund working capital requirements. These are recognised as contract liabilities and are secured by either parent company guarantees or bank guarantees.

The contract liabilities are non-financial liabilities and 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 amount of trade payables denominated in rand approximate fair value because of the short-term maturity of these liabilities. The carrying amount of trade payables denominated in foreign currencies have been converted at the rate of exchange ruling on 30 September 2019. These amounts approximate fair value because of the short-term maturity of these instruments.

Rm	Group	
	2019	2018
<b>Reconciliation of carrying amount of contingent consideration financial liability</b>		
Balance as at 1 October	37	–
Transfer from provisions	–	27
Raised at acquisition at fair value, as per note 30	24	110
Fair value measurements	(4)	(100)
Settlement	(16)	–
<b>Balance as at 30 September<sup>1</sup></b>	<b>41</b>	37

<sup>1</sup> The balance of the contingent consideration relates to R17 million for DoppTech Proprietary Limited (DoppTech), R12 million for Blue Nova Energy and R12 million for OculusIP.

## 23. TRADE AND OTHER PAYABLES continued

### Contingent considerations settled

#### Omnigo

The fair value of the contingent consideration which was finalised in 2018 was determined using a cash flow valuation technique and was based on earnings multiples stipulated in the purchase agreement using the formula below.

The contingent consideration was 40% of the excess profit before interest and tax (PBIT) which exceeded a 25% return on expected average capital employed during the year.

The amount was assessed on an annual basis using forecast average capital employed and PBIT.

The discount rate used was 9,1% (Johannesburg Interbank Agreed Rate (JIBAR) plus 2%), as per the purchase agreement.

#### SkyWire

The contingent consideration was based on a defined business plan according to which the Company had to achieve certain predefined strategic tasks and objectives within 12 months of the acquisition date.

This was settled in the current financial year for R16 million.

The discount rate used was 9,1% (JIBAR plus 2%), as per the purchase agreement.

### Contingent considerations still in effect

#### DoppTech

The contingent consideration is fixed and stipulated within the purchase agreement based on the achievement of specific key performance indicators (KPIs).

#### Blue Nova Energy

A contingent consideration is payable up to an amount of R12 million based on the achievement of a future EBITDA target and KPIs stipulated within the purchase agreement. The fair value of the contingent consideration at acquisition was R12 million and is based on management's best estimate of the most likely outcome of the achievement of future KPIs.

#### OculusIP

A contingent consideration is payable up to an amount of R12 million based on the achievement of an annuity gross profit for wireless line and voice rentals over a 12-month period from acquisition. The fair value of the contingent consideration at acquisition was R12 million and is based on management's best estimate of the most likely outcome of the achievement of annuity gross profit for wireless line and voice rentals.

## 24. COMMITMENTS

Rm	Group		Company	
	2019	2018	2019	2018
<b>Expenditure on property, plant and equipment</b>				
– Contracted	30	35	5	16
– Authorised but not yet contracted	30	48	–	–
Total expenditure on property, plant and equipment	60	83	5	16
Operating lease commitments				
< 1 year	70	61	4	–
1 – 5 years	106	118	2	–
> 5 years	73	73	–	–
Total operating lease commitments	249	252	6	–

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

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 25. 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 the 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
- > The amount of the obligation cannot be measured with sufficient reliability

The Group has issued sureties and guarantees to the value of R1,6 billion (2018: R1 billion). Included in this value are sureties and guarantees of R1,2 billion (2018: R600 million) issued by the Company. 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
- > Guarantees in support of banking facilities

In addition to the above, guarantees in support of general banking facilities for subsidiaries of the Group amount to R1,6 billion (2018: R1,6 billion).

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

## 26. DIRECTORS' REMUNERATION AND INTERESTS

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

### Executive directors

R'000	Salary	Bonus and performance-related payments	Travel allowances	Retirement contributions	Medical contributions	Total	Fair value of CSP at grant date <sup>1</sup>
<b>2019</b>							
AE Dickson	5 490	3 205	172	218	73	9 158	4 994
M Moodley	2 544	1 346	–	232	57	4 179	1 591
MAR Taylor	3 770	1 432	–	223	71	5 496	2 232
NA Thomson	4 350	2 346	–	220	122	7 038	2 873
	<b>16 154</b>	<b>8 329</b>	<b>172</b>	<b>893</b>	<b>323</b>	<b>25 871</b>	<b>11 690</b>
<b>2018</b>							
AE Dickson	5 185	2 159	132	251	64	7 791	3 897
M Moodley	2 412	1 012	–	233	53	3 710	1 321
MAR Taylor	3 620	2 380	–	193	58	6 251	1 853
NA Thomson	4 139	1 229	–	218	112	5 698	2 386
	15 356	6 780	132	895	287	23 450	9 457

<sup>1</sup> Conditional Share Plan (CSP). This has been determined using the fair value per unit and the expected vesting probability (40,84%) of the non-market conditions and the fair value of the market conditions (TSR) at grant date. For further details relating to the valuation methodologies and assumptions used, refer to note 19.

### Non-executive directors

R'000	2019	2018
TS Munday	1 476	1 519
T Abdool-Samad	654	715
SD Jagoe	412	440
P Mahanyele	–	26
S Martin	690	658
T Matshoba-Ramuedzisi	486	221
TJ Motsosi	–	137
Adv NDB Orleyn	615	634
SG Pretorius	658	692
R van Rooyen	745	735
J Hulley	436	98
	<b>6 172</b>	<b>5 875</b>

## 26. DIRECTORS' REMUNERATION AND INTERESTS continued

### Share options

	Number of unexercised options as at 1 October 2018	Number of options granted during the year	Number of options exercised during the year	Number of unexercised options as at 30 September 2019	Option price R	Date of allocation	Date from which exercisable
AE Dickson	33 400	–	(33 400)	–	39,30	18/6/2009	18/6/2012
	53 000	–	–	<b>53 000</b>	59,55	17/2/2011	17/2/2014
	86 400	–	(33 400)	<b>53 000</b>			

### CSP

	Number of unvested units as at 1 October 2018	Number of units granted during the year	Number of units vested during the year <sup>1</sup>	Number of units unvested as at 30 September 2019	Share price at grant date	Date of allocation	Date from which vesting begins
AE Dickson	147 844	–	(147 844)	–	58,44	17/11/2014	17/11/2018
	129 648	–	–	<b>129 648</b>	64,74	20/11/2015	20/11/2019
	153 463	–	–	<b>153 463</b>	61,50	21/11/2016	21/11/2020
	153 644	–	–	<b>153 644</b>	65,46	20/11/2017	20/11/2021
	–	153 990	–	<b>153 990</b>	76,58	19/11/2018	19/11/2022
M Moodley	23 881	–	(23 881)	–	58,44	17/11/2014	17/11/2018
	47 332	–	–	<b>47 332</b>	64,74	20/11/2015	20/11/2019
	54 378	–	–	<b>54 378</b>	61,50	21/11/2016	21/11/2020
	52 083	–	–	<b>52 083</b>	65,46	20/11/2017	20/11/2021
	–	49 068	–	<b>49 068</b>	76,58	19/11/2018	19/11/2022
MAR Taylor	59 292	–	(59 292)	–	58,44	17/11/2014	17/11/2018
	59 422	–	–	<b>59 422</b>	64,74	20/11/2015	20/11/2019
	78 020	–	–	<b>78 020</b>	61,50	21/11/2016	21/11/2020
	73 042	–	–	<b>73 042</b>	65,46	20/11/2017	20/11/2021
	–	68 814	–	<b>68 814</b>	76,58	19/11/2018	19/11/2022
NA Thomson	85 523	–	–	<b>85 523</b>	64,74	20/11/2015	20/11/2019
	98 256	–	–	<b>98 256</b>	61,50	21/11/2016	21/11/2020
	94 049	–	–	<b>94 049</b>	65,46	20/11/2017	20/11/2021
	–	88 605	–	<b>88 605</b>	76,58	19/11/2018	19/11/2022
	1 309 877	360 477	(231 017)	<b>1 439 337</b>			

<sup>1</sup> During the financial year ended 30 September 2019, the 2014 performance and retention CSP units vested.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 27. 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 Group's interests in joint ventures and the associate are initially recognised at cost and subsequently recognised in the Group's share of profit or loss and other comprehensive income of joint ventures and the associate.

Dividends received from joint ventures and the associate are deducted from the carrying amount of the investment.

Rm	Joint ventures				Associate			
	2019		2018		2019		2018	
	Total	Group's share	Total	Group's share	Total	Group's share	Total	Group's share
<b>Extract from the statement of profit or loss</b>								
Revenue	626	313	549	274	60	29	59	29
Depreciation and amortisation	9	4	9	5	–	–	–	–
Interest income	2	1	2	1	–	–	–	–
Interest expense	–	–	–	–	1	–	1	–
Other expenses	101	51	110	55	17	8	16	8
Taxation (credit)/charge	(4)	(2)	(4)	(2)	2	1	2	1
(Loss)/profit after taxation	(9)	(4)	(7)	(3)	5	3	4	2
<b>Extract from the statement of financial position</b>								
Non-current assets	138	69	138	69	14	7	14	7
Current assets (excluding cash)	253	126	279	139	13	7	14	7
Cash and cash equivalents	23	12	40	21	1	–	1	–
Total assets	414	207	457	229	28	14	29	14
Non-current financial liabilities	(9)	(5)	(2)	(1)	(2)	(1)	(6)	(3)
Other non-current liabilities	–	–	(13)	(7)	–	–	–	–
Current financial liabilities	(68)	(34)	(88)	(44)	(12)	(6)	(9)	(4)
Other current liabilities	(9)	(4)	(11)	(6)	–	–	(7)	(3)
Equity	(328)	(164)	(343)	(171)	(14)	(7)	(7)	(4)

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

Rm	Joint ventures		Associate	
	2019	2018	2019	2018
Group's interest in net assets of joint ventures and the associate as at 1 October	171	174	4	2
Total comprehensive income attributable to the Group	(4)	(3)	3	2
Dividends received during the year	(3)	–	–	–
Group's interest in net assets of joint ventures and the associate as at 30 September	164	171	7	4
Reversal of revaluation of property, plant and equipment on creation of joint venture, net of depreciation	(17)	(17)	–	–
Carrying amount of interest in joint ventures and associate as at 30 September	147	154	7	4

%	Nature of relationship	Nature of activity	Place of business	Interest	
				2019	2018
<b>Joint ventures and associate</b>					
	Joint venture	Property holding	Woodmead, Gauteng	50	50
	Joint venture	Manufacturer of telecommunication cables	Brits, North West	50	50
	Associate	Office automation franchise	Somerset West, Western Cape	49	49

## 28. RELATED PARTY TRANSACTIONS

Rm	Relationship	Group						
		Sales	Purchases	Lease payments made	Dividends received	Amounts owed by related parties	Amounts owed to related parties	Treasury shares
<b>2019</b>								
Oxirostax Proprietary Limited (Nashua Winelands)	Associate	20	2	-	-	-	-	-
CBI-Electric Telecom Cables Proprietary Limited	Joint venture	-	74	-	-	-	29	-
Bargenel Investments Proprietary Limited	Empowerment partner owning 18,5 million Reunert shares	-	-	-	-	-	-	276
Lexshell 661 Investments Proprietary Limited	Joint venture	-	-	4	3	-	4	-
<b>2018</b>								
Oxirostax Proprietary Limited (Nashua Winelands)	Associate	16	2	-	-	2	-	-
CBI-Electric Telecom Cables Proprietary Limited	Joint venture	2	5	-	-	-	1	-
Bargenel Investments Proprietary Limited	Empowerment partner owning 18,5 million Reunert shares	-	-	-	-	-	-	276
Lexshell 661 Investments Proprietary Limited	Joint venture	-	-	5	-	-	4	-

### Company

Annexure A contains the details of the Company's:

- > Shareholding in
- > Loans with
- > Interest income from
- > Dividends received from
- > Dividends paid to

its subsidiaries, joint ventures, associate, and special-purpose entity.

Rm	Lease payments received	Net administration fees paid
<b>2019</b>		
Subsidiaries of the Company	60	8
<b>2018</b>		
Subsidiaries of the Company	57	5

Directors' remuneration is disclosed in note 26.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 29. FINANCIAL INSTRUMENTS

Financial instruments recorded in the statement of financial position include cash and cash equivalents, investments, receivables, trade payables, loans, 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 plus 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 the statement of profit or loss (FVTPL)) as appropriate, on initial recognition.

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

### Financial assets – classification and measurement

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

#### Amortised cost

The Group holds these assets to collect contractual cash flows. Cash flows from these assets represent payments of principal and interest and are measured at amortised cost. Payments are on predetermined dates. Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss together with foreign exchange gains and losses.

#### Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income, and foreign exchange gains and losses, which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss in the period in which it arises.

#### Impairment

The Group recognises an impairment for ECLs on investments in debt instruments that are measured at amortised cost. The ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective debt instrument.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default), and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described below. The exposure at default is represented by the assets' gross carrying amount at the reporting date.

The ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is based on the difference between the contractual cash flows due and those that the Group would expect to receive. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data and assumptions and expectations of future conditions.

IFRS 9 introduces a general approach which is a three-stage assessment from initial recognition whereby ECL is calculated based on either a lifetime ECL or a 12-month ECL.

The Group calculates ECL at initial recognition by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. This is stage 1. It continues to apply this method until a significant increase in credit risk has occurred, at which point the impairment is measured based on lifetime ECLs. This is stage 2. The assessment of whether lifetime ECLs should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring as detailed.



## 29. FINANCIAL INSTRUMENTS continued

Lifetime ECLs represent the impairment that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognised, directly reducing the carrying amount of the financial asset, and interest revenue is calculated on the net carrying amount (i.e. net of impairment).

### Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, which includes the credit ratings process the Group has followed and consequences that have led to the default looking at historical information, for example payment history, communications, and any extended credit provided. Further to the above, forward looking information including economic indicators and any subsequent payments, is incorporated in assessing an increase of credit risk.

The Group has the following types of financial assets that are subject to the new ECL model:

- > Trade and other receivables
- > Finance leases and loans receivable
- > Other investments and loans
- > Cash and cash equivalents

### 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 Group that are held by a subsidiary of the Group. Repurchases of the Group's own equity instruments are recognised at their cost and deducted directly from equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue, or cancellation of the Group's own equity instruments.

### Financial liabilities – classification and measurement

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

Financial liabilities are classified as either:

#### 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 the statement of profit or loss. The unwinding of the present value is recognised in interest expense in the statement of profit or loss using the effective interest rate method.

The contingent consideration arising on acquisition is included in the cost of the business combination as at the date of acquisition. Subsequent remeasurements of the fair value of the contingent arrangements are recognised in the statement of profit or loss in the period they arise.

#### 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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in the statement of profit or loss.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 29. FINANCIAL INSTRUMENTS continued

### Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates, which it manages using derivative financial instruments. The Group's principal derivative financial instruments are option contracts, interest rate swaps, and foreign exchange forward contracts.

Derivative financial instruments are initially measured at fair value on contract date and are subsequently remeasured to fair value at each reporting date. Changes in fair value are recorded in the statement of profit or loss as they arise. Derivatives are classified as current assets or current liabilities if the remaining maturity of the instruments is less than 12 months and are expected to be realised or settled within 12 months from the reporting date.

Unless otherwise stated, all financial instruments are disclosed on a gross basis other than where a legally enforceable right of offset exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis. All related financial effects are offset.

### 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 categorised as a level 1 instrument.

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 categorised as a level 2 instrument.

Level 3: If one or more of the significant inputs on which the valuation is undertaken is not based on observable market data, the instrument is categorised as a level 3 instrument.

Information on the fair value of financial instruments is included in the respective notes.

### The Group's policy in effect in 2018

**(Any policy which has not changed due to IFRS 9 has been removed below and disclosed as part of the new policy from 1 October 2018)**

Financial instruments recorded in the statement of financial position include cash and cash equivalents, investments, receivables, trade payables, loans, 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 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 the statement of profit or loss.

### 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 rate method, less any impairment. Where the term of the receivable is less than one year, the receivable is not present valued at the effective interest rate but recognised at its face value.

#### 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 changes 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.

## 29. FINANCIAL INSTRUMENTS continued

Rm	Group		Company	
	2019	2018	2019	2018
<b>Significant categories of financial instruments</b>				
<b>Financial assets</b>				
<b>At fair value through other comprehensive income included in<sup>1</sup>:</b>				
Other investments and loans	12	–	–	–
<b>At amortised cost included in:</b>				
Other investments and loans	48	53	–	2
Finance leases and loans receivable	2 975	2 811	–	–
Trade and other receivables	1 971	2 427	11	54
Cash and cash equivalents	939	765	15	2
Amounts owing by subsidiaries			5 296	6 222
<b>Non-financial instruments included in:</b>				
Trade and other receivables	322	230	–	–
<b>Financial liabilities</b>				
<b>At amortised cost included in:</b>				
Long-term loans	(57)	(82)	–	–
Current portion of long-term loans	(3)	(18)	–	–
Trade and other payables	(1 493)	(1 606)	(19)	(29)
Bank overdrafts and short-term facilities	(323)	(193)	–	–
Amounts owing to subsidiaries			(11)	(9)
<b>At FVTPL – put option and contingent consideration<sup>1</sup></b>				
Put option liability	(120)	(120)	–	–
Contingent consideration included in trade and other payables	(41)	(37)	–	–
<b>Non-financial instruments included in:</b>				
Trade and other payables	(468)	(473)	–	–

There were reclassifications of financial assets during the year due to the change from IAS 39 to IFRS 9. Refer to the change in accounting policy, note 34. There were no financial assets or liabilities settled or extinguished which did not meet the derecognition requirements.

Fair value measurements Rm	Group		Company	
	2019 Level 3	2018 Level 3	2019 Level 3	2018 Level 3
<b>Reconciliation of the carrying amount of level 3 financial assets and liabilities</b>				
<b>Financial liabilities – put option</b>				
Balance as at 1 October	120	121	–	–
Fair value remeasurements	(9)	(9)	–	–
Payment to option holder (Ryonic)	–	(1)	–	–
Time value of money adjustments/unwinding of interest expense	9	9	–	–
Balance as at 30 September	120	120	–	–

<sup>1</sup> These instruments are considered to be 'level 3' in the fair value hierarchy.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 29. FINANCIAL INSTRUMENTS continued

### Put option liability

The year-end balance is in respect of a put option arising as part of the Terra Firma acquisition which took place in a previous year. The fair value of the Terra Firma put option liability was determined using a discounted cash flow valuation technique and is based on the multiples stipulated in the sales and purchase agreement which granted the put. Significant unobservable inputs include:

- > The 2020 forecast revenue and profit after tax based on management's best estimate likely to be achieved
- > The earnings multiples which are as stipulated in the sales and purchase agreement giving rise to the put
- > A discount rate of 8% applied to present value the put liability, being the average cost of Reunert's borrowings

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 liability would decrease/increase by R1 million respectively.

The put option for Ryonic was settled during the prior year.

### Investment in financial assets through OCI

Fair value measurements Rm	Group		Company	
	2019 Level 3	2018 Level 3	2019 Level 3	2018 Level 3
<b>Reconciliation of the carrying amount of level 3 financial assets and liabilities</b>				
<b>Fair value of investment through OCI</b>				
Balance as at 1 October	-	-	-	-
Raised during the year	4	-	-	-
Fair value remeasurements through OCI	8	-	-	-
Balance as at 30 September	12	-	-	-

In undertaking the valuation, the following assumptions have been applied:

The net cash flows from each project have been aggregated and have been discounted using a 15,2% discount rate in order to determine the attributable net present value of projects. The inputs into the valuation are:

- > Kilowatt per hour (kWh) generated per annum by each solar asset
- > Tariff as set out in the Power Purchase Agreement
- > Tariff escalation rate as contained in each Power Purchase Agreement
- > Term of the cash flows as indicated in the Power Purchase Agreement
- > Management fees as agreed in terms of the fund administration
- > Qualifying company dividend rate of nil due to dividend exemption between resident South African companies
- > Reliance on s12B Renewable Energy deductions for Income Tax Purposes

The valuation has been prepared on the assumption that:

- > The fund retains its venture capital companies (VCC) status with the South African Revenue Service and that there are no liquidation events during the term of the Power Purchase Agreements, in which case the Power Purchase Agreement off-taker share class in the fund would entitle the off-taker to the residual interest in the qualifying company's solar asset
- > The qualifying companies that own the solar assets have no debt

The Power Purchase Agreement tariff paths in the Power Purchase Agreements are fixed. A linear kWh degradation factor has been applied to the energy generation at approximately 0,7% per annum.

The starting tariff is observable from market data and the tariff path is contractually fixed. The fund has represented its compliance with VCC rules as prescribed by SARS.

## 29. FINANCIAL INSTRUMENTS continued

### Risk management

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

The risk management processes and financial management of assets and liabilities are consistent with those of 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 loans, with three to six-month duration facilities used when deemed appropriate. Excess cash is only deposited with reputable banks and is spread over more than one bank to reduce the default risk.

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.

Rm	Group			Total
	< 1 year	1 – 5 years	> 5 years	
<b>2019</b>				
Financial liabilities included in trade and other payables	(1 534)	–	–	(1 534)
Bank overdrafts and current portion of long-term loans	(326)	–	–	(326)
Long-term loans	–	(57)	–	(57)
Put option liability	(120)	–	–	(120)
	<b>(1 980)</b>	<b>(57)</b>	<b>–</b>	<b>(2 037)</b>
<b>2018</b>				
Financial liabilities included in trade and other payables	(1 644)	–	–	(1 644)
Bank overdrafts and current portion of long-term loans	(211)	–	–	(211)
Long-term loans	–	(82)	(3)	(85)
Put option liability	–	(125)	–	(125)
	<b>(1 855)</b>	<b>(207)</b>	<b>(3)</b>	<b>(2 065)</b>
Rm	Company			Total
	< 1 year	1 – 5 years	> 5 years	
<b>2019</b>				
Financial liabilities included in trade and other payables	(19)	–	–	(19)
Amounts owing to subsidiaries	(11)	–	–	(11)
	<b>(30)</b>	<b>–</b>	<b>–</b>	<b>(30)</b>
<b>2018</b>				
Financial liabilities included in trade and other payables	(29)	–	–	(29)
Amounts owing to subsidiaries	(9)	–	–	(9)
	<b>(38)</b>	<b>–</b>	<b>–</b>	<b>(38)</b>

The current portion of the Group's financial assets and available credit lines is sufficient to pay the financial liabilities expected to fall due within the next 12 months.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 29. FINANCIAL INSTRUMENTS continued

### Borrowing capacity

In terms of the Company's 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 significant unutilised borrowing facilities and has substantial capacity to borrow funds if required. Refer to note 25, contingent liabilities.

### Capital management

The Group has low debt levels at present. There are accordingly no significant debt covenants imposed on the Group and no breaches or defaults on the terms of any loans have taken place during the year. Cash reserves and unutilised borrowing facilities 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 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.

### Trade and other receivables

#### (Contract assets do not form part of financial assets but are considered for impairment under IFRS 9)

Details of credit risk and the method of ECL calculation have been disclosed in note 15, trade and other receivables.

### Finance leases and loans receivable

Details of credit risk and the method of ECL calculation have been disclosed in note 14, finance leases and loans receivable.

### Other investments and loans

The Group has provided loans to its associate and joint ventures to satisfy operational and other requirements. The associate and joint ventures are located in South Africa. The Group manages credit risk on this portfolio of loans by following strict protocols for their approval. They are considered to have low credit risk, and the identified impairment loss was immaterial.

### Cash and cash equivalents

Cash and cash equivalents are held with major banking groups and quality institutions that have high credit ratings above AA and therefore are considered to have low credit risk, and the identified impairment loss was immaterial.

### Disclosure as per 2018 annual financial statements before adoption of IFRS 9

Rm	Group	Company
	2018	2018
Insured debtors	553	–
Contractors	77	–
Individuals/small businesses	1 428	16
Mines/large businesses/parastatals/government	3 071	–
Municipalities	296	–
	5 425	16

## 29. FINANCIAL INSTRUMENTS continued

### Foreign currency risk

Certain transactions within the Group are denominated in foreign currencies, mainly US dollar and euro. 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 where considered appropriate to hedge foreign currency exposure to US dollar and euro. Forward exchange contracts are classified as 'level 2' liabilities in the fair value measurement hierarchy.

Forward exchange contracts for the Group, in respect of US dollar and euro only, are summarised below:

	Group			
	Foreign amount Million	Market value Rm	Contract value Rm	Unrealised gains Rm
<b>2019</b>				
<b>Imports – trade</b>				
US dollar	(11)	(164)	(161)	3
Euro	(13)	(212)	(211)	1
<b>Exports – trade</b>				
US dollar	10	118	120	2
Euro	8	136	141	4

	Group			
	Foreign amount Million	Market value Rm	Contract value Rm	Unrealised (losses)/gains Rm
<b>2018</b>				
<b>Imports – trade</b>				
US dollar	(9)	(126)	(128)	(2)
Euro	(12)	(199)	(198)	1
<b>Exports – trade</b>				
US dollar	45	639	590	(49)
Euro	11	173	178	5

<b>ADDITIONAL DISCLOSURES</b>	As at	
	30 September 2019 Rm	30 September 2018 Rm
Balances related to:		
Trade payables in foreign currencies	677	641
Of which covered by forward exchange contracts	392	315
Loans payable in foreign currencies	–	–
Of which covered by forward exchange contracts	–	–
Trade receivables in foreign currencies	826	827
Of which covered by forward exchange contracts or zero-cost collars	261	494
Loans receivable in foreign currencies	–	–
Of which covered by forward exchange contracts	–	–

### Company

There were no FECs for the Company as at 30 September 2019.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 29. FINANCIAL INSTRUMENTS continued

### Foreign currency sensitivity analysis

The following details the Group's sensitivity to a weakening in the rand against the relevant foreign currencies. A 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, FECs and zero-cost collars 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 2019 would have increased by R60 million (2018: decrease of R90 million) had the rand closed 20% weaker against the relevant foreign currency. Had the rand appreciated by 20%, the profit after tax for the same period would have decreased by R59 million (2018: increase of R24 million).

### 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 its fair value as market interest rates change over the term of these fixed rate customer loans. Quince has elected to economically mitigate this risk by entering into interest rate swap agreements to mitigate the exposure to the fair value arising from interest rate risk.

The fair value of the interest rate swaps is determined by discounting the future cash flows using the swap curves at the end of the reporting period and the credit risk inherent in the contract. The fair value was determined to be a R3,9 million liability (2018: R0,8 million liability).

### Details of the interest rate swaps

Rm	Group			Total
	< 1 year	1 – 5 years	> 5 years	
<b>2019</b>				
<b>Quince</b>				
Contract value	–	475	–	475
Average fixed interest rate	–	7,3%	–	7,3%
<b>2018</b>				
<b>Quince</b>				
Contract value	–	675	–	675
Average fixed interest rate	–	7,5%	–	7,5%

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

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps 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 swaps.

Interest rate swap contracts are classified as 'level 2' liabilities in the fair value measurement hierarchy.



## 29. FINANCIAL INSTRUMENTS continued

### 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 2019 would increase by R4,2 million on average (2018: R2,7 million decrease). This is mainly due to the exposure to fixed rate funding cost and the linked rate customer terms originated. This is termed the open position. 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.

### 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 statement of financial position date.

Rm	Group				Total
	Weighted average effective interest rate %	Floating interest rate	Fixed interest rate	Non-interest-bearing	
<b>2019</b>					
<b>Assets</b>					
Cash and cash equivalents	8,1	711	21	207	939
Financial assets included in current trade and other receivables, finance leases and loans receivable	15,7	612	344	1 908	2 864
Other investments and loans	8,4	20	14	26	60
Non-current finance leases and loans receivable	14,7	1 274	806	2	2 082
		2 617	1 185	2 143	5 945
<b>Liabilities</b>					
Financial liabilities included in trade and other payables	4,7	(223)	(6)	(1 305)	(1 534)
Bank overdrafts, short-term facilities and current portion of long-term loans	7,7	(321)	(3)	(2)	(326)
Long-term loans and put option liability	6,9	(3)	(140)	(34)	(177)
		(547)	(149)	(1 341)	(2 037)
<b>Net financial assets</b>		2 070	1 036	802	3 908
<b>2018</b>					
<b>Assets</b>					
Cash and cash equivalents	6,0	676	35	54	765
Financial assets included in current trade and other receivables, finance leases and loans receivable	14,0	898	563	1 788	3 249
Other investments and loans	7,3	36	17	3	56
Non-current finance leases and loans receivable	15,8	1 834	156	–	1 990
		3 444	771	1 845	6 060
<b>Liabilities</b>					
Financial liabilities included in trade and other payables	2,3	(178)	(410)	(1 056)	(1 644)
Bank overdrafts, short-term facilities and current portion of long-term loans	6,6	(156)	(18)	(37)	(211)
Long-term loans and put option liability	7,1	–	(176)	(26)	(202)
		(334)	(604)	(1 119)	(2 057)
<b>Net financial assets</b>		3 110	167	726	4 003

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 29. FINANCIAL INSTRUMENTS continued

### Interest rate sensitivity analysis

The analyses are prepared assuming the amount of net assets outstanding at the date of the statement of financial position 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 NPAT.

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 2019 would increase by R30 million (2018: increase by R45 million). This is mainly attributable to the Group's exposure to interest rates on its floating rate deposits.

### Interest rate analysis

The Company's exposure to interest rate risk and the effective interest rates on financial instruments at the statement of financial position date are as follows:

Rm	Company				Total
	Weighted average effective interest rate %	Floating interest rate	Fixed interest rate	Non-interest-bearing	
<b>2019</b>					
<b>Assets</b>					
Cash and cash equivalents	5,0	15	–	–	15
Financial assets included in trade and other receivables	–	–	–	11	11
Amounts owing by subsidiaries	–	–	–	5 296	5 296
		15	–	5 307	5 322
<b>Liabilities</b>					
Financial liabilities included in trade and other payables	–	–	–	(19)	(19)
Amounts owing to subsidiaries	–	–	–	(11)	(11)
		–	–	(30)	(30)
<b>Net financial assets</b>		15	–	5 277	5 292
<b>2018</b>					
<b>Assets</b>					
Cash and cash equivalents	5,5	2	–	–	2
Financial assets included in trade and other receivables	–	–	–	54	54
Other investments and loans	7,5	2	–	–	2
Amounts owing by subsidiaries	–	–	–	6 222	6 222
		4	–	6 276	6 280
<b>Liabilities</b>					
Financial liabilities included in trade and other payables	–	–	–	(29)	(29)
Amounts owing to subsidiaries	–	–	–	(9)	(9)
		–	–	(38)	(38)
<b>Net financial assets</b>		4	–	6 238	6 242

### 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 2019 would increase by R0,2 million (2018: increase by R0,1 million). This is mainly attributable to the Company's exposure to interest rates on its floating rate deposits.

## 30. ACQUISITION OF BUSINESSES AND RELATED INTANGIBLE ASSETS

Rm	Group 2019
<p>All business combinations are accounted for by applying the acquisition method. All acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services received. For the accounting policy relating to goodwill arising through its acquisition, refer to note 12.</p> <p>If the initial accounting for the business combinations is incomplete at 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. These provisional amounts are then adjusted during the remaining measurement period, or additional assets and liabilities are recognised, to reflect any new information obtained about facts and circumstances that existed at the acquisition date, which if known at the time of making the initial recognition entries, would have impacted the amounts recognised at that time.</p> <p>Non-controlling interests (NCIs) in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. NCI consists of the value 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.</p> <p><b>1. OculusIP</b></p> <p>With effect from 1 June 2019, the Group, through SkyWire, acquired 100% of the business and related net assets of OculusIP. As part of the acquisition, an intangible asset of R7 million was recognised attributable mainly to the customer base in key geographic regions. Goodwill of R23 million was recognised as the company has a well-established brand that will assist with product development within the ICT segment. The agreement contains a contingent consideration up to an amount of R12 million based on the achievement of targeted annuity gross profit for wireless line and voice rentals over a 12-month period from acquisition. The fair value of the contingent consideration at acquisition was R12 million (refer to note 23).</p> <p>The acquisition of OculusIP complements the ICT segment's expansion strategy and increases the geographical presence of SkyWire. The acquisition also provides the opportunity to expand the suite of connectivity service offerings to a broader customer base.</p> <p>Cash paid</p>	18
<p><b>2. Blue Nova Energy</b></p> <p>With effect from 1 August 2019, the Group, through Blue Nova Energy (previously RC&amp;C Manufacturing Company Proprietary Limited) (Blue Nova) acquired 100% of the business and related net assets of Blue Nova. To effect the acquisition, Blue Nova issued R43 million new ordinary shares at fair value to the previous owner of Blue Nova as part of the purchase consideration. These shares represent 49% of the issued capital of Blue Nova, calculated as a proportion of the net asset value of the combined business immediately after the transaction. Blue Nova specialises in energy storage solutions, mainly through the development and assembly of lithium ion batteries together with a battery management system. An intangible asset of R30 million was recognised on acquisition based on the brand, customer base, and unpatented technology that exist within the entity. R53 million of goodwill was recognised from the acquisition which is attributable to the expected value to be achieved from the key products that Blue Nova provides. A contingent consideration payable up to an amount of R12 million is based on an achievement of a future financial hurdle and KPIs stipulated within the purchase agreement. The fair value of the contingent consideration at acquisition was R12 million (refer to note 23).</p> <p>The acquisition of Blue Nova, an early life cycle business, expands the Group's interests in the renewable energy and associated markets. Synergies have been identified from the vertical integration with some of the Group's other businesses in the AE segment.</p> <p>Cash paid</p>	9

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 30. ACQUISITION OF BUSINESSES AND RELATED INTANGIBLE ASSETS continued

Rm	Group
	2019
<b>3. Acquisition of intangible assets</b>	
The Group purchased a customer base from a mining company in Australia. The purpose of the acquisition was to create a footprint in Australia by enhancing relationships with key mining clients and thereby positioning the Group for further growth in the mining radar market. An intangible asset of R5 million was recognised on acquisition (refer to note 11).	
Cash paid	5
At 30 September 2019, the purchase price allocations of these acquisitions have not been finalised and therefore the amounts reported alone are considered provisional.	
<b>Direct cash cost</b>	<b>32</b>
Contingent considerations (OculusIP and Blue Nova)	24
Shares issued as part of the consideration transferred in the Blue Nova acquisition (this has been disclosed in NCIs)	43
Offset receivable in acquiring company against payable in acquired business (Blue Nova acquisition)	23
<b>Total purchase consideration</b>	<b>122</b>
<b>Represented by:</b>	
Property, plant and equipment	2
Intangible assets	42
Inventory	20
Payables	(11)
Deferred taxation	(7)
Goodwill	76
<b>Net assets acquired (fair value at acquisition date)</b>	<b>122</b>
Revenue since acquisition	31
Profit after taxation since acquisition	-
Revenue for 2019 as though the acquisition dates had been 1 October 2018	186
Profit after taxation for 2019 as though the acquisition dates had been 1 October 2018	19

### Company

During the year, Reunert (the Company) subscribed for additional shares in the Group's segment holding companies, either as part of the Group restructuring programme commenced in 2017 or to enable the segment holding companies to increase their investments in existing subsidiaries or to make new acquisitions.

### 2018

Refer to the 2018 published results.

### 31. DISPOSAL OF BUSINESS

#### Sale of Prodoc

With effect from 26 March 2019, the net assets and business of Prodoc, were sold to the NCIs at the fair value less cost to sell of R37 million.

Rm	2019
<b>Net assets disposed in Prodoc:</b>	
Property, plant and equipment and intangible assets	4
Goodwill	62
Finance leases and loans receivable	26
Inventory	32
Deferred taxation	2
Trade and other receivables	79
Trade and other payables	(102)
Foreign currency translation reserve	10
Non-controlling interests	(13)
Long-term loans	(26)
Short-term portion of long-term loans	(15)
<b>Net book value of net assets disposed of</b>	<b>59</b>
<b>Consideration received</b>	<b>15</b>
Cash received on sale	37
Less: cash on hand	22
<b>Loss on disposal of subsidiary (net of taxation of Rnil)</b>	<b>44</b>

2018

The Group made no disposals in the prior year.

### 32. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (NCIs)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the NCIs are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the NCIs are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### Transaction to increase percentage holding

During the current year, the Group increased its holding in Terra Firma from 54,38% to 62,49% at a cash cost of R30 million.

#### Transactions to decrease percentage holdings

With effect from 1 October 2018, the Group sold shares in the Nashua Kopano franchise (Kopano Solutions Proprietary Limited) and Nashua West Rand franchise (Zevoli 151 Proprietary Limited), for a total of R12 million. This reduced the Group's shareholding from 74% to 60% and 85% to 60% respectively.

Rm	2019
<b>Non-controlling interests</b>	<b>(7)</b>
Transactions with non-controlling interests	27
Taxation payable	(2)
<b>Net consideration paid</b>	<b>18</b>

2018

Refer to the 2018 published results

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 33. CHANGE IN ACCOUNTING POLICIES

IFRS 15 – Revenue from Contracts with Customers replaces both IAS 11 – Construction Contracts and IAS 18 – Revenue, as well as SIC 31, IFRIC 13, IFRIC 15 and IFRIC 18, and establishes a comprehensive framework for recognition of revenue from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires a certain level of judgement. On application of IFRS 15, the following material changes and considerations have been made:

Revenue category	Nature of material considerations and changes in accounting policy
Product revenue	<p>Revenue relating to certain contracts previously recognised based on the percentage of completion under IAS 11 and 18 has changed to recognition based on inputs towards satisfaction of the performance obligation. For some contracts, it was determined there was no direct relationship between the inputs and the transfer of control of the goods and services to the customer. Accordingly, for these contracts, the effects of these inputs are excluded when measuring the progress towards satisfaction of the performance obligation. This resulted in a change in the measurement of the recognition of the revenue.</p> <p>Under IFRS 15, the transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. Any variable consideration for discounts, rebates, or other variability on a contract is estimated either using the expected value or the most likely amount depending on the nature of the contract. Previously certain contracts that contained a variable consideration, namely a discount to the transaction price and multiple performance, did not allocate the discount to the identified performance obligations in the contract. This new treatment results in the discounting being recognised in the margin as the obligations are met.</p> <p>Under IFRS 15, a significant financing component exists for certain contracts where the contract term exceeds 12 months and the customer pays an advance consideration. The transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant customer credit risk.</p>
Service revenue	<p>Under certain service contracts, the Group receives consideration from the customers for installation services at the inception of the contract. No separate performance obligation exists for the installation services provided at inception of the contract. Accordingly, the consideration received is recognised as a contract liability and recognised in revenue over the period of the service contract. Previously, the Group recognised revenue on completion of the installation but before delivery of the related services to the value of the consideration received upfront. Under IFRS 15, the revenue related to the installations is recognised as the services are delivered.</p>

All contracts were considered as part of the transition to IFRS 15. However, no further material changes were identified apart from the above.

### IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement.

#### Classification and measurement of financial instruments

IFRS 9 has reduced the number of categories required for classification and measurement of financial instruments. However, the adoption of IFRS 9 has not had a material impact on the Group's accounting policies related to the classification and measurement of financial assets, financial liabilities, and derivative financial instruments. Refer to the table below:

Rm	Original classification under IAS 39	New classification and measurement under IFRS 9	Original carrying amount under IAS 39 <sup>3</sup>	New carrying amount under IFRS 9 <sup>3</sup>
<b>Financial assets</b>				
Other investments and loans	Loans and receivables	Amortised cost	48	48
Other investments and loans	FVTPL <sup>1</sup>	FVTOCI <sup>2</sup>	12	12
Finance leases and loans receivable	Loans and receivables	Amortised cost	2 082	2 082
Trade and other receivables	Loans and receivables	Amortised cost	2 864	2 864
Cash and cash equivalents	Loans and receivables	Amortised cost	939	939
Balance as at 30 September 2019			5 945	5 945

<sup>1</sup> Fair value through the statement of profit or loss.

<sup>2</sup> Fair value through other comprehensive income.

<sup>3</sup> These balances are after taking into account the opening retained earnings impact noted overleaf.

### 33. CHANGE IN ACCOUNTING POLICIES continued

#### Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The Group revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings is disclosed below.

#### IFRS 15 and IFRS 9 transition

The Group has applied both IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 October 2018.

Therefore the comparative information on the Group's statement of financial position and the Group's statement of comprehensive income has not been restated for the adoption of these new standards and continues to be reported under the previously applied standards.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

The effect of the IFRS 9 and 15 transition on the statement of financial position is as follows:

Rm	IFRS 9 adjustments	IFRS 15 adjustments	Total
<b>Financial position</b>			
<b>Non-current assets</b>			
Finance leases and loans receivable <sup>1</sup>	(19)	–	(19)
Deferred taxation assets	9	13	22
<b>Current assets</b>			
Trade and other receivables <sup>2</sup>	(20)	(20)	(40)
<b>Equity</b>			
Retained earnings	(27)	(29)	(56)
Non-controlling interests	(3)	(6)	(9)
<b>Current liabilities</b>			
Trade and other payables <sup>3</sup>	–	28	28

<sup>1</sup> The reduction in finance leases and loans receivable is due to an increase in the impairment required by IFRS 9.

<sup>2</sup> The reduction in trade and other receivables is due to an increase in the impairment required by IFRS 9 and due to the revenue that was recognised but is required to be deferred based on IFRS 15.

<sup>3</sup> The increase in trade and other payables is due to revenue being deferred based on the IFRS 15 assessment above.

During the current year, R22 million (R16 million net of taxation) of the opening IFRS 9 adjustment was realised in the statement of profit or loss.

### 34. 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.

### 35. LITIGATION

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

# 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 operating 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 operating decision-maker. The chief operating 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 EE, ICT, AE, and Other. The segments have been identified based on products, technology, services, markets, and customer segmentation.

EE encompasses the design, manufacture, installation, and maintenance of a complete range of power cables, the manufacture and supply of copper and optical fibre telecommunication cables, 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-backed rental solutions. The market comprises corporate and retail customers, small to medium-sized enterprises, government, and state-owned entities.

AE specialises in tactical, very high-frequency/ultra high-frequency/high-frequency 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 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, India, Lesotho, Mauritius, America, and Zambia. The revenue and profits derived from production and sales initiated 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.



Rm	2019	%	2018	%	% change
<b>Revenue</b>					
EE	5 457	50	5 139	48	6
ICT	3 236	29	3 443	32	(6)
AE	2 346	21	2 198	20	7
Other	16	–	15	–	7
<b>Total operations</b>	<b>11 055</b>	<b>100</b>	10 795	100	2
Equity-accounted joint venture (EE)	(307)		(271)		
Equity-accounted associate (ICT)	(29)		(29)		
Equity-accounted joint venture (Other)	(5)		(3)		
<b>Revenue as reported in the statement of profit or loss</b>	<b>10 714</b>		10 492		2
Inter-segment revenue is immaterial and has not been separately disclosed					
<b>Operating profit</b>					
EE	323	24	440	29	(27)
ICT <sup>1</sup>	748	55	792	51	(6)
AE	358	26	380	25	(6)
Other	(71)	(5)	(73)	(5)	3
<b>Total operations</b>	<b>1 358</b>	<b>100</b>	1 539	100	(12)
Operating loss from equity-accounted joint venture (EE)	11		9		
Operating profit from equity-accounted associate (ICT)	(4)		(3)		
Operating profit from equity-accounted joint venture (Other)	(4)		(3)		
<b>Operating profit as reported in the statement of profit or loss</b>	<b>1 361</b>		1 542		(12)

<sup>1</sup> The net interest charged on Group funding provided to the Group's in-house finance operation has been eliminated in line with the consolidation principles of IFRS. This interest amounted to R170 million (2018: R146 million). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.

# SEGMENTAL ANALYSIS continued

Rm	2019	2018
<b>Loss on disposal of subsidiary, impairments of goodwill and empowerment transactions</b>		
EE (2019: impairment of goodwill (2018: empowerment transaction))	67	32
ICT (loss on disposal of subsidiary)	44	–
AE (empowerment transaction)	3	–
Other (empowerment transaction)	–	10
<b>Total loss on disposal of subsidiary, impairments of goodwill and empowerment transactions as reported in the statement of profit or loss</b>	<b>114</b>	42
<b>Total assets</b>		
EE	2 820	2 978
ICT	4 678	4 662
AE	2 322	2 443
Other <sup>1</sup>	484	370
<b>Total assets as reported in the statement of financial position<sup>2</sup></b>	<b>10 304</b>	10 453
<b>Inventory</b>		
EE	699	662
ICT	160	189
AE	517	610
Other	–	–
<b>Total inventory as reported in the statement of financial position</b>	<b>1 376</b>	1 461
<b>Trade and other receivables, finance leases and loans receivable – current</b>		
EE	1 083	1 178
ICT	1 352	1 351
AE	735	929
Other	16	20
<b>Total trade and other receivables, finance leases and loans receivable as reported in the statement of financial position</b>	<b>3 186</b>	3 478
<b>Total liabilities</b>		
EE	1 131	1 105
ICT	748	845
AE	789	807
Other	205	170
<b>Total liabilities as reported in the statement of financial position<sup>2</sup></b>	<b>2 873</b>	2 927

<sup>1</sup> This comprises mainly properties and Group treasury cash balances.

<sup>2</sup> Inter-company receivables, payables, and loans have been eliminated in line with the consolidation principles of IFRS.

Rm	2019	2018
<b>Trade and other payables, derivative liabilities, provisions and share-based payment liability – current</b>		
EE	935	935
ICT	507	684
AE	602	612
Other	146	101
<b>Trade and other payables, derivative liabilities, provisions and share-based payment liability – current as reported in the statement of financial position</b>	<b>2 190</b>	2 332
<b>Capital expenditure</b>		
EE	45	31
ICT	25	22
AE	75	74
Other	13	35
<b>Capital expenditure as reported</b>	<b>158</b>	162
<b>Depreciation, amortisation and impairment of property, plant and equipment and intangible assets</b>		
EE (2019: impairment of Zamefa plant and equipment R40 million (2018: Rnil))	92	46
ICT	54	45
AE	50	58
Other	9	8
<b>Depreciation, amortisation and impairment of property, plant and equipment and intangible assets as reported in the statement of profit or loss</b>	<b>205</b>	157
<b>Number of employees</b>		
EE	2 763	2 863
ICT	1 602	1 704
AE	1 796	2 027
Other	59	62
<b>Number of employees</b>	<b>6 220</b>	6 656

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

%	Share capital R (unless otherwise stated)	Effective percentage holding	
		2019	2018
Refer to the segmental analysis for a description of the business activities and markets.			
<b>ELECTRICAL ENGINEERING</b>			
Reunert Electrical Engineering Holdings Proprietary Limited	8 000 047	100	100
Afcab Holdings Proprietary Limited	1 000	88	88
CBI-Electric Mzansi (RF) Proprietary Limited <sup>1</sup>	10 000 000	65,12	65,12
<b>CBI-Electric: African Cables</b>			
Reunert Investment Company No 1 Proprietary Limited	4 000	100	100
ATC Proprietary Limited <sup>1</sup>	1 500 000	65,12	65,12
<b>Zambia</b>			
Metal Fabricators of Zambia PLC <sup>2</sup>	KW270 900	75	75
<b>CBI-Electric: Low and Medium Voltage</b>			
Circuit Breaker Industries Proprietary Limited	46	100	100
Circuit Breaker Industries GmbH (incorporated in Germany)	EUR25 565	100	100
Circuit Breaker Industries Inc. (incorporated in the USA)	USD50 000	100	100
Circuit Breaker Industries Lesotho Proprietary Limited (incorporated in Lesotho)	LS1 000	100	100
Heineman Electric (incorporated in Australia)	A\$2	100	100
Polybox Proprietary Limited <sup>3</sup>	5 000 100	51,22	51,22
Reunert Investment Company No 3 Proprietary Limited	5 028 000	100	100
<b>CBI-Electric Telecom Cables Proprietary Limited<sup>1</sup> (joint venture)</b>	246 312 400	32,56	32,56
<b>INFORMATION COMMUNICATION TECHNOLOGIES</b>			
Reunert ICT Holdings Proprietary Limited	690 840 846	100	100
<b>PanSolutions</b>			
NPC (Air conditioning) Proprietary Limited <sup>4</sup>	100 000	100	100
PanSolutions Proprietary Limited	1 000	100	100
PanSolutions Holdings Proprietary Limited	5 536 940	100	100
Reunert Connect Proprietary Limited	1 000	100	100
<b>Nashua Office Automation<sup>5</sup></b>			
Nashua Proprietary Limited	947 794	100	100
Kopano Solutions Company Proprietary Limited	2 000 000	60	74
Nashua Holdings Proprietary Limited	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	60	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	49
Prodoc Svenska AB	kr240 000	–	60
<b>Quince</b>			
Quince Capital Holdings Proprietary Limited <sup>4</sup>	–	100	100
Quince Capital Proprietary Limited <sup>2</sup>	75 268 322	100	100
<b>Nashua Communications Proprietary Limited</b>	100	100	100
<b>Electronic Communications Network Proprietary Limited</b>	100	100	100
<b>SkyWire Proprietary Limited</b>	100	100	100

Rm					
Interest of holding company				Interest and distributions made to/(received from) the holding company	
Shares		Indebtedness			
2019	2018	2019	Restated 2018	2019	2018
38	38	-	-	254	411
-	-	-	-	-	-
-	-	-	-	-	-
68	68	4	4 <sup>14</sup>	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16	16	-	-	1	36
-	-	-	-	-	-
995	708	-	-	539	687
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	21	21	-	-
-	-	-	-	-	-
-	-	-	348	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

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

%	Share capital R (unless otherwise stated)	Effective percentage holding	
		2019	2018
<b>APPLIED ELECTRONICS</b>			
Reunert Applied Electronics Holdings Proprietary Limited	301 708 809	100	100
<b>Authentiss Proprietary Limited</b>	1	100	100
Reutech Mzansi (RF) Proprietary Limited <sup>6</sup>	10 000 000	80	80
<b>Reutech Proprietary Limited</b>	39 023 797	80	80
<b>Omnigo Proprietary Limited</b>	1 000	80	80
<b>Nanoteq Proprietary Limited</b>	100	80	80
<b>Zisaforce Cyber Enterprise Proprietary Limited<sup>7</sup></b>	100	80	60
<b>Accessential Proprietary Limited t/a Dynatech International</b>	48 272 679	100	100
<b>Fuchs Electronics Proprietary Limited</b>	50 000	100	100
<b>DoppTech Proprietary Limited</b>	7 683 147	100	100
Reunert Investment Company No 2 Proprietary Limited	137 627 557	100	100
<b>Terra Firma Solutions Proprietary Limited<sup>8</sup></b>	5 675 200	62,49	54,38
Reunert International Holdings Proprietary Limited	100	100	100
<b>Reutech India</b>	₹18 544 870	100	–
<b>Reutech Australia</b>	A\$100	100	–
NPC (Electronics) Proprietary Limited	52 331 286	100	100
<b>Blue Nova Energy Proprietary Limited<sup>9</sup></b>	95 277 941	51	100
RC&C (Parow Factory) Properties Proprietary Limited	2	100	100
<b>INVESTMENTS AND SERVICES</b>			
Reunert Finance Company Proprietary Limited <sup>2</sup>	4 000 000	100	100
Reunert Management Services Proprietary Limited	4 000	100	100
Julopro Proprietary Limited <sup>10</sup>	121	100	100
Reunert International Investments (Mauritius) Limited <sup>11</sup>	USD10 712 586	100	100
Sundry companies (net) <sup>2 &amp; 4</sup>			
Investment in terms of a broad-based share-based payment transaction encompassing group employees <sup>12</sup>			
<b>SPECIAL PURPOSE ENTITY</b>			
Bargenel Investments Proprietary Limited <sup>13</sup>			
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)			

<sup>1</sup> Reunert owns 100% of Reunert Electrical Engineering Holdings Proprietary Limited, which owns 88% of Afcab Holdings Proprietary Limited, which owns 74% of CBI-Electric Mzansi (RF) Proprietary Limited (CBI-Electric Mzansi) resulting in an indirect interest of 65,12%. CBI-Electric Mzansi owns 100% of ATC Proprietary Limited, which owns 50% of CBI-Electric Telecom Cables Proprietary Limited.

<sup>2</sup> Reunert 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.

<sup>3</sup> Reunert owns 100% of CBI Proprietary Limited, which owns 51,22% of Polybox Proprietary Limited, resulting in an indirect interest of 51,22%.

<sup>4</sup> These companies are in the process of being either deregistered or liquidated or have been deregistered or liquidated.

<sup>5</sup> In terms of IFRS 12 – Disclosure of Interests in Other Entities, none of the non-controlling interests are individually material to the Reunert Group's results.

<sup>6</sup> Reunert owns 100% of Reunert Applied Electronics Holdings (RAEH), which owns 70% of Reutech Mzansi (RF) Proprietary Limited (Reutech Mzansi) and 100% of Bantel Investments Proprietary Limited, which owns 10% of Reutech Mzansi, which results in RAEH holding an 80% indirect interest in Reutech Mzansi. Reutech Mzansi owns 100% of Reutech Proprietary Limited, which owns 100% of Omnigo Proprietary Limited, 100% of Nanoteq Proprietary Limited, and 100% of Zisaforce Cyber Enterprise Proprietary Limited.

<sup>7</sup> Reutech Proprietary Limited acquired 60% of Zisaforce Cyber Enterprise Proprietary Limited during 2018 and a further 40% in 2019.

<sup>8</sup> Reunert Investment Company No 2 Proprietary Limited acquired 51% of Terra Firma Solutions Proprietary Limited during 2017, 3,38% during 2018, and a further 8,11% during 2019.

<sup>9</sup> RC&C Manufacturing Company Proprietary Limited changed its name to Blue Nova Energy Proprietary Limited (Blue Nova) during 2019 when it acquired the Blue Nova assets and business. At this time, a non-controlling shareholder subscribed for new shares in Blue Nova, leaving the Group with an effective 51% of Blue Nova's share capital.

Rm					
Interest of holding company				Interest and distributions made to/(received from) the holding company	
Shares		Indebtedness			
2019	2018	2019	Restated 2018	2019	2018
<b>329</b>	189	-	-	<b>205</b>	151
-	-	-	-	-	-
-	-	-	95	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>1</b>	1	-	-	-	20
<b>4</b>	4	<b>6 001</b>	5 758	-	-
-	-	-	-	-	7
<b>312</b>	312	<b>(2)</b>	-	-	-
<b>164</b>	154	-	-	-	-
-	-	<b>(9)</b>	(9)	-	13
<b>27</b>	27	-	-	-	-
<b>1 112</b>	1 112	-	-	-	-
<b>3 066</b>	2 629	<b>6 015</b>	6 217	<b>999</b>	1 325
<b>(228)</b>	(120)	<b>(730)</b>	(4) <sup>14</sup>		
<b>2 838</b>	2 509	<b>5 285</b>	6 213		
<b>5 296</b>	6 222				
<b>(11)</b>	(9)				
<b>5 285</b>	6 213				

<sup>10</sup> During 2019, Reunert Limited paid ordinary dividends totalling R25 million to Julopro and Julopro paid ordinary dividends totalling R25 million to Reunert Limited.

<sup>11</sup> Reunert owns 100% of Reunert International Investments (Mauritius) Limited, which owns 75% of Metal Fabricators of Zambia PLC, resulting in a 75% indirect interest.

<sup>12</sup> 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 prior year, the process to deregister or liquidate four of the subsidiaries commenced and as a result, the investments in these subsidiaries, totalling R10 676 000, were fully impaired. During 2018, Reunert transferred the investment in one of these subsidiaries to another Group company.

<sup>13</sup> Reunert sold its investment in Bargenel's ordinary shares in 2007 as part of a broad-based black economic empowerment 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 R222 million (2018: R231 million) it is entitled to as at 30 September 2019, 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 (CGT) that would arise on the sale by Bargenel of the Reunert shares. This indemnity represents the CGT 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. The Board has undertaken to seek shareholder approval to alter the quantum of the CGT indemnity at the maturity of the scheme should the R33 million not be sufficient to cover the actual capital taxes accruing. Such shareholder approval has not yet been sought. During 2019, Reunert paid ordinary dividends totalling R92 million to Bargenel (2018: R89 million) and Bargenel paid preference dividends totalling R92 million to Reunert Limited (2018: R89 million).

<sup>14</sup> In the 2018 annual financial statements, the loan to Reunert Investment Company No 1 was disclosed net of the impairment.

# UNCONSOLIDATED ENTITY – ANNEXURE B

FOR THE YEAR ENDED 30 SEPTEMBER 2019

## CAFCA

The financial results of Cafca Limited (Cafca), an entity incorporated in Zimbabwe, have not been consolidated into the Group's results as the Group does not exercise control.

Reunert does not have the current ability to appoint the majority of directors to the board of directors of Cafca and therefore does not control the board.

The Group does not equity account for its investment in Cafca as it does not have significant influence over Cafca due to its inability to influence the financial and operating policy decisions as a result of the broader operating regime in which Cafca operates. Therefore the Group's interest is measured at fair value through profit or loss. Although Cafca is listed on the Zimbabwean Stock Exchange, there is limited trading in the share. Accordingly, an income approach was used to determine the fair value of Rnil (2018: Rnil). This income approach took into consideration that Reunert has not received and does not expect to receive any cash flow benefit from this investment. This is a level 3 instrument in the fair value hierarchy.

The difficult economic circumstances in Zimbabwe have resulted in ongoing liquidity constraints which impairs Reunert's ability to repatriate the economic benefits from Cafca (e.g. dividends). In addition, the country is experiencing hyperinflation and Reunert does not expect to receive future dividends.

	%
Reunert Electrical Engineering's holding	70
	Rm
Shares at cost	7,3
Impairment	(7,3)
Carrying amount of investment	–



ZWL'000	Inflation adjusted		Historical	
	2019	2018	2019	2018
<b>Extract of the statement of profit or loss for the year ended 30 September</b>				
Revenue	173 059	137 645	93 396	30 382
Operating profit	76 751	23 706	54 190	5 233
Net finance (cost)/income	(24)	6	(10)	1
Monetary (loss)/gain	(13 492)	1 229	–	–
Profit before taxation	63 235	24 941	54 180	5 234
Taxation	(27 061)	(6 227)	(12 913)	(1 375)
Profit after taxation	36 174	18 714	41 267	3 859
Other comprehensive income	–	–	–	–
Total comprehensive income	36 174	18 714	41 267	3 859
<b>Extract of the statement of financial position as at 30 September</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>	15 545	14 778	4 119	2 991
<b>Current assets</b>				
Inventory	95 021	39 072	41 081	8 624
Trade and other receivables	12 224	9 250	11 813	2 042
Cash	11 580	40 115	11 580	8 854
	118 825	88 437	64 473	19 520
<b>TOTAL ASSETS</b>	134 370	103 215	68 593	22 511
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>	105 055	74 157	55 598	16 097
<b>Non-current liabilities</b>	16 753	2 975	434	657
<b>Current liabilities</b>				
Dividends payable	–	15 726	–	3 471
Other current liabilities	12 562	10 357	12 561	2 286
	12 562	26 083	12 561	5 757
<b>TOTAL EQUITY AND LIABILITIES</b>	134 370	103 215	68 593	22 511

In previous years, Cafca's results were presented in USD. Due to a shortage of USD in the Zimbabwe economy, the Real Time Gross Settlement (RTGS) dollar (ZWL) was officially introduced in February 2019. Consequently, the ZWL became the company's functional and presentation currency with effect from 1 October 2018.

The RTGS system and accompanying legislation has made it difficult for the company to comply with IAS 21 – The Effects of Changes in Foreign Exchange Rates which requires that transactions and balances denominated in foreign currency be presented at market exchange rates. A market rate is one which is legal, observable, and accessible. While a legal and observable market rate exists, it is not considered accessible.

As a result of this failure to comply with IAS 21, the company's auditors, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), have issued an adverse audit opinion on the company's financial statements for the year ended 30 September 2019.

The Public Accountants and Auditors Board issued a pronouncement that financial statements for Zimbabwean companies prepared after 1 July 2019 be prepared in terms of IAS 29 – Financial Reporting in Hyperinflationary Economies. The results presented in this annexure therefore contain appropriate adjustments and reclassifications, in conformity with IAS 29.

At 30 September 2019, Cafca's share capital and reserves amounted to inflation adjusted ZWL105 million (2018: ZWL74 million), and historical share capital and reserves amounted ZWL56 million (2018: ZWL16 million).

The Group has made sales to Cafca of R11 million in the current financial year (2018: R33 million).

# RECONCILIATION OF CORE OPERATING PROFIT – ANNEXURE C

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Core operating profit is a management estimation of the operating profit of the Group excluding the impact of items considered to be once-off in nature.

Core operating profit comprises operating profit adjusted for the impact of once-off items such as profit or loss on disposal of assets and contingent considerations which do not realise as the measurement criteria are not met.

	2019				
	EE	ICT	AE	Other	Total
Core operating profit/(loss)	<b>323</b>	<b>748</b>	<b>356</b>	<b>(73)</b>	<b>1 354</b>
Release of contingent consideration (SkyWire)	-	-	-	-	-
Sale of assets	-	-	2	2	4
Segment operating profit/(loss)	<b>323</b>	<b>748</b>	<b>358</b>	<b>(71)</b>	<b>1 358</b>
Operating loss/(profit) from equity-accounted joint ventures	11	-	-	(4)	7
Operating profit from equity-accounted associate	-	(4)	-	-	(4)
Operating profit per the statement of profit or loss	<b>334</b>	<b>744</b>	<b>358</b>	<b>(75)</b>	<b>1 361</b>
	2018				
	EE	ICT	AE	Other	Total
Core operating profit/(loss)	440	715	352	(73)	1 434
Release of contingent consideration (SkyWire)	-	77	-	-	77
Sale of assets	-	-	28	-	28
Segment operating profit/(loss)	440	792	380	(73)	1 539
Operating loss/(profit) from equity-accounted joint ventures	9	-	-	(3)	6
Operating profit from equity-accounted associate	-	(3)	-	-	(3)
Operating profit per the statement of profit or loss	449	789	380	(76)	1 542

# SHARE OWNERSHIP ANALYSIS – ANNEXURE D

AS AT 30 SEPTEMBER 2019

Shareholder spread	Number of shareholders		Number of shares Million	
		%		%
1 – 1 000 shares	7 191	73,1	2	1,0
1 001 – 10 000 shares	2 120	21,5	7	3,5
10 001 – 100 000 shares	391	4,0	12	6,7
100 001 – 1 000 000 shares	108	1,1	35	19,1
1 000 001 shares and more	31	0,3	129	69,7
<b>Total</b>	<b>9 841</b>	<b>100,0</b>	<b>185</b>	<b>100,0</b>

Public/non-public shareholders	Number of shareholders		Number of shares Million	
		%		%
<b>Non-public shareholders</b>	<b>6</b>	<b>0,1</b>	<b>26</b>	<b>13,4</b>
Bargenel Investments Proprietary Limited <sup>1</sup>	1		19	10,0
Reunert Share Option Trust	2		1	0,4
Own holdings <sup>2</sup>	3		6	3,0
<b>Public shareholders</b>	<b>9 835</b>	<b>99,9</b>	<b>159</b>	<b>86,6</b>
<b>Total</b>	<b>9 841</b>	<b>100,0</b>	<b>185</b>	<b>100,0</b>

Beneficial shareholders holding 5% or more	Number of shares Million	
		%
Government Employees Pension Fund	22	12,0
Bargenel Investments Proprietary Limited <sup>1</sup>	19	10,0

Major holdings through fund managers in excess of 5%	2019		2018	
	Number of shares Million	%	Number of shares Million	%
Public Investment Corporation Limited <sup>3</sup>	21	11,5	21	11,3
Old Mutual Investment Group (South Africa) Proprietary Limited	17	9,4	12	6,2
Pzena Investment Management, LLC	11	6,2	10	5,6
PSG Asset Management Proprietary Limited	9	5,0	*	*
Morgan Stanley Investment Management Inc. (US)	*	*	10	5,2

<sup>1</sup> Empowerment transaction shares.

<sup>2</sup> Own holdings include 306 056 ordinary shares held by the executive directors.

<sup>3</sup> Included in the Government Employees Pension Fund.

\* Holdings were below 5%.

# ABBREVIATIONS AND ACRONYMS

Abbreviation	Full name
AE	Applied Electronics
AGM	Annual General Meeting
ATC	ATC Proprietary Limited
Bargenel	Bargenel Investments Proprietary Limited
Blue Nova	Blue Nova Energy
Board	Board of directors of Reunert Limited
Cafca	Cafca Limited
CGT	Capital gains tax
CGU	Cash generating unit
Companies Act	The Companies Act, 71 of 2008 (as amended)
CPI	Consumer price index
CSP	Conditional Share Plan
DoppTech	DoppTech Proprietary Limited
EBITDA	Earnings before interest income and expense, taxation, depreciation and amortisation, loss on disposal of subsidiary, impairment of non-financial assets, and empowerment transactions
ECL	Expected credit loss
EE	Electrical Engineering
EUR	Euro
FVTPL	Fair value through profit and loss
GDP	Gross domestic product
IAS	International Accounting Standards
ICT	Information Communication Technologies
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange Limited

Abbreviation	Full name
King IV	The King Report on Corporate Governance™ for South Africa, 2016
KPI	Key performance indicator
MOI	Memorandum of Incorporation
Nanoteq	Nanoteq Proprietary Limited
NCI	Non-controlling interest
NHEPS	Normalised headline earnings per share
NPAT	Net profit after tax
OCI	Other comprehensive income
Oculus	OculusIP Proprietary Limited
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
SkyWire	SkyWire Proprietary Limited
Telecom Cables	CBI-Electric Telecom Cables Proprietary Limited
Terra Firma	Terra Firma Solutions Proprietary Limited
TSR	Total shareholder return
USD	United States dollar
VAT	Value added tax
WACC	Weighted average cost of capital
Zamefa	Metal Fabricators of Zambia PLC
ZAR	South African rand
ZWL	Zimbabwean dollar

# CORPORATE INFORMATION AND ADMINISTRATION

## 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  
54 Maxwell Drive Woodmead  
2191  
Sandton  
South Africa

### Postal address

PO Box 784391  
Sandton  
2146  
South Africa

## Group Secretary and administration

Reunert Management Services Proprietary Limited  
Nashua Building  
Woodmead North Office Park  
54 Maxwell Drive  
Woodmead  
2191  
Sandton  
South Africa

### Karen Louw (FCIS)

Directly responsible for secretarial matters

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Telephone: +27 11 517 9000  
Telefax: +27 11 517 9035

## Group Legal

### Hendrik van Rensburg

Admitted Advocate to the High Court of South Africa, Pr Eng

Email: legal@reunert.co.za  
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Telefax: +27 11 517 9035

## Corporate and sustainability information and investor relations

### Karen Smith

MCom  
Communication and investor relations manager

Telephone: +27 11 517 9000  
Telefax: +27 11 517 9035  
Email: invest@reunert.co.za or karen@reunert.co.za

## Share transfer secretaries

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Rosebank Towers  
15 Biermann Avenue  
Rosebank  
2196

### Postal address

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Marshalltown  
2107  
South Africa

Telephone: +27 11 370 5000  
Telefax: +27 11 688 5200  
Website: www.computershare.com

## Auditors

Deloitte & Touche  
Deloitte Place  
The Woodlands  
20 Woodlands Drive  
Woodmead  
2191  
South Africa

Telephone: +27 11 806 5000  
Telefax: +27 11 806 5003

## Sponsor

One Capital Sponsor Services Proprietary Limited

## Principal bankers

Nedbank  
Standard Bank  
Investec

# NOTES



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