REUNERT

REUNERT LIMITED

Group audited annual financial statements '20

Contents

Directors' responsibility for and approval of the annual financial statements	1
Company secretary's certification	1
Independent auditor's report	2
Audit Committee report	6
Directors' report	9
Accounting policies	14
Statements of profit and loss	18
Statements of comprehensive income	19
Statements of financial position	20
Statements of cash flows	21
Notes to the statements of cash flows	22
Statements of changes in equity – Group	24
Statements of changes in equity – Company	26
Notes to the annual financial statements	27
Segmental analysis	80
Principal subsidiaries, joint ventures, associate and special-purpose entity – Annexure A	84
Unconsolidated entity – Annexure B	88
Reconciliation of core operating profit – Annexure C	90
Share ownership analysis – Annexure D	91
Abbreviations and acronyms	92
Corporate information and administration	93

Directors' responsibility for and approval of the annual financial statements

For the year ended 30 September 2020

The directors are responsible for the preparation and fair presentation, in conformity with International Financial Reporting Standards (IFRS), the JSE Listings Requirements 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 2020 (annual financial statements), comprising the statements of financial position, the statements of profit or loss and other comprehensive income, the statements of changes in equity, the statements 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
> Ensures that there are appropriate financial reporting procedures and that these are operating and have been applied in the preparation of reliable financial statements

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

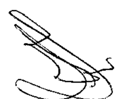
> Identified
> Assessed
> Managed to acceptable levels
> Transferred

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 which would impact on the preparation of or, the fair presentation of the annual financial statements. The Board does however bring to the attention of users the abnormal credit write-off experienced during the year, full details of which are as set out under the heading abnormal credit write-off in its directors report.

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 2020 financial year.

The Company's external auditors, Deloitte & Touche, are responsible for expressing an audit opinion 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 15 December 2020 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 2020

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 2020, 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

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 and Company) set out on pages 14 to 90, which comprise the consolidated and separate statements of financial position as at 30 September 2020, and the consolidated and separate statements of profit or loss, consolidated and separate statements of other comprehensive income, the consolidated and separate statements of changes in equity and the 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 Reunert Limited and its subsidiaries as at 30 September 2020, 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 and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our audit report with regard to the separate financial statements for the year ended 30 September 2020.

Key Audit Matter	How the matter was addressed in the audit
Impairment of goodwill (Group)	
As disclosed in Note 12, the carrying value of goodwill recognised by the Group amounts to R924 million. In line with IAS 36 — Impairment of Assets, the Directors are required to assess annually whether goodwill is impaired. Judgement is required by the Directors in assessing the impairment of this goodwill. For each affected cash generating unit (CGU) assumptions are made about the expected cash flows, and appropriate discount rate. The assumptions with the most significant impact on the value in use calculations were: > The revenue growth rates applied for Blue Nova Energy (Pty) Ltd. and African Cables (Pty) Ltd.; and > The pre-tax discount rates, which are derived from the weighted average cost of capital incorporating risk factors specific to the cash flow being assessed, for the following CGUs: o CBI Telecommunications (Pty) Ltd; o African Cables (Pty) Ltd; o Blue Nova Energy (Pty) Ltd; o Reutech Radar division; o Omnigo (Pty) Ltd; and o Skywire (Pty) Ltd Due to the significant judgement applied by the Directors in determining the values assigned to these assumptions, the impairment assessment of goodwill with a particular focus on the above assumptions and CGUs was considered a key audit matter.	In evaluating the impairment of goodwill we performed the following procedures: > Performed a retrospective review on cash flow forecasts; > For selected cash generating units, we assessed the reasonableness of the key assumptions employed in the valuation models such as the revenue growth rates, capital expenditure and working capital forecasts against historic performance and approved budgets; > A specialist performed an independent assessment of the pre-tax discount rate for selected cash generating units. The specialist's procedures included evaluating the current funding rates, funding structures, and risk profile against relevant market data; > Tested the mathematically accuracy of the valuation models of selected cash generating units; and > Performed sensitivity analyses on the growth rates and discount rates to evaluate the impact on the value in use and headroom. > Assessed the disclosures against the requirements of IAS 36 Based on the procedures performed, the measurement of the impairment losses in considered appropriate.

Key Audit Matter	How the matter was addressed in the audit
Carrying value of the Quince leases and loan receivables	
As disclosed in Note 14, the carrying value of leases and loans receivable at 30 September 2020 is R 2 573 million (2019: R 2 975 million), after recognising expected credit losses (ECL) of R210 million (2019: R41 million), and a credit write-off arising from the fraud perpetrated by an external party against the Group of R298 million (2019: R nil). In terms of IFRS, the objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition, considering all reasonable and supportable information, including that which is forward-looking. As a result of Covid 19, and its impact on the expected recovery of the leases and loan receivables, the Group has adjusted historic models to take into account forward looking information. Determining the impact on the decline in economic activity on the ECL relies on limited historic data, as the first lockdown commenced in March 2020. The Group therefore relied on external benchmarks to determine the following key assumptions: > The probability of default, and > The loss given default With regard to the credit write-off described above, the Group commissioned independent investigations into the fraud, and the risk and controls framework at Quince. Significant judgement is applied in determining the ECL assumptions above. These assumptions, as well as the magnitude and the nature of the credit write-off, have a significant impact on the carrying value of the leases and loan receivables. The impact of key assumptions and the credit write-off described above is therefore considered a key audit matter.	In assessing the carrying value of the leases and loan receivables, we performed the following procedures related to the ECL assumptions: > Compared the external benchmarks applied by the group for the probability of default and the loss given default to the published benchmarks by Moody's and World Bank > Considered the appropriateness of the applied benchmarks to the lease and loan book > Tested the accuracy and completeness of the underlying data used in the model and the arithmetical accuracy of the computation; > Involved our internal credit specialist to assist with assessing the key assumptions and judgements > Developed an independent estimate for the resulting ECL to determine whether the ECL recognised was appropriate > Assessed the reasonability of the coverage ratio We performed the following procedures with regard to the credit write-off: > Inspected the scope and outcome of the independent reviews performed on the credit write-off, and considered the impact on the nature, timing and extent of audit procedures > Increased the extent of substantive testing, with a focus on third party dealers > Performed additional procedures on the existence of loans receivable Based on the procedures performed, we concluded that the probability of default and loss given default applied, and the credit write-off recognised, was appropriate.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Reunert Limited Group Audited Annual Financial Statements", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual 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 International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

> Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.

> Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

> Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

> Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

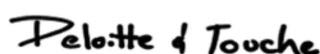
We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 35 years.



Deloitte & Touche

Registered Auditor

Per: Nita Ranchod

Partner

15 December 2020

5 Magwa Crescent
Waterfall City

Audit Committee report

Introduction

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, the King Report on Corporate Africa, 2016 (King IV) 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.

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 attendance of meetings

Members: LP Fourie (Chair)[1], T Abdool-Samad, AB Darko, S Martin and MT Matshoba-Ramuedzisi.

The Audit Committee is comprised of 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.

	Appointed to Committee	11 November 2019	8 June 2020	14 August 2020	17 November 2020
LP Fourie[1]	1 October 2019	✔	✔	✔	✔
R van Rooyen[1]	17 November 2009	✔			
T Abdool-Samad	1 July 2014	✔	✔	✔	✔
AB Darko	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 Companies Act and 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 2020 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

> Evaluated a statement from Deloitte confirming that its independence was not impaired

> Reviewed and reconfirmed the policy with regards 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

> 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 on 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 R25,8 million (2019: R27,0 million) of which the Group's external audit fee amounted to R24,1 million (2019: R23,7 million)
- o The fees for other services amounted to R1,7 million (2019: R3,3 million) which amount is 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 2021, and that such a resolution has been included in the notice of AGM

> 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

[1] *R van Rooyen retired as Chair of the Audit Committee on 10 February 2020. Following his retirement, LP Fourie was appointed as Chair of the Audit Committee.*

- 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 appropriate financial reporting procedures and that those procedures are operating to ensure the timely and accurate preparation of the Group's annual financial statements

> 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 2020

> Guided the integrated reporting process, having regard to all factors and risks that may impact on the integrity of the Integrated Report

> Assessed and recommended to the Board, the 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 applied by management

> Considered the appropriateness of the Group's accounting policies and any changes made thereto

> Reviewed any significant legal and tax matters and considered any matters 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:

> Goodwill impairment

> Recoverability of the Quince Capital Proprietary Limited (Quince) book

The Audit Committee is satisfied that the key audit matters have been adequately addressed and disclosed.

Key accounting matters

The Audit Committee considered the impact of COVID-19 on the financial statements, focusing on the uncertainties created by the pandemic and the impact on estimates, judgements and related disclosures.

The Audit Committee also concluded positively on its own areas of special focus, which were:

> Impairment testing of significant goodwill and other non-financial asset balances at year-end

> The measurement of Expected Credit Losses (ECL) in terms of IFRS 9 as it relates to leases and loans receivable

> The adoption of the new accounting standard, IFRS 16 Leases and the related accounting treatment and resulting disclosures in the annual financial statements

> The accounting and tax treatment of the Quince credit write-off for the year and the related internal financial controls

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

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 the Group has adequate financial reporting procedures to ensure the timely and accurate preparation of financial statements. However, there was an abnormal credit write-off experienced during the year at Quince, full details of which are set out under the heading abnormal credit write-off in the directors' report

> Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto

Legal and regulatory compliance relating to the financial statements

> Reviewed legal matters that could have a material impact on the financial statements of 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 annual financial statements, following its review and having concluded on its findings the Audit Committee recommended the annual financial statements of Reunert Limited for the year ended 30 September 2020 for the approval to the Board. The Board approved the annual financial statements.

LP Fourie

Chair

Sandton
15 December 2020

Directors' report

For the year ended 30 September 2020

Authorised and issued capital

The authorised share capital of the Company remained unchanged.

During the current financial year, 19 000 (2019: 364 800) shares were issued in terms of the 2006 share scheme at an issue price of R59,55 (2019: R39,30 to R59,55) per share and a total consideration of R1 million (2019: R14 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.

Key earnings metrics	Measurement criteria	2020	2019	% change
Revenue	Rm	**8 046**	10 714	(25)
Operating profit	Rm	**307**	1 361	(77)
Profit for the year	Rm	**7**	804	(99)
Basic Earnings per share	cents	**29**	490	(94)
Headline Earnings per share	cents	**115**	573	(80)
Total cash dividend per share for the year	cents	**257**	513	(50)

Overview

Reunert's 2020 financial performance has been negatively impacted by three distinct issues:

- The primary issue was the COVID-19 pandemic, which disrupted the Group's operations during the national lockdown. This, together with the predicted future impact of COVID-19 on the Group's businesses, gave rise to the need to raise provisions for impairments and expected credit losses (ECL) in terms of the forward-looking requirements of International Financial Reporting Standards (IFRS);
- Underperformance of the Electrical Engineering segment; and
- A once off abnormal credit write-off at Quince, the Group's in-house rental finance provider.

These three issues were the drivers of the Group's lower financial performance when compared to the prior year.

Importantly, the operational and financial performance of the Group, subsequent to recommencing operations under COVID-19 regulations after the national lockdown levels 5 and 4, have been more positive than originally anticipated. In the fourth quarter of the 2020 financial year, the Group achieved 90% of the core operating profit[1] earned in the comparative quarter of the 2019 financial year. Free cash flow (FCF)[2] generation, measured as a percentage of earnings before interest, tax, depreciation and amortisation (EBITDA), has also returned to pre-COVID-19 levels. Whilst recognising that there remains much economic uncertainty ahead, management is of the view that the fourth quarter performance represents the strength of Reunert's underlying businesses in the economic conditions our key markets are likely to face.

Group results

Reunert's 2020 financial performance was adversely affected by the three issues described above and the Group's revenue decreased by 24,9% to R8 046 million (2019: R10 714 million). The Group's operating profit decreased by 77,4% to R307 million (2019: R1 361 million), with headline earnings per share of 115 cents (2019: 573 cents) and earnings per share of 29 cents (2019: 490 cents).

The Group's efforts to manage costs and conserve cash were successful and FCF recovered strongly after COVID-19 lockdown levels 5 and 4 were lifted. The full year cash conversion of the Group remained in line with its historical norms and R946 million of FCF (2019: R1 313 million) was achieved, a conversion ratio of 83,5% (2019: 84,8%) of EBITDA before impairments of financial assets.

Fourth quarter financial performance

Reunert's businesses have fully embraced the realities of operating under the constraints of COVID-19. All the Group's businesses have implemented South African Government regulations and guidelines. In accordance with these regulations, the recommended health monitoring, screening procedures and social distancing practices have been implemented. To create a safe working environment all employees have been provided with hand sanitisers and the required Personal Protective Equipment (PPE) to perform their job functions. Up to the year end, Reunert had 126 employees who tested positive for COVID-19, very fortunately, there had also been a full recovery of 96% of the employees so affected and no fatalities.

[1] *Core operating profit = operating profit as reported, adjusted for the impact of items such as profit and loss on disposal of assets, credit write-offs and ECL's recognised. Refer to annexure C.*

[2] *Free cash flow = Cash generated from operations less (cash interest paid plus cash tax paid) plus cash interest and dividends received less replacement property, plant and equipment and intangible assets.*

The Group's businesses have adapted quickly and increased their resilience as they met their customer and market demands whilst ensuring employees were managed with empathy in safe and healthy working environments. The Group's Business Continuity Plans are comprehensive, and Reunert believes them to be adequate in the event of a second wave of COVID-19 infections.

All three of the Group's segments performed well during the fourth quarter and were profitable. The Group delivered a core operating profit of R463 million (2019: R515 million) for the fourth quarter, which is 90% of the comparable quarter in the prior year. This performance reflects the strength of the Group's businesses and the resilience and responsiveness they have demonstrated since the lockdown restrictions were lifted.

The Group's cash flow recovered strongly in the fourth quarter resulting in FCF of R837 million (2019: R798 million) due to strict cash and cost management implemented since the COVID-19 lockdown was declared.

COVID-19 impact

The COVID-19 pandemic impacted Reunert through:

> A material loss of revenue during the third quarter of the 2020 financial year when the national state of disaster lockdown levels 5 and 4 were in place;
> Depletion of cash resources in order to support the Group's operations and employees during the lockdown levels 5 and 4 when normal operations were suspended;
> Mark-to-market losses on export hedge instruments as the rand weakened rapidly; and
> The impact of the IFRS forward-looking requirements resulted in the impairment of goodwill and certain property, plant and equipment at the cable factories and increased ECL recognised at Quince.

Abnormal credit write-off

An abnormal credit write-off resulted from an external fraud perpetrated against Quince by a non-connected, independent third-party dealer. A comprehensive external forensic investigation has been completed by Bowmans and has resulted in a credit write-off of R298 million, which was reported as part of the interim financial results for the six months ended 31 March 2020.

In the period since the interim reporting, the following actions have been completed:

> The forensic investigation determined that no Quince employee had a non-disclosed conflict of interest or that any criminal or deliberate misconduct facilitated the external fraud;
> The Group commissioned an independent review of the enterprise risk management framework at Quince to ensure the risk governance and control framework is appropriate. The outcome from this investigation identified various areas where reviews, functions and processes within Quince's Credit Management could be strengthened to improve monitoring and oversight. These recommendations are in the process of being implemented.
> Finally, a detailed assessment of the balance of Quince's lease book is being undertaken. At the date of publishing, R1 660 million (61% of the Quince lease book) has been assessed and the review of the remainder is scheduled to be completed by 31 March 2021. No material incorrect information has been found. An immaterial number of administrative omissions were identified, which have subsequently been corrected.

Cable businesses

The cable businesses in the Electrical Engineering segment suffered a material underperformance in the 2020 financial year, primarily due to a seven-week labour disruption at African Cables in the first quarter, significant foreign exchange losses at Zamefa in Zambia, and weak infrastructure investment demand across the businesses' key Southern African markets. During the second half of the financial year, the financial performance of the cable businesses was negatively impacted due to the inability to manufacture during lockdown levels 5 and 4.

Pleasingly, post lockdown all cable businesses recovered well and the efficiencies achieved in the factories have enabled profitable performances despite moderate market volumes.

Disposal of a subsidiary

In July 2020, the Group disposed of its shareholding in PanSolutions. The legacy consumer electronic business was no longer aligned to the Group's ICT Segment Strategy and has made an immaterial contribution to the Segment's financial results for several years.

Capital expenditure

During the year under review, the Group invested R32 million (2019: R56 million) in the replacement of property, plant and equipment and a further R138 million (2019: R102 million) to expand operations. All expenditure was financed out of internal cash generation and represented 17,3% (2019: 11,5%) of FCF before replacement capital expenditure.

Cash resources and cash liquidity

Considerable effort was put into managing the statement of financial position, and in particular working capital, to mitigate the impact of COVID-19 on the cashflow of the businesses. This resulted in a R21 million release from working capital despite having to restart the working capital cycle after the hard national lockdown. This enabled the Group to generate R946 million (2019: R1 313 million) in FCF despite the significant operational and other challenges outlined above.

At the financial year end the Group's net cash resources amounted to R323 million (2019: R616 million) which, together with the significant lines of credit available, ensures that the Group is well positioned to take advantage of opportunities and has the financial strength to address further softening in economic conditions that may arise.

Segmental review

Electrical Engineering Segment (EE)

The cable businesses faced significant challenges during the reporting year as previously described. This resulted in the segment's revenue decreasing by 30,9% to R3 767 million (2019: R5 457million) with a core operating profit of R28 million (2019: R320 million).

In Zambia the liquidity position remained constrained. The Government removed input value added tax (VAT) on copper cathode with effect from 1 January 2020, resulting in Government receivables no longer increasing due to VAT refunds on copper cathode purchases.

During most of the financial year, the repayment of the outstanding Zambian Government receivables (primarily VAT refunds) to Zamefa was slow, resulting in the Company's external, hard currency, borrowings remaining at inflated levels. Consequently, Zamefa suffered material foreign exchange losses as the exchange rate weakened from ZMW13,10:1US$ to ZMW20,05:1US$, over the reporting period. These foreign exchange losses reduced the segment's operating results by R101 million.

During the financial year the shareholder loan was restructured with the result that the risk of significant foreign exchange losses, should the kwacha depreciate further against the dollar, has been reduced. Post the financial half year the receipt of Government receivables accelerated and a total of ZMW154 million was received. The total outstanding Government debt by year end accordingly decreased to ZMW96 million (2019: ZMW250 million) which provides Zamefa with an opportunity to slowly increase throughput as working capital improves.

The telecoms factory continues to face challenges due to low volumes and continues to focus on operational efficiencies, cost reduction and cash protection.

The circuit breaker business had a solid year. Local volumes continued to be under pressure although the export performance has been excellent and more than replaced the decrease in local volumes. Our subsidiaries in both Australia and the USA performed better than the prior year and exports into Europe and China also continued to grow. This business' telecommunication solutions division, specifically, had a strong year as the pandemic led to a significant investment in this market.

Information Communication Technology Segment (ICT)

The COVID-19 hard lockdown negatively impacted on the segment's performance. Accordingly, the ICT's segment's strong operational performance in the first half of the financial year, weakened in line with the reduced activity in the second half of the 2020 financial year. The segment's core operating profit fell by 21,6% to R604 million (2019: R770 million) while revenue decreased by 22,0% to R2 524 million (2019: R3 236 million).

The Total Workspace Provider Cluster secured pleasing hardware sales as the Company continued to improve its market share. The Total Workspace Provider strategy accelerated with the addition of Energy Solutions' and PC-as-a-Service's revenues for the first time, which augmented existing revenue streams and resulted in an increase of 19% in complementary revenues through the channel over the corresponding period.

The Communications Cluster delivered a positive performance despite the interruptions from the COVID-19 lockdown. New fixed line voice deals continued to grow strongly with record new sales concluded in the 2020 financial year. ECN successfully implemented the new best-in-class operational system and the benefits of the operational efficiencies were realised in the 2020 financial year. ECN's diversified revenue streams of the cloud-based Virtual PBX (VBX) and last mile broadband connectivity sales both continued to accelerate and augment the Company's core fixed-line voice income. Skywire expanded its operational network and entered 19 new regions during the financial year. It continues to operate in line with its investment case and growth is expected to accelerate in the 2021 financial year.

The Finance Cluster's gross lease and loan book at the financial year end was R2 783 million (2019: R3 016 million). The book initially grew on the back of the improved hardware and complementary product sales in the Total Workspace Provider channel but was impacted by the credit write-off of R298 million.

Applied Electronics Segment (AE)

Although the AE segment rebounded strongly after the COVID-19 lockdown, revenue for the year decreased by 16,8% to R1 951 million (2019: R2 346 million) while core operating profit for the year decreased by 25,3 % to R268 million (2019: R359 million).

Reutech Communications and Reutech Radar Systems both delivered an excellent year-on-year improvement in their financial performance as they continue to deliver against their strong export order books. Reutech Communications delivered another record year as operational efficiencies and good export volumes continue to support the local demand.

Fuchs' performance reduced, as expected, due to the large export order that did not repeat in the 2020 financial year. Despite this the Company delivered a profit as sales into new geographies lifted its performance.

Both Nanoteq and Omnigo delivered strongly into their export orders which resulted in them each contributing a positive financial performance. Good export orders have been received for the ensuing financial year and their strong performance is therefore expected to continue.

Terra Firma was materially impacted by the COVID-19 pandemic as a lack of site access delayed project recommencement well into June 2020. The market fundamentals and associated demand for distributed generation are exciting and the Company is expected to continue to grow strongly.

Appreciation

We owe our performance to the dedication and drive of the teams at each of our business units. These attributes were particularly evident this year where our employees faced multiple challenges and we thank them for their efforts and commitment. To all our customers, we value your continued support and commit to continue to create value in the years ahead. To our suppliers and other stakeholders, we value your continued support. To the Board, thank you for your wise counsel and support in a year where we faced new and unique challenges whilst ensuring our governance standards remained high.

Prospects

Reunert has recovered well from the business interruption of COVID-19. The fourth quarter financial and operational performance compares favourably against performance in the comparable period of last year and reflects the strength of the underlying businesses. The statement of financial position remains strong and cash flow generation supports the execution of the Group's strategic and operational objectives.

Whilst recognising that there remains much economic uncertainty ahead, the Group's businesses have robust business models and are likely to recover to pre-COVID-19 financial performances as the economy recovers and the government's infrastructure expenditure improves. In addition, the Group is serving markets that are anticipated to offer good structural growth and opportunities, including:

> the renewable energy businesses;

> the strong exports businesses in the AE Segment and at CBi-Electric: Low Voltage; and

> the ICT businesses, specifically the Communications Cluster, the Total Workspace Provider offerings, and the newly launched Digital Transformation Cluster, all of which focus on the provision of business-to-business solutions that support the future of work in our country.

Cash dividend

Whilst cognisant of the economic uncertainty going forward, the Group's FCF generating capacity remains intact. The actions taken by the Company to increase its resilience enable Reunert to declare a final dividend, albeit at a reduced level. Therefore, notice has been given that a gross final cash dividend No. 189 of 192,0 cents per ordinary share (September 2019: 383,0 cents per ordinary share) has been declared by the directors for the year ended 30 September 2020.

The dividend has been declared from retained earnings, bringing the total dividends declared for the year to 257,0 cents per ordinary share.

Subsidiary companies

Annexure A sets out the principal subsidiaries of the Company.

Note 30 sets out the disposal concluded during the year.

Directorate and secretariat

Directors are subject to retirement by rotation at least once every three years in terms of the Memorandum of Incorporation (MOI) and, if available and eligible, may be re-elected by the shareholders at the succeeding annual general meeting (AGM). Appointments are not for a fixed term. TS Munday, JP Hulley, SD Jagoe, S Martin, MT Matshoba-Ramuedzisi and M Moodley retire by rotation at the upcoming AGM. The Nomination and Governance Committee, at its meeting on 23 November 2020, recommended that they be re-elected having made themselves available for re-election. MJ Husain was appointed to the Board as an independent non-executive director on 1 November 2020 and is required to retire at the upcoming AGM, and being eligible, offers himself for election. SG Pretorius and R van Rooyen retired from the Board at the 2020 AGM.

With effect from 31 December 2020, Ms Karen Louw, who is primarily responsible for the company secretarial function of the Company, through its registered Company Secretary, being Reunert Management Services Proprietary Limited, has tendered her resignation.

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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
AE Dickson	**22 601**	105 876	**–**	–	**–**	–	**22 601**	105 876
M Moodley	**59 209**	53 726	**–**	–	**–**	–	**59 209**	53 726
Adv. NDB Orleyn[1]	**–**	–	**–**	–	**1 554 000**	1 554 000	**1 554 000**	1 554 000
MAR Taylor	**–**	56 473	**–**	–	**–**	–	**–**	56 473
NA Thomson	**97 235**	89 981	**–**	–	**–**	–	**97 235**	89 981
	179 045	306 056	**–**	–	**1 554 000**	1 554 000	**1 733 045**	1 860 056

[1] *These shares are held indirectly through Bargenel's investment in Reunert, which relates to the empowerment transaction concluded in 2007.*

Subsequent to year end, the 2016 share scheme and deferred bonus plan vested resulting in a change in the directors' holding.

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	**2020**	2019
Net profits	**604**	968
Net losses	**(608)**	(183)

Going concern

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

Due to the COVID-19 pandemic, the Group focused on liquidity and cash flow preservation. Various measures that were implemented included cost optimisation and working capital initiatives. The Group continues to have sufficient available banking facilities to support business activities as it recovers to more normal levels of trading in the short to medium term. The directors have reviewed the Group's financial position, existing credit facilities and available cash resources and are satisfied that the Group will continue as a going concern for at least the next 12 months from the date of this report.

Subsequent events

In November 2020 the Group introduced a minority shareholder as a strategic partner in the 4th Cluster of the ICT segment and launched Plus1X Solutions. Plus1X Solutions is a cloud systems integrator targeting enterprise and mid-market segments with new age digital solutions.

Accounting policies

For the year ended 30 September 2020

The 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 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 2020
> 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 financial statements. Certain accounting policies have been included as part of the notes to the financial statements, where it facilitates an easier understanding for users. The financial statements have been prepared on the going concern basis. They have also been prepared on the historical cost basis, except where otherwise disclosed in the relevant accounting policy. Examples where historical cost has not been applied include:

> Certain financial instruments carried at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI)
> Share-based payments
> Business combinations

The accounting policies either set out below or incorporated in the notes to the financial statements have been consistently applied, in all material respects, with those applied in the previous year, except for the adoption of IFRS 16 Leases, the impact of which has been presented in the change in accounting policies set out under note 31.

The Group's business interests are diverse, with its various subsidiaries providing a broad range of products and services to a diverse set of markets. The main streams of business activity are organised into the following three segments, namely Electrical Engineering (EE), Information Communication Technologies (ICT) and Applied Electronics (AE). The majority of our operations are physically located in South Africa, with other operations in Australia, India, Lesotho, Mauritius, USA and Zambia.

The 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 South African rand (ZAR) (R) and all amounts, unless otherwise stated, are stated in millions of rand (Rm). The following exchange rates were used when preparing these financial statements:

	USD1	SEK1	ZMW1	AUD1
2020				
Year-end rate:	**R16,81**	**N/A**	**R0,84**	**R12,00**
Annual average rate:	**R16,32**	**N/A**	**R0,99**	**R11,12**
2019				
Year-end rate:	R15,19	R1,55	R1,16	R10,27
Annual average rate:	R14,34	R1,54	R1,15	R10,09

Judgements and estimates

The preparation of the 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 the 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.

The following judgements and estimates relevant to the consolidated Group results involved a higher degree of judgement or complexity and had the most significant impact on the amounts recognised in the financial statements:

Significant judgements and estimates

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 through discounting cash flows covering a discrete five-year period and then incorporating a terminal value for the underlying business. Management believes 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 the required cash flow forecasts from the most recent financial budget and forecasts prepared by management. The most recent financial budget is the budget approved by the Board for September 2021 and which is used as a basis for extrapolating the subsequent years using appropriate growth rates. The key assumptions used to determine the discounted cash flows are those regarding the discount rates to be applied and growth rates which are compiled based on management's past experience and on published estimates such as gross domestic product growth rates, quoted interest rates, and consumer price index (CPI). Refer to note 12, Goodwill, for an analysis of the sensitivity of these assumptions on the impairment of goodwill.

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 activity which results in cash flows considered largely independent from other activities generating separate cash flows. These are at a business unit level.

Significant judgements where goodwill was impaired

African Cables

African Cables delivered a subdued performance during the 2020 financial year, primarily due to the following:

- The low level of demand for power cable
- Weak level of investment by Government into infrastructure
- A seven-week labour disruption at African Cables during October and November 2019 which negatively impacted revenue and profitability
- Loss of the two weeks in March's sales including export sales due to COVID-19 and the resulting lockdown

Although the business has secured framework tenders at Eskom and various municipalities, the impact of the reprioritisation of Government's expenditure on infrastructure due to the impact of COVID-19 remains uncertain. Management is of the view that this business is likely to continue to experience pressure on volumes over the medium term and have therefore used forecasts taking this uncertainty into consideration.

Dynateq

Dynateq's revenue is largely driven by securing contracts within the global defence sector. The business is dependent on the export market in various economies including the Middle East and Europe. In addition, there is a high dependency on component parts from the upstream supply chain which makes revenue and production forecasts uncertain in the short to medium term. Although a portion of the short-term order book is secured, management is of the view that this business is likely to experience pressure on volumes over the medium term based on the extent of the recovery of the global defence market in which Dynateq's products are sold.

Impairment of property, plant and equipment, right-of-use assets and intangible assets within equity accounted joint venture

Management applied the same process described above to determine the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets within CBi-Electric Telecom Cables (Pty) Ltd. The outlook for the business remains uncertain due to a limited order book and combined with significant margin degradation due to competition. Declining volumes contributed to weak cash flow forecasts over the short to medium term. The business has also made a substantial loss to date. The outcome of the assessment of the recoverable amount resulted in the related assets being impaired.

Impairment of non-derivative financial assets

The Group applies the expected credit loss (ECL) model to its non-derivative financial assets to determine the impairment required. 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.

The Group has considered these factors above and also used the following key assumptions in estimating the ECL

> The Moody's expected rate of credit defaults which has increased from 3,5% pre-COVID-19 to 9,3% post-COVID-19 (11,5% at 31 March 2020)
> This rate was tested for reasonableness and appropriateness by reference to data from various financial institutions and credit rating agencies
> Due to the uncertainty that COVID-19 brings to the impact on future economic activity, the estimates made include a high degree of judgement
> The LGD rate of 63% was obtained from the quoted recovery rate of the World Bank for South African debt of 37%. This was corroborated against the Moody's recovery rate for emerging markets. Due to the uncertainty of the impact for South Africa, this is currently the best independent and credible information available

Further details are provided in note 14, 15 and 29.

Other judgements and estimates

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 following category of intangible asset is as follows:

Customer lists

The value and useful lives of customer lists acquired in an acquisition is based on both contractual and non-contractual customer relationships. In its annual review of the carrying value of these assets, the Group considered various factors including the duration and value of ongoing customer contracts, historical customer retention information and the length of time the customer has been serviced by the Group. Judgement was applied in estimating the following significant factors in determining the value and useful lives of customer lists:

> Expected willingness of related customers 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

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. Various judgements are applied in arriving at the revenue recognised for goods and services delivered over time. The most significant of these relate 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. This assessment is done at inception of the contract using a cost plus reasonable margin approach. 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. The judgements and resulting estimates applied in determining each input is made by regular analysis of detailed contract accounts and involvement of contract managers with knowledge of both its contracts and the industry. This is applied primarily in our manufacturing businesses. Revenue raised on this basis gives rise to a contract asset until such stage as the customer is invoiced as set out under note 1.

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.

Classification of leases

The Group as a lessor

The majority of leases (including rentals) to customers in the Group are in the ICT segment and are initiated through the Nashua Office Automation/Total Workspace Provider channel. The selling Nashua franchise or PanSolutions/ECN dealer purchases the underlying equipment from Nashua and in the case of PanSolutions/ECN dealers from other suppliers and this equipment is rented to the customer. A rental agreement is entered into with a customer (the lessee) to rent the equipment for a period of time and the contract is signed between the Nashua franchise or PanSolutions/ECN dealer and the customer.

These rentals are normally classified as finance leases between the customer, Nashua franchise and PanSolutions/ECN dealer. 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

The Group as a lessee

In the current year the Group adopted IFRS 16 Leases, which has resulted in a prospective change in accounting policy with regards to lessees. Refer to note 31 for details of the change in accounting policy.

Put option liability

The Group granted a put option in favour of the non-controlling shareholders of Terra Firma Solutions Proprietary Limited for 25% (2019: 25%) of that company's issued share capital. The majority of this put option was exercised in the current period.

The value of the Terra Firma put option liability was determined annually using a discounted cash flow model which discounted the expected exercise price on the date the option is likely to be exercised to the reporting date. The expected exercise price was based on management's best estimate of Terra Firma's forecast revenue and net profit for the year ending 30 September 2021 applied to the contracted valuation formulae contained in the shareholder agreement.

Refer to note 29.

EBITDA: non-IFRS measure

Earnings before net interest, tax, depreciation and amortisation, impairment of goodwill and property, plant and equipment, impairment of financial assets, loss on disposal of subsidiary and empowerment transactions. EBITDA includes interest income received on leases and loans receivable in the ICT Segment.

New and amended accounting standards adopted by the Group

On 1 October 2019 the Group changed its accounting policies and made certain adjustments following the adoption of IFRS 16 Leases. The appropriate details and impact of these changes are disclosed in note 31, changes in accounting policies. The Group has adopted IFRIC 23 Uncertainty Over Income Tax Treatments for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is an uncertainty over income tax treatments. The interpretation requires the group to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used or proposed to be used by an entity in its income tax filings. In adopting IFRIC 23 there were no uncertain tax treatments that required the group to reflect the effect of the uncertainty in determining its tax charge in the statement of profit or loss. There is no uncertainty regarding the deductibility of expenditure, however, the timing of a deduction may impact on the statement of financial position classification as tax or deferred tax. This uncertainty will have no impact on the tax charge in the statement of profit or loss.

New and amended accounting standards adopted by the Company

On 1 October 2019 the Company, as a lessor, reassessed the lease terms following the adoption of IFRS 16 Leases. This resulted in lease terms of yearly contracts being reassessed to reflect the term that the Company expects to lease the asset out. This reassessment gave rise to a lease smoothing receivable.

New and amended accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 September 2020 reporting period and have not been early adopted by the Company or Group. These standards are not expected to have a material impact on the Company or the Group in the current or future reporting periods and on foreseeable future transactions.

Statements of profit or loss

For the year ended 30 September 2020

Rm	Notes	Group 2020	Group 2019[1]	Company 2020	Company 2019
Revenue	1	**8 046**	10 714	**406**	1 188
EBITDA before impairments of financial assets		**1 133**	1 548	**386**	1 138
Credit write-off	14	**(298)**	–	**–**	–
Expected credit losses	14, 15	**(288)**	(22)	**–**	–
Reversal of impairment/(impairment) of loans	13			**179**	(726)
(Impairment)/reversal of impairment of financial assets		**(586)**	(22)	**179**	(726)
EBITDA[2]		**547**	1 526	**565**	412
Depreciation and amortisation		**(240)**	(165)	**(6)**	(4)
Operating profit	2	**307**	1 361	**559**	408
Interest and dividend income	3	**41**	44	**-**	–
Interest expense	4	**(83)**	(59)	**(1)**	(1)
Profit before impairments of non-financial assets, loss on disposal of subsidiaries and empowerment transactions		**265**	1 346	**558**	407
Impairment of non-financial assets					
Impairment of goodwill	12	**(75)**	(67)		
Impairment of property, plant and equipment	10	**(4)**	(40)	**–**	–
Impairment of investment in subsidiaries	13			**(800)**	(108)
Loss on disposal of subsidiary	30	**(20)**	(44)		
Empowerment transactions	5	**–**	(3)	**–**	–
Profit/(loss) before tax		**166**	1 192	**(242)**	299
Tax	6	**(82)**	(387)	**(15)**	(5)
Profit/(loss) after tax		**84**	805	**(257)**	294
Share of joint ventures' and associate's loss	27	**(77)**	(1)		
Profit/(loss) for the year		**7**	804	**(257)**	294
Profit/(loss) for the year attributable to:					
Non-controlling interests		**(40)**	14		
Equity holders of Reunert		**47**	790		
Earnings per share (cents)					
Basic	7	**29**	490		
Diluted	7	**29**	484		

[1] *Due to the significance of the credit write-off and expected credit losses for the current year, the Group has provided additional disclosure by separately disclosing these. The movements in expected credit losses is re-presented on the face of the statements of profit or loss. This is for year on year disclosure comparability.*

[2] *Earnings before net interest, tax, depreciation and amortisation, impairment of goodwill and property, plant and equipment, impairment of investment in subsidiaries, loss on disposal of subsidiary and empowerment transactions; EBITDA includes interest income received on leases and loans receivable in the ICT Segment.*

Statements of other comprehensive income

For the year ended 30 September 2020

Rm	Group		Company	
	2020	2019	**2020**	2019
Profit/(loss) for the year	**7**	804	**(257)**	294
Other comprehensive income, net of tax:				
Items that may be reclassified subsequently to the statement of profit or loss:	**(56)**	5	**–**	–
Translation differences of foreign businesses	**30**	12		
Recycled to the statement of profit or loss on disposal of foreign business	**–**	(10)		
Translation loss on net investment in subsidiary[1]	**(87)**	(5)		
Fair value remeasurement of financial asset	**1**	8		
Total comprehensive income for the year	**(49)**	809	**(257)**	294
Total comprehensive income attributable to:				
Non-controlling interests	**(62)**	16		
Share of (loss)/profit for the year	**(40)**	14		
Share of other comprehensive income	**(22)**	2		
Equity holders of Reunert	**13**	793	**(257)**	294
Share of profit/(loss) for the year	**47**	790	**(257)**	294
Share of other comprehensive income	**(34)**	3	**–**	–

[1] *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 2020

Rm	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Assets					
Non-current assets					
Property, plant and equipment	10	**795**	823	**5**	5
Investment property	10	**31**	39	**186**	182
Right-of-use assets	10	**186**	–	**–**	–
Intangible assets	11	**445**	430	**–**	–
Goodwill	12	**924**	999	**–**	–
Interest in subsidiaries	13			**2 165**	2 838
Other investments and loans		**61**	60	**1**	–
Investments in joint ventures and associate	27	**74**	154	**–**	–
Amounts owing by subsidiaries	13			**4 864**	5 296
Leases receivable	14	**557**	596[1]	**–**	–
Loans receivable	14	**1 221**	1 486[1]	**–**	–
Deferred tax assets	16	**172**	143	**3**	17
		4 466	4 730	**7 224**	8 338
Current assets					
Inventory	17	**1 483**	1 376	**–**	–
Leases receivable	14	**288**	377[1]	**–**	–
Loans receivable	14	**507**	516[1]	**–**	–
Trade and other receivables	15	**1 895**	2 293	**17**	11
Tax receivable		**46**	63	**1**	–
Derivative financial assets		**12**	10	**–**	–
Cash and cash equivalents	18	**1 029**	939	**1**	15
		5 260	5 574	**19**	26
Total assets		**9 726**	10 304	**7 243**	8 364
Equity and liabilities					
Capital and reserves					
Share capital	19	**389**	388	**389**	388
Share-based payment reserves	19	**217**	229	**–**	–
Empowerment shares	19	**(276)**	(276)		
Treasury shares	19	**(342)**	(342)		
Equity transactions/put option with non-controlling interests		**–**	(108)		
Other reserves[2]		**(161)**	(52)	**(75)**	–
Retained earnings		**6 678**	7 473	**6 781**	7 866
Equity attributable to equity holders of Reunert		**6 505**	7 312	**7 095**	8 254
Non-controlling interests		**38**	119		
Total equity		**6 543**	7 431	**7 095**	8 254
Non-current liabilities					
Deferred tax liabilities	16	**89**	138	**–**	–
Equity forward contract		**59**	–	**59**	–
Long-term loans	20	**15**	57	**–**	–
Lease liabilities	20	**162**	–	**–**	–
Share-based payment liability	21	**–**	14	**–**	–
Contract liabilities	23	**23**	–	**–**	–
		348	209	**59**	–
Current liabilities					
Put option liability	29	**–**	120	**–**	–
Equity forward contract		**16**	–	**16**	–
Current portion of long-term loans	20	**1**	3	**–**	–
Lease liabilities	20	**56**	–	**1**	–
Share-based payment liability	21	**6**	18	**–**	–
Derivative financial liabilities		**28**	16	**–**	–
Provisions	22	**123**	154	**53**	80
Tax liabilities		**50**	28	**–**	–
Contract liabilities	23	**255**	242[1]	**–**	–
Trade and other payables	23	**1 594**	1 760[1]	**17**	19
Amounts owing to subsidiaries	13			**2**	11
Bank overdrafts and short-term facilities	18	**706**	323	**–**	–
		2 835	2 664	**89**	110
Total equity and liabilities		**9 726**	10 304	**7 243**	8 364

[1] *In the interest of clear presentation certain of the comparative numbers have been disaggregated into their component parts. Accordingly the comparatives have been re-presented.*

[2] *Refer to the statement of changes in equity for the composition of the other reserves.*

Statements of cash flows

For the year ended 30 September 2020

Rm	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Cash flows from operating activities					
Cash generated from operations before working capital changes	A	**1 136**	1 460	**362**	1 136
Decrease/(increase) in net working capital	B	**21**	318	**(4)**	33
Cash generated from operations		**1 157**	1 778	**358**	1 169
Cash interest and dividends received		**41**	44	**–**	–
Cash interest paid		**(75)**	(50)	**(1)**	(1)
Tax paid	C	**(145)**	(403)	**(2)**	(7)
Net cash inflow from operating activities available to pay dividends		**978**	1 369	**355**	1 161
Dividends paid (including to non-controlling interests in subsidiaries)	D	**(727)**	(817)	**(828)**	(920)
Net cash inflow/(outflow) from operating activities		**251**	552	**(473)**	241
Cash flows from investing activities					
Investments to maintain operating capacity		**(191)**	(299)	**590**	202
Cash invested in loans receivable		**(172)**	(252)	**–**	–
Repayment of other investments and loans		**3**	–	**–**	2
Other investments and loans granted		**(1)**	(1)	**–**	–
Dividend received from joint venture		**3**	3	**–**	–
Repayment of loans previously advanced to subsidiaries				**590**	443
Cash advanced to treasury company				**–**	(243)
Replacement of property, plant and equipment and intangible assets		**(32)**	(56)	**–**	–
Proceeds from disposal of property, plant and equipment		**8**	7	**–**	–
Investments to increase operating capacity		**(142)**	(119)	**(10)**	(9)
Expansion of property, plant and equipment and intangible assets		**(138)**	(102)	**(10)**	(9)
Acquisition of subsidiaries and businesses		**–**	(32)	**–**	–
Disposal of subsidiaries and businesses	30	**(4)**	15	**–**	–
Net cash (outflow)/inflow from investing activities		**(333)**	(418)	**580**	193
Cash flows from financing activities					
Funds provided by equity holders of Reunert		**1**	14	**1**	14
Cash invested in subsidiaries' shares				**(111)**	(437)
Shares acquired for equity settled Conditional Share Plan (CSP)		**(54)**	(74)	**–**	–
Proceeds on disposal of shares to non-controlling interests		**–**	12		
Purchase of additional shares in terms of a call option with non-controlling interests		**(1)**	(30)		
Put option liability settled		**(131)**	–	**–**	–
Long-term loans raised		**2**	12	**–**	–
Long-term loans settled		**–**	(10)	**–**	–
Contingent consideration settled		**(15)**	(16)	**–**	–
Lease liabilities settled		**(57)**	–	**(2)**	–
Repayment of loans previously advanced by subsidiaries				**(9)**	–
Loans advanced by subsidiaries				**–**	2
Net cash outflow from financing activities		**(255)**	(92)	**(121)**	(421)
Net (decrease)/increase in net cash and cash equivalents		**(337)**	42	**(14)**	13
Net cash and cash equivalents as at 1 October as reported in the statements of financial position		**616**	572	**15**	2
Net cash and cash equivalents as at 30 September before translation adjustments		**279**	614	**1**	15
Made up of:					
Cash and cash equivalents	18	**1 029**	939	**1**	15
Bank overdraft and short-term facilities		**(706)**	(323)	**–**	–
Bank overdrafts	18	**(122)**	(154)	**–**	–
Short-term facilities	18	**(584)**	(169)	**–**	–
Net cash and cash equivalents as at 30 September as reported in the statements of financial position		**323**	616	**1**	15
Foreign exchange translation adjustments on:					
Cash and cash equivalents		**1**	(2)	**–**	–
Bank overdrafts and short-term facilities		**(45)**	–	**–**	–
Net cash and cash equivalents as at 30 September before translation adjustments		**279**	614	**1**	15
Net cash flows from operating activities before dividends paid		**978**	1 369	**–**	–
Operating cash flow before dividends paid per share (cents)		**606**	849	**–**	–

Notes to the statements of cash flows

For the year ended 30 September 2020

Rm	Group 2020	Group 2019	Company 2020	Company 2019
A. Reconciliation of EBITDA to cash generated from operations before working capital changes				
EBITDA	**547**	1 526	**565**	412
Adjusted for:				
Cash interest and dividend received	**41**	44	**–**	–
Interest expense	**(83)**	(59)	**(1)**	(1)
Depreciation and amortisation	**(240)**	(165)	**(6)**	(4)
Impairment of goodwill	**(75)**	(67)	**–**	–
Impairment of property, plant and equipment	**(4)**	(40)	**–**	–
Loss on sale of disposal of subsidiary	**(20)**	(44)	**–**	–
Empowerment transactions	**–**	(3)	**–**	–
Impairment of subsidiaries			**(800)**	(108)
Profit before tax	**166**	1 192	**(242)**	299
Adjusted for:				
Cash interest and dividends received	**(41)**	(44)	**–**	–
Cash interest paid	**75**	50	**1**	1
Interest paid – unwind of present value discount	**8**	9	**–**	–
Depreciation of property, plant and equipment and right-of-use assets	**184**	119	**6**	4
Amortisation of intangible assets	**56**	46	**–**	–
Net gain on disposal of property, plant and equipment and intangible assets	**(4)**	(2)	**–**	–
Loss on disposal of subsidiary	**20**	44		
Impairment of interests in and loans to subsidiaries			**621**	834
Impairment of assets	**79**	112	**–**	–
Share-based payment expense in respect of empowerment transactions	**–**	3	**–**	–
Share-based payment expense in respect of the Group's CSP	**10**	12	**–**	–
Share-based payment expense in respect of the Group's Deferred Bonus Plan	**(3)**	9	**–**	–
Cash paid to settle the Group's Deferred Bonus Plan	**(22)**	–	**–**	–
Unrealised forex losses/(gains)	**48**	(92)	**–**	–
Gain on remeasurement of contingent consideration	**(2)**	(4)		
Put option liability fair value remeasurement	**3**	(9)	**–**	–
Credit write-off and expected credit losses	**586**	22[1]	**–**	–
Provisions movements	**(5)**	13	**(27)**	(2)
Other non-cash movements	**(22)**	(20)[1]	**3**	–
Cash generated from operations before working capital changes	**1 136**	1 460	**362**	1 136

[1] *Due to the significance of the credit write-off and expected credit losses for the current year, the Group has provided additional disclosure by separately disclosing these. The movement in expected credit losses is re-presented on the face of the statements of profit or loss. This is for year on year disclosure comparability.*

	Rm	Group 2020	Group 2019	Company 2020	Company 2019
B.	**Working capital changes**				
	Inventory	**(209)**	66	**–**	–
	Trade and other receivables and derivative financial assets	**341**	392	**(2)**	43
	Trade and other payables, provisions, contract liabilities and derivative financial liabilities	**(111)**	(140)	**(2)**	(10)
	Decrease/(increase) in net working capital changes	**21**	318	**(4)**	33
C.	**Reconciliation of tax paid to the amounts disclosed in the statements of profit or loss as follows:**				
	Net amounts outstanding as at 1 October	**35**	34	**–**	(2)
	Tax per the statements of profit or loss	**(82)**	(387)	**(15)**	(5)
	Less: deferred tax	**(109)**	(18)	**14**	–
	Tax deduction in terms of CSP – benefit through retained earnings	**8**	13	**–**	–
	Tax provision of subsidiary disposed	**(1)**	(8)		
	Tax arising on shares sold to non-controlling interests	**–**	(2)		
	Net amounts outstanding as at 30 September	**4**	(35)	**(1)**	–
	Cash amounts paid	**(145)**	(403)	**(2)**	(7)
D.	**Reconciliation of cash dividends paid to the amounts disclosed in the statements of changes in equity as follows:**				
	Dividends paid per the statements of changes in equity	**(723)**	(803)	**(828)**	(920)
	Dividends paid to non-controlling interests	**(4)**	(14)	**–**	–
	Cash amounts paid	**(727)**	(817)	**(828)**	(920)

Statements of changes in equity

For the year ended 30 September 2020

Rm	Notes	Share capital	Share-based payment reserves	Empowerment shares[1]	Treasury shares[2]	Equity transactions/ put option with non-controlling shareholders
		Group				
Balance as at 1 October 2018		374	256	(276)	(342)	(108)
IFRS 9 and 15 transitional adjustment		–	–	–	–	–
		–	–	–	–	–
Profit for the year		–	–	–	–	–
From other comprehensive income for the year		–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–
Issue of shares	19	14	–	–	–	–
Share-based payments						
– in terms of the CSP	19	–	1	–	–	–
– shares acquired for incentive scheme (CSP)	19	–	(74)	–	–	–
– in terms of the empowerment transaction	19	–	3	–	–	–
Recycled to the statement of profit or loss on disposal of foreign subsidiary		–	–	–	–	–
Cash dividends paid	8	–	–	–	–	–
Tax deduction in terms of the CSP		–	–	–	–	–
Subscription for shares by non-controlling shareholders		–	–	–	–	–
Disposal of a business	30	–	–	–	–	–
Additional shares acquired from, net of shares sold to non-controlling shareholders		–	–	–	–	(27)
Transfer from retained earnings		–	43	–	–	27
Balance as at 30 September 2019		**388**	**229**	**(276)**	**(342)**	**(108)**
Profit for the year		–	–	–	–	–
From other comprehensive income for the year		–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–
Issue of shares	19	1	–	–	–	–
Share-based payments						
– in terms of the CSP	19	–	9	–	–	–
– shares acquired for incentive scheme (CSP)	19	–	(54)	–	–	–
– in terms of the empowerment transaction	19	–	–	–	–	–
Cash dividends paid	8	–	–	–	–	–
Tax deduction in terms of the CSP		–	–	–	–	–
Recognised during the year		–	–	–	–	–
Additional shares acquired from non-controlling shareholders		–	–	–	–	14
Transfer from retained earnings		–	33	–	–	94
Balance as at 30 September 2020		**389**	**217**	**(276)**	**(342)**	–

[1] *This is the cost of Reunert Limited shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to its empowerment partner in 2007. Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the Group.*

[2] *Ordinary Reunert shares bought back in the open market and held by a subsidiary: 4 997 698 shares (2019: 4 997 698 shares).*

[3] *At the end of the financial year, the Group, on behalf of the CSP, entered into a hedging forward contract with an independent third party in terms of which 2 346 930 Reunert ordinary shares will be acquired by the independent third party for purposes of hedging the Group's potential obligation to deliver Reunert ordinary shares to CSP participants. The forward contract has been recognised and measured in terms of the IFRS 9 Financial Instruments requirements governing equity instruments. Refer to note 29 for the accounting policy relating to equity instruments.*

Group

Equity forward contract[3]	Fair value reserve	Translation loss on net investment in foreign subsidiary	Foreign currency translation reserves	Retained earnings	Equity attributable to equity holders of Reunert	Non-controlling interests	Total equity
–	–	(42)	(23)	7 599	7 438	88	7 526
–	–	–	–	(56)	(56)	(9)	(65)
–	–	–	–	7 543	7 382	79	7 461
–	–	–	–	790	790	14	804
–	6	(5)	2	–	3	2	5
–	6	(5)	2	790	793	16	809
–	–	–	–	–	14	–	14
–	–	–	–	–	1	–	1
–	–	–	–	–	(74)	–	(74)
–	–	–	–	–	3	–	3
–	–	–	10	–	10	–	10
–	–	–	–	(803)	(803)	(14)	(817)
–	–	–	–	13	13	–	13
–	–	–	–	–	–	43	43
–	–	–	–	–	–	(12)	(12)
–	–	–	–	–	(27)	7	(20)
–	–	–	–	(70)	–	–	–
–	**6**	**(47)**	**(11)**	**7 473**	**7 312**	**119**	**7 431**
–	–	–	–	47	47	(40)	7
–	1	(62)	27	–	(34)	(22)	(56)
–	1	(62)	27	47	13	(62)	(49)
–	–	–	–	–	1	–	1
–	–	–	–	–	9	–	9
–	–	–	–	–	(54)	–	(54)
–	–	–	–	–	–	–	–
–	–	–	–	(723)	(723)	(4)	(727)
–	–	–	–	8	8	–	8
(75)	–	–	–	–	(75)	–	(75)
–	–	–	–	–	14	(15)	(1)
–	–	–	–	(127)	–	–	–
(75)	7	(109)	16	6 678	6 505	38	6 543

Statements of changes in equity continued

Rm	Notes	Company Share capital	 Equity forward contract	 Retained earnings	 Total equity
Balance as at 1 October 2018		374	–	8 492	8 866
Profit for the year		–	–	294	294
Total comprehensive income for the year		–	–	294	294
Issue of shares	19	14	–	–	14
Dividends paid	8	–	–	(920)	(920)
Balance as at 30 September 2019		**388**	**–**	**7 866**	**8 254**
Profit for the year		**–**	**–**	**(257)**	**(257)**
Total comprehensive income for the year		**–**	**–**	**(257)**	**(257)**
Issue of shares	19	**1**	**–**	**–**	**1**
Dividends paid	8	**–**	**–**	**(828)**	**(828)**
Recognised during the year		**–**	**(75)**	**–**	**(75)**
Balance as at 30 September 2020		**389**	**(75)**	**6 781**	**7 095**

Notes to the annual financial statements

For the year ended 30 September 2020

1. Revenue

Revenue from contracts with customers

Revenue from contracts with customers is derived from the sale of products and rendering of services.

Products and services

Revenue recognised at a point in time

Revenue meeting this classification is derived from the sale of inter alia; cables, electrical distribution, protection and control equipment; multi-function printers; radars, fuzes and communication products.

Revenue recognised over time

Revenue meeting this classification include service revenue such as print and document solutions; communication products and services and engineering contracts; and solution services.

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

Revenue is recognised when the Group satisfies the performance obligation for the related product or service for the customer; this can be recognised:

- Over time for products, mainly in the AE segment, 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, mainly relating to print solutions in the ICT segment when the customer simultaneously receives and consumes the benefits provided by the Group's performance.

  Revenue is recognised based on volumes consumed by the customer where this best represents the obligations provided to the customer in terms of the contract.

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.

Revenue by segment

Entities within the EE segment generate revenue from various contractual arrangements, the majority of which are from the sale of products, as set out below:

Revenue source	Application
Sale of products which include:	
Energy, power and telecommunication products are the designs and manufacture of a comprehensive range of electrical conductors, cables and accessories, low voltage electrical distribution, protection and control equipment.	The sale of energy, power and telecommunication products are considered as one performance obligation and accounted for as a product sale. Revenue is recognised when the products are delivered to the customer. The Group considers itself the principal in these sales and recognises revenue on the gross basis. Revenue on the sale of these goods is measured at the effective selling price of the items sold net of value-added tax (VAT) after subtracting discounts and rebates granted to customers. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.
Service revenue includes:	
Turnkey installation, testing and maintenance of medium and high-voltage cable systems.	The delivery of a turnkey solution is considered a single performance obligation. The input cost incurred method is used to assess the performance obligation which is met over time. The project completion is measured using the current cost incurred compared to the total estimated cost per the contract. Revenue is recognised based on the input cost incurred method, which is an over time revenue recognition. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligation to the customer based on the committed contractual amounts, net of VAT, discounts, rebates, allowance for customer returns, and items of a similar nature. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.

1. **Revenue** *continued*

Revenue by segment continued

Entities within the ICT segment generate revenue from various contractual arrangements, which include the sale of products and rendering of services, as set out below:

Revenue source	Application
Sale of products which include:	
Office equipment, communication equipment and automation products include Multi-function printer (MFP) devices, managed print software and solutions, production printing devices, routers, PBX equipment, switches and handsets.	The sale of these products are considered one performance obligation and accounted for as a product sale. Revenue is recognised when the products are delivered to the customer. The Group considers itself the principal in these sales and recognises revenue on the gross basis. Revenue on the sale of these goods is measured at the effective selling price of the items sold after subtracting VAT, discounts and rebates granted to customers. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.
Service revenue includes:	
ICT services which include cloud-based virtual private branch exchange (VBX) offerings, hosted call recording, and business internet access products.	The sale of these services are considered one performance obligation and are accounted for as revenue when the service is rendered to the customer. Revenue is recognised when the services are performed. The Group considers itself the principal in these services and recognises revenue on the gross basis.
Communication equipment and software is the design, implementation and support of converged networking, communications and security solutions.	The sale of these services are not considered to be one performance obligation and are accounted for when the performance obligations are met. Obligations would typically include delivery of equipment/software, installation of equipment/software and maintenance services. Maintenance services are satisfied over the period of the contract and revenue is recognised based on the input costs incurred method. Revenue is recognised as follows: a. installation: > recognised at a point in time (relating to product sales) where the equipment mentioned has been installed and commissioned at the customer premises; or > over time where the equipment is installed in order to render a service to the customer b. maintenance services – satisfied over the period of the contract and based on costs incurred in order for revenue to be recognised. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The transaction price is allocated between the identified performance obligations according to the relative standalone selling prices of the performance obligations and revenue is measured at the effective selling price of the items sold or services rendered after subtracting VAT, discounts and rebates granted to customers.
Wireless, fixed and satellite connectivity solutions which include wireless, fibre satellite and LTE connectivity solutions across a single, next-generation countrywide network.	Judgement is applied to assess if the revenue from the goods sold are separately identifiable in terms of the contract and its performance obligations. If the obligations are not separately identifiable, revenue is recognised over time on a straight line basis. If the obligations are separately identifiable the sale of the products are recognised on the date of delivery and the service recognised over time. Revenue is recognised over time on a straight line basis as the customer simultaneously receives and consumes the benefits provided by the Group. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligation to the customer based on the committed contractual amounts, net of VAT, discounts, rebates, allowance for customer returns, and items of a similar nature. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.

1. Revenue *continued*

Revenue by segment continued

Entities within the AE segment generate its revenue from various contractual arrangements, which include the sale of products and rendering or services, as set out below:

Revenue source	Application
Sale of products which include:	
Military and commercial products include technology solutions for fuze requirements, radar solutions, secure/tactical communications, robotic development and production, precision electronic production, remote weapon systems, logistical integration and support.	The sale of military and commercial products is considered one performance obligation and accounted for as a product sale. Revenue is recognised when the products are delivered to the customer. Control is transferred at point of delivery or per the incoterms as indicated in the contract. The Group considers itself the principal in these sales and recognises revenue on the gross basis. Revenue on the sale of these goods is measured at the effective selling price of the items sold after subtracting VAT, discounts and rebates granted to customers.
Service revenue includes:	
Military and defence solutions are engineered and manufactured remote controlled stabilised weapon platforms and the development and manufacturing of search and tracking radar systems and subsystems for local and export markets.	The solutions provided are considered a single performance obligation, the input method is used to assess the performance obligation met over time. The project completion is measured using the current cost incurred compared to the total estimated cost per the contract. This estimate is initially based on proposal provided to the client and the final contract. Revenue is recognised based on the cost incurred input method, which is an over time revenue recognition. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligation to the customer based on the committed contractual amounts, net of VAT, discounts, rebates, allowance for customer returns, and items of a similar nature. For contracts that permit returns, rebates or discounts or any penalties, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.
Solar solutions are turnkey energy engineering solutions, delivering start-to-end solutions, starting with strategy development, leading to project implementation, support and maintenance this includes commercial scale rooftop, parking and ground mount solar PV systems.	The delivery of a turnkey solution is considered a single performance obligation. The input cost incurred method is used to assess the performance obligation which is met over time. Revenue is recognised over time using the input cost incurred method as the customer controls the asset and the asset has no alternative use. Revenue is recognised equal to the cost of significant inputs for delivery of materials to site and when installation occurs revenue and margin are recognised. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The transaction price is determined by reference to the contract and the nature of the installations. The full transaction price net of VAT per the contract is allocated to the performance obligation.

Contract assets and liabilities

Contract assets and liabilities are only raised where the payment terms are expected to be in line with normal credit terms after invoicing.

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 the 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.

A financing component may exist in the contract on which contract assets or liabilities are recognised. Contract liabilities include a contract with a customer in the Applied Electronics segment that contains a significant financing component. If the contract exceeds 12 months, the customer obligation is considered to include a financing component. 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 customer's credit risk. Typically however, the timing of receipt of payment is generally less than 12 months after the satisfaction of the performance obligation. All contract assets are subject to an impairment test under IFRS 9.

Under certain service contracts, the Group receives consideration from customers for installation services delivered 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.

1. **Revenue** *continued*

Other revenue

Interest received on lease receivables

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

Analysis of revenue

Rm	Segment				
	EE	ICT	AE	Other	Total
Group					
2020					
Revenue from contracts with customers					
Category of revenue					
Products	3 406	1 286	1 322	–	6 014
Services	182	798	601	–	1 581
	3 588	2 084	1 923	–	7 595
Timing of revenue recognition:					
Revenue recognised at a point in time	3 468	1 508	1 239	–	6 215
Revenue recognised over time	120	576	684	–	1 380
	3 588	2 084	1 923	–	7 595
Total revenue from contracts with customers	3 588	2 084	1 923	–	7 595
Other revenue					
Interest received on leases and loans receivable	–	412	–	–	412
Rental revenue	–	–	28	11	39
Total revenue	3 588	2 496	1 951	11	8 046
Revenue by geography					
South Africa	2 279	2 390	1 023	11	5 703
Africa (excluding South Africa)	911	106	161	–	1 178
Asia[1]	40	–	527	–	567
Australia	164	–	26	–	190
Europe	76	–	145	–	221
The Americas	118	–	69	–	187
Total revenue	3 588	2 496	1 951	11	8 046
Revenue to be recognised on remaining performance obligations in respect of open contracts					
In the next 12 months					915
More than 12 months					314

[1] *Includes revenue earned from India.*

1. Revenue *continued*

Rm	Segment				
	EE	ICT	AE	Other	Total
Group					
2019					
Revenue from contracts with customers					
Category of revenue					
Products	4 936	1 619	2 148	–	8 703
Services	214	1 159	109	–	1 482
	5 150	2 778	2 257	–	10 185
Timing of revenue recognition:					
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
Other revenue					
Interest received on leases and loans receivable	–	425	–	–	425
Rental revenue	–	–	13	11	24
Other revenue	–	4	76	–	80
Total revenue	5 150	3 207	2 346	11	10 714
Revenue by geography					
South Africa	3 314	2 875	1 350	11	7 550
Africa (excluding South Africa)	1 156	97	82	–	1 335
Asia[1]	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

[1] *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. There have been no significant changes to the contract assets and liabilities in the current year as a result of COVID-19.

Revenue policy related to the Company

Dividends 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.

Rental revenue

Rental revenue from operating leases is recognised on a straight-line basis over the lease term.

Rm	South Africa	
	2020	2019
Company		
Revenue		
Dividends and interest income	**331**	1 123
Rental revenue	**75**	65
	406	1 188

2. Operating profit

Rm	Group 2020	Group 2019	Company 2020	Company 2019
Included in operating profit are the following:				
Cost of sales	**5 377**	7 457	**–**	–
Less: depreciation and amortisation included in cost of sales[1]	**(58)**	(58)	**–**	–
Cost of sales before depreciation and amortisation	**5 319**	7 399	**–**	–
Other income[2]	**35**	80	**16**	3
Fair value remeasurement on contingent consideration	**2**	4	**–**	–
Total operating expenses[3]	**1 813**	1 958	**(137)**	783
Impairment of financial assets:				
Credit write-off	**298**	–	**–**	–
Expected credit losses	**288**	22	**–**	–
Less: depreciation and amortisation included in operating expenses[1]	**(182)**	(107)	**(6)**	(4)
Total operating expenses before depreciation and amortisation	**2 217**	1 873	**(143)**	779
Included in cost of sales, other income or operating expenses:				
Profit on disposal of property, plant and equipment	**4**	2	**–**	–
Auditors remuneration:				
– Audit fees	**28**	24	**8**	6
– Other fees	**1**	3	**1**	–
	29	27	**9**	6
Realised forex losses[4]	**42**	66	**–**	–
Unrealised forex losses/(gains)[4]	**48**	(92)	**–**	–
Net forex losses / (gains)	**90**	(26)	**–**	–
Research and development expenditure:				
Externally funded	**153**	132	**–**	–
Internally funded	**19**	20	**–**	–
	172	152	**–**	–
Employee costs (included in cost of sales and other operating expenses):				
Salaries and wages	**1 600**	1 874	**–**	–
Pension and provident fund contributions[5]	**192**	198	**–**	–
Other staff costs[6]	**81**	94	**–**	–
	1 873	2 166	**–**	–
Share-based payment expense[7]	**7**	21	**–**	–
Write-down of inventory	**5**	2	**–**	–

1 *Depreciation and amortisation of property, plant and equipment and intangible assets that is considered to be part of cost of sales amounts to R50 million (2019: R58 million). Depreciation of right-of-use assets considered to be part of cost of sales is R8 million (2019: not applicable). Depreciation and amortisation of property, plant and equipment and intangible assets included in other expenses is R119 million (2019: R107 million). Depreciation of right-of-use assets included in to other expenses is R63 million (2019: not applicable).*

2 *Includes a put option liability remeasurement loss of R3 million in the Group (2019: R9 million gain).*

3 *Included in the Company operating expenses is the (reversal)/impairment of loans to subsidiaries as disclosed in note 13.*

4 *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 recognised in the statement of profit or loss.*

5 *Payments to defined contribution retirement plans are charged as an expense as they fall due.*

6 *Includes staff training, staff welfare, skills development levy, commissions and incentives and other staff related costs.*

7 *Included in share-based payment expense is a credit of R3 million (2019: a debit of R9 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).*

3. Interest income and dividends

Dividends are recognised in the statements of profit or loss when the Group's or Company's right to receive payment is established.

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

Rm	Group 2020	Group 2019
Dividend income	**3**	–
Interest earned on financial assets:		
Bank deposits	**31**	34
Other assets	**7**	10
Total interest income and dividends	**41**	44

4. Interest expense

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

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Unwinding of discount of put option liability	**8**	9	**–**	–
Loans, bank overdrafts and short-term facilities	**53**	50	**1**	1
Lease liability interest	**22**	–	**–**	–
Interest expense as per the statements of profit or loss	**83**	59	**1**	1
External interest expense in Quince (included in Group cost of sales as Quince is a finance business)	**28**	13	**–**	–
Total interest expense using the effective interest rate method	**111**	72	**1**	1

5. Empowerment transactions

To the extent that an entity issues shares as part of an empowerment transaction and the fair value of the cash or other assets received in consideration is less than the fair value of the shares granted, the difference is accounted for in the statements of profit or loss in the period in which the principal terms of the agreement are reached.

In the current financial year the Group did not incur a charge related to an empowerment transaction. The 2019 financial year charge relates to an empowerment transaction in the AE segment.

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

	Group		Company	
Rm	**2020**	2019	**2020**	2019
IFRS 2 share-based payment cost of B-BBEE transactions	**–**	3	**–**	–

In the 2019 financial year, there was no taxation on these transactions and R1 million was allocated to non-controlling interests.

6. Tax

Current tax 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.

		Group		Company	
Rm	Notes	**2020**	2019	**2020**	2019
South African current tax:					
– Current year		**192**	399	**3**	6
– Prior year		**(9)**	4	**(2)**	(1)
South African deferred tax:					
– Current year	16	**(98)**	(25)	**13**	–
– Prior year	16	**–**	4	**1**	–
		85	382	**15**	5
Foreign tax:					
– Current		**8**	2		
– Deferred	16	**(11)**	3		
Tax charge per the statement of profit or loss		**82**	387	**15**	5
%					
Tax rate reconciliation					
South African normal tax rate		**28,0**	28,0	**28,0**	28,0
Movement in rate of tax due to:					
– Dividend income		**(0,5)**	–	**38,0**	(100,0)
– Non-taxable income					–
– Reversal of impairment of loans		**–**	–	**21,2**	–
– Other non-taxable income and special deductions[1]		**(6,1)**	(0,7)	**–**	–
– Research and development allowance		**(7,7)**	(0,7)	**–**	–
– Disallowable expenses					
– Impairment of investments and loans		**–**	–	**(92,5)**	74,2
– Impairment of goodwill		**12,7**	1,6		
– Impairment of property, plant and equipment		**0,8**	0,9	**–**	–
– Deferred tax asset not recognised in loss-making subsidiaries		**16,2**	–		
– Employee option plan		**3,1**	1,0		
– Loss on disposal of subsidiary		**3,5**	1,0		
– Other disallowable expenses[2]		**5,2**	1,4	**(1,3)**	–
– Effect of foreign tax rates		**4,0**	(0,6)		
– Empowerment transactions and acquisitions costs		**–**	0,1	**–**	–
– Prior year tax[3]		**(9,2)**	0,7	**0,4**	(0,3)
– Other[4]		**(0,3)**	(0,2)	**–**	(0,2)
Effective rate of tax		**49,7**	32,5	**(6,2)**	1,7

[1] *Includes learnership allowances and amounts not taxable due to double tax agreements.*
[2] *Includes disallowable expenses such as legal and consulting fees.*
[3] *Made up of prior year taxes in respect of South African current tax (R9 million) and foreign deferred tax (R6 million).*
[4] *Includes withholding taxes.*

The Group has total estimated tax losses available to be offset against future taxable income of R521 million (2019: R279 million). R510 million of the estimated tax losses have been considered in the raising of R138 million of the deferred tax asset (2019: R56 million). Of the R510 million tax losses, R33 million relates to foreign subsidiaries, primarily taxed at a rate of 15%. Judgement is applied in determining whether deferred tax assets are recognised on tax losses. Deferred tax assets are recognised only if there is convincing evidence that there will be sufficient taxable profits in future years to recover the assets. The Group has concluded that the deferred tax assets recognised on estimated tax losses will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the various entities. These budgets incorporate the impact of COVID-19. In the case of Zamefa consideration is given to the tax law in the jurisdiction, which contains an expiry of the assessed loss after a period of time. South African company tax losses do not expire; foreign tax losses relating to Zamefa can be carried forward for a maximum period of five years. Tax losses in Zamefa total R33 million, of which 2018 tax losses of R28 million will expire in 2023 and 2020 tax losses of R5 million will expire in 2025.

The Group has capital gains tax losses of R20 million (2019: Rnil) which can be offset against future capital gains. However, as the timing of any such offset is uncertain, no deferred tax asset has been recognised.

Refer to note 16 for the determination of whether deferred tax assets are recognised.

7. Number of shares and earnings used to calculate earnings per ordinary share[1]

	Group	
Rm	**2020**	2019
Weighted average number of ordinary shares in issue, net of empowerment and treasury shares, for basic earnings and headline earnings per share (millions of shares)	**161[2]**	161
Adjusted by the dilutive effect of:		
Unexercised share options granted (millions of shares)	**1**	2
Weighted average number of ordinary shares for diluted and diluted headline earnings per share (millions of shares)	**162**	163

[1] *The earnings used to determine earnings per ordinary share and diluted earnings per share are the profit for the year attributable to equity holders of Reunert R47 million (2019: R790 million). (Refer to the statement of profit or loss).*

[2] *The Group has elected to treat the shares under the equity forward contract as issued shares for the purpose of earnings per share.*

8. Dividends

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Ordinary dividends paid:				
– Final 2019 – 383 cents per ordinary share (2018: 368 cents per ordinary share)	**708**	679	**708**	679
– Interim 2020 – 65 cents per ordinary share (2019: 130 cents per ordinary share)	**120**	241	**120**	241
– Attributable to Reunert shares held by a special-purpose entity	**(83)**	(92)		
– Attributable to Reunert shares held by a subsidiary	**(22)**	(25)		
	723	803	**828**	920
Ordinary dividend declared:				
– Final 2020 – 192 cents per ordinary share (2019: 383 cents per ordinary share)	**355**	708	**355**	708
– Attributable to Reunert shares held by a special-purpose entity	**(35)**	(71)	**–**	
– Attributable to Reunert shares held by a subsidiary	**(10)**	(19)	**–**	
	310	618	**355**	708

9. Headline earnings per share

		Group	
Per share	Notes	**2020**	2019
Headline earnings (cents)	7 and 9	**115**	573
Diluted headline earnings (cents)	7 and 9	**115**	566
Rm			
Profit for the year attributable to equity holders of Reunert		**47**	790
Headline earnings are determined by eliminating the effect of the following items from attributable earnings:			
– Goodwill impairment		**75**	67
– Impairment of non-financial assets in a joint venture (after a tax credit of R14 million)		**42**	–
– Loss on disposal of subsidiary		**20**	44
– Impairment of property, plant and equipment (2019: after a tax credit of R6 million and NCI portion of R8 million)		**4**	26
– Net gain on disposal of assets (after a tax charge of R1 million and NCI portion of R1 million) (2019: after a tax charge of R1 million and NCI portion of Rnil)		**(2)**	(3)
Headline earnings		**186**	924

Headline earnings have been determined in terms of Circular 1/2019 Headline Earnings issued by The South African Institute of Chartered Accountants.

10. Property, plant and equipment, right-of-use assets and investment property

The Group's portfolio of property, plant and equipment includes furniture, computer equipment, vehicles, owner-occupied land and buildings, plant and equipment and investment properties.

Property, plant and equipment comprises of owned and right-of-use assets leases. The Group's property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The Group holds various property assets which are held to earn external rental income and for capital appreciation which have been classified as investment property, whereas properties held for use by the Group in the supply of goods, services or for administration purposes are classified as owner occupied properties.

All property, plant and equipment, including investment property, is initially recognised at cost. Cost being the purchase price plus the incidental costs to prepare the assets for their intended use.

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.

The Group has segments such as EE and AE which are highly capital intensive where parts of property, plant and equipment require replacement at regular intervals. The carrying value of an item of property, plant and equipment includes the cost of replacing the part when that cost is incurred, if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. The carrying values of the parts replaced are derecognised on capitalisation of the cost of the replacement part. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately where it has an estimated useful life that differs from that of the item as a whole.

Current on-going capital projects within the AE segment, EE segment and the Company are classified as work in progress assets, these are assets still in the construction phase and not yet available for use. Work in progress is carried at cost and is not depreciated. Depreciation commences once the assets are available for use as intended by management.

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.

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.

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the current year the Group recognised the economic impact of COVID-19 as an indicator of impairment. The carrying amount of property, plant and equipment was accordingly tested for impairment. 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.

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.

Right-of-use assets

Following the adoption of IFRS 16 from 1 October 2019, right-of-use assets recognised for leased assets are included within property, plant and equipment and investment property.

Further details are provided on right-of-use assets in note 31.

10. Property, plant and equipment, right-of-use assets and investment property *continued*

Rm	Group						
	Owner-occupied freehold land and buildings	Owner-occupied leasehold buildings	Plant and equipment, vehicles	Capital work in progress	Total property, plant equipment	Right-of-use assets[1]	Investment property
2020							
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 1 October 2019	**201**	**78**	**513**	**31**	**823**	**–**	**39**
Change in accounting policy[1]	**–**	**–**		**–**	**–**	**215**	
Transfer from finance lease to IFRS 16 right-of-use assets	**–**	**–**	**–**	**–**	**–**	**8**	**(8)**
Restated net carrying amount at 1 October 2019	**201**	**78**	**513**	**31**	**823**	**223**	**31**
Additions	**10**	**–**	**78**	**27**	**115**	**–**	**–**
Capitalised right-of-use assets	**–**	**–**	**–**	**–**	**–**	**44**	**–**
Disposals	**–**	**–**	**(4)**	**–**	**(4)**	**–**	**–**
Termination	**–**	**–**	**–**	**–**	**–**	**(5)**	
Remeasurement	**–**	**–**	**–**	**–**	**–**	**(4)**	
Transfers							
Transfers from/(to) intangibles	**–**	**–**	**2**	**(15)**	**(13)**	**–**	**–**
Transfer from inventory	**–**	**–**	**11**	**–**	**11**	**–**	**–**
Depreciation	**(6)**	**(4)**	**(103)**	**–**	**(113)**	**(71)**	**–**
Impairment	**–**	**–**	**(4)**	**–**	**(4)**	**–**	**–**
Exchange rate difference	**–**	**(20)**	**–**	**–**	**(20)**	**(1)**	**–**
Cost	**255**	**59**	**1 585**	**43**	**1 942**	**271**	**32**
Accumulated depreciation and impairments	**50**	**5**	**1 092**	**–**	**1 147**	**85**	**1**
Net carrying amount as at 30 September 2020	**205**	**54**	**493**	**43**	**795**	**186**	**31**
2019							
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		–
Acquisition of assets	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	–	–	(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

[1] *The Group adopted IFRS 16 Leases from 1 October 2019 and accordingly the capitalised leased assets as at 30 September 2020 related to all leases (excluding low value assets and leases which are short term in nature) including those previously classified as operating leases in terms of IAS 17, which were not recognised on the statement of financial position. Refer to note 31 for details of the Group's adoption of new accounting pronouncements during the year.*

The carrying amounts and depreciation of right-of-use assets are as follows:

Rm	30 September 2020		
	Gross carrying amount	Accumulated[1] depreciation	Net carrying amount
Properties	**234**	**73**	**161**
Plant	**33**	**10**	**23**
Motor vehicles	**4**	**2**	**2**
	271	**85**	**186**

[1] *Although the current financial year was the first time the Group recognised IFRS 16 right-of-use assets, the Group previously held an investment property in terms of IAS 40 Investment Property, the net carrying amount of which was reclassified to IFRS 16 right-of-use assets on adoption of the new standard.*

10. Property, plant and equipment, right-of-use assets and investment property *continued*

	Company			
Rm	Plant and equipment, vehicles	Capital work in progress	Total	Investment property
2020				
Cost	**5**	**2**	**7**	**224**
Accumulated depreciation and impairments	**2**	**–**	**2**	**42**
Net carrying amount as at 1 October 2019	**3**	**2**	**5**	**182**
Change in accounting policy	**–**	**–**	**–**	**–**
Additions	**–**	**–**	**–**	**10**
Depreciation	**–**	**–**	**–**	**(6)**
Cost	**5**	**2**	**7**	**234**
Accumulated depreciation and impairments	**2**	**–**	**2**	**48**
Net carrying amount as at 30 September 2020	**3**	**2**	**5**	**186**
2019				
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

Notes:

1. The fair value of the Group's and Company's investment property at 30 September 2020 has been determined on the basis of valuations carried out at 30 September 2020 by Propval Property Valuation Services (Pty) Ltd, independent valuers who are not a related party to the Group. Propval is a member of the SA 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 R42 million at 30 September 2020.

   The fair value of the Company's freehold investment property amounted to R529 million at 30 September 2020. This fair value includes the value of investment property which is reclassified to owner-occupied property in the Group's financial statements as it is used by subsidiaries of the Group.

2. Useful lives per category and segment:	EE	ICT	AE	Other	Company
Owner-occupied leasehold buildings	50 Years	6 Years	6 Years	–	–
Owner-occupied freehold buildings	20 Years	–	9 – 10 Years	–	–
Plant and equipment and vehicles	3 – 20 Years	3 – 10 Years	3 – 30 Years	5 – 20 Years	10 – 20 Years
Right-of-use assets[1]	2 – 5 Years	2 – 6 Years	2 – 5 Years	4 Years	–
Investment property	–	10 Years	2 Years	20 – 50 Years	20 Years

[1] *The lease term equates the useful life of the asset.*

10. Property, plant and equipment, right-of-use assets and investment property *continued*

Rm	Group 2020	Group 2019	Company 2020	Company 2019
Rental agreements with customers				
Gross carrying amount of assets let out under operating leases	**33**	33	**234**	224
Accumulated depreciation	**(19)**	(17)	**(48)**	(42)
	14	16	**186**	182
Land and buildings: Group and Company				
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.				
Plant and Equipment				
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	**28**	21	**–**	–
Accumulated depreciation	**(20)**	(19)	**–**	–
	8	2	**–**	–
The following amounts are included in the statement of profit or loss for investment properties:				
Rental revenue	**11**	11	**75**	65
Direct operating expenses	**(5)**	(6)	**(24)**	(24)
Rental income maturity analysis				
Land and buildings:				
Maturity analysis				
< 1 year	**5**	11	**52**	75
1 - 5 years	**4**	9	**122**	174
> 5 years	**–**	–	**–**	–
Plant and Equipment:				
Maturity analysis				
< 1 year	**4**	3	**–**	–
1 - 5 years	**4**	8	**–**	–
> 5 years	**–**	–	**–**	–

11. Intangible assets

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

The Group holds various types of intangible assets including computer software, customer lists, model designs and prototypes, capitalised research and development costs, brand names, copyright and developed intellectual property. These intangibles are held across the Group within the various segments and held as strategic assets with the intention to generate future revenue.

Intangible assets recognised by the Group are accounted for in accordance with the requirements of IAS 38 Intangible Assets and accordingly intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Reunert applies the principles of IAS 38 in the determination of whether internally generated intangibles assets are capitalised or not. 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. Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised only if and when it results in an asset that can be identified, it is probable that the asset will generate future economic benefits (i.e. the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development) and the development costs can be reliably measured.

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 the criteria outlined above have not been met no internally generated intangible asset can be recognised and the related, development expenditure is recognised in the statements of profit or loss in the period in which it is incurred.

Reunert considers expenditure solely on research activities such as costs incurred with the prospect of gaining new scientific or technical knowledge and understanding as an expenses and does not capitalise such costs. These costs are recognised as an expense in the period in which it is incurred.

Intangible assets acquired in a business combination such as customer lists and order books are recognised separately from goodwill. These intangible assets are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, being the acquisition date fair value, less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

Work in progress are assets still in the development phase and not yet available for use. These assets are carried at cost and are not amortised but are tested for impairment at each reporting date. Amortisation commences once the assets are available for use as intended by management.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from their use.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the intangible asset is derecognised.

11. Intangible assets *continued*

Useful lives of intangible assets

Intangible assets held by the Group with finite useful lives are amortised on a straight-line basis, with the exception of Reutech Communication which applies a units of production method as this is more reflective of the consumption pattern of 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.

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

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

	EE	ICT	AE	Other
Computer software	3 – 5 Years	1 – 5 Years	2 – 10 Years	10 Years
Customer lists and orderbooks	–	3 – 10 Years	3 Years	–
Models designs and prototypes	–	–	10 Years	–
Other intangibles	10 Years	10 Years	3 – 10 Years	–

	Group				
Rm	**Computer software**	**Customer lists and orderbooks**	**Models designs and protoypes**	**Other[1] intangibles**	**Total**
2020					
Cost	**141**	**140**	**157**	**232**	**670**
Accumulated amortisation and impairments	**92**	**26**	**37**	**85**	**240**
Net carrying amount as at 1 October 2019	**49**	**114**	**120**	**147**	**430**
Acquisition of businesses					
Additions	**25**	**–**	**24**	**6**	**55**
Transfer to property, plant and equipment	**–**	**–**	**(2)**	**–**	**(2)**
Transfer between categories	**2**	**–**	**(2)**	**–**	**–**
Transfer from property, plant and equipment	**15**	**–**	**–**	**–**	**15**
Amortisation	**(10)**	**(12)**	**(13)**	**(21)**	**(56)**
Exchange rate difference	**(1)**	**–**	**1**	**3**	**3**
Cost	**175**	**140**	**178**	**233**	**726**
Accumulated amortisation and impairments	**95**	**38**	**50**	**98**	**281**
Net carrying amount as at 30 September 2020	**80**	**102**	**128**	**135**	**445**
2019					
Cost	109	152	145	193	599
Accumulated amortisation and impairments	81	24	31	93	229
Net carrying amount as at 1 October 2018	28	128	114	100	370
Acquisition of businesses	–	5	–	37	42
Additions	25	–	16	19	60
Transfer to property, plant and equipment	–	–	(3)	–	(3)
Transfer between categories	–	(2)	–	2	–
Transfer from property, plant and equipment	5	–	–	–	5
Amortisation	(9)	(17)	(7)	(13)	(46)
Exchange rate difference	–	–	–	2	2
Cost	141	140	157	232	670
Accumulated amortisation and impairments	92	26	37	85	240
Net carrying amount as at 30 September 2019	49	114	120	147	430

[1] *Other intangible assets consists of developed intellectual property for generation of future revenue (R37 million), copy rights (R7 million), brand names (R31 million), capitalised research and development costs (R30 million) and purchased intangible assets (R30 million) as a consequence of acquired businesses in prior financial years.*

12. Goodwill

Goodwill represents amounts arising on a business combinations and is measured as the sum of the consideration transferred to the seller, plus the amount of any non-controlling interests recognised through the transaction, and the fair value of the Group'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.

	Group	
Rm	2020	2019
Carrying amount as at 1 October	999	1 053
Impairment of goodwill	(75)	(67)
Disposal of business	–	(62)
Acquisition of businesses	–	76
Exchange rate differences	–	(1)
Carrying amount as at 30 September	924	999

Goodwill impairment testing

The following information summarises the individual assumptions used to test for impairment of goodwill at a cash generating unit (CGU) level, using the value-in-use method[1].

	Measure-ment currency	2020 Discount rate (pre-tax)[2] %	2019 Discount rate (pre-tax) %	2020 Terminal growth rate[3] %	2019 Terminal growth rate[3] %	Group 2020 Rm	Group 2019 Rm
Significant CGUs							
EE							
African Cables	ZAR	22,1	21,3	4,0	4,0	–	61
Zamefa	ZMW	32,9	28,8	4,0	4,0	–	–
ICT							
Nashua Office Automation	ZAR	20,3	18,0	4,0	4,0	203	203
Quince Capital	ZAR	11,4	22,2	4,0	4,0	124	124
ECN	ZAR	20,6	17,8	4,0	4,0	140	140
SkyWire	ZAR	18,9	22,3	4,0	3,0	170	170
AE							
Omnigo	ZAR	22,1	19,7	4,0	4,5	40	40
Terra Firma Solutions	ZAR	21,0	19,4	4,0	4,0	88	88
Nanoteq	ZAR	22,7	19,6	4,0	4,0	69	69
Dynateq	ZAR	20,7	19,5	4,0	4,0	–	14
Blue Nova Energy	ZAR	22,6	19,9	4,0	3,0	53	53
						887	962
Other[4]	ZAR	20,6 – 22,5	19,2 – 20,7	4,0	4,0	37	37
Net carrying amount as at 30 September						924	999
Gross goodwill carrying amount						1 066	1 066
Less: Accumulated impairment						(142)	(67)

[1] *The base (year 1) for the value-in-use calculations are the management approved budget for 2021. Due to the impact of COVID-19 in 2020, the expected growth rates for the 2021 financial year are not comparable to 2020. The 2021 budget contains growth rates that are comparable with the 2019 financial year as it is expected that the entities will begin to return to normal levels of capacity of the 2019 year. Average growth rates used in years 2022 to 2025 are consistent with the terminal growth rates used, except for SkyWire Technologies (19%), Omnigo (9%), Blue Nova (21%) and Terra Firma Solutions (14%). The growth rates for these entities are higher than the terminal growth rates as these are high growth businesses.*

[2] *The discount rate used is calculated as the weighted average cost of the different components of capital, being debt and equity (WACC). This is consistent with international best practice and covers the different industries in which the Reunert Group operates. The discount rate is then converted to the pre-tax discount rate as required by IAS 36 using an appropriate methodology.*

[3] *The terminal growth rate is calculated using the forecast South African consumer price index (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 5 years.*

[4] *This consists of the aggregate of individual immaterial goodwill balances across all segments above. In the prior year, the goodwill in Other included R14 million goodwill in Dynateq. Dynateq has been separately disclosed in the current year as a result of the impairment of the Dynateq goodwill.*

Impact of COVID-19

The forecasts for this assessment were developed using consensus economic forecasts covering the period 2021 to 2023 which incorporated the impact of the COVID-19 pandemic on the South African economy, modified for our business units' knowledge and understanding of expected customer requirements and their capacity to continue to transact.

The Group impaired the goodwill which arose on acquisition of two of its subsidiaries: African Cables (R61 million) and Dynateq (R14 million). In 2019, the Group impaired goodwill which arose on acquisition of two of its subsidiaries: Metal Fabricators of Zambia Plc (Zamefa) (R57 million) and Polybox (R10 million). The recoverable amounts of African Cables and Dynateq are R856 million and R32 million respectively.

12. Goodwill *continued*

African Cables

African Cables delivered a subdued performance for the 2020 financial year, primarily due to the following:

> The low level of demand for power cable
> Weak level of investment by Government into infrastructure
> A seven-week labour disruption at African Cables during October and November 2019 which negatively impacted revenue and profitability
> Loss of sales due to COVID-19 and the resulting lockdown

Although the business has secured framework tenders at Eskom and various municipalities, the impact of the reprioritisation of Government's expenditure on infrastructure due to the impact of COVID-19 remains uncertain. Management is of the view that this business is likely to continue to experience pressure on volumes over the medium term and has therefore used forecasts taking this uncertainty into consideration.

Dynateq

Dynateq's revenue is largely driven by securing contracts in the global defence sector. The business is dependent on the export market in various economies including the Middle East and Europe. Although a portion of the short-term order book is secured, management is of the view that this business is likely to experience pressure on volumes over the medium term.

Sensitivities

Under the economic conditions that have arisen during the pandemic, revenue growth is a key consideration. Accordingly, management has undertaken a sensitivity analysis of the consequence of a 5% reduction in revenue on the cash flow forecasts.

The results of this sensitivity analysis were that additional impairments would be required for African Cables (R152 million), Skywire (R53 million), Reutech Radar (R32 million) and Blue Nova Energy (R2 million).

If the terminal growth rates were decreased by 1% e.g. from 4% to 3%, no further impairments would be required.

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

The forecasted cashflows used in the impairment models were determined based on assumptions made with regards to revenue growth. These include an assessment of the level of secured and unsecured orders, recurrence of existing revenue contracts and potential tenders.

13. Interest in subsidiaries

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

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

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 32).

	Company	
Rm	**2020**	2019
Shares at cost	**3 193**	3 066
Impairment of investment in subsidiaries	**(1 028)**	(228)
Balance as at 1 October	**(228)**	(120)
Raised	**(800)**	(110)
Reversed	**–**	2
Interest in subsidiaries	**2 165**	2 838
Gross amounts owing by subsidiaries	**5 415**	6 026
Impairment against loans to subsidiaries	**(551)**	(730)
Balance as at 1 October	**(730)**	(4)
Raised	**–**	(726)
Reversed	**179**	–
Amounts owing by subsidiaries	**4 864**	5 296
Amounts owing to subsidiaries	**(2)**	(11)
	4 862	5 285
Total impairment in the statement of profit or loss	**621**	834

13. Interest in subsidiaries *continued*

Impairment in subsidiaries

When circumstances indicate a possible impairment in a subsidiary, the recoverability of the carrying amount relating to that subsidiary is assessed by comparison with the recoverable amount of the investment. The recoverable amount is the higher of the fair value less cost to sell of the investment or the value in use which is derived from discounted future cash flows based on management's expectations of future generated cash flows.

Assumptions are made with regards to discount rates and projected growth rates which are applied to a model using forecast periods of up to 5 years.

During the 2020 financial year, the Company impaired R800 million of its investment in subsidiaries. These include Bargenel (R631 million) and Julopro (R168 million). These impairments arose due to the decline in the Reunert Limited share price during the 2020 financial year. Both Julopro and Bargenel are investment holding entities holding investments in Reunert Limited shares. The recoverable amounts of Bargenel and Julopro are R481 million and R145 million respectively. A key driver in the determination of the recoverable amounts is the Reunert share price.

14. Leases and loans receivable

Amounts due from lessees under 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.

IFRS 16 requires a lessor, like a lessee, to account for a modification to a lease as a separate lease if the modification increases the scope of the lease by adding the right for the lessee to use one or more underlying assets and the consideration receivable for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

The applicability of the lease modifications within the Group arises mainly in the ICT segment where electronic equipment is leased to customers.

For modifications to a lease that are not accounted for as a separate lease, the lessor reassesses the lease classification as if the modified terms were in effect at inception.

If the lease would have been classified as an operating lease had the modified terms been in effect at the inception date, the Group accounts for the lease modification as the termination of the original lease and the creation of a new lease effective on the date of the modification and measures the carrying amount of the underlying asset as the net investment in the original lease immediately before the effective date of the lease modification. During the current financial year, the Group granted rent concessions which were a result of COVID-19. In applying the modification requirements in IFRS 16 this constituted a modification to the lease which requires a remeasurement of the lease receivable. On remeasurement, the carrying amount before and after the modification was the same and no adjustment was required.

If the contract meets the definition of a lease, the Group accounts for it under the requirements of IFRS 9. The Group determines whether the modification is substantial i.e. whether the cash flows of the original financial asset and the modified or replacement financial asset are substantially different. A substantial modification results in derecognition of the original financial asset and the modified asset is recognised as a new asset, resulting in a gain or loss on modification. If the modification is not substantial, the original financial asset is remeasured and a modification gain or loss is recognised.

14. Leases and loans receivable *continued*

Rm	Group					
	Collectible within one year – current	Collectible between 1 – 2 years	Collectible between 2 – 3 years	Collectible between 3 – 4 years	Collectible between 4 – 5 years	Total lease and loans receivable
2020						
Gross leases receivable	**427**	**320**	**205**	**112**	**30**	**1 094**
Unearned finance income	**(72)**	**(50)**	**(32)**	**(18)**	**(4)**	**(176)**
ECL	**(67)**	**(3)**	**(2)**	**(1)**	**–**	**(73)**
Net leases receivable	**288**	**267**	**171**	**93**	**26**	**845**
Loans receivable	**628**	**531**	**395**	**245**	**66**	**1 865**
ECL	**(121)**	**(7)**	**(5)**	**(3)**	**(1)**	**(137)**
Net loans receivable	**507**	**524**	**390**	**242**	**65**	**1 728**
Net leases and loans receivable	**795**	**791**	**561**	**335**	**91**	**2 573**
2019						
Gross leases receivable	468	377	231	122	40	1 238
Unearned finance income	(86)	(80)	(50)	(27)	(9)	(252)
ECL	(5)	(4)	(3)	(1)	–	(13)
Net leases receivable	377	293	178	94	31	973
Loans receivable	524	611	477	309	109	2 030
ECL	(8)	(8)	(6)	(4)	(2)	(28)
Net loans receivable	516	603	471	305	107	2 002
Net leases and loans receivable	893	896	649	399	138	2 975

Analysis of movement in the ECL

Rm	Group	
	2020	2019
Balance as at 1 October	**(41)**	(19)
Adjustment on adoption of IFRS 9	**–**	(19)
Revised opening balance	**(41)**	(38)
Movement in the ECL		
Raised in the statement of profit or loss	**(219)**	(12)
Utilised against the ECL	**50**	9
Balance as at 30 September	**(210)**	(41)

The gross finance leases receivable relate to the present value of rental agreements discounted at the interest rate implicit in the agreement. These are entered into between Group-owned office automation franchises and the customer, which are repayable over varying periods up to a maximum of five years from inception of the agreement.

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

The weighted average effective interest rate, taking into account the blend of fixed and variable rate charged on the contract or portfolio, is 13,00% (2019: 14,62%).

The loans receivable are mostly in respect of loans to non-owned office automation franchises and dealers to fund rentals between the franchise and the customer. Ownership of the underlying rentals and equipment is transferred to Quince, however, as the franchise retains the credit risk through the recourse arrangements, for accounting purposes, the overall substance of the arrangement is a financing transaction. Accordingly this is classified as a loan receivable.

The carrying amount of the 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.

14. 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 franchises and rentals receivable. Credit risk with respect to these is reduced due to the large number of customers underpinning these leases and loans receivable. 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 counter parties 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
- Transfer 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 expected credit losses (ECL) for leases and loans receivable. This is calculated by applying a loss ratio to the balance at each reporting date. Historically the loss ratio for the leases and loans receivable was 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.

Loans receivable

The Group's finance company provides rental finance for office equipment rented by end-customers from the ICT segment's distribution channels (mainly Nashua Office Automation franchises). This finance can be provided as follows:

- Full recourse – the franchise/dealer takes 100% of the credit risk related to the end customer after the first 12 months. In the first12 months, the credit risk is assumed as follows:
  - 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

Below are the loan balances split between the recourse categories:

	Group	
Rm	**2020**	2019
100% recourse to franchise/dealer	**833**	1 038
50% recourse to franchise/dealer	**971**	932
0% recourse to franchise/dealer	**61**	60
Gross loans receivable	**1 865**	2 030

In the current year the risk of recovery has been reassessed based on the impact of COVID-19. This has impacted on the loss given ratio as described below.

14. Leases and loans receivable *continued*

Impact of COVID-19

Historical levels of credit impairment are now not considered representative of what is expected in terms of future defaults due to the COVID-19 pandemic. The impact of the national lockdown and the related significant reduction in economic activity and consequential predicted increase in business failures have made the estimation of future credit losses complex.

Historical methods used in the past have been modified due to changes in the macro economic conditions and changes in the inter-relationship between key economic variables. For example, in the past when interest rates declined this would have been expected to have resulted in fewer defaults occurring. However, under COVID-19, defaults are expected to significantly increase despite the substantial decrease in interest rates.

Credit losses which rose by a factor of 2 post the 2008 financial crisis are expected to increase by factors between 2 and 4 due to the impact of COVID-19. The decline in economic activity is expected to be longer and recovery is forecast to be slower when compared to the global financial crisis. This impact is predicted to be particularly severe for smaller and medium-sized enterprises, which underpin a large portion of Quince's rental book.

Recovery value of assets on which the loans and leases are based are likely to be less valuable and take longer to realise as more assets will become available into an environment of both weak demand due to the weaker economy and stretched balance sheets as a result of the COVID-19 pandemic.

The Group has considered these factors above and also used the following key assumptions in estimating the ECL as at 30 September 2020.

Probability of default (PD)	9,3%
Loss given default (LGD)	63,0%
Exposure at default (EAD)	Exposure of receivables at 30 September 2020

In estimating the PD the following estimates and judgements were applied:

> The Moody's expected rate of credit defaults which has increased from 3,5% pre-COVID-19 to 9,3% post-COVID-19 (11,5% at 31 March 2020).

> This rate was tested for reasonableness and appropriateness by reference to data from external market information e.g. credit rating agencies

> Due to the uncertainty that COVID-19 brings to the impact on future economic activity, the estimates made confer a high degree of judgement. Economists have forecasted different scenarios in terms of the extent and period of recovery over the short and medium term. These recoveries range between U-shaped (base case) and L-shaped (worst case scenario). The Group has used the U-shaped scenario (base case) as its best estimate of the extent and period of recovery for its various operations and consequently for its customers.

The PD estimate of 9,3% is further corroborated by the following:

> Reserve Bank predictions of the COVID-19 impact on the economy

> Economic forecasts of somewhere between a 10 to 12% decline in GDP in 2020, with a gradual U-shaped recovery thereafter.

> Commentary by economists, who indicated that the low GDP growth in 2019 and the contraction in Q4: 2019 and Q1:2020 had already stretched the cash flows of small businesses before COVID-19.

The LGD rate used was obtained from the quoted recovery rate of the World Bank for South African debt of 37%. This was corroborated against the Moody's recovery rate for emerging markets. Due to the uncertainty of the impact for South Africa, this is currently the best independent and credible information available. In estimating the expected LGD and given the scale of the predicted credit losses, the Group has increased the LGD to 63%.

14. Leases and loans receivable *continued*

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 quantitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In assessing the stage categorisation, receivables that are 30 days overdue are classified as stage 2 and receivables that are 90 days overdue are classified as stage 3.

Due to the impact of COVID-19 and the resulting increase in credit risk as well as the known events, the following is a categorisation of the different stages in accordance with IFRS 9

Rm	Carrying amount before ECL	Expected credit losses Stage 1	Stage 2	Stage 3	Net carrying amount after ECL
September 2020	**2 783**	**(68)**	**(92)**	**(50)**	**2 573**
Leases receivable	**918**	**(41)**	**(18)**	**(14)**	**845**
Loans receivable	**1 865**	**(27)**	**(74)**	**(36)**	**1 728**
September 2019	3 016	(41)	–	–	2 975
Leases receivable	986	(13)	–	–	973
Loans receivable	2 030	(28)	–	–	2 002

Credit write-off

The credit write-off resulted from an external fraud perpetrated against Quince by a non-connected independent third party dealer. A comprehensive external forensic investigation has been completed and has resulted in a credit write-off of R298 million, which was reported as part of the 31 March 2020 financial results. In the period since the 31 March 2020 published results the following actions have been completed:

- An independent forensic investigation was conducted at Quince. This investigation, conducted by one of the country's leading legal firms, determined that no Quince employee had a non-disclosed conflict of interest or that any criminal or deliberate misconduct facilitated the external fraud; and
- The Group commissioned an independent review of the enterprise risk management framework at Quince to ensure the risk governance and control framework are appropriate. The outcome from this investigation identified areas where functions and processes within Quince's Credit Management can be strengthened to improve monitoring and oversight. These recommendations are in the process of being implemented.

15. Trade and other receivables

Trade receivables comprise amounts due from customers across all three segments of the Group. The Group recognises expected credit losses (ECL) on these receivables 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 2020	Group 2019	Company 2020	Company 2019
Trade and other receivables				
Trade receivables	**1 709**	1 832	**1**	–
Contract assets	**126**	131	**–**	–
Prepayments and other receivables	**252**	480	**16**[1]	14
Dividends receivable	**–**	–	**–**	–
ECL[2]	**(192)**	(150)	**–**	(3)
Net trade and other receivables	**1 895**	2 293	**17**	11
Reconciliation of contract assets under IFRS15				
Balance as at 1 October	**131**	107	**–**	–
Raised during the year	**462**	263	**–**	–
Recognised as trade receivables during the year	**(467)**	(239)	**–**	–
Balance as at 30 September	**126**	131	**–**	–
ECL against contract assets (IFRS 9)	**(3)**	(5)	**–**	–
Net balance as at 30 September	**123**	126	**–**	–

[1] *Includes lease smoothing accrual of R15 million (2019: Rnil).*

[2] *The ECL for trade receivables amounts to, R189 million (2019: R145 million) and contract assets R3 million (2019: R5 million). The ECL for other receivables was not significant.*

15. Trade and other receivables *continued*

The Group expects to invoice customers the balance of the contract assets in the 2021 financial year.

The movement in the ECL for the reporting period 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 in the year recovered.

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 material sales to the rest of Africa, America, Australia, Asia and Europe. There are no other significant geographical concentrations of credit risk outside of South Africa. Management of the Group's business units regularly review the receivables age analysis and follows up on overdue receivables.

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. The historic write offs are then assessed for a strong correlation against the forward-looking information 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 ECL 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.

The ECL applied to trade receivables is set out below.

Analysis of trade receivables

	Group			
Rm	Gross	ECL[1]	Net	Average ECL ratio %
2020				
Insured trade receivables covered by trade credit insurance	**278**	**(12)**	**266**	**4**
Individuals/contractors and small businesses	**354**	**(67)**	**287**	**19**
Mines/large businesses	**644**	**(55)**	**589**	**9**
State owned entities/government	**319**	**(45)**	**274**	**14**
Municipalities	**108**	**(10)**	**98**	**9**
Financial institutions	**6**	**–**	**6**	**–**
Total	**1 709**	**(189)**	**1 520**	**11**
2019				
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
Total	1 832	(145)	1 687	8

[1] *The ECL for trade receivables amounts to R189 million (2019: R145 million) and contract assets R3 million (2019: R5 million). The ECL for other receivables was not significant.*

Analysis of the receivable

	Company			
Rm	Gross	ECL	Net	Average ECL ratio %
2020				
Other receivables	**–**	**–**	**–**	**–**
Total	**–**	**–**	**–**	**–**
2019				
Other receivables	**3**	**(3)**	**–**	**100**
Total	**3**	**(3)**	**–**	**100**

15. Trade and other receivables *continued*

Changes in ECL

The gross trade receivables declined, however, the corresponding ECL increased. The lack of correlation between the two is due to the impact of COVID-19 in the determination of the ECL.

Historical levels of ECL are now not considered representative of what is expected in terms of future defaults due to the COVID-19 pandemic. The impact of the lockdown and the related significant reduction in economic activity and consequential predicted increase in business failures have made the estimation of future credit losses complex.

Historical methods used require modification due to changes in the macro economic conditions and due to the changing direction of relationships. For example, in the past when interest rates declined this would have been expected to have resulted in fewer defaults occurring. However, under COVID-19, defaults are expected to significantly increase despite the substantial decrease in interest rates.

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 ECL

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Balance as at 1 October 2019	**(150)**	(132)	**(3)**	(3)
Adjustment on adoption of IFRS 9	**–**	(20)	**–**	–
Revised balance as at 1 October 2018	**–**	(152)	**–**	(3)
Movement in the ECL				
Raised in the statement of profit or loss	**(69)**	(6)	**–**	–
Utilised against the ECL	**14**	8	**–**	–
Transferred	**–**	–	**3**	–
Exchange rate difference	**13**	–	**–**	–
Balance as at 30 September 2020[1]	**(192)**	(150)	**–**	(3)

[1] *The ECL for trade receivables amounts to R189 million (2019: R145 million) and contract assets R3 million (2019: R5 million).*

In addition to the ECL against trade and other receivables, the Group provided an amount of R210 million (2019: R41 million) for ECL against leases and loans receivable (refer to note 14).

Ageing of past due[1] but not impaired receivables classified into major risk types

	Group					
Rm	Insured trade receivables covered by trade credit insurance	Individuals/ contractors and small businesses	Mines/large businesses	State owned entities/ government	Munici-palities	Total
2020						
1 – 30 days	**44**	**14**	**19**	**18**	**28**	**123**
31 – 60 days	**2**	**7**	**12**	**13**	**22**	**56**
61 – 90 days	**5**	**6**	**9**	**4**	**3**	**27**
90+ days	**11**	**6**	**37**	**40**	**11**	**105**
Total	**62**	**33**	**77**	**75**	**64**	**311**
2019						
1 – 30 days	24	38	34	16	3	115
31 – 60 days	6	5	15	8	6	40
61 – 90 days	42	2	7	14	2	67
90+ days	15	5	59	71	11	161
Total	87	50	115	109	22	383

Company

Reunert Company's receivables which are past due but not impaired are immaterial and have not been separately disclosed.

[1] *This indicates the period after normal credit terms.*

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.

16. Deferred tax 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 tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax 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 statements 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 statements of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

		Group		Company	
Rm	Notes	2020	2019	2020	2019
Movement in deferred tax					
Net balance as at 1 October		**5**	(5)	**17**	17
Current year charge	6	**103**	22	**(13)**	–
Deferred tax directly in equity		**(1)**	5	**–**	–
On translation loss on investment in foreign subsidiary included in comprehensive income		**(27)**	(4)		
Adjustments for prior years	6	**6**	(4)	**(1)**	–
Subsidiaries acquired		**–**	(7)		
Derecognised on disposal of subsidiary	30	**(3)**	(2)		
Exchange rate differences		**–**	–		
Net balance as at 30 September		**83**	5	**3**	17
Represented by:					
Deferred tax assets		**172**	143	**3**	17
Deferred tax liabilities		**(89)**	(138)	**–**	–
		83	5	**3**	17

The deferred tax assets arise mainly due to temporary differences and unused tax losses. Judgement is applied in determining whether deferred tax assets are recognised. Deferred tax assets are recognised only if there is convincing evidence that there will be sufficient taxable profits in future years to recover the assets. The Group has concluded that the deferred assets recognised will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the various entities.

16. Deferred tax assets and liabilities *continued*

Analysis of deferred tax

Rm	Group 2020	Group 2019	Company 2020	Company 2019
Capital allowances	**(226)**	(235)	**(9)**	(7)
Provisions, impairments and accruals	**195**	171	**12**	24
Advance income offset by allowed future expenditure	**(6)**	7	**–**	–
Unused tax losses	**138**	56	**–**	–
Share-based payments	**14**	24	**–**	–
Translation losses on investment in foreign subsidiary in comprehensive income	**(21)**	7	**–**	–
Unrealised forex gains	**(11)**	(25)	**–**	–
Net balance as at 30 September	**83**	5	**3**	17

17. Inventory

Inventory comprises raw materials (including 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). Merchandise comprises inventory purchased from suppliers in its finished state, which is re-sold by the Group as part of its product and service offerings.

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)

Standard costs are assessed on an ongoing basis and updated when required to approximate actual cost. Cost includes direct material costs together with appropriate allocations of labour and overheads based on normal operating capacity.

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

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

Rm	Group 2020	Group 2019
Inventory		
Raw materials, components and consumable stores	**505**	421
Finished goods	**436**	429
Merchandise	**133**	187
Work in progress	**583**	484
	1 657	1 521
Provision for slow-moving and obsolete inventory	**(174)**	(145)
	1 483	1 376

18. Net cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, bank overdrafts and short-term facilities.

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Cash and cash equivalents[1]	**1 029**	939	**1**	15
Bank overdrafts and short-term facilities	**(706)**	(323)	**–**	–
Bank overdrafts[1 and 2]	**(122)**	(154)	**–**	–
Short-term facilities[2]	**(584)**	(169)	**–**	–
Net cash and cash equivalents	**323**	616	**1**	15

At 30 September 2020 the Group had applied R2 012 million (2019: R2 406 million) of its cash resources to finance a portion of its finance leases and loans receivable book, which does not form part of bank balances and cash.

[1] *Included in net cash and cash equivalents are foreign denominated bank balances. These amounts are reflected in the table above in rand, being the foreign denominated amount converted at the year end exchange rates.*

	Group		Company	
Foreign denominated balances included in cash and cash equivalents in rand Rm	**2020**	2019	**2020**	2019
US dollars	**109**	171	**–**	–
Euros	**13**	43	**–**	–
Other	**25**	11	**–**	–
Total	**147**	225	**–**	–
Foreign denominated balances included in bank overdrafts in rand				
US dollars	**(122)**	(154)	**–**	–

[2] *These amounts include overdraft and overnight call facilities with major financial institutions. These amounts form an integral part of the Group's cash management and are considered to form part of net cash and cash equivalents.*

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.

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 (2019: 235 000 000)

Number of shares	**2020**	2019
Issued share capital		
Ordinary shares of no par value		
As at 1 October	**184 950 196**	184 585 396
Shares issued during the year in terms of the Reunert 2006 Option Scheme	**19 000**	364 800
As at 30 September	**184 969 196**	184 950 196

19. Share capital *continued*

Authorised share capital *continued*

Rm	Group 2020	Group 2019	Company 2020	Company 2019
Ordinary shares				
As at 1 October	**388**	374	**388**	374
Arising on the issue of ordinary shares	**1**	14	**1**	14
As at 30 September	**389**	388	**389**	388
Empowerment shares[1]				
Reunert shares held by Bargenel: 18 500 000 (2019: 18 500 000)	**(276)**	(276)		
Treasury shares[2]				
Reunert shares held by a subsidiary: 4 997 698 (2019: 4 997 698)	**(342)**	(342)		
Share-based payment reserves				
As a result of IFRS 2 Share-based payments				
As at 1 October	**229**	256	**–**	–
Arising on empowerment transactions	**–**	3	**–**	–
In terms of the CSP	**9**	1	**–**	–
Shares acquired for the CSP	**(54)**	(74)	**–**	–
Transfer from retained earnings[3]	**33**	43	**–**	–
As at 30 September	**217**	229	**–**	–

[1] *18 500 000 Reunert shares are held by Bargenel, a company sold by Reunert to an accredited empowerment partner in 2007. In terms of IFRS, until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is to be consolidated by the Group, as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner. The dividends received on these shares are eliminated on consolidation.*

[2] *These are Reunert shares held by a subsidiary. The dividends received on these shares are eliminated on consolidation.*

[3] *Cost of CSP settlement in excess of cumulative IFRS 2 Share-based payment reserve for the 2015 CSP scheme.*

Number of shares	2020	2019
Unissued ordinary shares		
Total shares reserved to meet the requirements of the Reunert 2006 Option Scheme	**498 000**	520 000[1]

[1] *Number of options exercisable was in respect of 517 000 ordinary shares, however, 520 000 ordinary shares were reserved for this purpose.*

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

Executive Share Option Schemes

Options for Reunert ordinary shares were granted in terms of the Reunert 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 498 000 (2019: 517 000). The 19,000 shares options that were exercised during the year were issued at R69.54. All remaining 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.

19. **Share capital** *continued*

Conditional Share Plan (CSP)

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 (total shareholder return (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 normalised headline earnings per share (NHEPS) and return on capital employed (ROCE)), 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 adjustment in 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.

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 granted until November 2018 are an equal combination of real growth in NHEPS and TSR. These performance units vest after four years from the date of issue.

The measurement criteria for the performance scheme granted from November 2019 are a combination of real growth in NHEPS (50% weighting), TSR (25% weighting) and ROCE (25% weighting). 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 with the conditions being the recipient must remain within the employ of the Reunert Group.

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 using a bespoke Monte Carlo simulation model. Both valuations being undertaken by a valuations expert.

Judgement is required in assessing the factors that impact the annual share-based payments expense to be charged to statements of 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), return on capital employed (ROCE) and total shareholder return (TSR) targets are concerned. The judgements include assessing the expected forecasted 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 and ROCE growth) these conditions are reassessed annually, NHEPS by an independent valuation expert and ROCE is determined by management using the approved director budget and a long term forecast prepared by management, 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.

19. Share capital *continued*

Conditional Share Plan *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[1] Thousands	Units expired/ forfeited during the year Thousands	Number of units unvested at the end of the year Thousands
2020						
Issued on 17 November 2014						
Key – retention	46,17	38		(38)		–
Issued on 20 November 2015						
Key – retention	55,38	64		(28)	(5)	31
Executive – performance	41,92	877		(877)		–
Executive – retention	55,38	104		(104)		–
Issued on 21 November 2016						
Key – retention	49,57	86			(3)	83
Executive – performance	37,00	900			(44)	856
Executive – retention	49,57	98			(8)	90
Issued on 20 November 2017						
Key – retention	47,21	108			(7)	101
Executive – performance	44,10	1 030			(121)	909
Issued on 19 November 2018						
Key – retention	59,25	106			(8)	98
Executive – performance	50,46	941			(110)	831
Issued on 10 February 2020						
Key – retention	31,05		86			86
Executive – performance	28,18		1 024		(19)	1 005
Issued on 30 September 2020						
Key – retention	18,56		86			86
Executive – performance	18,04		2 061			2 061
Total		4 352	3 257	(1 047)	(325)	6 237
2019						
Issued on 20 November 2013						
Key – retention	57,75	22	–	(22)	–	–
Issued on 17 November 2014						
Key – retention	46,17	85	–	(47)	–	38
Executive – performance	33,94	781	–	(781)	–	–
Executive – retention	46,17	90	–	(88)	(2)	–
Issued on 20 November 2015						
Key – retention	55,38	69	–	–	(5)	64
Executive – performance	41,92	877	–	–	–	877
Executive – retention	55,38	108	–	–	(4)	104
Issued on 21 November 2016						
Key – retention	49,57	104	–	–	(18)	86
Executive – performance	37,00	939	–	–	(39)	900
Executive – retention	49,57	104	–	–	(6)	98
Issued on 20 November 2017						
Key – retention	47,21	119	–	–	(11)	108
Executive – performance	44,10	1 075	–	–	(45)	1 030
Issued on 19 November 2018						
Key – retention	59,25	–	111	–	(5)	106
Executive – performance	50,46	–	977	–	(36)	941
Total		4 373	1 088	(938)	(171)	4 352

[1] *During the financial year ended 30 September 2020 the 2015 executive performance and 50% of the retention scheme vested. The weighted share price at the exercise date was R51,37.*

19. Share capital *continued*

The valuations were performed by Lydia Greef (M.Sc. in Mathematics of Finance) of 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 %
2015					
Retention	64,74	23,89	4/5	6,25	The risk free rate for the key and executive options varies from 5,98% (year 1) to 7,78% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 21 November 2015
2016					
Retention	61,50	24,37	4/5	5,39	The risk free rate for the key and executive options varies from 7,45% (year 1) to 7,88% (year 5)
Performance	61,50	24,37	4	5,39	and is based on the ZAR zero coupon swap curve produced by BESA on 21 November 2016
2017					
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)
Performance	65,46	22,96	4	7,28	and is based on the ZAR zero coupon swap curve produced by BESA on 20 November 2017
2018					
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)
Performance	76,58	23,93	4	5,79	and is based on the ZAR zero coupon swap curve produced by BESA on 19 November 2018
February 2020					
Retention	**58,95**	**24,52**	**4/5**	**7,40**	The risk free rate for the key and executive options varies from 6,372% (year 1) to 6,639% (year 5)
Performance	**58,95**	**24,52**	**4**	**7,40**	and is based on a yield curve bootstrapped from JIBAR, FRA and swap rates obtained from Bloomberg on 10 February 2020
September 2020					
Retention	**28,63**	**30,85**	**4/5**	**9,54**	The risk free rate for the key and executive options varies from 3,300% (year 1) to 5,046% (year 5)
Performance	**28,63**	**30,85**	**4**	**9,54**	and is based on a yield curve bootstrapped from JIBAR, FRA and swap rates obtained from Bloomberg on 30 September 2020

20. Long-term loans and lease liabilities

Long-term loans consist of lease liabilities (2019: finance lease liabilities) and long-term loans.

Long-term loans

Long-term loans are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method.

Lease liabilities

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lessee's incremental borrowing rate; and any initial direct costs incurred (refer to note 31).

Lease payments are allocated using the incremental borrowing rate 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. The weighted average in the current year was 10%.

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Long-term loans				
Unsecured – at amortised cost				
Long-term loans	**16**	42	**–**	–
Less: current portion	**(1)**	–	**–**	–
Total unsecured	**15**	42	**–**	–
Maturity analysis of unsecured loans				
< 1 year	**1**	–	**–**	–
1 – 5 years	**15**	42	**–**	–
> 5 years	**–**	–	**–**	–
These loans bear interest at rates ranging between 10% and 15%				
Lease liabilities (2019: finance lease liabilities)				
Secured – at amortised cost				
Lease liabilities (2019: finance lease liabilities)	**218**	18	**1**	–
Less: current portion	**(56)**	(3)	**(1)**	–
Total secured	**162**	15	**–**	–
Amounts payable under leases				
Gross minimum lease payments (2019: finance lease liabilities)	**257**	22	**1**	–
< 1 year	**71**	4	**1**	–
1 – 5 years	**181**	18	**–**	–
> 5 years	**5**	–	**–**	–
Less: future finance charges	**(39)**	(4)	**–**	–
< 1 year	**(15)**	(1)	**–**	–
1 – 5 years	**(24)**	(3)	**–**	–
> 5 years	**–**	–	**–**	–
Net minimum lease payments	**218**	18	**1**	–
< 1 year	**56**	3	**1**	–
1 – 5 years	**157**	15	**–**	–
> 5 years	**5**	–	**–**	–

20. Long-term loans and lease liabilities *continued*

The Group's obligations under the lease liabilities (2019: finance lease liabilities) are secured by the lessor's title to the leased assets.

During the current financial year, lease expenses related to low value assets and short-term leases amounted to R21 million.

	Group		Company	
Rm	**Lease liabilities**	**Long-term loans**	**Lease liabilities**	**Long-term loans**
Reconciliation of liabilities				
Balance at 1 October 2019 (2019: finance lease liabilities)	**18**	**42**	–	–
Lease liability recognised on initial adoption of IFRS 16	**222**	–	**3**	–
Raised	**44**	–	–	–
Settlements	**(79)**	–	**(2)**	–
Interest accrued	**22**	–	–	–
Remeasurement of lease liability	**(4)**	–	–	–
Transfer	–	**(20)**	–	–
Termination of lease liability	**(5)**	–	–	–
Loans written off/waived	–	**(6)**	–	–
Balance at 30 September 2020	**218**	**16**	**1**	–
Less: current portion	**(56)**	**(1)**	**(1)**	–
Non-current portion	**162**	**15**	–	–

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

21. Share-based payment liability

	Group	
Rm	**2020**	2019
Share-based payment liability – non-current	–	14
Share-based payment liability – current	**6**	18

The Group has granted certain employees the right to participate in a deferred bonus plan.

In terms of the scheme certain employees were entitled, at their election, to receive their 2016 and 2017 short-term incentive as either cash or in Reunert ordinary shares, or a combination thereof. Where the employees elected to receive Reunert ordinary shares, the value of the shares, based on the price of the Reunert shares traded on the JSE, so held after three years will be matched by the Group in cash.

The following key inputs derive the expense recognised in the statement of profit or loss:

> financial year end closing share price
> number of Reunert ordinary shares held by the employees
> 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 2019	Provisions created during the year	Utilised during the year	Reversed during the year	Carrying amounts as at 30 September 2020
Description of nature of obligation					
Group					
Warranties[1]	115	11	(3)	(26)	**97**
Contract-related[2]	36			(10)	**26**
Other	3	3	(5)	(1)	**–**
	154	14	(8)	(37)	**123**
Company					
Warranties[1]	67			(14)	**53**
Contract-related[2]	10			(10)	**–**
Other	3			(3)	**–**
	80	–	–	(27)	**53**

[1] *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 product warranties. The estimates have been made on the basis of historical warranty trends adjusted for probable risk factors, and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.*

[2] *The provision represents management's best estimate of the future outflow of economic benefits that will be required to settle claims, for example: onerous contracts. The provision has been estimated using all known facts and circumstances and the probability of likely outcome.*

23. Trade and other payables and contract liabilities

Trade and other payables

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

Trade and other payables classified as financial liabilities are measured at amortised cost. Refer to note 29, financial instruments, for the accounting policy relating to financial liabilities.

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Trade payables	**1 023**	1 136	**–**	–
VAT, payroll and accruals	**547**	583	**17**	19
Contingent consideration	**24**	41	**–**	–
	1 594	1 760	**17**	19

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 2020. These amounts approximate fair value because of the short-term maturity of these instruments.

Contingent considerations

	Group	
Rm	**2020**	2019
Balance as at 1 October	**41**	37
Raised at acquisition at fair value	**–**	24
Fair value remeasurements	**(2)**	(4)
Settlement	**(15)**	(16)
Balance as at 30 September[1]	**24**	41

[1] *The balance of the contingent consideration relates to R12 million for each of Dopptech and Blue Nova Energy.*

OculusIP

A contingent consideration was 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 was based on management's best estimate of the most likely outcome of the achievement of annuity gross profit for wireless line and voice rentals. This was settled in the current financial year for R12 million.

23. Trade and other payables and contract liabilities *continued*

Contingent considerations still in effect

Dopptech

The contingent consideration is stipulated within the purchase agreement based on the achievement of specific key performance indicators (KPIs). R5 million of the contingent consideration has been settled in the current financial year, R3,3 million related to a cash settlement and R1,7 million to a fair value remeasurement.

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. During the 2020 financial year the measurement period for the contingent consideration was renewed for a further 12 months. 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.

Contract liabilities

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Balance as at 1 October	**242**	207	**–**	–
Revenue recognised in respect of opening balance	**(153)**	(107)	**–**	–
Raised during the year	**430**	174	**–**	–
Revenue recognised in respect of amounts raised during the year	**(241)**	(32)	**–**	–
Balance as at 30 September	**278**	242	**–**	–
Less: current portion	**255**	242		
Non-current portion	**23**	–		

The Group expects to recognise the current portion of the contract liabilities within revenue in the 2021 financial year.

Due to the nature of certain contracts within the AE segment, advance payments are requested from customers in order to fund the working capital requirements related to these contracts. These advanced payments are recognised as contract liabilities and, where contractually required, these advanced payments are secured by either parent company performance 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 received for the purchase of goods is 30 days.

24. Commitments

	Group		Company	
Rm	**2020**	2019	**2020**	2019
Expenditure on property, plant and equipment				
– Contracted	**27**	30	**–**	5
– Authorised but not yet contracted	**95**	30	**16**	–
Total expenditure on property, plant and equipment	**122**	60	**16**	5

With effect from 1 October 2019 with the adoption of IFRS 16 Leases, all material lease commitments are included as current or non-current liabilities in the statements of financial position. Commitments in respect of the remaining leases not accounted for in terms of IFRS 16 are not material.

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 R1,4 billion (2019: R1,6 billion). Included in this value are sureties and guarantees of R1,2 billion (2019: R1,2 billion) 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

In addition to the above, guarantees in support of general banking facilities for subsidiaries of the Group and Company amount to R2,1 billion (2019: 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 statements 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	Deferred bonus plan	Travel allowances	Retirement contributions	Medical contributions	Total	Fair value of CSP at grant date[1]
2020								
AE Dickson	**5 638**	**–**	**5 920**	**132**	**207**	**80**	**11 977**	**6 063**
M Moodley	**2 601**	**–**	**1 986**	**–**	**238**	**63**	**4 888**	**1 888**
NA Thomson	**4 455**	**–**	**3 994**	**–**	**216**	**136**	**8 801**	**3 488**
	12 694	**–**	**11 900**	**132**	**661**	**279**	**25 666**	**11 439**
2019								
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
	16 154	8 329	–	172	893	323	25 871	11 690

[1] *Conditional Share Plan (CSP). In the current year two allocations were made to participants, CSP's were issued for the 2019 scheme on 10 February 2020 and for the 2020 scheme on 30 September 2020. The value has been determined using the fair value per unit and the expected vesting probabilities of the non-market conditions: (normalised headline earnings per share (NHEPS) 2019 scheme, 43,07% and the 2020 scheme, 22,30%, and 0% for return on capital employed (ROCE) for both schemes); and the fair value of the market conditions (total shareholder return (TSR)) at grant date. For further details relating to the valuation methodologies and assumptions used, refer to note 19.*

Non-executive directors

R'000	2020	2019
TS Munday	**1 485**	1 476
T Abdool-Samad	**656**	654
AB Darko	**578**	–
LP Fourie	**593**	–
J Hulley	**550**	436
SD Jagoe	**482**	412
S Martin	**648**	690
MT Matshoba-Ramuedzisi	**578**	486
Adv NDB Orleyn	**608**	615
SG Pretorius	**211**	658
R van Rooyen	**244**	745
	6 633	6 172

26. Directors' remuneration and interests *continued*

Share options	Number of unexercised options as at 1 October 2019	Number of options granted during the year	Number of options exercised during the year	**Number of unexercised options as at 30 September 2020**	Option Price R	Date of Allocation	Date from which exercisable
AE Dickson	53 000	–	–	**53 000**	59,55	17/02/2011	17/02/2014
	53 000	–	–	**53 000**			

CSP	Number of unvested units as at 1 October 2019	Number of units granted during the year	Number of units vested during the year[1]	**Number of units unvested as at 30 September 2020**	Share price at grant date	Date of allocation	Date from which vesting begins
AE Dickson	129 648	–	(129 648)	**–**	64,74	20/11/2015	20/11/2019
	153 463	–	–	**153 463**	61,50	21/11/2016	21/11/2020
	153 644	–	–	**153 644**	65,46	20/11/2017	20/11/2021
	153 990	–	–	**153 990**	76,58	19/11/2018	19/11/2022
	–	183 560	–	**183 560**	58,95	10/02/2020	18/11/2023
	–	391 040	–	**391 040**	28,63	30/09/2020	21/11/2024
M Moodley	47 332	–	(47 332)	**–**	64,74	20/11/2015	20/11/2019
	54 378	–	–	**54 378**	61,50	21/11/2016	21/11/2020
	52 083	–	–	**52 083**	65,46	20/11/2017	20/11/2021
	49 068	–	–	**49 068**	76,58	19/11/2018	19/11/2022
	–	57 170	–	**57 170**	58,95	10/02/2020	18/11/2023
	–	121 790	–	**121 790**	28,63	30/09/2020	21/11/2024
NA Thomson	85 523	–	(85 523)	**–**	64,74	20/11/2015	20/11/2019
	98 256	–	–	**98 256**	61,50	21/11/2016	21/11/2020
	94 049	–	–	**94 049**	65,46	20/11/2017	20/11/2021
	88 605	–	–	**88 605**	76,58	19/11/2018	19/11/2022
	–	105 620	–	**105 620**	58,95	10/02/2020	18/11/2023
	–	225 000	–	**225 000**	28,63	30/09/2020	21/11/2024
	1 160 039	1 084 180	(262 503)	**1 981 716**			

[1] *During the financial year ended 30 September 2020 the 2015 performance and retention CSP units vested. The executive directors' service contracts expressly provide for a six-month notice period.*

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 associate is an entity over which the Group has significant influence but not control or joint control.

The equity method of accounting for joint ventures and the associate is adopted in the annual financial statements. The Group's interests in joint ventures and the associate are initially recognised at cost and subsequently the Group recognises, in its statement of profit or loss or other comprehensive income, its share of the profit or loss and other comprehensive income of the joint ventures and associate.

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

	Joint ventures				Associate			
	2020		2019		**2020**		2019	
Rm	**Total**	**Group's share**	Total	Group's share	**Total**	**Group's share**	Total	Group's share
Extract from the statement of profit or loss and other comprehensive income								
Revenue	**369**	**185**	626	313	**58**	**28**	60	29
Depreciation and amortisation	**6**	**3**	9	4	**–**	**–**	–	–
Interest income	**1**	**–**	2	1	**–**	**–**	–	–
Interest expense	**1**	**–**	–	–	**–**	**–**	1	–
Other expenses	**82**	**41**	101	51	**17**	**8**	17	8
Tax (credit)/charge	**(4)**	**(2)**	(4)	(2)	**2**	**1**	2	1
(Loss)/profit after tax and other comprehensive income	**(194)**	**(97)**	(9)	(4)	**5**	**3**	5	3
Extract from the statement of financial position								
Non-current assets	**4**	**2**	138	69	**14**	**7**	14	7
Current assets (excluding cash)	**206**	**103**	253	126	**12**	**6**	13	7
Cash and cash equivalents	**13**	**6**	23	12	**8**	**4**	1	–
Total assets	**223**	**111**	414	207	**34**	**17**	28	14
Non-current financial liabilities	**(4)**	**(2)**	(9)	(5)	**(1)**	**–**	(2)	(1)
Current financial liabilities	**(69)**	**(34)**	(68)	(34)	**(14)**	**(7)**	(12)	(6)
Other current liabilities	**(21)**	**(11)**	(9)	(4)	**(2)**	**(1)**	–	–
Equity	**(129)**	**(64)**	(328)	(164)	**(17)**	**(9)**	(14)	(7)

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

	Joint ventures		Associate	
Rm	**2020**	2019	**2020**	2019
Group's interest in net assets of joint ventures and associate as at 1 October	**164**	171	**7**	4
Total comprehensive income attributable to the Group	**(80)**	(4)	**3**	3
Dividends received (from Lexshell 661 Investments Proprietary Limited)	**(3)**	(3)	**–**	–
Group's interest in net assets of joint ventures and associate as at 30 September	**81**	164	**10**	7
Reversal of revaluation of PPE on creation of joint venture, net of depreciation	**(17)**	(17)	**–**	–
Carrying amount of interest in joint ventures and associate as at 30 September	**64**	147	**10**	7

Joint ventures	**64**	147
Associate	**10**	7
Investments in joint ventures and associates	**74**	154

%	Nature of relationship	Nature of activity	Place of business	Interest % 2020	Interest % 2019
Joint ventures and associate					
Lexshell 661 Investments Proprietary Limited	Joint venture	Property holding	Woodmead, Gauteng	**50**	50
CBi-Electric Telecom Cables Proprietary Limited (CBi Telecoms)	Joint venture	Manufacturer of telecommunication cables	Brits, North West	**50**	50
Oxirostax Proprietary Limited	Associate	Office automation franchise	Somerset West, Western Cape	**49**	49

27. Summarised financial information of joint ventures and associate *continued*

Investment in joint venture

The outlook for CBi-Electric Telecom Cables Proprietary Limited remains uncertain, due to a limited order book, significant margin degradation due to competition and declining volumes all contributing to weak cash flow forecasts over the short to medium term. These factors together with the substantial loss to date have resulted in the management of CBi Telecoms impairing the carrying amount of its property, plant and equipment by R147 million. The impact of the impairment of R42 million (after tax) is included in the equity-accounted earnings from joint ventures for the year.

A discount rate of 17% and a terminal value of 4% was used in the value-in-use calculation.

28. Related party transactions

		Group						
Rm	Relationship	**Sales**	**Purchases**	**Lease payments made**	**Dividends received**	**Amounts owed by related parties**	**Amounts owed to related parties**	**Treasury shares**
2020								
Oxirostax Proprietary Limited (Nashua Winelands)	Associate	**19**	**1**	–	–	**2**	–	–
CBi-Electric Telecom Cables Proprietary Limited	Joint venture	–	**24**	–	–	–	–	–
Bargenel Investments Proprietary Limited	Empowerment partner owning 18,5 million Reunert shares	–	–	–	–	–	–	**276**
Lexshell 661 Investments Proprietary Limited	Joint venture	–	–	**12**	**3**	–	**5**	–
2019								
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	–

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.

	Lease payments received		Net administration fees paid	
Rm	**2020**	2019	**2020**	2019
Subsidiaries of the Company	**70**	60	**10**	8

Directors' remuneration is disclosed in note 26.

29. Financial instruments

Financial instruments recorded in the statements of financial position include cash and cash equivalents, investments, trade receivables, trade payables, loans and derivative financial 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.

Financial assets – classification, recognition and measurement

Identification

Classification 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:

Recognition and initial measurement

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.

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

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.

Fair value though profit and loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL.

Subsequent measurement

Amortised cost

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.

Fair value through other comprehensive income (FVOCI)

Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, dividends received, 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 statements of profit or loss. Interest income from these financial assets is included in finance income using the effective interest method.

Fair value though profit and loss (FVTPL)

A gain or loss on a subsequent measurement of a financial asset is recognised in the statements of profit or loss in the period in which it arises.

Impairment

The Group recognises an impairment for expected credit losses (ECL) 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 uses 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.

29. Financial instruments *continued*

Impairment *continued*

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 ECL 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.

Lifetime ECL represents the impairment that will result from all possible default events over the expected life of a financial asset. In contrast, 12 month ECL represents the portion of lifetime ECL 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 ECL 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).

At Quince, the Group's in-house rental finance provider, the ECL is calculated differently to align with their specific credit risk.

The ECL model applied by Quince has been aligned to consider forward looking information to recognise impairment allowances earlier in the lifecycle of a product. This is likely to increase the volatility of impairment allowances as the economic outlook changes, although cash flows and cash losses are expected to remain unchanged.

The following three-stage approach to impairment has been applied in the impairment model:

Stage 1 – the recognition of 12 month expected credit losses (ECL), that Is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 – lifetime expected credit losses for financial Instruments for which credit risk has increased significantly (i.e borrower has missed at least one payment) since initial recognition, and

Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired (i.e when a borrower is more than 90 days past due).

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 ECL model:

> Trade and other receivables;
> Leases and loans receivable;
> Other investments and loans; and
> Cash and cash equivalents.

Equity instruments – classification, recognition and measurement

Identification

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Recognition and initial measurement

Equity instruments issued by the Group are recorded at the proceeds received net of any direct issue costs.

Subsequent measurement

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.

Equity forward contract

The contract will be settled by the Group receiving a fixed number of its own equity instruments in exchange for a fixed amount of cash. This is considered an equity instrument. Changes in the fair value of an equity instrument are not recognised in the financial statements.

29. Financial instruments *continued*

Financial liabilities – classification, recognition and measurement

Identification

Financial liabilities include bank overdrafts and short-term facilities, trade and other payables, financial liabilities that arise from put options, lease liabilities, derivative financial liabilities and contingent considerations.

Recognition and initial measurement

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. A contingent consideration arising on acquisition of a subsidiary is included in the cost of the business combination as at the date of acquisition.

Financial liabilities at amortised cost

Trade and other payables are measured at amortised cost using the effective interest method.

Subsequent measurement

Financial liabilities at FVTPL

Any subsequent movement in the fair value of the written put option is recognised in the statements of profit or loss. Subsequent remeasurements of the fair value of the contingent arrangements are recognised in the statements of profit or loss in the period they arise.

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

Financial liabilities at amortised cost

Interest expense is recognised in the statements of profit or loss based on the effective yield basis.

Derecognition of financial assets and financial liabilities

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 or liability, any difference between the carrying amount extinguished and the consideration received or paid is recognised in the statement of profit or loss.

Derivative financial instruments

Introduction

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.

Recognition and initial measurement

Derivative financial instruments are initially measured at fair value on contract date and are subsequently remeasured to fair value at each reporting date.

Subsequent measurement

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.

29. Financial instruments *continued*

Rm	Group 2020	Group 2019	Company 2020	Company 2019
Significant categories of financial instruments				
Financial assets				
At fair value through other comprehensive income included in[1]:				
Other investments and loans	**13**	12	**–**	–
At FVTPL				
Derivative financial assets[3]	**12**	10	**–**	–
At amortised cost included in:				
Other investments and loans	**48**	48	**1**	–
Leases and loans receivable	**2 573**	2 975	**–**	–
Trade and other receivables	**1 613**	1 971	**17**	11
Cash and cash equivalents	**1 029**	939	**1**	15
Amounts owing by subsidiaries	**–**	–	**4 864**	5 296
Non-financial instruments included in:				
Trade and other receivables	**282**	322	**–**	–
Financial liabilities				
At amortised cost included in:				
Long-term loans	**(15)**	(57)	**–**	–
Non-current equity forward contract	**(59)**	–	**(59)**	–
Non-current lease liabilities	**(162)**	–	**–**	–
Current lease liabilities	**(56)**	–	**(1)**	–
Current portion of long-term loans	**(1)**	(3)	**–**	–
Current equity forward contract	**(16)**	–	**(16)**	–
Trade and other payables	**(1 420)**	(1 493)	**(17)**	(19)
Bank overdrafts and short-term facilities	**(706)**	(323)	**–**	–
Amounts owing to subsidiaries	**–**	–	**(2)**	(11)
At FVTPL				
Put option liability[1]	**–**	(120)	**–**	–
Contingent consideration included in trade and other payables[2]	**(24)**	(41)	**–**	–
Derivative financial liabilities[3]	**(28)**	(16)	**–**	–
Non-financial instruments included in:				
Non-current contract liabilities	**(23)**	–	**–**	–
Current contract liabilities	**(255)**	(242)	**–**	–
Trade and other payables	**(150)**	(226)	**–**	–

[1] *The put option is measured at its present value in terms of IFRS 9.*

[2] *These instruments are considered to be 'level 3' in the fair value hierarchy.*

[3] *The derivatives are considered to be 'level 2' in the fair value hierarchy.*

There were no financial assets or liabilities settled or extinguished which did not meet the derecognition requirements.

Fair value measurements Rm	Group 2020 Level 3	Group 2019 Level 3	Company 2020 Level 3	Company 2019 Level 3
Reconciliation of the carrying amount of level 3 financial assets and liabilities				
Financial liabilities – put option				
Balance as at 1 October	**120**	120	**–**	–
Fair value remeasurements	**3**	(9)	**–**	–
Payment to option holder	**(131)**	–	**–**	–
Time value of money adjustments/unwinding of interest expense	**8**	9	**–**	–
Balance as at 30 September	**–**	120	**–**	–

29. Financial instruments *continued*

Put option liability

The majority of the put option for Terra Firma was settled in the current year.

Investment in financial assets through other comprehensive income (OCI)

Fair value measurements Rm	Group 2020 Level 3	Group 2019 Level 3	Company 2020 Level 3	Company 2019 Level 3
Reconciliation of the carrying amount of level 3 financial assets and liabilities				
Fair value of investment through OCI				
Balance as at 1 October	12	–	–	–
Raised during the year	–	4	–	–
Fair value remeasurements through OCI	1	8	–	–
Balance as at 30 September	13	12	–	–

The financial asset through OCI relates to an investment in a section 12J fund in respect of a solar energy build, own and operate project.

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 16,28% discount rate in order to determine the attributable net present value of the projects. The input that requires judgement in the valuation is the Kilowatt per hour (kWh) generated per annum by each solar asset.

The valuation has been prepared on the assumption that:

> The fund retains its venture capital companies (VCC) status with the South African Revenue Service (SARS) and that there are no liquidation events during the term of the Power Purchase Agreement (PPA) in which case the PPA 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 reconciliation of the carrying amount of contingent consideration is disclosed in note 23 Trade and other payables.

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 financial 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. Due to the impact of COVID-19 in the current financial year the Group secured additional committed facilities to support the liquidity of the Group.

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.

29. **Financial instruments** *continued*

Liquidity risk *continued*

Rm	Group			
	<1 year	1 – 5 years	> 5 years	Total
2020				
Financial liabilities included in trade and other payables	**(1 444)**	**–**	**–**	**(1 444)**
Bank overdrafts and current portion of long-term loans	**(707)**	**–**	**–**	**(707)**
Non-current long-term loans	**–**	**(15)**	**–**	**(15)**
Lease liabilities	**(71)**	**(181)**	**(5)**	**(257)**
Equity forward contract	**(19)**	**(61)**	**–**	**(80)**
Derivative financial liabilities	**(28)**	**–**	**–**	**(28)**
	(2 269)	**(257)**	**(5)**	**(2 531)**
2019				
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)
Derivative financial liabilities	(16)	–	–	(16)
	(1 996)	(57)	–	(2 053)

Rm	Company			
	<1 year	1 – 5 years	> 5 years	Total
2020				
Financial liabilities included in trade and other payables	**(17)**	**–**	**–**	**(17)**
Lease liabilities	**(1)**	**–**	**–**	**(1)**
Equity forward contract	**(19)**	**(61)**	**–**	**(80)**
Amounts owing to subsidiaries	**(2)**	**–**	**–**	**(2)**
	(39)	**(61)**	**–**	**(100)**
2019				
Financial liabilities included in trade and other payables	(19)	–	–	(19)
Amounts owing to subsidiaries	(11)	–	–	(11)
	(30)	–	–	(30)

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. All the liabilities disclosed in the above maturity schedule in the respective categories 1-5 years and more than 5 years are disclosed including future interest charges.

Borrowing capacity

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

The Group has 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 weighted average cost of capital (WACC) rates and risk profiles.

Credit risk

Credit risk refers to the risk of financial loss due to counterparties to financial instruments, including customers, 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 ECL under IFRS 9)

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

Leases and loans receivable

Details of credit risk and the method of ECL calculation has been disclosed in note 14, 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. This associate and joint ventures are located in South Africa. The Group manages credit risk on this portfolio of loans by following strict protocols for the approval. They are considered to have low credit risk and the identified ECL loss was immaterial.

29. Financial instruments *continued*

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 ECL loss was immaterial.

Foreign currency risk

Certain transactions within the Group are denominated in foreign currencies, mainly US dollars 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 (FECs) and other relevant financial instruments are used where considered appropriate to hedge foreign currency exposure.

FECs disclosed as derivatives are classified as 'level 2' liabilities in the fair value measurement hierarchy.

FECs 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 (losses)/ gains Rm**
2020				
Imports – trade				
US dollar	**(12)**	**(210)**	**(211)**	**(1)**
Euro	**(6)**	**(114)**	**(115)**	**(1)**
Exports – trade				
US dollar	**24**	**408**	**416**	**8**
Euro	**3**	**60**	**60**	**–**
The total derivatives per the statement of financial position is a net liability of R16 million, R22 million liability relating to interest rate swaps, R6 million liability and a R12 million asset relating to FEC's.				
2019				
Imports – trade				
US dollar	(11)	(164)	(161)	3
Euro	(13)	(212)	(211)	1
Exports – trade				
US dollar	10	118	120	2
Euro	8	136	141	4
The total derivatives per the statement of financial position is a net liability of R6 million, R16 million liability relating to interest rate swaps and R10 million asset which relates to FEC's.				

Additional disclosures

	As at 30 September 2020 Rm	As at 30 September 2019 Rm
Balances related to:		
Trade payables denominated in foreign currencies[1]	**638**	677
Of which covered by FECs or zero-cost collars[1]	**366**	392
Loans payable denominated in foreign currencies	**–**	–
Of which covered by FECs	**–**	–
Trade receivables denominated in foreign currencies[2]	**682**	826
Of which covered by FECs or zero-cost collars[2]	**519**	261
Loans receivable denominated in foreign currencies	**–**	–
Of which covered by FECs	**–**	–
Cash and cash equivalents held in customer foreign currency accounts[3]	**147**	225
Of which covered by FECs or zero-cost collars	**–**	–
Bank overdrafts denominated in foreign currency[3]	**122**	154
Of which covered by FECs or zero-cost collars	**–**	–

	Company
There were no FECs for the Company as at 30 September 2020.	

[1] *Trade payables denominated in foreign currencies related to USD of R503 million (2019: R459 million), Euro of R118 million (2019: R155 million) and other foreign currencies of R17 million (2019: R63 million). The FEC's relating to USD of R228 million (2019: R163 million), Euro of R113 million (2019: R202 million) and other foreign currencies of R25 million (2019: R27 million).*

[2] *Trade receivables denominated in foreign currencies related to USD of R531 million (2019: R507 million), Euro of R95 million (2019: R67 million) and other foreign currencies of R56 million (2019: R252 million). The FEC's relating to USD of R414 million (2019: R157 million), Euro of R105 million (2019: R104 million) and other foreign currencies of Rnil (2019: Rnil).*

[3] *Refer to note 18, net cash and cash equivalents for the breakdown of cash and cash equivalents and bank overdrafts relating to foreign currencies.*

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 2020 would have decreased by R39 million (2019: increase of R60 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 increased by R47 million (2019: decrease of R59 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 finance company, has originated fixed rate customer loans and is therefore exposed to changes in their fair value as market interest rates change over the term of these fixed rate customer loans. Quince has elected to 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 R9,2 million liability (2019: R3,9 million liability).

Details of the interest rate swaps:

	Group Contracts expiring in:			
Rm	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
2020				
Quince				
Contract value	**–**	**100**	**–**	**100**
Average fixed interest rate	**–**	**7,4%**	**–**	**7,4%**
2019				
Quince				
Contract value	–	475	–	475
Average fixed interest rate	–	7,3%	–	7,3%

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

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.

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 2020 would increase by R4,1 million on average (2019: R4,2 million increase). 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 risk exposure to interest rate risk.

29. **Financial instruments** *continued*

Interest rate analysis

The Group's exposure to interest rate risk and the effective interest rates on financial instruments at the statements of financial position date are:

	Group				
Rm	**Weighted average effective interest rate %**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
2020					
Assets					
Cash and cash equivalents	**3,9**	**702**	**25**	**302**	**1 029**
Financial assets included in trade and other receivables	**10,1**	**32**	**3**	**1 578**	**1 613**
Other investments and loans	**7,2**	**21**	**11**	**29**	**61**
Leases and loans receivable	**13,1**	**1 546**	**1 027**	**–**	**2 573**
Derivative financial assets		**–**	**–**	**12**	**12**
		2 301	**1 066**	**1 921**	**5 288**
Liabilities					
Financial liabilities included in trade and other payables	**3,1**	**(188)**	**(48)**	**(1 208)**	**(1 444)**
Bank overdrafts and short-term facilities	**5,1**	**(579)**	**(128)**	**–**	**(707)**
Lease liabilities	**10,0**	**–**	**(218)**	**–**	**(218)**
Equity forward contract	**6,8**	**–**	**(75)**	**–**	**(75)**
Long-term loans and put option liability	**15,0**	**–**	**(1)**	**(14)**	**(15)**
Derivative financial liabilities		**–**	**–**	**(28)**	**(28)**
		(767)	**(470)**	**(1 250)**	**(2 487)**
Net financial assets		**1 534**	**596**	**671**	**2 801**
2019					
Assets					
Cash and cash equivalents	8,1	711	21	207	939
Financial assets included in current trade and other receivables and leases and loans receivable	15,7	612	344	1 908	2 864
Other investments and loans	8,4	20	14	26	60
Non-current leases and loans receivable	14,7	1 274	806	2	2 082
Derivative financial assets		–	–	10	10
		2 617	1 185	2 153	5 955
Liabilities					
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)
Derivative financial liabilities		–	–	(16)	(16)
		(547)	(149)	(1 357)	(2 053)
Net financial assets		2 070	1 036	796	3 902

Interest rate sensitivity analysis – Group

The sensitivity analyses for the Group and Company have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the statements of financial position date.

The analyses are prepared assuming the amount of net assets outstanding at the date of the statements 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 profit after tax.

If the Group's interest rates had been 2% higher and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2020 would increase by R22 million (2019: increase by R30 million). This is mainly attributable to the Group's exposure to interest rates on its floating rate deposits.

29. Financial instruments *continued*

Interest rate analysis

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

	Company				
Rm	**Weighted average effective interest rate %**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
2020					
Assets					
Cash and cash equivalents	2,0	1	–	–	1
Financial assets included in trade and other receivables	–	–	–	17	17
Other investments and loans	7,5	1	–	–	1
Amounts owing by subsidiaries	–	–	–	4 864	4 864
		2	–	4 881	4 883
Liabilities					
Financial liabilities included in trade and other payables	–	–	–	(17)	(17)
Lease liabilities	10,0	–	(1)	–	(1)
Equity forward contract	6,8	–	(75)	–	(75)
Amounts owing to subsidiaries	–	–	–	(2)	(2)
		–	(76)	(19)	(95)
Net financial assets		2	(76)	4 862	4 788
2019					
Assets					
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
Liabilities					
Financial liabilities included in trade and other payables	–	–	–	(19)	(19)
Amounts owing to subsidiaries	–	–	–	(11)	(11)
		–	–	(30)	(30)
Net financial assets		15	–	5 277	5 292

Interest rate sensitivity analysis – Company

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 2020 would increase by Rnil (2019: increase by R0,2 million). This is mainly attributable to the Company's exposure to interest rates on its floating rate deposits.

30. Disposal of business

Sale of PanSolutions Holdings Proprietary Limited (PanSolutions)

With effect from 1 July 2020 Reunert ICT Holdings sold the PanSolutions shares it owned for R1.

Rm	2020
Net assets disposed in PanSolutions:	
Leases and loans receivable	**3**
Inventory	**20**
Current and deferred tax	**4**
Trade and other receivables	**12**
Trade and other payables	**(20)**
Long-term loans	**(2)**
Short-term portion of long-term loans	**(1)**
Net carrying amount of assets disposed of	**16**
Consideration received	**(4)**
Cash received on sale	**–**
Less: cash on hand	**4**
Loss on disposal of subsidiary (net of taxation of Rnil)	**20**

Rm	2019
Sale of Prodoc Svenska	
In the 2019 financial year the net assets and business of Prodoc Svenska, were sold to the non-controlling interests at the fair value less cost to sell of R37 million.	
Net assets disposed in Prodoc Svenska:	
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)
Net carrying amount of assets disposed of	59
Consideration received	15
Cash received on sale	37
Less: cash on hand	(22)
Loss on disposal of subsidiary (net of taxation of Rnil)	44

31. Change in accounting policies

IFRS 16 Leases

IFRS 16 specifies how leases will be recognised, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting being substantially unchanged from its predecessor, IAS 17.

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. The impact for the Group of the adoption of the new standard has arisen from the various properties the Group leases, its network site operating leases, plant and motor vehicles.

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated.

The Group reviewed contracts previously classified as leases under IAS 17 to determine whether the contract contains a lease on adoption date, and evaluated whether any significant contracts not previously accounted for as leases contained a lease under IFRS 16.

The Group also reviewed whether any lease terms needed to be revised under IFRS 16.

31. **Change in accounting policies** *continued*

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. Where it does lease, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones), with a monetary threshold of R100 000 per lease. For short-term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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 telecommunications lines, judgement has been applied to determine whether the Group controls the line and therefore has a lease.

The lease liability and right-of-use asset are initially measured at:

- the present value of the lease payments that are not paid at the commencement date, discounted by its incremental borrowing rate; and
- any initial direct costs incurred.

Judgements and assumptions made by management in applying the related accounting policies for IFRS 16:

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Subsequently, the lease liability is measured on the amortised cost basis using an effective interest method and the interest expense is allocated over the lease term.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of the lease liability.

Depreciation is calculated on a straight-line basis over the lease term.

Right-of-use assets are assessed for impairments according to the impairment requirements of IAS 36.

Right-of-use assets 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.

Lease modifications are defined as a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease. The Group differentiates between scenarios resulting in the remeasurement of existing lease assets and lease liabilities that are not lease modifications (for example, a change in lease term resulting from the exercise of an option to extend the lease when that option was not included in the original lease term) and those resulting in a lease modification (for example, a change in the lease term resulting from changes to the terms and conditions of the original lease).

The Group further distinguishes between those lease modifications that, in substance, represent the creation of a new lease that is separate from the original lease and those that, in substance, represent a change in the scope of, or the consideration paid for, the existing lease.

A lease modification is accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration paid for the lease increases by an amount commensurate with the stand alone price for the increase in scope. For lease modifications that do not result in a separate lease, the existing lease liability is remeasured using a discount rate determined at the effective date of the modification.

If the modification decreases the scope of a lease, the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, and a corresponding gain or loss is recognised in the statement of profit or loss.

For all other lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

31. Change in accounting policies *continued*

Practical expedients applied

In applying IFRS 16 for the first time and moving forward, the Group has and will continue to use the following practical expedients permitted by the standard:

> the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
> reliance on previous assessments on whether leases are onerous
> the accounting for leases with a remaining lease term of less than 12 months
> the accounting for leases of low value assets (asset, or group of assets in an individual lease, with a cost of R100 000 or lower) when new on 1 October 2019
> the use of current knowledge and plans to determine the lease term where the contract contains options to extend or terminate the lease

Adjustment recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The rate applied is 10%. There are no material leases outside of South Africa.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 October 2019:

Rm	30 September 2019	IFRS 16 impact	1 October 2019
Right-of-use assets	–	215	215
Deferred tax assets*	143	–	143
Trade and other payables	(2 184)	7	(2 177)
Lease liabilities	–	(222)	(222)
Deferred tax liabilities*	(138)	–	(138)
	(2 179)	–	(2 179)

* *The raising of the right-of-use assets gave rise to a R62 million deferred tax liability and the raising of the lease liability gave rise to a R62 million deferred tax asset. Since this had no net effect in each Group company that raised IFRS 16 leases, there was no net impact on the Group's deferred tax assets and liabilities on 1 October 2019.*

The following table provides a reconciliation of the operating lease commitments and finance lease liabilities recognised as at 30 September 2019 to the total lease liability recognised on the Group balance sheet in accordance with IFRS 16 as at 1 October 2019.

Rm	2020
Operating lease commitments disclosed as at 30 September 2019	**(249)**
Adjusted for changes in lease terms as at 1 October 2019	**(26)**
Adjusted operating lease commitments as at 1 October 2019	**(275)**
Impact of discounting using the lessees' incremental borrowing rate at the date of initial application	**44**
	(231)
Less: low-value leases recognised on a straight-line basis as an expense	**2**
Less: contracts reassessed as service agreements	**7**
Lease liability recognised as at 1 October 2019	**(222)**
Current lease liabilities	**(64)**
Non-current lease liabilities	**(158)**

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

Rm	1 October 2019
Properties	185
Plant	26
Motor vehicles	4
Total carrying amount of right-of-use assets	215

Right-of-use assets have been disclosed in note 10, property, plant and equipment.

Lease liabilities have been disclosed in note 20, long-term loans.

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 non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Transactions to increase percentage holding

During the current year the Group increased its holding in Terra Firma Solutions from 62,49% to 89,94% at a cash cost of R132 million. The increase was due to direct purchase of shares and by the exercise of put options held by the non-controlling shareholders of Terra Firma.

Rm	2020
Non-controlling interests	15
Transactions with non-controlling interests	(14)
Put option liability	131
Equity transactions/put option with non-controlling interests	(94)
Retained earnings	94
Net consideration paid	132

33. Subsequent events

In November 2020, the Group introduced a minority shareholder as a strategic partner in the ICT segment's 4th Cluster and launched Plus1X Solutions. Plus1X Solutions is a cloud systems integrator targeting enterprise and mid-market segments with new age digital systems.

34. Litigation

There is no material litigation being undertaken against or by the Group.

35. Going concern

Due to the COVID-19 pandemic, the Group focused on liquidity and cash flow preservation. Various measures that were implemented included cost optimisation and working capital initiatives. Although the Company is in a net current liability position, the Group and Company continue to have sufficient available banking facilities to support business activities as they recover to more normal levels of trading in the short to medium term. The directors have reviewed the Group and Company's financial position, existing credit facilities and available cash resources and are satisfied that the Group and Company will continue as a going concern for at least the next 12 months from the date of this report.

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 Electrical Engineering (EE), Information Communication Technologies (ICT), Applied Electronics (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. This segment's market includes municipalities, parastatals, utilities, 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 serviced comprises corporate and retail customers, small to medium-sized enterprises (SMEs), 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. The AE segment's markets 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. Revenue by geography has been disclosed in note 1.

Reunert does not have a single customer or grouping of customers which meets the requirements to be separately disclosed in terms 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	2020	%	Restated 2019	%	% change
Revenue[1]					
Electrical Engineering (EE)	**3 767**	**46**	5 457	50	(31)
Information Communication Technologies (ICT)	**2 524**	**30**	3 236	29	(22)
Applied Electronics (AE)	**1 951**	**24**	2 346	21	(17)
Other	**17**	**–**	16	–	6
Total segment revenue	**8 259**	**100**	11 055	100	(25)
Equity-accounted joint venture in EE Segment	**(179)**		(307)		
Equity-accounted associate in ICT segment	**(28)**		(29)		
Equity-accounted joint venture in Other segment	**(6)**		(5)		
Revenue as reported in the statement of profit or loss	**8 046**		10 714		(25)
Inter-segment revenue is immaterial and has not been separately disclosed					
Operating profit					
EE	**31**	**4**	320	23	(90)
ICT[1]	**604**	**69**	770	56	(22)
AE	**269**	**31**	361	26	(25)
Other	**(33)**	**(4)**	(71)	(5)	(54)
Total operations	**871**	**100**	1 380	100	(37)
Operating loss from equity-accounted joint venture in EE segment	**30**		11		
Operating profit from equity-accounted associate in ICT segment	**(3)**		(4)		
Operating profit from equity-accounted joint venture in Other segment	**(5)**		(4)		
Operating profit before credit write-off and expected credit losses	**893**		1 383		(35)
Expected credit losses in EE segment	**(26)**		3		
Expected credit losses and credit write-off in ICT segment	**(541)**		(22)		
Expected credit losses in AE segment	**(19)**		(3)		
Operating profit as reported in the statement of profit or loss	**307**		1 361		(77)

[1] *Inter-segment revenue has been eliminated, however it is immaterial and has not been separately disclosed.*

[2] *The net interest charged on Group funding provided to the Group's in-house finance operation has been eliminated in line with IFRS 10 Consolidated Financial Statements. The interest eliminated amounted to R134 million (2019: R170 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.*

Impact of the restatement

The reason for the restatement is to highlight the significant impact of the credit write-offs and expected credit losses on the results for the 2020 financial year. This has resulted in additional disclosure for 2019 in order to reflect the comparative.

2019 Rm	Operating profit for total operations as previously reported	Expected credit losses previously incorporated in operating profit for total operations	Operating profit for total operations as reported now
EE	323	(3)	320
ICT	748	22	770
AE	358	3	361
Other	(71)	–	(71)
	1 358	22	1 380

Segmental analysis continued

Rm	2020	2019
Impairments of goodwill, loss on disposal of subsidiary and empowerment transactions		
EE (2020: impairment of goodwill (2019: impairment of goodwill))	**61**	67
ICT (2020: loss on disposal of subsidiary (2019: loss on disposal of subsidiary))	**20**	44
AE (2020: impairment of goodwill (2019: empowerment transaction))	**14**	3
Other	**–**	–
Total impairments of goodwill, loss on disposal of subsidiary and empowerment transactions as reported in the statement of profit or loss	**95**	114
Total assets		
EE	**2 420**	2 820
ICT	**4 328**	4 678
AE	**2 500**	2 322
Other	**478**	484
Total assets as reported in the statement of financial position[1]	**9 726**	10 304
Inventory		
EE	**663**	699
ICT	**150**	160
AE	**670**	517
Other	**–**	–
Total inventory as reported in the statement of financial position	**1 483**	1 376
Trade and other receivables, leases and loans receivable – current		
EE	**772**	1 083
ICT	**1 133**	1 352
AE	**779**	735
Other	**6**	16
Total trade and other receivables, leases and loans receivable as reported in the statement of financial position	**2 690**	3 186
Total liabilities		
EE	**1 007**	1 131
ICT	**1 037**	748
AE	**793**	789
Other	**346**	205
Total liabilities as reported in the statement of financial position[1]	**3 183**	2 873

[1] *Intercompany receivables, payables and loans have been eliminated in line with the consolidation principles of IFRS.*

Rm	2020	2019
Trade and other payables, contract liabilities, derivative financial liabilities, provisions and share-based payment liability – current		
EE	**851**	935
ICT	**411**	507
AE	**651**	602
Other	**93**	146
Trade and other payables, contract liabilities, derivative financial liabilities, provisions and share-based payment liability – current as reported in the statement of financial position	**2 006**	2 190
Capital expenditure		
EE	**21**	45
ICT	**37**	25
AE	**99**	75
Other	**13**	13
Capital expenditure as reported in the statement of cash flows	**170**	158
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible assets		
EE (2020: impairment of Polybox property, plant and equipment R4 million (2019: impairment of Zamefa property, plant and equipment R40 million))	**60**	92
ICT	**99**	54
AE	**75**	50
Other	**10**	9
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible assets as reported in the statement of profit or loss[1]	**244**	205

[1] *Intercompany depreciation has been eliminated in line with the consolidation principles of IFRS.*

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

	Share capital R (unless otherwise stated)	Effective percentage holding 2020 %	2019 %
Refer to the Segmental Analysis for a description of the business activities and markets.			
Electrical Engineering			
Reunert Electrical Engineering Holdings Proprietary Limited	8 000 047	**100**	100
Afcab Holdings Proprietary Limited	1 000	**88**	88
CBi-Electric Mzansi (RF) Proprietary Limited[1]	10 000 000	**65,12**	65,12
CBi-Electric: African Cables			
Reunert Investment Company No 1 Proprietary Limited	4 000	**100**	100
ATC Proprietary Limited[1]	1 500 000	**65,12**	65,12
Zambia			
Metal Fabricators of Zambia PLC	KW 270 900	**75**	75
CBi-Electric: Low and Medium Voltage			
Circuit Breaker Industries Proprietary Limited	46	**100**	100
Circuit Breaker Industries GmbH (incorporated in Germany)	Euro 25 565	**100**	100
Circuit Breaker Industries Inc. (incorporated in USA)	USD 50000	**100**	100
Circuit Breaker Industries Lesotho Proprietary Limited (incorporated in Lesotho)	LS 1 000	**100**	100
Heineman Electric (incorporated in Australia)	A$ 2	**100**	100
Polybox Proprietary Limited [2 and 3]	5 000 000	**51,22**	51,22
Reunert Investment Company No 3 Proprietary Limited	5 028 000	**100**	100
CBi-Electric Telecom Cables Proprietary Limited[1] (joint venture)	246 312 400	**32,56**	32,56
Information Communication Technologies			
Reunert ICT Holdings Proprietary Limited	817 695 621	**100**	100
NPC (Air conditioning) Proprietary Limited[3]	100 000	**100**	100
Plus1 X Solutions Proprietary Limited (previously Reunert Connect Proprietary Limited)	16 080 863	**100**	100
Nashua Communication Proprietary Limited (subsequently Plus1 X Communications Proprietary Limited)	100	**100**	100
Nashua Office Automation[5]			
Nashua Proprietary Limited	947 794	**100**	100
Kopano Solutions Company Proprietary Limited	2 000 000	**60**	60
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**	60
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
Quince			
Quince Capital Holdings Proprietary Limited[3]	–	**100**	100
Quince Capital Proprietary Limited[4]	75 268 322	**100**	100
Electronic Communications Network Proprietary Limited	100	**100**	100
Skywire Proprietary Limited	128 825 012	**100**	100

	Interest of holding company				Interest and distributions made to/(received from) the holding company	
	Shares		Loans to/from			
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
	38	38	**–**	–	**28**	254
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	68	68	**4**	4	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	16	16	**–**	–	**–**	1
	–	–	**–**	–	**–**	–
	1 122	995	**–**	–	**118**	539
	–	–	**–**	–	**–**	–
	–	–	**–**	21	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
			–		**–**	
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–

	Share capital R (unless otherwise stated)	Effective percentage holding 2020 %	2019 %
Applied Electronics			
Reunert Applied Electronics Holdings Proprietary Limited	301 708 809	**100**	100
Authentiss Proprietary Limited	1	**100**	100
Reutech Mzansi (RF) Proprietary Limited[6]	10 000 000	**80**	80
Reutech Proprietary Limited	39 023 797	**80**	80
Omnigo Proprietary Limited	1 000	**80**	80
Nanoteq Proprietary Limited	100	**80**	80
Zisaforce Cyber Enterprise Proprietary Limited	100	**80**	80
Accessential Proprietary Limited t/a Dynateq International	48 272 679	**100**	100
Fuchs Electronics Proprietary Limited	50 000	**100**	100
Dopptech Proprietary Limited	7 683 147	**100**	100
Reunert Investment Company No 2 Proprietary Limited	137 627 557	**100**	100
Terra Firma Solutions Proprietary Limited[7]	8 327 426	**89,94**	62,49
Reunert International Holdings Proprietary Limited	100	**100**	100
Reutech India	₹ 18 544 870	**100**	100
Reutech Australia	A$ 100	**100**	100
NPC (Electronics) Proprietary Limited	52 331 286	**100**	100
Blue Nova Energy Proprietary Limited	95 277 941	**51**	51
RC&C (Parow Factory) Properties Proprietary Limited	2	**100**	100
Investments and Services			
Reunert Finance Company Proprietary Limited[4]	4 000 000	**100**	100
Reunert Management Services Proprietary Limited	4 000	**100**	100
Julopro Proprietary Limited[8]	121	**100**	100
Reunert International Investments (Mauritius) Limited[9]	USD 10 712 586	**100**	100
Sundry companies (net)[3]			
Investment in terms of a broad-based share-based payment transaction encompassing Group employees[10]			
Special Purpose Entity			
Bargenel Investments Proprietary Limited[11]			
Impairment			
Interest in subsidiaries			
Amounts owing by subsidiaries to Reunert Company in total (refer to note 13)			
Amounts owing to subsidiaries (refer to note 13)			

1 Reunert 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.

2 Reunert owns 100% of CBi Proprietary Limited, which owns 51,22% of Polybox Proprietary Limited, resulting in an indirect interest of 51,22%.

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

4 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.

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

6 Reunert 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.

7 Reunert Investment Company No 2 Proprietary Limited acquired 51% of Terra Firma Solutions Proprietary Limited during 2017, 3,38% during 2018, 8,11% during 2019 and a further 27,45% in 2020, 25% of this purchase related to the exercising of the put option.

8 During 2020 Reunert Limited paid ordinary dividends totalling R22 million (2019: R25 million) to Julopro and Julopro paid ordinary dividends totalling R22 million (2019: R25 million) to Reunert Limited.

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

	Interest of holding company				Interest and distributions made to/(received from) the holding company	
	Shares		Loans to/from			
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
	329	329	**–**	–	**66**	205
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
	1	1	**–**	–	**–**	–
	4	4	**5 411**	6 001	**–**	–
	–	–	**–**	–	**–**	–
	312	312	**(2)**	(2)	**–**	–
	164	164	**–**	–	**–**	–
	–	–	**–**	(9)	**8**	–
	27	27	**–**	–	**–**	–
	1 112	1 112	**–**	–	**–**	–
	3 193	3 066	**5 413**	6 015	**220**	999
	(1 028)	(228)	**(551)**	(730)		
	2 165	2 838	**4 862**	5 285		
	4 864	5 296				
	(2)	(11)				
	4 862	5 285				

[10] *During 2007, shares were transferred to Group employees in terms of a broad-based scheme. In terms of IFRS 2 Share-based Payment, the share premium on the shares issued was allocated to Reunert's investments in the subsidiaries employing the employees.*

[11] *Reunert sold its investment in Bargenel's ordinary shares in 2007 as part of a B-BBEE 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 R209 million (2018: R 222 million) it is entitled to as at 30 September 2020, 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 capital gains tax on the difference between the market price of the Reunert shares at the effective date of the transaction and their base cost in Bargenel, limited to that proportion of the Bargenel shares not held directly or indirectly by the Rebatona Educational Trust. 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 2020 Reunert paid ordinary dividends totalling R83 million to Bargenel (2019: R92 million) and Bargenel paid preference dividends totalling R83 million to Reunert Limited (2019: R92 million)

Unconsolidated entity – Annexure B

For the year ended 30 September 2020

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 a majority of directors to the board of directors of Cafca and therefore does not control the board.

Although, in terms of IAS 28 Investments in Associates, Reunert is presumed to have significant influence over Cafca as it owns more than 20% of Cafca's share capital and it has more than 20% representation on its board of directors, 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 (2019: 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 any economic benefits from Cafca (eg: 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	–

	Inflation adjusted		Historical	
	2020 ZWL$ 000	2019 ZWL$ 000	**2020 ZWL$ 000**	2019 ZWL$ 000
Extract of the statement of profit or loss for the year ended 30 September				
Revenue	**1 629 388**	1 314 175	**860 858**	93 396
Operating profit	**760 684**	582 834	**421 560**	54 190
Net finance cost	**(21 257)**	(183)	**(12 853)**	(10)
Monetary loss	**(272 784)**	(102 455)	**–**	–
Profit before tax	**466 643**	480 196	**408 707**	54 180
Tax charge	**46**	(205 494)	**(90 900)**	(12 913)
Profit after tax	**466 689**	274 702	**317 807**	41 267
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**466 689**	274 702	**317 807**	41 267
Extract of the statement of financial position as at 30 September				
Assets				
Non-current assets				
Property, plant and equipment	**103 704**	118 043	**3 764**	4 119
Deferred tax asset	**–**	–	**4 307**	–
	103 704	118 043	**8 071**	4 119
Current assets				
Inventory	**1 181 401**	721 574	**354 113**	41 081
Trade and other receivables	**116 085**	92 827	**114 955**	11 813
Cash	**172 043**	110 326	**172 043**	11 580
	1 469 529	924 727	**641 111**	64 474
Total assets	**1 573 233**	1 042 770	**649 182**	68 593
Equity and liabilities				
Share capital and reserves	**1 287 456**	797 771	**394 936**	55 598
Non-current liabilities	**31 531**	127 223	**–**	434
Current liabilities	**254 246**	117 776	**254 246**	12 561
Total equity and liabilities	**1 573 233**	1 042 770	**649 182**	68 593

At 30 September 2020, Cafca's share capital and reserves amounted to inflation adjusted ZWL$1 287 million (2019: ZWL$798 million), and historical share capital and reserves amounted ZWL$395 million (2019: ZWL$56 million).

The Group has made sales to Cafca of R4 million in the current financial year (2019: R11 million).

PricewaterhouseCoopers issued an adverse opinion on the financial statements of Cafca for the year ended 30 September 2020 due to the hyper inflation in Zimbabwe.

Reconciliation of core operating profit – Annexure C

For the year ended 30 September 2020

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.

This is a non-IFRS measure and not a JSE Listings Requirement. The measure used is not uniformly defined by all entities and may not be comparable with similar labelled measures.

Rm	EE	ICT	AE	Other	Total
2020					
Core operating profit/(loss)	**28**	**604**	**268**	**(33)**	**867**
Profit on sale of assets	**3**	**–**	**1**	**–**	**4**
Segment operating profit/(loss)	**31**	**604**	**269**	**(33)**	**871**
Credit write-off and expected credit losses	**(26)**	**(541)**	**(19)**	**–**	**(586)**
Operating loss/(profit) from equity accounted joint ventures	**30**	**–**	**–**	**(5)**	**25**
Operating profit from equity accounted associate	**–**	**(3)**	**–**	**–**	**(3)**
Operating profit per the statement of profit or loss	**35**	**60**	**250**	**(38)**	**307**
2019					
Core operating profit/(loss)	320	770	359	(73)	1 376
Profit on sale of assets	–	–	2	2	4
Segment operating profit/(loss)	320	770	361	(71)	1 380
Credit write-off and expected credit losses	3	(22)	(3)	–	(22)
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	334	744	358	(75)	1 361

Share ownership analysis – Annexure D

At 30 September 2020

Shareholder spread	Number of shareholders	%	Number of shares (millions)	%
1 – 1 000 shares	7 109	74,0	2	1,1
1 001 – 10 000 shares	1 932	20,1	6	3,2
10 001 – 100 000 shares	413	4,3	12	6,5
100 001 – 1 000 000 shares	120	1,2	39	21,1
1 000 001 shares and more	34	0,4	126	68,1
Total	9 608	100,0	185	100,0

Public/Non-public shareholders	Number of shareholders	%	Number of shares (millions)	%
Non-public shareholders	6	0,1	25	13,1
Bargenel Investments Proprietary Limited[1]	1		19	10,0
Reunert Share Option Trust	2		1	0,3
Own Holdings[2]	3		5	2,8
Public Shareholders	9 602	99,9	160	86,9
Total	9 608	100,0	185	100,0

Beneficial shareholders holding 5% or more	Number of shares (millions)	%
Government Employees' Pension Fund	22	12,0
Bargenel Investments Proprietary Limited[1]	19	10,0

	2020		2019	
	Number of shares (million)	%	Number of shares (million)	%
Major holdings through fund managers in excess of 5%				
Old Mutual Investment Group (South Africa) Proprietary Limited	25	13,3	17	9,4
Public Investment Corporation Limited[3]	21	11,4	21	11,5
Pzena Investment Management, LLC	12	6,4	11	6,2
Ninety One SA Proprietary Limited.	9	5,0	*	*
PSG Asset Management Proprietary Limited	*	*	9	5,0

[1] *Empowerment transaction shares*

[2] *Own shares include 179 045 ordinary shares held by the executive directors*

[3] *Included in the Government Employees Pension Fund.*

* *Holdings were below 5%*

Abbreviations and acronyms

Abbreviation	Full name
AE	Applied Electronics
AFS	Annual Financial Statements
AGM	Annual General Meeting
ATC	ATC (Pty) Ltd
Bargenel	Bargenel Investments (Pty) Ltd
Blue Nova	Blue Nova Energy
bn	Billion
Board	Board of directors of Reunert Limited
Cafca	Cafca Limited
CSP	Conditional Share Plan
Dopptech	Dopptech (Pty) Ltd
EBITDA	Earnings before net interest, tax, depreciation and amortisation, impairment of goodwill and property, plant and equipment, impairment of investment in subsidiaries, loss on disposal of subsidiary and empowerment transactions; EBITDA includes interest income received in Quince Capital.
EE	Electrical Engineering
ECL	Expected Credit Loss
FECs	Forward Exchange Contracts
FVTPL	Fair value through profit and loss
IAS	International Accounting Standards
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
JSE	JSE Limited
m	Million
MOI	Memorandum of Incorporation
NCI	Non-controlling interest
Oculus	OculusIP (Pty) Ltd
Polybox	Polybox (Pty) Ltd
Quince	Quince Capital (Pty) Ltd
Reunert	Reunert Limited
RFCL	Reunert Finance Company (Pty) Ltd
RMS	Reunert Management Services (Pty) Ltd
SkyWire	SkyWire (Pty) Ltd
SPE	Special Purpose Entity
Telecom Cables	CBi-Electric Telecom Cables (Pty) Ltd
Terra Firma	Terra Firma Solutions (Pty) Ltd
Zamefa	Metal Fabricators of Zambia Plc

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

Email: karenl@reunert.co.za
Telephone: +27 11 517 9000
Telefax: +27 11 517 9044

Group Legal
Hendrik van Rensburg
Admitted Advocate to the High Court of South Africa, Pr Eng

Email: legal@reunert.co.za
Telephone: +27 11 517 9000
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
karens@reunert.co.za

Share transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Postal address
PO Box 61051
Marshalltown
2107
South Africa

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

Auditors
Deloitte & Touche
Deloitte
5 Magwa Crescent
Waterfall City
Midrand
2090
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

GREYMATTERFINCH # 14817

reunert.com