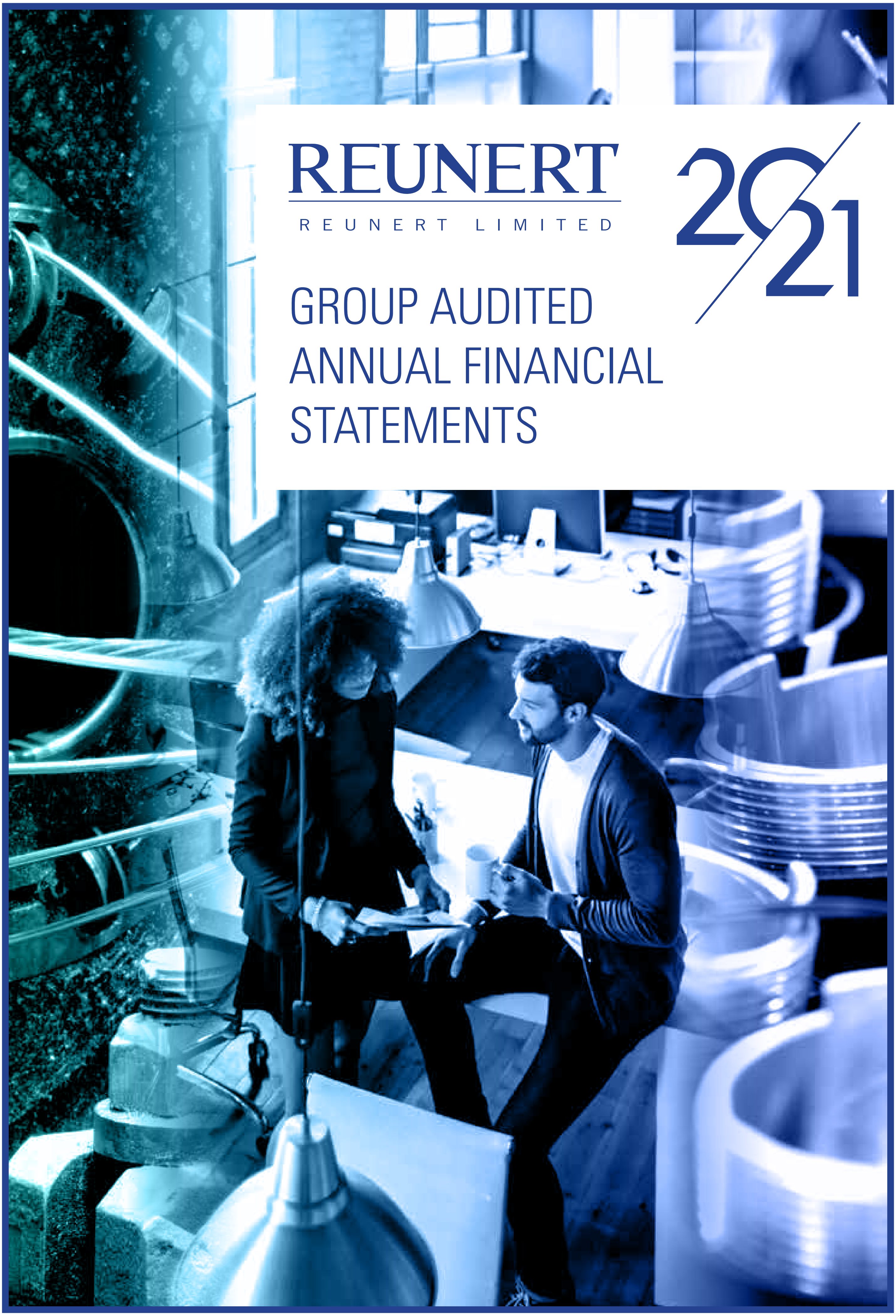
REUNERT

REUNERT LIMITED

2021

GROUP AUDITED ANNUAL FINANCIAL STATEMENTS



Contents

Directors' responsibility for and approval of the annual financial statements

For the year ended 30 September 2021

The consolidated and separate annual financial statements of Reunert Limited for the year ended 30 September 2021 (annual financial statements), comprise 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 Board of directors (the Board) are responsible for the preparation, integrity and fair presentation of the annual financial statements, in conformity with:

> The framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) in effect for the Group at 1 October 2020;
> The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
> The Listings Requirements of the JSE Limited;
> The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
> The requirements of the Companies Act of South Africa, No. 71 of 2008 (Companies Act)

These annual financial statements include amounts based on judgements and estimates made by management.

To discharge this responsibility, the Board ensures, through the review of information supplied by management and the reports of the internal auditors, that the Group (comprising the Company, its subsidiaries, its joint ventures, and associates) 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
> There is reasonable assurance as to the reliability of the Group's financial information

The Board is also responsible for preparing the directors' report.

The Board, together with the Risk and the Audit committee, also ensures that the Group has instituted a risk management system which provides reasonable assurance that risks are:

> Identified
> Assessed
> Managed to acceptable levels
> Transferred

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

The Board has considered both the ability of the Company and Group to continue as going concerns for at least the next twelve months and the liquidity and solvency of the Company before and after approving the final dividend for the 2021 financial year.

The Group's external auditors, Deloitte & Touche, are responsible for reporting on whether the annual financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act. They have issued an unmodified audit opinion in this regard which is set out on pages 3 to 6.

On the recommendation of the Audit Committee, the annual financial statements set out on pages 7 to 105 were approved by the Board on 15 December 2021 and are signed on its behalf by:

Trevor Munday	**Alan Dickson**	**Nick Thomson**
Chair	*Chief Executive Officer*	*Chief Financial Officer*

CEO and CFO responsibility statement

For the year ended 30 September 2021

In compliance with paragraphs 3.84(k) of the JSE Limited Listing Requirements, the CEO and CFO confirm that:

(a) The annual financial statements set out on pages 7 to 105, fairly present in all material respects the financial position, financial performance and cash flows of Reunert and the Group in terms of IFRS;

(b) No facts have been omitted or untrue statements made that would make the annual financial statements of the Group false or misleading;

(c) Internal financial controls have been put in place to ensure that material information relating to Reunert, and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Group; and

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Alan Dickson
CEO
15 December 2021

Nick Thomson
CFO

Company secretary's certification

For the year ended 30 September 2021

In terms of section 88(2)(e) of the Companies Act, No.71 of 2008 (Companies Act), I, Karen Louw, duly authorised on behalf of the Group Company Secretary, Reunert Management Services (Pty) Ltd (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 2021, 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 (Pty) Ltd
Group Company Secretary
15 December 2021

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 16 to 105, which comprise the consolidated and separate statements of financial position as at 30 September 2021, 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 2021, 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 2021.

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 R934 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 the following entities: o Blue Nova Energy (Pty) Ltd; o Nanoteq (Pty) Ltd; o Skywire (Pty) Ltd; o Omnigo (Pty) Ltd; and o Reutech Communications (division of Reutech (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 CGUs identified above. 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: > For selected cash generating units, we assessed the reasonableness of the revenue growth rates against historic performance, approved budgets, and expected future performance based on industry and entity-specific factors; > A corporate finance 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; > A corporate finance specialist computed a peer based market multiple for these components, which was used to perform a reasonability assessment on the recoverable amounts; > Tested the mathematical accuracy of the valuation models; > 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.
Expected credit losses on Quince leases and loan receivables	
As disclosed in Note 14, the carrying value of leases and loans receivable at 30 September 2021 is R2 476 million (2020: R2 573 million), after recognising expected credit losses (ECL) of R152 million (2020: R210 million). 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 the ongoing Covid 19 pandemic, 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. The Group therefore relied on external benchmarks to determine the following key assumptions: > The probability of default, and > The loss given default. These assumptions have a significant impact on the carrying value of the leases and loan receivables. The impact of key assumptions 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. Based on the procedures performed, we concluded that the probability of default and loss given default applied, 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 36 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per: Nita Ranchod
Partner
15 December 2021
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 IV Report on Corporate Governance for South 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 issues of concern resulted from this assessment.

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), T Abdool-Samad, AB Darko, S Martin and MT Matshoba-Ramuedzisi.

The Audit Committee comprises of independent non-executive directors and meets at least three times a year. The Chair of the Board attended 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	17 November 2020	17 May 2021	17 August 2021	15 November 2021
LP Fourie	1 October 2019	✓	✓	✓	✓
T Abdool-Samad	1 July 2014	✓	✓	✓	✓
AB Darko	1 October 2019	✓	✓	✓	✓
S Martin	1 December 2013	✓	✓	✓	✓
MT Matshoba-Ramuedzisi	1 April 2018	✓	✓	✓	✓

Audit Committee report (continued)

Statutory duties

In execution of its statutory duties during the financial year and pursuant to the provisions of the Companies Act and the JSE Listings Requirements, the Audit Committee:

- Confirmed the appointment of both Deloitte & Touche (Deloitte) as the independent external auditors and Ms Ranchod as the designated audit partner for the 2021 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:
  - 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:
  - Total fees charged by Deloitte in respect of all services were R28,1 million (2020: R25,8 million) of which the Group's external audit fee amounted to R26,6 million (2020: R24,1 million)
  - The fees for other services amounted to R1,5 million (2020: R1,7 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 2022, and that such reappointment has been presented and included as a resolution at the next AGM pursuant to Section 61(8) of the Companies Act
- In making this recommendation it:
  - Considered the information listed in paragraph 22.15(h) as required by paragraph 3.84(g)(iii) of the JSE Listings Requirements
  - 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
  - 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
  - Considered Deloitte's independence, quality of work performed and value for money in terms of fees charged
  - 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 and that all entities included in the consolidated annual financial statements have been considered to ensure that it has access to all the financial information of the Group to enable the effective preparation of and reporting on the 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 2021

- 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 financial statements, condensed consolidated financial statements 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 and estimates 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
- Considered risk indicators reported by the Risk Committee

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:

- Impairment of goodwill
- Expected credit losses on the Quince leases and loans receivables

The Audit Committee is satisfied that the key audit matters have been adequately addressed and appropriate disclosures have been made in the annual financial statements.

Key accounting matters

The Audit Committee reconsidered 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 concluded that both the impact of COVID-19 and its own areas of special focus had been appropriately addressed in the annual financial statements. The areas of special focus were:

- Impairment testing of significant goodwill and other non-financial asset balances at year-end
- The measurement of Expected Credit Losses (ECL) as it relates to rental and loan receivables
- The appropriateness of methodologies used and estimates and judgements applied to the determination of fair values for financial assets and financial liabilities recognised at fair value through profit or loss for the year-ended 30 September 2021

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 internal audit, and work undertaken by management including the use of specialists where considered necessary.

Internal Financial Reporting Controls

General

A comprehensive programme relating to internal financial reporting controls was introduced and implemented in 2020 in accordance with the SAICA guideline.

Remedial actions have been completed in stages, throughout the year in a systematic and planned approach, with any deficiencies affecting significant and high-risk areas being remediated by the reporting date and/or covered by compensating controls and lower risk areas being remediated in the ordinary course of business.

Audit committee disclosure:

Internally, the Group CEO and Group CFO and the internal auditors, have reviewed the internal controls over financial reporting (IFRC's), and presented their findings to the Audit Committee.

The Group CEO and CFO have followed a comprehensive process ensuring due care, careful and proper consideration has been applied, including:

- Determining the Group Materiality and the Tolerable Error for determining 'in-scope' areas and reviewing applicability on regular basis
- Determining the Significant Account Balances and underlying financial processes at Group Level based on materiality and inherent risk
- Evaluating the Entity Level Controls at Group level using the COSO model and aligning to King IV principles
- Evaluating the financial close processes at Group level and other 'in-scope' entities using a facilitated Control Self-Assessment approach
- Preparing risk and control matrices for all 'in-scope' significant accounts/processes
- Developing a risk matrix for assessing the key financial reporting risks (including IFRC fraud risks)
- Identifying Internal Financial Reporting Controls and IT General Controls based on a risk assessment and preparing Control Self-Assessments for all significant processes/accounts
- Reviewing conflicting tasks (Segregation of Duties) per 'in-scope' processes
- Completing regular testing, reporting and monitoring processes
- Designing and implementing compensating controls and/or remediation activities for all areas where Internal Financial Reporting Controls were not operating effectively
- Utilising internal audit and internal control champions to test the operating effectiveness of the Internal Financial Reporting Controls
- Obtaining year end CEO/CFO sign-off certifications completed by BU, Segment and Group CEOs and CFOs

Deficiencies

Internal financial reporting control deficiencies were reported to the August Audit Committee and have been remediated by management in the ordinary of business.

Significant deficiencies

No significant deficiencies were reported to the Audit Committee during the year or at year-end requiring specific disclosure.

Audit Committee report (continued)

Internal audit

> Reviewed and approved the internal audit function's terms of reference, the annual internal audit plan and evaluated the independence, effectiveness and performance of the Chief Audit Executive and the internal audit function and found it to be satisfactory

> Considered the reports of the internal auditors (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

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

Combined assurance

The Group's combined assurance framework is set out in the Integrated Report. The Audit Committee through its work plan and by consideration of papers submitted by management and internal audit has discharged its responsibility in terms of the framework.

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

Focus areas for 2022

> Oversight and execution of the process of the mandatory audit firm rotation for the external auditor

> Oversight of the operationalisation and embedding of the CEO/CFO certification process as required by section 3.84(K) of the JSE Listing Requirements

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 Integrated Report and the annual financial statements of Reunert Limited for the year ended 30 September 2021 for approval to the Board. The Board approved the Integrated Report and the annual financial statements.

LP Fourie
Chair

Sandton
15 December 2021

Directors' report

For the year ended 30 September 2021

The Board takes pleasure in presenting their report for the year ended 30 September 2021.

AUTHORISED AND ISSUED CAPITAL

The authorised share capital of the Company remained unchanged.

During the current financial year, no shares were issued (2020: 19 000) in terms of the 2006 share.

REVIEW OF OPERATIONS AND RESULTS

The Group's revenue, operating profit, profit for the year, earnings per share and total cash dividend per share are:

Measure	Units	2021	2020 restated[1]	% change
Revenue	Rm	**9 575**	8 046	19
Operating profit	Rm	**1 050**	208	405
Profit for the year	Rm	**767**	7	10 857
Basic earnings per share	cents	**483**	29	1 566
Headline earnings per share	cents	**478**	115	316
Total cash dividend per share for the year	cents	**277**	257	8

[1] *The comparative year information has been restated to include in operating profit all items of income and expenditure (excluding dividends received, interest income and expense and share of joint ventures' and associates' profit/(loss)).*

OVERVIEW

Strong operating and financial performance

Reunert's 2021 attributable profit was a meaningful improvement compared with the prior year. The Group benefited from the restructuring and productivity improvement actions implemented in 2020, which created the base for this year's performance. The Group's companies generally managed the complex and volatile market environment extremely well to deliver solid operating performances, specifically in the Information Communication Technology (ICT) and Electrical Engineering segments, which resulted in an overall financial performance that demonstrates the resilience and responsiveness of the Group.

All the businesses in the ICT segment performed in line with, or slightly better than, the Group's expectations. The interest income at Quince Capital (Pty) Ltd (Quince) decreased in line with the lower interest rate environment. Improved performances were achieved in all the other business units in the segment, which delivered a segment operating profit slightly ahead of the prior year.

The Electrical Engineering segment's recovery was led by a strong performance from its circuit breaker business which included excellent export growth and improved market share in South Africa. This was augmented by the cable businesses which benefited from the prior year actions and much improved factory operational efficiency. Consequently, these businesses delivered a positive operating profit against an operating loss in the prior year.

The Applied Electronics segment had a challenging year as exports reduced because of a COVID-19 related inability to travel and secure new orders as well as long delays in the receipt of export permits from the appropriate authorities.

Challenges

Despite the positive financial performance, 2021 remained challenging and the Group had four key challenges to contend with. These challenges included: COVID-19 lockdowns both in South Africa and in the Group's various export markets; the civil unrest in South Africa in July; the delay to secure export permits from the appropriate authorities; and the global electronic component shortage and general supply chain challenges.

These factors prevented the full recovery of the Group's businesses and continue to adversely impact the Group, although we expect this impact to steadily diminish and for the Group's performance to continue to improve in the year ahead.

GROUP RESULTS

Reunert's 2021 financial result was bolstered by a strong recovery in the Electrical Engineering segment, a good performance in the ICT segment and negatively impacted by the four challenges described above which impeded a stronger performance by the Group and resulted in a poor Applied Electronics segment performance. The Group revenue increased by 19% to R9 575 million (2020: R8 046 million) while the Group's operating profit grew by 405% to R1 050 million (2020: R208 million restated) resulting in headline earnings per share (HEPS) of 478 cents (2020: 115 cents) and earnings per share (EPS) of 483 cents (2020: 29 cents).

Directors' report (continued)

For the year ended 30 September 2021

CASH RESOURCES AND CASH LIQUIDITY

The Group continues to actively manage its cash generation despite:

> Needing to increase the stock holding for critical components due to the international supply disruptions caused by COVID-19;

> The delay in certain sales in the Applied Electronics segment due to the slow approval of export permits; and

> The dramatic increase in commodity prices such as copper and aluminium, which impacted both the Rand value of stock holdings and the trade receivable balances, as increased prices were passed onto customers.

The Group ended the financial year with R291 million in net cash resources (2020: R323 million) which, together with the significant lines of unutilised credit available from the Group's bankers, provides a solid financial base for the Group to pursue its strategy.

CAPITAL EXPENDITURE

During the year under review, the Group continued to ensure the sustainability of its current operations and invested R42 million (2020: R32 million) in the replacement of property, plant and equipment and a further R196 million (2020: R138 million) to expand its operations. All expenditure was out of internal cash generation and represents 36,7% (2020: 17,3%) of free cash flow before replacement capital expenditure.

STRATEGY

Renewable Energy

The market dynamics that support the Group's renewable energy businesses' growth projections improved materially in 2021. Key drivers of market growth for both embedded generation and power generation liberalisation were realised. The tangible improvement in the liberalisation of the South African power generation market bodes well for the continued growth of the renewable energy market for many years to come.

Within these positive market developments, the Group's renewable energy strategy aims to:

> Be a leading supplier of Engineering, Procurement and Construction solar projects in embedded generation;

> Build, own and operate a significant suite of renewable assets both in South Africa and other key African geographies;

> Deliver high performance, ultra-reliable storage solutions across a broad range of applications; and

> Actively manage energy as South Africa moves to an increasing liberalised and distributed generation model.

Significant progress was made across all four of these strategic areas and renewable energy remains a key focus area for the Group. In particular, during its year under review, the Group established a Joint Venture "Lumika" with AP Moller Capital to pursue large scale renewable opportunities in chosen Africa geographies. 25% of Terra Firma Solutions (Pty) Ltd (TFS) the Group's solar PV renewable business has been sold to Lumika. The Group's residual interest of 65% will be sold to Lumika within the next 3 financial years via an agreed put and call mechanism. This will create a combined business with the ability to design, build, operate and finance significant solar projects both in South Africa and the broader African market.

Solutions and Systems Integration

The Group's launch of the Solutions and System Integration cluster in the ICT segment progressed well in 2021. During the year +OneX completed two acquisitions in cloud hosting and digital media, which expanded its service offering alongside the existing managed services and unified communications capabilities. The Group expects to conclude further acquisitions in the year ahead to bolster the offerings that enable +OneX to be a leading end-to-end business transformation partner.

Cable operations in Africa

Reunert continued to reduce its exposure to cable assets in Africa with the sale of 26% of its shareholding in CAFCA, the Group's Zimbabwean cable operation, before the end of the financial year. Post year-end a further 16% was sold reducing the Group's shareholding to 28%, where it is expected to remain. The total consideration for these sales amounted to R56 million (of which R29 million relates to the post year-end sale).

Black Economic Empowerment (BEE)

Reunert's strategic BEE arrangement has reached the end of its contractual term. The Group thanks Peotona for their appreciated contribution over the past 15 years. The restructuring of Reunert's BEE credentials increases the Group's emphasis on broad based economic value creation. This will be achieved by:

> Increasing the ownership in Reunert by the Rebatona Educational Trust. The trust caters for the education needs of underprivileged black females; and

> The establishment of an Employee Share Option Plan (ESOP) for Reunert employees.

These two initiatives are expected to deliver value into the hands of underprivileged black females and the Group's employees. The new structure is aligned to the best practices and principles of modern BEE standards. The benefits of this new structure, together with the direct black shareholdings in the Group's various trading entities, upholds Reunert's market leading empowerment credentials, which Reunert's businesses need to participate in the South African market.

The proposed actions revitalising this structure will be presented to shareholders for their approval at the general meeting to be held immediately prior to the 2022 AGM.

COVID-19 IMPACT

Operations and employees

COVID-19 continued to have a detrimental impact on the Group. The Group's companies ensured safe working environments for employees and that safety protocols were adhered to. Despite the strong health and safety protocols, infections continued during the year. Unfortunately, 16 employees succumbed to COVID-19. The directors take this moment to recognise these employees and reiterate their condolences to the families and fellow employees.

Markets

COVID-19 affected the markets that the Group's businesses service. In South Africa the tourism and hospitality markets continued to be affected by the lockdowns and the education sector continues to experience volatile demand as places of learning have yet to return to normal schedules.

Importantly, most of the key markets that support the Group's businesses have recovered. Outside of tourism, hospitality and education, the Small and Medium Enterprise market that the Group services, has largely recovered and the Group's Communications cluster is benefiting from strong last mile broadband connectivity demand.

The key international markets had their own lockdowns and, together with the ban on South Africans traveling internationally, the Group's export activities in the Applied Electronics segment were impeded. Pleasingly, travel bans to several of the Group's key markets have recently been lifted and an immediate improvement in orders has been achieved. However, due to the new Omicron strain of COVID-19 various regions have re-implemented travel bans, the duration and impact of which is uncertain.

Supply chain

COVID-19 has severely impacted global supply chains. Electronic components and inbound and outbound logistics have been impacted through lack of availability, longer lead times, more complex routings and the resulting increased costs. Solutions have been implemented around the Group and, whilst supply chain challenges for most of 2022 are expected, the situation was already much improved up to the recent restrictions imposed due to the Omicron strain of COVID-19, the impact of which is still uncertain.

SEGMENTAL REVIEW

Electrical Engineering Segment

The segment recovered strongly from a challenging 2020 led by an excellent performance of the circuit breaker business in both local and export markets. The actions taken in 2020 to rationalise the cable companies' cost base in line with the expected market volumes, and reduce the Group's exposure to forex movements in Zambia, yielded the desired outcomes and in 2021 the companies improved their operational efficiencies. This led to a 47% increase in segment revenue to R5 551 million (2020: R3 767 million) with a corresponding increase in segment operating profit to R373 million (2020: R28 million restated).

Information Communication Technology Segment

The segment improved on the performance of the past year with all companies achieving solid operating performances. Nashua Office Automation leveraged its strong market position and customer relationships to significantly recover in its traditional print business as well as continue its strong growth in new complementary products and services. The Communications cluster continued to grow strongly as growth in broadband connectivity accelerated and the general economic activity improved. The Finance cluster performed well in a tight credit and collection environment. The Group's businesses have some exposure to markets that continue to be negatively impacted by COVID-19, which impeded a stronger segment performance. The good performance resulted in revenue remaining nominally flat at R2 490 million (2020: R2 524 million). Segment operating profit increased slightly to R608 million (2020: R604 million). The segment's operating profit was impacted largely due to the lower interest yield in Quince because of the low interest rate environment.

Applied Electronics Segment

The segment had a challenging year. The Group's export activity fell significantly and resulted in revenue reducing by 5% to R1 854 million (2020: R1 951 million) and segment operating profit decreased by 63% to R100 million (2020: R269 million restated).

The segment continued to be impacted by three of the four key challenges outlined above:

> COVID-19 lockdowns both in South Africa and in key export markets together with travel bans made servicing customers, completing orders and gaining new sales extremely difficult

> The supply chain impact of both shortages in critical electronic components and lengthened supply chains due to the COVID-19 disruptions in logistics impacted production and inventory holdings

> The ongoing delays in receiving export permits from the appropriate authorities resulted in various sales not being executed in the 2021 financial year

Subsequent to the financial year-end, the segment has been able to secure large new orders as travel restrictions lifted, which will lift the performance of the segment as it delivers into these orders in the second half of 2022.

Directors' report (continued)

For the year ended 30 September 2021

DIRECTORATE

The chair of the Board, Mr TS Munday, and the lead independent director, Mr SD Jagoe, will both be retiring immediately following the conclusion of the forthcoming AGM in February 2022.

As a consequence of these retirals, the following changes in the responsibilities of various Board members will take place with effect from the conclusion of the February 2022 AGM:

> Mr MJ Husain will chair the Board and the Nomination and Governance Committee; and

> Mr JP Hulley will assume the role of lead independent director and continue to chair the Risk Committee.

Furthermore, the following additional changes in responsibilities due to the normal rotational practices by the Board will take place and be effective from 1 January 2022:

> Dr MT Matshoba-Ramuedzisi will chair the Social, Ethics and Transformation (SET) Committee; and

> Ms T Abdool-Samad will chair the Remuneration Committee and continue to chair the Investment Committee.

The remaining Board members take this opportunity to thank Trevor Munday and Sean Jagoe for their invaluable advice, sage counsel and support over many years at both the Board and the various Board committees they have actively led and participated at during their tenure on the Board.

They will be sorely missed.

PROSPECTS

Reunert expects the South African macro-economic conditions to continue to steadily improve during 2022. Accordingly, the Electrical Engineering and Information Communication Technology segments should experience moderately improved market demand on the back of accelerating renewable energy infrastructure investment and the improvement in the South African economy. The strength of the underlying businesses in these two segments position them well to continue to grow in such economic environments. Due to the relaxation in international travel restrictions, prior to the advent of the Omicron variant of COVID-19, the Applied Electronics segment has secured new export orders and this should support an improved segment performance.

The Group's first half is likely to face some pressure from:

> The impact of the union strike action in October on the Electrical Engineering segment

> The time taken to acquire the production requirements for new export orders in the Applied Electronics segment before revenue is earned

These impacts are both temporary and unlikely to affect the expected full year performance of the Group.

Whilst recognising that challenges and uncertainty, due to both COVID-19 (and the new Omicron strain in particular) and the global supply chain remain, the Group's key growth markets of renewable energy, exports and the Group's Solutions and Systems Integration clusters all continue to represent a strong underpin to our growth aspirations.

SUBSIDIARY COMPANIES

Annexure A sets out the principal subsidiaries of the Company.

Notes 29 and 30 sets out the acquisitions and disposals respectively concluded during the year

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	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
AE Dickson	**44 978**	22 601	–	–	**–**	–	**44 978**	22 601
M Moodley	**52 921**	59 209	–	–	**–**	–	**52 921**	59 209
Adv. NDB Orleyn[1]	**–**	–	–	–	**4 717 500**	4 717 500	**4 717 500**	4 717 500
NA Thomson	**89 402**	97 235	–	–	**–**	–	**89 402**	97 235
	187 301	179 045	–	–	**4 717 500**	4 717 500	**4 904 801**	4 896 545

[1] *Adv. NDB Orleyn indirectly holds 1 554 000 (2020: 1 554 000) Reunert shares through the Bargenel structure. In addition, she is a trustee and not a beneficiary in two other family trusts which hold an indirect interest of 3 163 500 (2020: 3 163 500) Reunert shares through the Bargenel structure.*

Subsequent to year end, the partial vesting of the 2017 share scheme resulted 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 25 of the annual financial statements.

ATTRIBUTABLE INTEREST

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

Rm	2021	2020
Net income	874	604
Net losses	(125)	(608)

GOING CONCERN

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

CASH DIVIDEND

After considering the positive free cash flow generated in the year under review and the increased profitability as the Group recovers from the impact of the COVID-19 pandemic; the directors had pleasure in declaring a final dividend of 207 cents per share (2020: 192 cents per share) before the deduction of dividend withholding tax where applicable out of retained earnings. This brings the total dividend declared for the year to 277 cents per share (2020: 257 cents per share) before dividend withholding tax.

SUBSEQUENT EVENTS

Subsequent to the reporting date the Group has:

> Disposed of a further 15,57% of the Group's investment in CAFCA, the Group's investment in a Zimbabwean power cable manufacturer for a consideration of R29 million.

> Commenced the process to restructure and extend its original B-BBEE structure (Proposed B-BBEE Transaction). The original B-BBEE structure, which was implemented in 2007 and extended for another 4 years in 2018, is centred around Bargenel Investments (Pty) Ltd (Bargenel), which holds 18,5 million ordinary Reunert Limited shares (or approximately 10% of the issued ordinary shares of Reunert). Rebatona Investment Holdings (Pty) Ltd (Rebatona) is the sole shareholder of Bargenel. Rebatona, in turn is owned by the Rebatona Educational Trust (70%) and the founders of Peotona Investment Holdings (Pty) Ltd, being Adv Thandi Orleyn, Cheryl Carolus, Wendy Lucas-Bull and the late Dolly Mokgatle through their family trusts (the Peotona Parties) (30%), respectively.

The Group provided shareholders with a detailed terms announcement on 23 November 2021 and will provide shareholders with a circular providing full details of the Proposed B-BBEE Transaction for their consideration in due course.

Notwithstanding the long-term beneficial relationship between the Group and the Peotona Parties since the implementation of the original BEE transaction in 2007, the Peotona Parties have confirmed that they do not wish to participate in the Proposed B-BBEE Transaction. Therefore, as a separate transaction, with effect from 30 November 2021, Rebatona will repurchase all of the Rebatona Shares held by the Peotona Parties for a total consideration of R9,6 million.

> Entered into a sale of business agreement with Code Maven (Pty) Ltd (Code Maven) whereby +OneX Solutions (Pty) Ltd (+OneX) acquired 100% of the business and related assets of Code Maven with effect from 1 October 2021. The acquisition adds significant application development capability to +OneX, with over 100 highly skilled developers. Code Maven will form the core of +OneX's software talent and bespoke development business which enables +OneX to offer custom software development, product design, quality assurance and consultancy services.

> During October 2021, the EE segment suffered a three-week metal industry strike resulting in a loss of production, this will adversely impact the EE segment results to 31 March 2022, however, the production losses are expected to be largely recovered by the 2022 financial year-end.

> The Omicron variant of COVID-19 has started to spread rapidly throughout South Africa potentially resulting in a fourth wave, the impact of which is uncertain.

APPRECIATION

The Group's companies have faced great challenges over the past two years. We have weathered these well and the recovery of the Group's businesses in 2021 is largely due to the commitment and resilience of our employees. We thank them for their efforts and look forward to their continued commitment. The Group's customers remain the lifeblood of our businesses and we thank them for their valued business and commit to continue to add value in the years ahead. We value the support of the Group's suppliers and from other stakeholders that we have experienced throughout the past year.

Accounting policies

For the year ended 30 September 2021

The financial statements comprising Reunert Limited (referred to as the Company), its subsidiaries, joint ventures, and associates (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:

> The framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) in effect for the Group at 1 October 2020;

> The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;

> The Listings Requirements of the JSE Limited;

> The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and

> The requirements of the Companies Act of South Africa, No. 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 only 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 and more complete understanding for users of those matters being presented in the note. 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 including derivatives and non-derivatives measured 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.

The Group's business interests are diverse, with its various subsidiaries providing a broad range of products and services to a wide set of markets. The main areas of business activity are organised into the following three segments, Electrical Engineering (EE), Information Communication Technologies (ICT) and Applied Electronics (AE). The majority of the Group's 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	ZMW1	AUD1
2021			
Year-end rate:	**R15,10**	**R0,90**	**R10,89**
Annual average rate:	**R14,82**	**R0,72**	**R11,14**
2020			
Year-end rate:	R16,81	R0,84	R12,00
Annual average rate:	R16,32	R0,99	R11,12

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 a significant impact on the amounts recognised in the financial statements:

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Impairment of goodwill

Basis

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 by discounting cash flows covering a discrete five-year period and then incorporating a terminal value for the CGUs.

Judgements

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 starting with the most recent financial budget and forecasts prepared by management. The most recent financial budget is the budget approved by the Board for 2022 which was approved in August 2021 and which is used as a basis for extrapolating the forecast for the subsequent years using appropriate growth rates. The key assumptions used to determine the value in use are those regarding the discount rates to be applied to the underlying cash forecasts and the growth rates in the forecast which are based on:

> Published estimates such as gross domestic product and gross domestic fixed investment growth rates, quoted interest rates, and consumer price index (CPI)

> Expected impact of COVID-19 lockdown and travel restrictions

> Expected market demand in specific industries

Estimates

Management calculates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates used were generally consistent with the long-term average growth rates for each of the markets in which the respective CGU operated except for certain CGUs operating in industries experiencing high demand such as ICT and renewable energy, and others that are impacted by secured customer contracts. 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, being the level of which Group executive management monitors and evaluates the results of performance against pre-determined targets.

Refer to note 12, Goodwill, for an analysis of the sensitivity of these assumptions.

Impairment of non-derivative financial assets

Basis

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

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. Judgement is required 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.

Judgements

The loss given default (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 of COVID-19 on South Africa and limited allocated credit information, this remains the best independent and credible information available, to estimate the expected LGD and this results in an LGD of 63%. In computing the management overlay, management assessed the industry classification of each rental customer and where the underlying industry was, in the experience of management, still experiencing adverse consequences of the COVID-19 pandemic impacting on its credit capacity/risk (largely in the categories of hospitality, tourism and sections of education) applied a management overlay taking this risk into account.

Estimates

In addition to the above, the following assumptions were used in estimating the ECL related to the general approach:

> The expected rate of credit defaults which has reduced to 5,6% during 2021 (11,5% at 31 March 2020, 9,3% at 30 September 2020 and 3,5% at 30 September 2019)

> LGD rate of 63%

Further details are provided in note 14, 15 and 28.

Non-current derivative assets and liabilities

Basis

The Group has concluded an agreement with AP Moller Capital through AIF I Africa C&I Renewable Energy LLP (AIF I) to establish a joint venture, Lumika Renewables (Pty) Ltd (Lumika). The Group subscribed for a 50,1% interest in Lumika. Although the Group holds a 50,1% interest, due to the contractual arrangement with AP Moller Capital, the Group exercises joint control over the venture. The Group sold an effective 25% interest in Terra Firma Solution (Pty) Ltd (TFS) to Lumika and concluded a put and a call option for the sale of 65% being its residual interest in TFS.

The put is exercisable for a three month period ending 30 June 2023, and the call is exercisable for the three month period ending 30 September 2023.

Accounting policies (continued)

For the year ended 30 September 2021

In terms of these arrangements, the Group has the right to put its remaining interest in TFS to Lumika in exchange for the strike price in US dollars and Lumika has the right to call the remaining interest in TFS from the Group at the same price. The put and call have been recognised as a non-current derivative asset and liability respectively at their fair values through profit or loss.

Estimates

The following unobservable inputs were used in the determination of the value of the put and call and the resulting fair value loss:

1. Strike price in US dollars calculated at 30 September 2021 using a forward exchange rate of 16,58 - USD 13.3 million
2. Average growth rate 16,0%
3. Post tax discount rate 15,5%

Refer to note 28.

Investment at fair value through profit or loss

Estimates

The fair value of the Group's investment in CAFCA Limited was determined using an appropriate price/net asset value multiple of comparable companies to the historical net asset value of the share. The selling price per share of the sale transactions negotiated during 2021 was also considered as a key factor in assessing the reasonability of the fair value for 2021.

Refer to note 28.

OTHER JUDGEMENTS AND ESTIMATES

Useful lives of intangible assets

Judgements

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:

Acquisitions

Judgements

Two acquisitions were made in the current year namely: TripleH Cloud Services (Pty) Ltd (TripleH) and Datacore Media (Pty) Ltd (DCM). The Group achieved control over these entities by acquiring 100% of the businesses and related assets.

Consequently, these acquisitions and the purchase price allocation were evaluated as an acquisition of a business and treated as a business combination in terms of IFRS 3 – Business Combinations.

Refer to note 29.

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 amount 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 carrying amount 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

Judgements

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 method of revenue recognition and measurement is primarily applied in the Group's 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.

Judgement is required in determining whether and to what extent these discounts will be utilised. Consideration is given to the customer payment and settlement history, the extent of credit granted and the economic circumstances of the customers industry and geographic location etc.

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

Classification of leases

Judgements

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/Electronic Communications Network (Pty) Ltd (ECN) dealer purchases the underlying equipment from Nashua or 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 between the Nashua franchise or PanSolutions/ECN dealer and the customer.

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

The 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

Put option liability

Basis

As part of the TFS acquisition in 2017, the Group granted put options in favour of the non-controlling shareholders for 25% of the issued share capital. The majority of this put option was exercised in the 2020 financial year. The amount remaining is carried at fair value and amounts to R365 303 (2020: R307 428).

Preceding Reunert's acquisition of TFS, the then shareholders of TFS had entered into an empowerment transaction.

In terms of the TFS shareholders agreement the non-controlling shareholders have the right to claw back some or all of the shares issued to the TFS empowerment partner in the event of the empowerment partner not achieving certain pre-agreed targets by 30 September 2021. The claw back mechanism is based on an agreed formula with the empowerment partner. The measurement period for the TFS empowerment transaction concluded on 30 September 2021.

In addition the shareholders agreement gives the non-controlling shareholders a further right to put the shares clawed back from the empowerment partner to the Group.

As a result an additional put option financial liability arose on completion of the measurement period in the current year which is measured using the same methodology as the original put option for 25% granted to the non-controlling shareholders when the Group acquired its controlling interest in TFS.

Estimates

The fair value of the put option liability is determined using an agreed formula in the shareholders agreement. This formula applies a multiple to revenue and an adjusted profit after tax and incorporates the investment in build-own-operate plants.

Classification of franchise lease receivable cash flow between operating and financing activities

Judgement

Franchisee's within the ICT segment, in which the Group has a controlling interest, enter into rental agreements with customers for the rental of equipment which is financed through Quince, the Group's in-house rental finance provider. The cash movement in the lease receivable is considered an operating activity for the Group and disclosed as such on the face of the consolidated statement of cash flows. The Group applied judgement in determining this classification due to the franchise earning revenue on these lease contracts, this revenue contributes to the ordinary day to day business activities at the franchise.

New and amended accounting standards adopted by the Group

There were no new accounting policies adopted by the Group for the 2021 financial year. All amendments to existing accounting standards which were effective in the 2021 financial year were considered and had no impact on the Group.

New and amended accounting standards adopted by the Company

There were no new accounting policies adopted by the Company for the 2021 financial year. All amendments to existing accounting standards which were effective in the 2021 financial year were considered and had no impact on the Company.

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 2021 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 Group in the current or future reporting periods and on foreseeable future transactions.

Statements of profit or loss

For the year ended 30 September 2021

Rm	Notes	Group 2021	Group 2020 Restated[1]	Company 2021	Company 2020 Restated[1]
Revenue	1	**9 575**	8 046	**500**	406
Operating (expenses)/income	2	**(8 524)**	(7 252)	**337**	(826)
Operating profit/(loss) before impairment of financial assets		**1 051**	794	**837**	(420)
(Impairment)/reversal of impairment of financial assets		**(1)**	(586)	**(112)**	179
Credit write-off	14	**(20)**	(298)	**–**	–
Expected credit losses	14,15	**19**	(288)	**–**	–
Amount owing by subsidiaries				**(112)**	179
Operating profit/(loss)	2	**1 050**	208	**725**	**(241)**
Interest and dividend income	3	**28**	41	**–**	–
Interest expense	4	**(70)**	(83)	**(5)**	(1)
Profit/(loss) before tax		**1 008**	166	**720**	(242)
Tax	6	**(265)**	(82)	**(16)**	(15)
Profit/(loss) after tax		**743**	84	**704**	(257)
Share of joint ventures' and associates' profit/(loss)	26	**24**	(77)		
Profit/(loss) for the year		**767**	7	**704**	(257)
(Loss)/profit for the year attributable to:					
Non-controlling interests		**(10)**	(40)		
Equity holders of Reunert		**777**	47		
Earnings per share (cents)					
Basic	7	**483**	29		
Diluted	7	**481**	29		

[1] *The consolidated statement of profit or loss has been restated to include in operating profit all items of income and expenditure (excluding dividends received, interest income and expense and share of joint ventures' and associates' profit/(loss)). Refer to note 2.*

Statements of other comprehensive income

For the year ended 30 September 2021

Rm	Group 2021	Group 2020	Company 2021	Company 2020
Profit/(loss) for the year	**767**	7	**704**	(257)
Other comprehensive income, net of tax:				
Items that may be reclassified subsequently to the statement of profit or loss:	**2**	(56)	**–**	–
Translation differences of foreign businesses	**1**	30		
Translation loss on net investment in subsidiary[1]	**–**	(87)		
Fair value remeasurement of financial asset	**1**	1	**–**	–
Total comprehensive income	**769**	(49)	**704**	(257)
Total comprehensive income attributable to:				
Non-controlling interests	**(6)**	(62)		
Share of loss for the year	**(10)**	(40)		
Share of other comprehensive income	**4**	(22)		
Equity holders of Reunert	**775**	13	**704**	(257)
Share of profit for the year	**777**	47	**704**	(257)
Share of other comprehensive income	**(2)**	(34)	**–**	–

[1] *Translation loss arising on the loan component of the Group's net investment in a foreign subsidiary. During the 2021 financial year, no translation gains/(losses) arose on the Group's net investment in this foreign subsidiary because the underlying instrument (which gave rise to the translation gain or loss) was converted to equity at the end of the 2020 financial year.*

Statements of financial position

As at 30 September 2021

Rm	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Assets					
Non-current assets					
Property, plant and equipment	10	**858**	795	**3**	5
Investment property	10	**23**	31	**175**	186
Right-of-use assets	10	**146**	186	**–**	–
Intangible assets	11	**444**	445	**–**	–
Goodwill	12	**934**	924	**–**	–
Interest in subsidiaries	13			**2 775**	2 165
Other investments and loans		**65**	61	**1**	1
Investments in joint ventures and associates	26	**99**	74	**–**	–
Investment at fair value through profit or loss	28	**76**	–	**–**	–
Derivative financial asset	28	**41**	–	**–**	–
Amounts owing by subsidiaries	13			**4 452**	4 864
Lease receivables	14	**410**	557	**–**	–
Loan receivables	14	**1 393**	1 221	**–**	–
Deferred tax assets	16	**145**	172	**–**	3
		4 634	4 466	**7 406**	7 224
Current assets					
Tax receivable		**115**	46	**–**	1
Inventory	17	**1 743**	1 483	**–**	–
Lease receivables	14	**273**	288	**–**	–
Loan receivables	14	**400**	507	**–**	–
Trade and other receivables	15	**2 097**	1 895	**28**	17
Derivative financial assets	28	**7**	12	**–**	–
Cash and cash equivalents	18	**1 068**	1 029	**5**	1
		5 703	5 260	**33**	19
Total assets		**10 337**	9 726	**7 439**	7 243

Rm	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Equity and liabilities					
Capital and reserves					
Share capital	19	**389**	389	**389**	389
Share-based payment reserves	19	**219**	217	**–**	–
Empowerment shares	19	**(276)**	(276)		
Treasury shares	19	**(447)**	(342)		
Equity transactions/put option with non-controlling interests		**(72)**	–		
Other reserves		**(163)**	(161)	**(75)**	(75)
Retained earnings		**7 045**	6 678	**7 000**	6 781
Equity attributable to equity holders of Reunert		**6 695**	6 505	**7 314**	7 095
Non-controlling interests		**87**	38		
Total equity[1]		**6 782**	6 543	**7 314**	7 095
Non-current liabilities					
Deferred tax liabilities	16	**158**	89	**7**	–
Equity forward contract	28	**48**	59	**48**	59
Long-term loans	20	**44**	15	**–**	–
Lease liabilities	20	**100**	162	**–**	–
Derivative financial liability	28	**92**	–	**–**	–
Contract liabilities	22	**–**	23	**–**	–
Contingent consideration	22	**10**	–	**–**	–
		452	348	**55**	59
Current liabilities					
Put option liability	28	**25**	–		
Equity forward contract	28	**18**	16	**18**	16
Current portion of long-term loans	20	**39**	1	**–**	–
Lease liabilities	20	**85**	56	**–**	1
Share-based payment liability		**–**	6	**–**	–
Derivative financial liabilities	28	**17**	28	**–**	–
Provisions	21	**81**	123	**29**	53
Tax liabilities		**21**	50	**3**	–
Contract liabilities	22	**264**	255	**–**	–
Trade and other payables	22	**1 776**	1 594	**20**	17
Amounts owing to subsidiaries	13			**–**	2
Bank overdrafts and short-term facilities	18	**777**	706	**–**	–
		3 103	2 835	**70**	89
Total equity and liabilities		**10 337**	9 726	**7 439**	7 243

[1] *Refer to the statement of changes in equity for the composition of all components of equity.*

Statements of cash flows

For the year ended 30 September 2021

Rm	Notes	Group 2021	Group 2020 Restated[1]	Company 2021	Company 2020
Cash flows from operating activities					
Cash generated from operations before working capital changes	A	**1 158**	1 136	**446**	362
(Increase)/decrease in net working capital	B	**(200)**	21	**(9)**	(4)
Cash generated from operations		**958**	1 157	**437**	358
Cash interest received		**26**	38	**–**	–
Dividends received		**2**	3	**–**	–
Cash interest paid		**(66)**	(75)	**(1)**	(1)
Tax paid	C	**(272)**	(145)	**(2)**	(2)
Net cash inflow from operating activities before dividends		**648**	978	**434**	355
Dividends paid (including to non-controlling interests in subsidiaries)	D	**(428)**	(727)	**(485)**	(828)
Net cash inflow/(outflow) from operating activities		**220**	251	**(51)**	(473)
Cash flows from investing activities					
Cash received from loan receivables		**966**	798	**–**	–
Cash invested in loan receivables		**(893)**	(970)		
Repayment of other investments and loans		**–**	3	**–**	–
Other investments and loans granted		**(8)**	(1)	**–**	–
Dividends received from joint venture and associate		**6**	3	**–**	–
Repayment of loans previously advanced to subsidiaries				**300**	590
Replacement of property, plant and equipment and intangible assets		**(42)**	(32)	**–**	–
Proceeds from disposal of property, plant and equipment		**37**	8	**13**	–
Expansion of property, plant and equipment and intangible assets		**(196)**	(138)	**(3)**	(10)
Acquisition of businesses	29	**(8)**	–	**–**	–
Proceeds from/(outflow on) disposal of investment, subsidiaries and associate	28,30	**37**	(4)	**–**	–
Net cash (outflow)/inflow from investing activities		**(101)**	(333)	**310**	580
Cash flows from financing activities					
Funds provided by equity holders of Reunert		**–**	1	**–**	1
Cash invested in subsidiaries' shares				**(237)**	(111)
Shares acquired for equity settled Conditional Share Plan (CSP)		**(11)**	(54)	**–**	–
Proceeds from subscription for shares by non-controlling interests		**68**	–		
Investment in treasury shares		**(105)**	–		
Purchase of additional shares acquired from non-controlling interests		**(31)**	(1)		
Put option liability settled		**–**	(131)	**–**	–
Long-term loans raised		**47**	2	**–**	–
Long-term loans settled		**(9)**	–	**–**	–
Contingent consideration settled		**(7)**	(15)	**–**	–
Equity forward contract liability settled		**(15)**	–	**(15)**	–
Lease liabilities settled		**(73)**	(57)	**(1)**	(2)
Repayment of loans previously advanced by subsidiaries				**(2)**	(9)
Net cash outflow from financing activities		**(136)**	(255)	**(255)**	(121)

Rm	Notes	Group 2021	Group 2020 Restated[1]	Company 2021	Company 2020
Net (decrease)/increase in net cash and cash equivalents		**(17)**	(337)	**4**	(14)
Net cash and cash equivalents as at 1 October as reported in the statements of financial position		**323**	616	**1**	15
Net cash and cash equivalents as at 30 September before translation adjustments		**306**	279	**5**	1
Foreign exchange translation adjustments on:					
Cash and cash equivalents		**(6)**	(1)	**–**	–
Bank overdrafts and short-term facilities		**(9)**	45	**–**	–
Net cash and cash equivalents as at 30 September as reported in the statements of financial position		**291**	323	**5**	1
Made up of:					
Cash and cash equivalents	18	**1 068**	1 029	**5**	1
Bank overdrafts and short-term facilities		**(777)**	(706)	**–**	–
Bank overdrafts	18	**(137)**	(122)	**–**	–
Short-term facilities	18	**(640)**	(584)	**–**	–

[1] *The consolidated statement of cash flows has been restated to provide clearer presentation of the following:*
- *Cash interest received and dividends received are now disclosed separately*
- *Cash flows from loan receivables have been disaggregated into cash receipts and cash payments on a gross basis*
- *Subtotals for investments to maintain/increase operating capacity have been removed*
- *The foreign exchange translation adjustments have been included below net cash and cash equivalents in order to reconcile the net cash and cash equivalents to the statement of financial position*

The restatement did not result in a change in the 2020 reported numbers on the face of the consolidated statement of cash flows.

Notes to the statements of cash flows

For the year ended 30 September 2021

Rm	Group 2021	Group 2020 Restated[1]	Company 2021	Company 2020
A. Reconciliation of profit/(loss) before tax to cash generated from operations before working capital changes				
Profit/(loss) before tax	**1 008**	166	**720**	(242)
Adjusted for:				
Cash interest received	**(26)**	(38)	**–**	–
Dividend received	**(2)**	(3)		
Cash interest paid	**66**	75	**1**	1
Unwinding of present value discount	**4**	8	**4**	–
Depreciation of property, plant and equipment and right-of-use assets	**192**	184	**9**	6
Amortisation of intangible assets	**61**	56	**–**	–
Profit on disposal of property, plant and equipment and intangible assets	**(12)**	(4)	**(6)**	–
Profit on disposal of associate	**(1)**	–		
Fair value remeasurements				
Gain on investment at fair value through profit or loss	**(103)**	–	**–**	–
Gain on contingent consideration	**(13)**	(2)	**–**	–
Gain on option contract	**(41)**	–		
Loss on option contract	**92**	–	**–**	–
Loss on put option liability	**–**	3	**–**	–
Loss on disposal of subsidiary	**1**	20		
(Reversal of impairment)/impairment of investments in and loans to subsidiaries			**(261)**	621
Impairment of non-financial assets	**1**	79	**–**	–
Transaction-related share-based payments	**7**	–	**–**	–
Share-based payment expense in respect of the Group's CSP	**16**	10	**–**	–
Share-based payment expense in respect of the Group's Deferred Bonus Plan	**1**	(3)	**–**	–
Cash paid to settle the Group's Deferred Bonus Plan	**(6)**	(22)	**–**	–
Net unrealised forex losses	**16**	48	**–**	–
Lease modification	**(49)**	(17)	**–**	–
Impairment of financial assets				
Credit write-off	**20**	298	**–**	–
Expected credit losses	**(19)**	288	**–**	–
Provisions movements	**(57)**	(5)	**(24)**	(27)
Other non-cash movements	**2**	(5)	**3**	3
Cash generated from operations before working capital changes	**1 158**	1 136	**446**	362

Rm	Group 2021	Group 2020 Restated[1]	Company 2021	Company 2020
B. Working capital changes				
Inventory	**(240)**	(209)	**–**	–
Trade and other receivables and derivative financial assets	**(176)**	341	**(12)**	(2)
Trade and other payables, provisions, contract liabilities and derivative financial liabilities	**216**	(111)	**3**	(2)
(Increase)/decrease in net working capital	**(200)**	21	**(9)**	(4)
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	**(4)**	35	**1**	–
Tax per the statements of profit or loss	**(265)**	(82)	**(16)**	(15)
Less: deferred tax	**91**	(109)	**10**	14
Tax deduction in terms of CSP – benefit through retained earnings	**–**	8	**–**	–
Tax provision of subsidiary disposed	**–**	(1)		
Net amounts outstanding as at 30 September	**(94)**	4	**3**	(1)
Cash amounts paid	**(272)**	(145)	**(2)**	(2)
D. Reconciliation of dividends paid to the amounts disclosed in the statements of changes in equity as follows:				
Dividends paid per the statements of changes in equity	**(422)**	(723)	**(485)**	(828)
Dividends paid to non-controlling interests	**(6)**	(4)		
Cash amounts paid	**(428)**	(727)	**(485)**	(828)

[1] *The reconciliation of profit/(loss) before tax to cash generated from operations before working capital changes has been restated as a result of the restatement to operating profit (refer to note 2). This restatement provides a more detailed disclosure and did not result in a change to the 2020 reported numbers.*

Statements of changes in equity

For the year ended 30 September 2021

Rm	Notes	Group: Share capital	Group: Share-based payment reserves	Group: Empowerment shares[1]	Group: Treasury shares[2]	Group: Equity transactions/ put option with non-controlling shareholders
Balance as at 1 October 2019		388	229	(276)	(342)	(108)
Profit for the year		–	–	–	–	–
From other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–
Issue of shares	19	1	–	–	–	–
Share-based payments						
– In respect of CSP	19	–	9	–	–	–
– Shares acquired to settle CSP	19	–	(54)	–	–	–
Cash dividends paid	8	–	–	–	–	–
Tax deduction in respect of the CSP		–	–	–	–	–
Raised during the year		–	–	–	–	–
Additional shares acquired from non-controlling shareholders	31	–	–	–	–	14
Transfer from retained earnings		–	33	–	–	94
Balance as at 30 September 2020		**389**	**217**	**(276)**	**(342)**	**–**
Profit for the year		**–**	**–**	**–**	**–**	**–**
From other comprehensive income		**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**
Share-based payments						
– In respect of CSP	19	**–**	**18**	**–**	**–**	**–**
– Shares acquired to settle CSP	19	**–**	**(11)**	**–**	**–**	**–**
– In respect of transaction-related share-based payments	19	**–**	**7**	**–**	**–**	**–**
Shares bought back during the year		**–**	**–**	**–**	**(105)**	**–**
Cash dividends paid	8	**–**	**–**	**–**	**–**	**–**
Put option raised during the year	28	**–**	**–**	**–**	**–**	**(25)**
Additional shares acquired from non-controlling shareholders	31	**–**	**–**	**–**	**–**	**(33)**
Subscription for shares by non-controlling shareholders	31	**–**	**–**	**–**	**–**	**(14)**
Disposal of subsidiary	30	**–**	**–**	**–**	**–**	**–**
Transfer to retained earnings		**–**	**(12)**	**–**	**–**	**–**
Balance as at 30 September 2021		**389**	**219**	**(276)**	**(447)**	**(72)**

[1] *This is the cost of Reunert Limited shares held by Bargenel Investments (Pty) Ltd (Bargenel), a company sold by Reunert to its empowerment partners in 2007.*
Until the amount owed by the empowerment partners is repaid to Reunert, Bargenel will continue to be consolidated into the Group's financial statements.

[2] *Ordinary Reunert shares bought back in the open market and held by a subsidiary: 7 032 824 shares (2020: 4 997 698 shares).*
During 2021: 2 035 126 shares were bought back at an average price of R51,33 per share.
No shares were bought back during the 2020 financial year.

[3] *At the end of the 2020 financial year, the Group, on behalf of the CSP, entered into a forward contract to acquire 2 346 930 ordinary Reunert shares from an independent third party, for purposes of hedging the Group's potential future obligation to deliver Reunert ordinary shares to CSP participants.*

Group							
Equity forward contract[3]	Fair value reserve	Translation loss on net investment in foreign subsidiary	Foreign currency translation reserve	Retained earnings	Equity attributable to equity holders of Reunert	Non-controlling interests	Total equity
–	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**
–	–	–	–	777	777	(10)	767
–	1	–	(3)	–	(2)	4	2
–	1	–	(3)	777	775	(6)	769
–	–	–	–	–	18	–	18
–	–	–	–	–	(11)	–	(11)
–	–	–	–	–	7	–	7
–	–	–	–	–	(105)	–	(105)
–	–	–	–	(422)	(422)	(6)	(428)
–	–	–	–	–	(25)	–	(25)
–	–	–	–	–	(33)	3	(30)
–	–	–	–	–	(14)	62	48
–	–	–	–	–	–	(4)	(4)
–	–	–	–	12	–	–	–
(75)	**8**	**(109)**	**13**	**7 045**	**6 695**	**87**	**6 782**

Statements of changes in equity (continued)

For the year ended 30 September 2021

		Company			
Rm	Notes	**Share capital**	**Equity forward contract**	**Retained earnings**	**Total equity**
Balance as at 1 October 2019		388	–	7 866	8 254
Loss for the year		–	–	(257)	(257)
Total comprehensive income for the year		–	–	(257)	(257)
Issue of shares	19	1	–	–	1
Dividends paid	8	–	–	(828)	(828)
Raised during the year		–	(75)	–	(75)
Balance as at 30 September 2020		**389**	**(75)**	**6 781**	**7 095**
Profit for the year		**–**	**–**	**704**	**704**
Total comprehensive income for the year		**–**	**–**	**704**	**704**
Dividends paid	8	**–**	**–**	**(485)**	**(485)**
Balance as at 30 September 2021		**389**	**(75)**	**7 000**	**7 314**

Notes to the annual financial statements

for the year ended 30 September 2021

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, where the Group's performance obligation results in 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 from 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.

Notes to the annual financial statements

(continued)

for the year ended 30 September 2021

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-functional 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 > installation is recognised at a point in time (relating to product sales) when 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 > maintenance services is 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 on the over time method is recognised 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.

Entities within the AE segment generate its 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:	
Military and commercial products which 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 and energy storage.	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 for example 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 cost incurred 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 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 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 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.

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

A financing component may exist in the contract on which contract assets or liabilities are recognised. Contract liabilities include a contract with a customer 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.

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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

	Group				
	Segment				
Rm	**EE**	**ICT**	**AE**	**Other**	**Total**
2021					
Revenue from contracts with customers					
Category of revenue					
Products	5 138	1 340	1 154	–	7 632
Services	119	785	671	–	1 575
	5 257	2 125	1 825	–	9 207
Timing of revenue recognition					
Revenue recognised at a point in time	5 189	1 574	1 148	–	7 911
Revenue recognised over time	68	551	677	–	1 296
	5 257	2 125	1 825	–	9 207
Total revenue from contracts with customers	5 257	2 125	1 825	–	9 207
Other revenue					
Interest recognised on lease and loan receivables	–	340	–	–	340
Rental revenue	–	–	24	4	28
Total revenue	5 257	2 465	1 849	4	9 575
Revenue by geography					
South Africa	3 447	2 365	1 126	4	6 942
Rest of Africa (excluding South Africa)	1 310	100	58	–	1 468
Asia	58	–	419	–	477
Australia	189	–	29	–	218
Europe	95	–	181	–	276
The Americas	158	–	36	–	194
Total revenue	5 257	2 465	1 849	4	9 575
Revenue to be recognised on remaining performance obligations in respect of open contracts					
In the next 12 months					1 033
More than 12 months					451

Rm	Group Segment EE	ICT	AE	Other	Total
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 recognised on lease and loan receivables	–	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	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

Assets and liabilities related to contracts with customers have been recognised and disclosed in note 15, trade and other receivables and note 22, trade and other payables, contingent consideration and contract liabilities

Company revenue policy

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 can be reliably measured. Interest is recognised using the effective interest method 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	Company South Africa 2021
Revenue	
Dividend income	**426**
Rental revenue	**74**
	500
	2020
Revenue	
Dividend income	330
Interest income	1
Rental revenue	75
	406

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2. OPERATING PROFIT

Rm	Group 2021	Group Restated[1] 2020	Company 2021	Company Restated[1] 2020
Operating profit is arrived at as follows:				
Revenue	**9 575**	8 046	**500**	406
Items included in operating profit				
Changes in inventory	**(5 852)**	(4 382)	**–**	–
Employee costs	**(1 967)**	(1 890)	**–**	–
Salaries and wages	**(1 776)**	(1 617)	**–**	–
Pension and provident fund contributions[2]	**(126)**	(192)	**–**	–
Other staff costs[3]	**(65)**	(81)	**–**	–
Fair value remeasurements	**65**	(1)	**–**	–
Gain on Investment at fair value through profit or loss	**103**	–	**–**	–
Gain on contingent consideration	**13**	2	**–**	–
Gain on option contract	**41**	–	**–**	–
Loss on option contract	**(92)**	–	**–**	–
Loss on put option liability	–	(3)	**–**	–
(Impairment)/reversal of impairments of financial assets	**(1)**	(586)	**(112)**	179
Credit write-off	**(20)**	(298)	**–**	–
Expected credit losses	**19**	(288)	**–**	–
Amount owing by subsidiaries			**(112)**	179
Auditors remuneration	**(28)**	(29)	**(7)**	(9)
Audit fees	**(27)**	(28)	**(7)**	(8)
Other fees	**(1)**	(1)	**–**	(1)
Net forex gains/(losses)	**24**	(90)	**–**	–
Net realised forex gains/(losses)[4]	**40**	(42)	**–**	–
Net unrealised forex losses[4]	**(16)**	(48)	**–**	–
Other income	**47**	17	**12**	16
Lease modification	**49**	17	**–**	–
Profit on disposal of property, plant and equipment and intangible assets	**12**	4	**6**	–
Share-based payment expense[5]	**(17)**	(7)	**–**	–
Interest paid to finance lease and loan receivables	**(24)**	(28)	**–**	–
Operating lease charges	**(27)**	(30)	**–**	–
Research and development	**(150)**	(172)	**–**	–
Other operating expenses	**(395)**	(322)	**(38)**	(27)
EBITDA[6]	**1 311**	547	**361**	565

Rm	Group 2021	Group Restated[1] 2020	Company 2021	Company Restated[1] 2020
The following additional disclosable items have been included in arriving at operating profit:				
Depreciation and amortisation	**(253)**	(240)	**(9)**	(6)
Impairment of non-financial assets				
Impairment of goodwill	**–**	(75)	**–**	–
Impairment of property, plant and equipment	**(1)**	(4)	**–**	–
Reversal of impairment/(impairment) of investment in subsidiaries			**373**	(800)
Profit on disposal of associate	**1**	–	**–**	–
Loss on disposal of subsidiary	**(1)**	(20)	**–**	–
Transaction-related share-based payments[7]	**(7)**	–	**–**	–
Operating profit/(loss) per statement of profit or loss	**1 050**	208	**725**	(241)

[1] The operating profit note has been restated to provide more detail.
[2] Payments to defined contribution retirement plans are charged as an expense as they fall due.
[3] Includes staff training, staff welfare, skills development levy, commissions and incentives and other staff related costs.
[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 remeasured to fair value at each reporting date. The resulting gains or losses are recognised in the statement of profit or loss.
[5] Included in share-based payment expense is a charge of R1 million (2020: a release of R3 million) relating to the Deferred Bonus Plan. This is classified as a cash-settled share-based payment with the equivalent amount included in liabilities.
[6] Earnings before net interest, tax, depreciation and amortisation, impairment of goodwill and property, plant and equipment, profit on disposal of associate, loss on disposal of subsidiary and transaction-related share based payments. EBITDA includes interest income received on lease and loan receivables in the ICT Segment.
[7] Included in the transaction-related share-based payments is an empowerment charge in the ICT Segment of R6 million and in the AE Segment of R1 million.

The restatement did not result in a change in the 2020 reported numbers in relation to the operating profit note.

Reconciliation of restated operating profit

The operating profit on the consolidated statement of profit and loss has been restated in order to include all non-finance and tax related items of income and expenditure in the determination of operating profit in line with the emerging issues identified by the JSE in their proactive monitoring report of 9 November 2021.

Rm	Group 2020	Company 2020
Operating profit as reported in September 2020	307	559
Less:		
Impairment of non-financial assets		
Impairment of goodwill	(75)	–
Impairment of property, plant and equipment	(4)	–
Impairment of investment in subsidiaries		(800)
Loss on disposal of subsidiary	(20)	
Operating profit as now reported	208	(241)

3. INTEREST AND DIVIDEND INCOME

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

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

Rm	Group 2021	Group 2020
Dividend income	**2**	3
Interest earned on financial assets analysed by category of asset:		
Bank deposits	**16**	31
Other assets	**10**	7
Total interest and dividend income	**28**	41

Notes to the annual financial statements

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4. INTEREST EXPENSE

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

	Group		Company	
Rm	**2021**	2020	**2021**	2020
Loans, bank overdrafts and short-term facilities	**47**	53	**1**	1
Lease liabilities	**19**	22	**–**	–
Unwinding of present value discount	**4**	8	**4**	–
Interest expense as per the statements of profit or loss	**70**	83	**5**	1
Interest paid to finance lease and loan receivables (included in Group operating expenses as this is a finance business)	**24**	28	**–**	–
Total interest expense using the effective interest rate method	**94**	111	**5**	1

5. TRANSACTIONS-RELATED SHARE-BASED PAYMENTS

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.

	Group		Company	
Rm	**2021**	2020	**2021**	2020
IFRS 2 share-based payment cost of B-BBEE transactions	**7**	–	**–**	–

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.

Rm	Notes	Group 2021	Group 2020	Company 2021	Company 2020
South African current tax:					
– Current year		**213**	192	**6**	3
– Prior year		**(55)**	(9)	**–**	(2)
South African deferred tax:					
– Current year	16	**28**	(98)	**10**	13
– Prior year	16	**54**	–		1
		240	85	**16**	15
Foreign tax:					
– Current		**16**	8		
– Deferred	16	**9**	(11)		
Tax charge per the statements of profit or loss		**265**	82	**16**	15
		%	%	**%**	%
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		**(0,1)**	(0,5)	**(16,5)**	38,0
– Non-taxable income					
– (Reversal of impairment)/impairment of amounts owing by subsidiaries		**–**	–	**(14,5)**	21,2
– Fair value remeasurement gain on investment at fair value through profit or loss		**(2,9)**	–	**–**	–
– Fair value remeasurement gain on contingent consideration		**(0,4)**	–	**–**	–
– Other non-taxable income and special deductions[1]		**(1,0)**	(6,1)	**(0,1)**	–
– Research and development allowance		**(1,3)**	(7,7)	**–**	–
– Disallowable expenses					
– Impairment/(reversal of impairment) of investments and amounts owing by subsidiaries		**–**	–	**4,3**	(92,5)
– Impairment of goodwill		**–**	12,7	**–**	–
– Impairment of property, plant and equipment		**–**	0,8	**–**	–
– Deferred tax asset not recognised in loss-making subsidiaries		**2,4**	16,2		
– Conditional Share Plan		**0,1**	3,1	**–**	–
– Loss on disposal of subsidiary		**–**	3,5		
– Fair value remeasurement loss on option contract		**1,4**	–	**–**	–
– Other disallowable expenses[2]		**1,2**	5,2	**1,0**	(1,3)
– Effect of foreign tax rates		**(1,3)**	4,0		
– Prior year tax		**(0,1)**	(9,2)	**–**	0,4
– Other[3]		**0,3**	(0,3)	**–**	–
Effective rate of tax		**26,3**	49,7	**2,2**	(6,2)

[1] *Includes profit on disposal of property, plant and equipment, learnership allowances and amounts not taxable due to double tax agreements.*
[2] *Includes disallowable expenses such as legal and consulting fees.*
[3] *Includes withholding taxes.*

The Group has total tax losses available to be offset against future taxable income of R434 million (2020: R521 million).

Of the R434 million tax losses, R13 million relates to foreign subsidiaries.

R364 million of the tax losses (R8 million relates to foreign subsidiaries) have been considered in the raising of R101 million (2020: R138 million) of the deferred tax asset.

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 tax losses will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the various entities.

The Group has capital gains tax losses of R43 million (2020: R20 million) 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.

Notes to the annual financial statements

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7. NUMBER OF SHARES AND EARNINGS USED TO CALCULATE EARNINGS PER ORDINARY SHARE[1]

Rm	Group 2021	Group 2020
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[2]
Adjusted by the dilutive effect of:		
Unexercised share options granted (millions of shares)	**–**	1
Weighted average number of ordinary shares for diluted basic and diluted headline earnings per share (millions of shares)	**161**	162

[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 R777 million (2020: R47 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 purposes of earnings per share.*

8. DIVIDENDS

	Group		Company	
Rm	**2021**	2020	**2021**	2020
Ordinary dividends paid:				
– Final 2020 – 192 cents per ordinary share (2019: 383 cents per ordinary share)	**355**	708	**355**	708
– Interim 2021 – 70 cents per ordinary share (2020: 65 cents per ordinary share)	**130**	120	**130**	120
– Attributable to Reunert shares held by a special-purpose entity	**(48)**	(83)		
– Attributable to Reunert shares held by a subsidiary	**(15)**	(22)		
	422	723	**485**	828
Ordinary dividends declared:				
– Final 2021 – 207 cents per ordinary share (2020: 192 cents per ordinary share)	**383**	355	**383**	355
– Attributable to Reunert shares held by a special-purpose entity	**(38)**	(35)		
– Attributable to Reunert shares held by a subsidiary	**(15)**	(10)		
	330	310	**383**	355

9. HEADLINE EARNINGS PER SHARE

		Group	
Rm	Notes	**2021**	2020
Profit for the year attributable to equity holders of Reunert		**777**	47
Headline earnings are determined by eliminating the effect of the following items from attributable earnings:			
– Goodwill impairment		**–**	75
– Impairment of non-financial assets in a joint venture (after a tax credit of Rnil (2020: R14 million))		**1**	42
– Net loss on disposal of subsidiary and associate (after a tax charge of R1 million (2020: Rnil))		**1**	20
– Impairment of property, plant and equipment		**–**[1]	4
– Profit on disposal of property, plant and equipment and intangible assets (after a tax charge of R3 million and NCI portion of Rnil) (2020: after a tax charge of R1 million and NCI portion of 1 million)[2]		**(11)**	(2)
Headline earnings		**768**	186
Headline earnings per share (cents)	7	**478**	115
Diluted headline earnings per share (cents)	7	**476**	115

Headline earnings have been determined in terms of Circular 1/2021 Headline Earnings issued by The South African Institute of Chartered Accountants.

[1] *The impairment of property, plant and equipment after tax results in the amount being less than R0,5 million and therefore has been rounded to Rnil for the headline earnings calculation.*
[2] *Includes R2 million profit on disposal of property, plant and equipment arising from an investment in joint venture.*

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. (Furniture and computer equipment are included in plant and equipment, vehicles in the table below).

Property, plant and equipment includes both owned property and right-of-use assets for properties the Group utilises under 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 amount 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 amounts 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.

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.

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10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTY *continued*

Property, plant and equipment is 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.

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

The Group assesses whether a contract is or contains a lease, at inception of the contract. Where it has a 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 computer 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 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.

Leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Group.

The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

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). These lease modifications are mainly in the ICT Segment in relation to leases of multi-functional printers (MFP's).

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.

	Group						
Rm	**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**	**Investment property**
2021							
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 1 October 2020	205	54	493	43	795	186	31
Additions							
Acquisition of businesses	–	–	4	–	4	–	–
Acquisition of assets	–	1	125	55	181	–	–
Capitalised right-of-use assets	–	–	–	–	–	50	–
Disposals	–	–	(17)	–	(17)	–	(8)
Terminations	–	–	–	–	–	(5)	–
Remeasurement	–	–	–	–	–	(11)	–
Transfers							
Transfers from/(to) intangibles	–	–	3	–	3	–	–
Transfer from inventory	–	–	6	–	6	–	–
Transfer between categories	4	1	32	(37)	–	–	–
Depreciation	(10)	(3)	(106)	–	(119)	(72)	–
Impairment	–	–	(1)	–	(1)	–	–
Exchange rate difference	–	4	2	–	6	(2)	–
Cost	258	65	1 720	61	2 104	280	23
Accumulated depreciation and impairments	59	8	1 179	–	1 246	134	–
Net carrying amount as at 30 September 2021	199	57	541	61	858	146	23

Notes to the annual financial statements

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10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTY *continued*

	Group						
Rm	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	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	–	–	–	–	–	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)	–	–
Terminations	–	–	–	–	–	(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

Rm	Company			
	Plant and equipment, vehicles	Capital work in progress	Total	Investment property
2021				
Cost	**5**	**2**	**7**	**234**
Accumulated depreciation and impairments	**2**	**–**	**2**	**48**
Net carrying amount as at 1 October 2020	**3**	**2**	**5**	**186**
Additions	**–**	**3**	**3**	**–**
Disposals	**–**	**–**	**–**	**(7)**
Transfer between categories	**–**	**(5)**	**(5)**	**5**
Depreciation	**–**	**–**	**–**	**(9)**
Cost	**5**	**–**	**5**	**231**
Accumulated depreciation and impairments	**2**	**–**	**2**	**56**
Net carrying amount as at 30 September 2021	**3**	**–**	**3**	**175**
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
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

Notes:

1. The fair value of the Group's and Company's investment property has been determined on the basis of valuations carried out at 30 September 2020 by Propval Property Valuation Services (Pty) Ltd (Propval), independent valuers who are not a related party to the Group. Propval is a member of the South African Institute of Valuers and has 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 R31 million at 30 September 2020. This 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.

   The fair value of the Company's freehold investment property amounted to R371 million at 30 September 2020.

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

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

Notes to the annual financial statements

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10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTY *continued*

Rm	Group 2021	Group 2020	Company 2021	Company 2020
3. Rental agreements with customers				
Gross carrying amount of assets let out under operating leases	**70**	33	**212**	234
Accumulated depreciation	**(22)**	(19)	**(56)**	(48)
	48	14	**156**	186
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 seven 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	**32**	28	**–**	–
Accumulated depreciation	**(22)**	(20)	**–**	–
	10	8	**–**	–
4. The following amounts are included in the statement of profit or loss for investment properties:				
Rental revenue	**4**	11	**74**	75
Direct operating expenses	**(5)**	(5)	**(24)**	(24)
5. Rental income maturity analysis				
Land and buildings:				
Maturity analysis				
< 1 year	**4**	5	**54**	52
1 – 5 years	**–**	4	**219**	122
> 5 years	**–**	–	**159**	–
Plant and equipment:				
Maturity analysis				
< 1 year	**6**	4	**–**	–
1 – 5 years	**3**	4	**–**	–
> 5 years	**–**	–	**–**	–

11. INTANGIBLE ASSETS

The significant intangible assets are held 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 development costs, brand names, copyright and developed intellectual property.

These intangible assets 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 subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The Group 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 these 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.

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

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 Communications 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	–

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11. INTANGIBLE ASSETS *continued*

Rm	Group				
	Computer software	Customer lists and orderbooks	Models designs and prototypes	Other intangibles[1]	Total
2021					
Cost	175	140	178	233	726
Accumulated amortisation and impairments	95	38	50	98	281
Net carrying amount as at 1 October 2020	80	102	128	135	445
Acquisition of businesses	–	11	–	–	11
Additions – Expansion	12	–	19	24	55
Additions – Replacement	1	–	1	–	2
Transfer to property, plant and equipment	–	–	(3)	–	(3)
Transfer between categories	2	25	(2)	(25)	–
Amortisation	(15)	(18)	(8)	(21)	(62)
Exchange rate difference	1	–	(1)	(4)	(4)
Cost	173	161	194	239	767
Accumulated amortisation and impairments	92	41	60	130	323
Net carrying amount as at 30 September 2021	81	120	134	109	444
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
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

[1] *Other intangible assets consists of developed intellectual property for generation of future revenue of R60 million (2020: R37 million), copy rights Rnil million (2020: R7 million), brand names R6 million (2020: R31 million), capitalised research and development costs R25 million (2020: R30 million) and purchased intangible assets R18 million (2020: R30 million) as a consequence of acquired businesses in prior financial years.*

12. GOODWILL

Goodwill represents amounts arising from a business combination 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.

Rm	Group 2021	Group 2020
Carrying amount as at 1 October	**924**	999
Disposal of subsidiary	**(4)**	–
Acquisition of businesses	**14**	–
Impairment of goodwill	**–**	(75)
Carrying amount as at 30 September	**934**	924

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]

	Measurement currency	**2021 Discount rate (pre-tax)[2] %**	2020 Discount rate (pre-tax)[2] %	**2021 Terminal growth rate[3] %**	2020 Terminal growth rate[3] %	**Group 2021 Rm**	Group 2020 Rm
Significant CGUs							
ICT							
Nashua Office Automation	ZAR	**16,9**	20,3	**4,0**	4,0	**199**	203
Quince Capital	ZAR	**14,3**	11,4	**4,0**	4,0	**124**	124
ECN	ZAR	**17,4**	20,6	**4,0**	4,0	**140**	140
SkyWire	ZAR	**16,1**	18,9	**4,0**	4,0	**170**	170
+OneX	ZAR	**20,6**	–	**4,0**	–	**14**	–
AE							
Omnigo	ZAR	**20,7**	22,1	**4,0**	4,0	**40**	40
Terra Firma Solutions	ZAR	**20,2**	21,0	**4,0**	4,0	**88**	88
Nanoteq	ZAR	**19,9**	22,7	**4,0**	4,0	**69**	69
Blue Nova Energy	ZAR	**21,1**	22,6	**4,0**	4,0	**53**	53
						897	887
Other[4]	ZAR	**17,9 – 20,4**	20,6 – 22,5	**4,0**	4,0	**37**	37
Net carrying amount as at 30 September						**934**	924
Gross goodwill carrying amount						**1 076**	1 066
Less: accumulated impairment						**(142)**	(142)

[1] *The base (year 1) for the value-in-use calculations are the management approved budgets for 2022. The 2022 budget contains revenue growth rates that indicate a gradual improvement towards pre-COVID-19 levels. The forecast cash flows for the periods thereafter take into consideration published GDP growth rates, expected consumer price index inflation and expected demand in specific industries. Average growth rates used in years 2023 to 2026 (except for SkyWire Technologies, Blue Nova and +OneX) were higher than terminal growth rates due to the expected gradual improvement towards pre-COVID-19 levels of activity but are all lower than 10% growth. Growth rates for SkyWire Technologies (12%), Blue Nova (17%) and +OneX (18%) are higher than the average as these businesses operate in industries experiencing high growth and demand. Management have assessed the growth rates applied and consider them to be reasonable and appropriate based on management's knowledge of the industries and the underlying 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.*

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12. GOODWILL *continued*

Sensitivities

Under the economic conditions that have arisen during the COVID-19 pandemic, revenue growth is a key consideration.

Accordingly, management has undertaken a sensitivity analysis of the consequence of a 5% reduction in forecast revenue on the cash flow forecasts without factoring in any management actions required from the drop in revenue.

The results of this sensitivity analysis were that additional impairments would be required for Nanoteq (R14 million), African Cables (R21 million) and Skywire (R69 million), if revenue forecasts are not met by 5% i.e. a 95% achievement.

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

If the discount rates were increased by 1%, an impairment of R1 million would be required in Nanoteq.

2020

In 2020, the impact of COVID-19 resulted in the Group impairing goodwill which arose on acquisition of two of its subsidiaries: African Cables (R61 million) and Dynateq International (Dynateq) (R14 million) and R4 million of property, plant and equipment in Polybox.

African Cables

African Cables delivered a subdued performance in 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 hard 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. Managements view was that this business was likely to continue to experience pressure on volumes over the medium term and have therefore used forecasts taking this uncertainty into consideration. This resulted in the goodwill impairment of R61 million being required.

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 and consequently impaired the goodwill of R14 million.

13. INTEREST IN SUBSIDIARIES

Group

A subsidiary is an entity over which Reunert has control.

This is demonstrated by Reunert's 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 consolidated from the date that control commences to the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein (refer to note 31).

Company

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

In the separate financial statements of the Company, amounts owing by subsidiaries are initially measured at amortised cost and subsequently interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in the statements of profit or loss. Refer to note 29 Financial instruments for further details.

Rm	Company 2021	2020
Shares at cost	**3 430**	3 193
Impairment of investment in subsidiaries	**(655)**	(1 028)
Balance as at 1 October	**(1 028)**	(228)
Raised	**–**	(800)
Reversed	**373**	–
Interest in subsidiaries	**2 775**	2 165
Gross amounts owing by subsidiaries[1]	**5 115**	5 415
Impairment of amounts owing by subsidiaries	**(663)**	(551)
Balance as at 1 October	**(551)**	(730)
Raised	**(112)**	–
Reversed	**–**	179
Amounts owing by subsidiaries	**4 452**	4 864
Amounts owing to subsidiaries	**–**	(2)
	4 452	4 862
Total net reversal of impairment/(impairment) in the statement of profit or loss	**261**	(621)

[1] *The loans are not secured, have no fixed terms of repayment and bear no interest.*

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 (refer to note 12).

During the 2021 financial year, the Company reversed impairments of R373 million of its investment in subsidiaries. These include Bargenel (R271 million) and Julopro (R101 million). These reversals of impairments arose due to an increase in the Reunert Limited share price during the 2021 financial year. Both Julopro and Bargenel are investment holding entities holding investments in Reunert Limited shares.

The recoverable amounts of Bargenel and Julopro are R752 million and R335 million respectively. A key driver in the determination of the recoverable amounts is the price quoted on the JSE at the reporting date for the Reunert share price.

14. LEASE AND LOAN RECEIVABLES

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

Interest received from a lease 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 lease.

Loan receivables 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 Group 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 prior financial year, the Group granted rent concessions which were a result of COVID-19. The modification requirements in IFRS 16, were applied to these leases, as the concessions constituted a modification to the lease which requires a remeasurement of the lease receivables. 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 subsequently measures the lease 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 to a large extent 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.

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14. LEASE AND LOAN RECEIVABLES *continued*

Rm	Group					Total lease and loan receivables
	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	
2021						
Gross lease receivables	**353**	**238**	**153**	**76**	**27**	**847**
Unearned finance income	**(71)**	**(40)**	**(20)**	**(7)**	**(2)**	**(140)**
ECL	**(9)**	**(6)**	**(5)**	**(3)**	**(1)**	**(24)**
Net lease receivables	**273**	**192**	**128**	**66**	**24**	**683**
Loan receivables	**520**	**533**	**429**	**304**	**135**	**1 921**
ECL	**(120)**	**(3)**	**(2)**	**(2)**	**(1)**	**(128)**
Net loan receivables	**400**	**530**	**427**	**302**	**134**	**1 793**
Net lease and loan receivables	**673**	**722**	**555**	**368**	**158**	**2 476**
2020						
Gross lease receivables	427	320	205	112	30	1 094
Unearned finance income	(72)	(50)	(32)	(18)	(4)	(176)
ECL	(67)	(3)	(2)	(1)	–	(73)
Net lease receivables	288	267	171	93	26	845
Loan receivables	628	531	395	245	66	1 865
ECL	(121)	(7)	(5)	(3)	(1)	(137)
Net loan receivables	507	524	390	242	65	1 728
Net lease and loan receivables	795	791	561	335	91	2 573

Analysis of movement in the ECL

Rm	Group 2021	Group 2020
Balance as at 1 October	**(210)**	(41)
Movement in the ECL		
Released/(raised) during the year through the statement of profit or loss	**29**	(219)
Utilised	**29**	50
Balance as at 30 September	**(152)**	(210)

The gross finance lease receivables 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 portfolio, is 12,93% (2020: 13,00%).

The loan receivables are loans 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 credit risk through the recourse arrangements, for accounting purposes, the overall substance of the arrangement is a financing transaction.

Accordingly these are classified as loan receivables.

The carrying amount of the lease and loan receivables 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.

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 loan to franchises and rentals receivables. Credit risk with respect to these is reduced due to the large number of customers underpinning these lease and loan receivables.

These customers are 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 lease and loan receivables.

This is calculated by applying a loss ratio to the balance at each reporting date. Historically the loss ratio for the lease and loan receivables 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.

Loan receivables

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 first 12 months, the credit risk is assumed as follows:
  o The Group provides a credit screening warranty whereby the Group warrants the outcome of its credit vetting of customers for a period of 12 months as follows:
  o The initial warranty is set at 30% of the credit loss 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 credit losses resulting from the inability of a customer to fully settle the contract

Below are the loan balances split between the recourse categories:

	Group	
Rm	**2021**	2020
100% recourse to franchise/dealer	**972**	833
50% recourse to franchise/dealer	**949**	971
0% recourse to franchise/dealer	–	61
Gross loans receivable	**1 921**	1 865

Impact of COVID-19

Historical levels of credit impairment (pre 2020) are now not considered representative of what is expected in terms of future defaults due to the COVID-19 pandemic. The ongoing impact of the national lockdowns and waves of infection on economic activity and consequentially the expected increase in business failures have made the estimation of future credit losses complex.

Subsequent to the easing of lockdown conditions after the second and third wave of COVID-19 infections during 2021; economic activity has improved and the Group has incorporated this improvement in their assessment of the management overlay incorporated into the ECL.

The Group has considered these factors above and also used the following key assumptions in estimating the ECL as at 30 September 2021

Probability of default (PD)	5,6%
Loss given default (LGD)	63,0%
Exposure at default (EAD)	Exposure of receivables at 30 September 2021

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14. LEASE AND LOAN RECEIVABLES *continued*

Impact of COVID-19 *continued*

In estimating the PD the following were applied:

Estimates

> The expected rate of credit defaults which has reduced to 5,6% during 2021 (11,5% at 31 March 2020, 9,3% at 30 September 2020 and 3,5% at 30 September 2019)

Judgements

> Due to the uncertainty that COVID-19 brings to the impact on future economic activity, the estimates made confer a high degree of judgement in the management overlay

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 of COVID-19 on South Africa and limited allocated credit information, this remains the best independent and credible information available, to estimate the expected LGD and this results in an LGD of 63%.

In computing the management overlay, management assessed the industry classification of each rental customer and where the industry was, in the experience of management, still experiencing adverse consequences of the COVID-19 pandemic impacting on its credit capacity/risk (largely in the categories of hospitality, tourism and sections of education) applied a management overlay taking this risk into account.

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 known events, the following is a categorisation of the different stages in accordance with IFRS 9.

	Expected credit losses				
Rm	Carrying amount before ECL	Stage 1	Stage 2	Stage 3	Net carrying amount after ECL
September 2021	**2 628**	**(41)**	**(13)**	**(98)**	**2 476**
Lease receivables	**707**	**(9)**	**(6)**	**(9)**	**683**
Loan receivables	**1 921**	**(32)**	**(7)**	**(89)**	**1 793**
September 2020	2 783	(68)	(92)	(50)	2 573
Lease receivables	918	(41)	(18)	(14)	845
Loan receivables	1 865	(27)	(74)	(36)	1 728

Credit write-off in 2020

The credit write-off resulted from an external fraud perpetrated against Quince by a non-connected independent third party dealer in the prior financial year. A comprehensive external forensic investigation was completed and resulted in a credit write-off of R298 million, which was reported in the 31 March 2020 interim 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 material 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 were implemented in the 2021 financial year.

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 28, 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.

	Group		Company	
Rm	**2021**	2020	**2021**	2020
Trade and other receivables				
Trade receivables	**1 848**	1 709	**1**	1
Contract assets	**122**	126	**–**	–
Prepayments and other receivables	**294**	252	**27[1]**	16[1]
ECL[2]	**(167)**	(192)	**–**	–
Net trade and other receivables	**2 097**	1 895	**28**	17
Contract assets under IFRS 15				
Balance as at 1 October	**126**	131	**–**	–
Raised during the year	**98**	462	**–**	–
Recognised as trade receivables during the year	**(102)**	(467)	**–**	–
ECL[2]	**(6)**	(3)	**–**	–
Net contract assets as at 30 September	**116**	123	**–**	–

[1] *Includes lease smoothing accrual of R27 million (2020: R15 million).*

[2] *The ECL for trade receivables amounts to R161 million (2020: R189 million) and contract assets R6 million (2020: R3 million). The ECL for other receivables was not significant.*

The Group expects to invoice customers the balance of the contract assets in the 2022 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 has consistently applied 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. These 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 illustrates the spread of credit risk at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

The historic loss ratio is then adjusted for forward looking information which includes inflation, country GDP and interest rate.

The historic write-offs are then assessed for a strong correlation against these economic factors to ascertain if an adjustment is required for these forward looking expectations. Management typically considers trade receivables aged in excess of 90 days past due (where the excessive ageing is not caused by administrative delays that are within the control of the Group), and those handed over to the Group's attorneys for legal collection processes, to be in default and accordingly increase the allowance for 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.

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15. TRADE AND OTHER RECEIVABLES *continued*

Analysis of trade receivables

Rm	Group			
	Gross	**ECL**	**Net**	**Average ECL ratio %**
2021				
Insured trade receivables covered by trade credit insurance	**467**	**(3)**	**464**	**1**
Small, medium and micro enterprises (SMMEs)	**287**	**(47)**	**240**	**16**
Mines/large businesses	**843**	**(58)**	**785**	**7**
State owned entities/government	**182**	**(30)**	**152**	**16**
Municipalities	**63**	**(23)**	**40**	**37**
Financial institutions	**6**	**–**	**6**	**–**
Total	**1 848**	**(161)**	**1 687**	**9**

Rm	Group			
	Gross	ECL	Net	Average ECL ratio %
2020				
Insured trade receivables covered by trade credit insurance	278	(12)	266	4
Small, medium and micro enterprises (SMMEs)	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

There was no ECL related to trade and other receivables raised in the Company. ECL related to amounts owing by subsidiaries has been disclosed in note 13 Interest in subsidiaries.

Changes in ECL

The gross trade receivables book increased however the corresponding ECL declined. The lack of correlation between the two is mainly due to the impact of COVID-19 in the 2020 financial year in the determination of the ECL.

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 legal collection and despite all efforts remain uncollected.

Analysis of movement in the ECL

Rm	Group 2021	Group 2020	Company 2021	Company 2020
Balance as at 1 October	**(192)**	(150)	**–**	(3)
Raised in the statement of profit or loss	**(10)**	(69)	**–**	–
Utilised against the ECL	**39**	14	**–**	–
Disposal of subsidiary	**2**	–	**–**	–
Transferred	**–**	–	**–**	3
Exchange rate difference	**(6)**	13	**–**	–
Balance as at 30 September[1]	**(167)**	(192)	**–**	–

[1] *The ECL for trade receivables amounts to, R161 million (2020: R189 million) and for contract assets R6 million (2020: R3 million).*

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

Rm	Group: Insured trade receivables covered by trade credit insurance	SMMEs	Mines/large businesses	State owned entities/ government	Municipalities	Total
2021						
1 – 30 days	**27**	**15**	**49**	**5**	**3**	**99**
31 – 60 days	**3**	**8**	**30**	**6**	**1**	**48**
61 – 90 days	**–**	**3**	**7**	**1**	**1**	**12**
90+ days	**5**	**21**	**8**	**47**	**3**	**84**
Total	**35**	**47**	**94**	**59**	**8**	**243**
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

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.*

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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.

		Group		Company	
Rm	Note	**2021**	2020	**2021**	2020
Movement in deferred tax					
Net balance as at 1 October		**83**	5	**3**	17
Current year charge	6	**(37)**	103	**(10)**	(13)
Deferred tax directly in equity		**2**	(1)		
On translation loss on investment in foreign subsidiary included in comprehensive income		**–**	(27)		
Adjustments for prior years	6	**(54)**	6	**–**	(1)
Subsidiaries acquired		**(3)**	–		
Derecognised on disposal of subsidiary	30	**(1)**	(3)		
Exchange rate differences		**(3)**	–		
Net balance as at 30 September		**(13)**	83	**(7)**	3
Represented by:					
Deferred tax assets		**145**	172	**–**	3
Deferred tax liabilities		**(158)**	(89)	**(7)**	–
		(13)	83	**(7)**	3

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.

Analysis of deferred tax

	Group		Company	
Rm	**2021**	2020	**2021**	2020
Capital allowances	**(249)**	(226)	**(9)**	(9)
Provisions, impairments and accruals	**167**	195	**2**	12
Advance income offset by allowed future expenditure	**(8)**	(6)	**–**	–
Unused tax losses	**101**	138	**–**	–
Share-based payments	**17**	14	**–**	–
In comprehensive income	**(21)**	(21)	**–**	–
Unrealised forex gains	**(20)**	(11)	**–**	–
Net balance as at 30 September	**(13)**	83	**(7)**	3

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 (in ICT, 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.

	Group	
Rm	**2021**	2020
Inventory		
Raw materials, components and consumables	**533**	505
Finished goods	**565**	436
Merchandise	**130**	133
Work in progress	**665**	583
	1 893	1 657
Allowance for slow-moving and obsolete inventory	**(150)**	(174)
	1 743	1 483

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	**2021**	2020	**2021**	2020
Cash and cash equivalents[1]	**1 068**	1 029	**5**	1
Bank overdrafts and short-term facilities	**(777)**	(706)	**–**	–
Bank overdrafts[1,2]	**(137)**	(122)	**–**	–
Short-term facilities[2]	**(640)**	(584)	**–**	–
Net cash and cash equivalents per statements of cash flows	**291**	323	**5**	1

At 30 September 2021 the Group had applied R1 844 million (2020: R2 012 million) of its cash resources to finance a portion of its lease and loan receivables 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.*

[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.*

	Group		Company	
Rm	**2021**	2020	**2021**	2020
Foreign denominated balances included in cash and cash equivalents in rand				
US dollars	**124**	109	**–**	–
Euros	**26**	13	**–**	–
Other	**18**	25	**–**	–
Total	**168**	147	**–**	–
Foreign denominated balances included in bank overdrafts in rand				
US dollars	**(133)**	(122)	**–**	–

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19. SHARE CAPITAL

Equity instruments

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

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 (2020: 235 000 000)

Number of shares	**2021**	2020
Issued share capital		
Ordinary shares of no par value		
As at 1 October	**184 969 196**	184 950 196
Shares issued during the year in terms of the Reunert 2006 Option Scheme	**–**	19 000
As at 30 September	**184 969 196**	184 969 196

Rm	Group 2021	Group 2020	Company 2021	Company 2020
Ordinary shares				
As at 1 October	**389**	388	**389**	388
Arising on the issue of ordinary shares	**–**	1	**–**	1
As at 30 September	**389**	389	**389**	389
Empowerment shares[1]				
Reunert shares held by Bargenel: 18 500 000 (2020: 18 500 000)	**(276)**	(276)		
Treasury shares[2]				
Reunert shares held by a subsidiary: 7 032 824 (2020: 4 997 698)	**(447)**	(342)		
Share-based payment reserves				
As a result of IFRS 2 Share-based payments				
As at 1 October	**217**	229	**–**	–
In terms of other transaction-related share-based payments	**7**	–	**–**	–
In terms of the CSP	**18**	9	**–**	–
Shares acquired for the CSP	**(11)**	(54)	**–**	–
Transfer (to)/from retained earnings[3]	**(12)**	33	**–**	–
As at 30 September	**219**	217	**–**	–

[1] *18 500 000 Reunert shares are held by Bargenel, a company sold by Reunert to an accredited empowerment partner in 2007. As the entity remains controlled by the Group until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated. 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.*

During 2021 2 035 126 shares were bought back at an average price of R51,33 per share. No shares were bought back during the 2020 financial year.

[3] *Cost of CSP settlement surplus of cumulative IFRS 2 Share-based payment reserve for the 2016 CSP scheme. In the 2020 financial year the cost of the CSP settlement was in excess of the cumulative IFRS 2 Share-based payment reserve for the 2015 scheme.*

	Number of shares 2021	Number of shares 2020
Unissued ordinary shares		
Total shares reserved to meet the requirements of the Reunert 2006 Option Scheme	**200 000**	498 000

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 this scheme 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 200 000 (2020: 498 000).

All remaining options in terms of this scheme have fully vested and no expense has been raised in the current financial year in relation to the scheme.

The remaining contractual life of these options range from one to two years.

The exercise prices for these options are R60.80 per share.

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19. SHARE CAPITAL *continued*

Conditional Share Plan

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 share-based payment 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 the related 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 share-based payment 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 options issued under the performance scheme granted until November 2018 are an equal combination of real growth in NHEPS and TSR. These performance units vest four years from the date of issue.

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 sole condition 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 an external valuation expert.

Judgement is required in assessing the factors that impact the annual share-based payments expense to be charged to statement 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) are reassessed annually, NHEPS by an independent valuation expert and ROCE is determined by management using the latest budget approved by the Board 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 remeasure the cost to be charged to profit or loss over the vesting period.

	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
2021						
Issued on 20 November 2015						
Key – retention	**55,38**	**31**	**–**	**(31)**	**–**	**–**
Issued on 21 November 2016						
Key – retention	**49,57**	**83**	**–**	**(42)**	**(3)**	**38**
Executive – performance	**37,00**	**856**	**–**	**(128)**	**(728)**	**–**
Executive – retention	**49,57**	**90**	**–**	**(90)**	**–**	**–**
Issued on 20 November 2017						
Key – retention	**47,21**	**101**	**–**	**–**	**(6)**	**95**
Executive – performance	**44,10**	**909**	**–**	**–**	**(47)**	**862**
Issued on 19 November 2018						
Key – retention	**59,25**	**98**	**–**	**–**	**(11)**	**87**
Executive – performance	**50,46**	**831**	**–**	**–**	**(28)**	**803**
Issued on 10 February 2020						
Key – retention	**31,05**	**86**	**–**	**–**	**(10)**	**76**
Executive – performance	**28,18**	**1 005**	**14**	**–**	**(33)**	**986**
Issued on 30 September 2020						
Key – retention	**18,56**	**86**	**–**	**–**	**(6)**	**80**
Executive – performance	**18,04**	**2 061**	**–**	**–**	**(21)**	**2 040**
Total		**6 237**	**14**	**(291)**	**(893)**	**5 067**
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

[1] *During the financial year ended 30 September 2021 the 2016 executive performance and 50% of the retention scheme vested. The weighted share price at the exercise date was R36.90.*

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.

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19. SHARE CAPITAL *continued*

Conditional Share Plan *continued*

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 %
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)
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

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 method.

Lease liabilities

Lease liabilities are recognised for all leases unless the lease term is 12 months or less or the underlying asset has a low value, (such as tablets and personal computers, small items of office furniture and telephones), with a monetary threshold of R100 000 or less per lease.

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.

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% (2020: 10%).

	Group		Company	
Rm	2021	2020	2021	2020
Long-term loans				
Unsecured – at amortised cost				
Total loans	83	16	–	–
Less: current portion	(39)	(1)	–	–
Unsecured long-term loans	44	15	–	–
Maturity analysis of unsecured loans				
< 1 year	39	1	–	–
1 – 5 years	13	15	–	–
> 5 years	31	–	–	–
R37 million (2020:Rnil) of the balance within the <1 year is non-interest bearing, the balance of the loans bear interest at rates ranging between 7% and 8% (2020: 10% to 15%).				–
Lease liabilities				
Secured – at amortised cost				
Total lease liabilities	185	218	–	1
Less: current portion	(85)	(56)	–	(1)
Secured non-current lease liabilities	100	162	–	–
Amounts payable under leases				
Gross minimum lease payments	259	257	–	1
< 1 year	110	71	–	1
1 – 5 years	146	181	–	–
> 5 years	3	5	–	–
Less: future finance charges	(74)	(39)	–	–
< 1 year	(25)	(15)	–	–
1 – 5 years	(48)	(24)	–	–
> 5 years	(1)	–	–	–
Net minimum lease payments	185	218	–	1
< 1 year	85	56	–	1
1 – 5 years	98	157	–	–
> 5 years	2	5	–	–

The Group's obligations under the 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 R33 million (2020: R21 million).

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20. LONG-TERM LOANS AND LEASE LIABILITIES *continued*

Lease liabilities *continued*

Rm	Group				Company	
	2021 Lease liabilities	2020 Lease liabilities	**2021 Long-term loans**	2020 Long-term loans	**2021 Lease liabilities**	2020 Lease liabilities
Reconciliation of liabilities						
Balance at 1 October	**218**	18	**16**	42	**–**	–
Lease liability recognised on initial adoption of IFRS 16	**–**	222	**–**	–	**–**	3
Raised	**50**	44	**47**	–	**–**	–
Settlements	**(92)**	(79)	**(9)**	–	**–**	(2)
Interest expense	**19**	22	**1**	–	**–**	–
Remeasurement of lease liability	**(7)**	(4)	**–**	–	**–**	–
Transfer	**–**	–	**29**	(20)	**–**	–
Termination of lease liability	**(3)**	(5)	**–**	–	**–**	–
Disposal of subsidiary	**–**	–	**(1)**	–	**–**	–
Loans written off/waived	**–**	–	**–**	(6)	**–**	–
Balance at 30 September	**185**	218	**83**	16	**–**	1
Less: current portion	**(85)**	(56)	**(39)**	(1)	**–**	(1)
Non-current portion	**100**	162	**44**	15	**–**	–

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

21. PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using 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 2020	Provisions created during the year	Utilised during the year	Released during the year	**Carrying amounts as at 30 September 2021**
Description of nature of obligation					
Group					
Warranties[1]	97	4	(10)	(38)	**53**
Contract-related[2]	26	6	–	(4)	**28**
	123	10	(10)	(42)	**81**
Company					
Warranties[1]	53	–	–	(24)	**29**
	53	–	–	(24)	**29**

[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.*

22. TRADE AND OTHER PAYABLES, CONTINGENT CONSIDERATION 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 except for contingent considerations which is measured at fair value through profit and loss. Contract assets are not classified as financial liabilities.

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

	Group		Company	
Rm	**2021**	2020	**2021**	2020
Trade payables	**1 245**	1 023	**–**	–
VAT, payroll and accruals	**513**	547	**20**	17
Contingent consideration	**18**	24	**–**	–
	1 776	1 594	**20**	17

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 on 30 September 2021.

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

Contingent consideration

	Group	
Rm	**2021**	2020
Balance as at 1 October	**24**	41
Raised on acquisition at fair value	**18**	–
Raised on acquisition of NCI during the year[1]	**6**	–
Fair value remeasurements	**(13)**[2]	(2)
Settlement	**(7)**	(15)
Balance as at 30 September[2]	**28**	24
Less: current portion[2]	**18**	24
Non-current portion	**10**	–

1 This relates to a contingent consideration that arose during the year on the acquisition of the non-controlling interest in Kopano Solutions Company (Pty) Ltd.

2 Includes a remeasurement gain of R11 million for Blue Nova arising from the related targets not being met.

These were classified as level 3 instruments in the fair value hierarchy.

Notes to the annual financial statements

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for the year ended 30 September 2021

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 was assessed in the current financial year resulting in a cash settlement of R3 million and R2 million being released as a gain on remeasurement.

Plus 1X Solutions (Pty) Ltd (+OneX)

There are two contingent considerations totalling R19.8 million which, will be partly settled in two annual tranches and partly in three tranches based on the achievement of pre-defined future profit targets.

The contingent considerations was calculated using the Discounted Cash Flow method.

The following unobservable inputs were used in the current year to calculate the contingent consideration:

> Revenue growth average of 7%

The aggregated fair value of the contingent consideration as at 31 September 2021 amounts to R18 million.

Sensitivities

The sensitivity analysis for the Group has been determined based on the Group's exposure to change in revenue targets achieved and the subsequent impact on the contingent liability payable at the statement of financial position date.

If the revenue growth rate had been 1% lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would decrease by Rnil million.

If the revenue growth rate had been 1% higher and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase by Rnil million.

Kopano Solutions Company (Pty) Ltd

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

R4 million of the contingent consideration has been settled in the current financial year.

The fair value of the contingent consideration as at 30 September 2021 is R2 million.

Contract liabilities

	Group	
	2021	2020
Balance as at 1 October	**278**	242
Revenue recognised in respect of opening balance	**(179)**	(153)
Raised during the year	**659**	430
Revenue recognised in respect of amounts raised during the year	**(493)**	(241)
Foreign exchange	**(1)**	–
Balance as at 30 September	**264**	278
Less: current portion	**264**	255
Non-current portion	**–**	23

The Group expects to recognise the current portion of the contract liabilities within revenue in the 2022 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.

23. COMMITMENTS

	Group		Company	
Rm	**2021**	2020	**2021**	2020
Expenditure on property, plant and equipment				
– Contracted	**33**	27	**–**	–
– Authorised but not yet contracted	**11**	95	**11**	16
Total expenditure on property, plant and equipment	**44**	122	**11**	16

24. CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within 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 R832,9 million (2020: R1,4 billion).

Included in this value are sureties and guarantees of R581,6 million (2020: R1,2 billion) issued by the Company to Group companies.

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 and trade facilities for subsidiaries of the Group and Company amount to R1,8 billion (2020: R2,1 billion). The Group has also provided a cross guarantee to a financial institution for various companies within the Group in support of other general banking and trade facilities R1,0 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.

Notes to the annual financial statements

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for the year ended 30 September 2021

25. 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 incentive share scheme	Travel allowances	Retirement contributions	Medical contributions	Leave pay[1]	Total	Fair value of CSP at grant date[2]
2021									
AE Dickson	**5 963**	**3 958**	**778**	**132**	**217**	**83**	**600**	**11 731**	**–**
M Moodley	**2 791**	**1 876**	**788**	**–**	**209**	**65**	**–**	**5 729**	**–**
NA Thomson	**4 707**	**3 781**	**1 163**	**–**	**227**	**141**	**–**	**10 019**	**–**
	13 461	**9 615**	**2 729**	**132**	**653**	**289**	**600**	**27 479**	**–**
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

[1] *Settlement of leave that accrued prior to implementation of the current leave policy which requires employees to either use the leave within the leave cycle or forfeit it.*

[2] *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) and return on capital employed (ROCE); 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	2021	2020
TS Munday	**1 569**	1 485
T Abdool-Samad	**837**	656
AB Darko	**603**	578
LP Fourie	**731**	593
JP Hulley	**659**	550
SD Jagoe	**660**	482
S Martin	**674**	648
MT Matshoba-Ramuedzisi	**603**	578
Adv NDB Orleyn	**659**	608
MJ Husain	**549**	–
SG Pretorius	**–**	211
R van Rooyen	**–**	244
	7 544	6 633

Share options	Number of unexercised options as at 1 October 2020	Number of options granted during the year	Number of options exercised during the year	Number of options expired during the year	**Number of unexercised options as at 30 September 2021**	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 2020	Number of units granted during the year	Number of units vested during the year[1]	Number of units expired during the year	**Number of units unvested as at 30 September 2021**	Share price at grant date	Date of allocation	Date from which vesting begins
AE Dickson	153 463	–	(41 654)	(111 809)	**–**	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	54 378	–	(8 157)	(46 221)	**–**	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	98 256	–	(14 738)	(83 518)	**–**	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
	1 981 716	–	(64 549)	(241 548)	**1 675 619**			

[1] *During the financial year ended 30 September 2021 the 2016 performance and retention CSP units vested at a share price of R36,90.*

26. SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES AND ASSOCIATES

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 associates are entities over which the Group has significant influence but not control or joint control.

The equity method of accounting for joint ventures and the associates is adopted in the annual financial statements. The Group's interests in joint ventures and the associates 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 associates.

Lumika was a new joint venture entered into by the Group in the 2021 financial year, as part of its formation, the Group sold an effective 25% of TFS to the joint venture. The Group has elected to eliminate the amount attributable to the Group of Lumika's investment in TFS and the equity-accounted earnings associated with TFS, within Lumika, in the consolidated financial statements. This is in order to eliminate the potential double counting of the amount attributable to TFS as TFS is fully consolidated. The above accounting treatment was applied on initial recognition and will be applied on the subsequent measurement of the carrying amount of the Lumika joint venture. Refer to note 31 equity transactions with non-controlling interests (NCIs) for more details.

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

Notes to the annual financial statements

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for the year ended 30 September 2021

26. SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES AND ASSOCIATES *continued*

	Joint ventures				Associates			
	2021		2020		**2021**		2020	
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	**611**	**306**	369	185	**60**	**25**	58	28
Depreciation and amortisation	**3**	**2**	6	3	**2**	**–**	–	–
Interest income	**1**	**1**	1	–	**–**	**–**	–	–
Interest expense	**5**	**2**	1	–	**2**	**–**	–	–
Other expenses	**18**	**9**	82	41	**5**	**1**	17	8
Tax charge/(credit)	**3**	**2**	(4)	(2)	**2**	**1**	2	1
Profit/(loss) after tax for the year	**44**	**24**	(194)	(97)	**5**	**–**	5	3
Other comprehensive income	**–**	**–**	–	–	**–**	**–**	–	–
Extract from the statement of financial position								
Non-current assets	**138**	**68**	4	2	**56**	**9**	14	7
Current assets (excluding cash)	**390**	**195**	206	103	**4**	**1**	12	6
Cash and cash equivalents	**12**	**6**	13	6	**2**	**–**	8	4
Total assets	**540**	**269**	223	111	**62**	**10**	34	17
Non-current financial liabilities	**(51)**	**(26)**	(4)	(2)	**(55)**	**(9)**	(1)	–
Current financial liabilities	**(210)**	**(104)**	(69)	(34)	**(5)**	**(1)**	(14)	(7)
Other current liabilities	**(37)**	**(18)**	(21)	(11)	**(1)**	**–**	(2)	(1)
Equity	**(242)**	**(121)**	(129)	(64)	**(1)**	**–**	(17)	(9)

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

	Joint ventures		Associates	
	2021	2020	**2021**	2020
Group's interest in net assets of joint ventures and associates as at 1 October	**64**	164	**10**	7
Profit/(loss) after tax for the year	**24**	(80)	**–**	3
Other comprehensive income attributable to the Group	**–**	–	**–**	–
Dividends received	**(4)**	(3)	**(2)**	–
Group's interest in net assets of joint ventures and associates as at 30 September	**84**	81	**8**	10
Reversal of revaluation of PPE on creation of joint venture, net of depreciation	**–**	(17)	**–**	–
Acquisition of interest in Lumika	**34**	–		
Allocation of Reunert Investment Company # 2 NCI to AIF 1	**(19)**[1]	–		
Disposal of investment in associate			**(8)**	–
Carrying amount of interest in joint ventures and associates as at 30 September	**99**	64	**–**	10

	2021	2020
Joint ventures	**99**	64
Associates	**–**[2]	10
Investments in joint ventures and associates	**99**[3]	74

[1] *Refer to note 31, equity transactions with non-controlling interests for further details regarding the transaction.*

[2] *The Group's investment in associates is less than R0,5 million and therefore has been rounded to Rnil.*

[3] *This is after the elimination of the amount attributable to the Group of Lumika's investment in TFS.*

Notes to the annual financial statements

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26. SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES AND ASSOCIATES *continued*

%	Nature of relationship	Nature of activity	Place of business	Interest %	
				2021	2020
Joint ventures and associates					
Lexshell 661 Investments (Pty) Ltd	Joint venture	Property holding	Woodmead, Gauteng	**50**	50
CBi-Electric Telecom Cables (Pty) Ltd (CBi Telecoms)	Joint venture	Manufacturer of telecommunication cables	Brits, North West	**50**	50
Oxirostax (Pty) Ltd	Associate	Office automation franchise	Somerset West, Western Cape	**–**	49
Lumika Renewables (Pty) Ltd	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**50**	–
Nova Energy Holdings (Pty) Ltd	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**39**	45
Nova One Energy Solutions (Pty) Ltd	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**39**	45
City Industrial Solar Solutions (Pty) Ltd	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**39**	45
City Industrial Solar One (Pty) Ltd	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**39**	45
RKT Energy (Pty) Ltd	Associate	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**23**	27
MRKT Energy Holdings (Pty) Ltd	Associate	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**12**	–
MRKT Energy One (Pty) Ltd	Associate	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**12**	13

27. RELATED PARTY TRANSACTIONS

		Group							
Rm	**Relationship**	**Sales**	**Purchases**	**Rendering services**	**Lease payments made**	**Dividends received**	**Amounts owed by related parties**	**Amounts owed to related parties**	**Treasury shares**
2021									
CBi-Electric Telecom Cables (Pty) Ltd	Joint venture	**4**	**2**	**–**	**–**	**–**	**5**	**3**	**–**
Lumika Renewables (Pty) Ltd	Joint venture	**–**	**–**	**1**	**–**	**–**	**1**	**36**[1]	**–**
Bargenel Investments (Pty) Ltd	Empowerment partner owning 18,5 million Reunert shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**276**
Lexshell 661 Investments (Pty) Ltd	Joint venture	**–**	**–**	**–**	**13**	**4**	**–**	**4**	**–**
Nova One Energy Solutions (Pty) Ltd[2]	Joint venture	**8**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
City Industrial Solar One (Pty) Ltd[2]	Joint venture	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**–**
MRKT Energy One (Pty) Ltd[2]	Associate	**19**	**–**	**–**	**–**	**–**	**13**[3]	**–**	**–**
2020									
Oxirostax (Pty) Ltd (Nashua Winelands)	Associate	19	1	–	–	–	2	–	–
CBi-Electric Telecom Cables (Pty) Ltd	Joint venture	–	24	–	–	–	–	–	–
Bargenel Investments (Pty) Ltd	Empowerment partner owning 18,5 million Reunert shares	–	–	–	–	–	–	–	276
Lexshell 661 Investments (Pty) Ltd	Joint venture	–	–	–	12	3	–	5	–

[1] *The loan is not secured, has no fixed terms of repayment and bears no interest.*

[2] *The comparative information for the 2020 financial year was not considered material for disclosure.*

[3] *This relates to trade and other receivables arising in the ordinary course of business.*

Notes to the annual financial statements

(continued)

for the year ended 30 September 2021

27. RELATED PARTY TRANSACTIONS *continued*

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, associates and special-purpose entity.

Rm	Lease payments received	Net administration fees paid
2021		
Subsidiaries of the Company	**70**	**11**
2020		
Subsidiaries of the Company	70	10

Directors' remuneration is disclosed in note 25.

28. FINANCIAL INSTRUMENTS

Financial instruments recorded in the statement of financial position include cash and cash equivalents, investments, trade receivables, trade payables, loans and derivative financial instruments, investments at fair value through profit and loss and contingent consideration.

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 statements 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 statements of profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit or loss. Interest income from these financial assets is included in finance income using the effective interest method.

Fair value though profit and loss (FVTPL)

A gain or loss on a subsequent measurement of a financial asset is recognised in the statement 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.

The Group uses the general approach in the determination of the ECL for loans and leases receivable. This is a three stage assessment from initial recognition whereby ECL is calculated based on either a lifetime ECL or a 12 month ECL.

The Group calculates ECL at initial recognition by considering the consequences and probabilities of 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.

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 rental finance provider the ECL is calculated taking into consideration the specific credit risk associated with their receivables.

This includes credit risk in industries impacted by COVID-19 associated lockdown restrictions.

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 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 ECL for financial instruments for which credit risk has increased significantly (i.e. when a borrower is more than 30 days past due), since initial recognition

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

Notes to the annual financial statements

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for the year ended 30 September 2021

28. FINANCIAL INSTRUMENTS *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 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
> 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.

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 and call 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.

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

Subsequent remeasurements of the fair value of the contingent arrangements are recognised in the statement of profit or loss in the period they arise.

Financial liabilities at amortised cost

Interest, dividends, losses and gains relating to a financial liability or a component that is a financial liability are recognised as income or expense in the statement of profit or loss. 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. In addition, the Group is exposed to derivative put and call options over the Group's direct 65% interest in TFS. 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.

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.

Notes to the annual financial statements

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for the year ended 30 September 2021

28. FINANCIAL INSTRUMENTS *continued*

Rm	Group 2021	Group 2020	Company 2021	Company 2020
Significant categories of financial instruments				
Financial assets				
At fair value through other comprehensive income included in[1]:				
Other investments and loans	**14**	13	**–**	–
At FVTPL				
Non-current derivative financial assets[2]	**41**	–	**–**	–
Current derivative financial assets[1]	**7**	12	**–**	–
Investment at FVTPL[2]	**76**	–	**–**	–
At amortised cost included in:				
Other investments and loans	**51**	48	**1**	1
Lease and loan receivables	**2 476**	2 573	**–**	–
Trade and other receivables	**1 767**	1 613	**28**	17
Cash and cash equivalents	**1 068**	1 029	**5**	1
Amounts owing by subsidiaries	**–**	–	**4 452**	4 864
Non-financial instruments included in:				
Trade and other receivables	**330**	282	**–**	–
Financial liabilities				
At amortised cost included in:				
Long-term loans	**(44)**	(15)	**–**	–
Non-current equity forward contract	**(48)**	(59)	**(48)**	(59)
Non-current lease liabilities	**(100)**	(162)	**–**	–
Current lease liabilities	**(85)**	(56)	**–**	(1)
Current portion of long-term loans	**(39)**	(1)	**–**	–
Current equity forward contract	**(18)**	(16)	**(18)**	(16)
Trade and other payables	**(1 648)**	(1 420)	**(20)**	(17)
Bank overdrafts and short-term facilities	**(777)**	(706)	**–**	–
Amounts owing to subsidiaries	**–**	–	**–**	(2)
At FVTPL				
Non-current contingent consideration[2]	**(10)**	–	**–**	–
Non-current derivative financial liabilities[2]	**(92)**	–	**–**	–
Put option liability	**(25)**	–	**–**	–
Contingent consideration included in trade and other payables[2]	**(18)**	(24)	**–**	–
Current derivative financial liabilities[1]	**(17)**	(28)	**–**	–
Non-financial instruments included in:				
Non-current contract liabilities	**–**	(23)	**–**	–
Current contract liabilities	**(264)**	(255)	**–**	–
Trade and other payables	**(110)**	(150)	**–**	–

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

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

Put option liability

Fair value measurements Rm	Group 2021 Level 3	Group 2020 Level 3	Company 2021 Level 3	Company 2020 Level 3
Reconciliation of the carrying amount of level 3 financial assets and liabilities				
Financial liabilities – put option				
Balance as at 1 October	**–**	120	**–**	–
Raised during the year	**25**	–	**–**	–
Fair value remeasurements	**–**	3	**–**	–
Settlement	**–**	(131)	**–**	–
Unwinding of present value discount	**–**	8	**–**	–
Balance as at 30 September	**25**	–	**–**	–

As part of the TFS acquisition in 2017, the Group granted put options in favour of the non-controlling shareholders for 25% of the issued share capital. The majority of this put option was exercised in the 2020 financial year. The amount remaining is carried at fair value and amounts to R365 303 (2020: R307 428).

The measurement period for the TFS empowerment transaction concluded on 30 September 2021. Refer to the accounting policies for the detail surrounding this transaction.

Put option liability sensitivity analysis

If the revenue had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase by Rnil (2020: Rnil increase).

If the profit after tax had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase by Rnil (2020: Rnil increase).

If the value of build-own-operate project had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase by Rnil (2020: Rnil increase).

Investment in financial assets at fair value through other comprehensive income (OCI)

Fair value measurements Rm	Group 2021 Level 3	Group 2020 Level 3	Company 2021 Level 3	Company 2020 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	**13**	12	**–**	–
Fair value remeasurements	**1**	1	**–**	–
Balance as at 30 September	**14**	13	**–**	–

The financial asset through other comprehensive income relates to an investment in a S12J fund in respect of a solar energy build, own and operate project.

Notes to the annual financial statements

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for the year ended 30 September 2021

28. FINANCIAL INSTRUMENTS *continued*

Investment in financial assets at fair value through other comprehensive income (OCI) *continued*

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 Agreements (PPAs) 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

Contingent consideration

The reconciliation of the carrying amount of contingent consideration is disclosed in note 22 Trade and other payables, contingent consideration and contract liability.

Investment at fair value through profit or loss

In terms of IAS 28 Investments in Associates, Reunert is presumed to have significant influence over CAFCA Limited (CAFCA) as it owns more than 20% of CAFCA's share capital. However, Reunert has less than 20% representation on its board of directors and does not have the current ability to appoint additional 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.

During the current year the Group received and accepted two unsolicited offers for a portion of its investment in CAFCA for R27 million. These transactions have resulted in the Group remeasuring the fair value of its investment in CAFCA. The fair value has been determined using an appropriate price/net asset value multiple of comparable companies to the historical net asset value of the share. The selling price per share of the sale transactions negotiated during 2021 was also considered as a key factor in assessing the reasonability of the fair value for 2021.

This is a level 3 instrument in the fair value hierarchy.

Accordingly, the Group recognised a gain as follows:

Fair value measurements Rm	**Group** 2021 Level 3	Group 2020 Level 3	**Company** 2021 Level 3	Company 2020 Level 3
Fair value remeasurement of investment in CAFCA	**103**	–	**–**	–
Realised gain on remeasurement of investment	**27**	–	**–**	–
Unrealised gain on remeasurement of investment	**76**	–	**–**	–

Subsequent to the first two disposal transactions, Reunert Limited has a remaining interest of 44.22% in CAFCA of which 15.57% will be sold according to the third offer received and accepted.

Investment at fair value through profit or loss sensitivity analysis

If the price/net asset value had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase by R1 million. If the historical net asset value per share in USD had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase by R1 million.

Non-current derivative financial assets and liabilities

The Group has concluded an agreement with AP Moller Capital through AIF I Africa C&I Renewable Energy LLP (AIF I) to establish a joint venture, Lumika Renewables (Pty) Ltd (Lumika). The Group subscribed for a 50,1% interest in Lumika. Although the Group holds a 50,1% interest, due to the contractual arrangement with AP Moller Capital, the Group exercises joint control over the venture. The Group sold an effective 25% interest in TFS (the Group's Solar PV business) to Lumika and concluded a put and a call option for the sale of 65% being its residual interest in TFS. The call and put is exercisable after the third anniversary of the establishment of Lumika which date is 30 September 2023.

In terms of these arrangements, the Group has the right to put its remaining interest in TFS to Lumika in exchange for the strike price in US dollars and Lumika has the right to call the remaining interest in TFS from the Group at the same price. The put and call have been recognised as a non-current derivative asset and liability respectively at their fair values through profit or loss. The equity value of TFS was determined at the reporting date.

The equity value, strike price in US dollars and other inputs (see below) were applied to a Black Scholes valuation model to determine the value of the put and call.

The following significant unobservable inputs were used in the determination of the value of the put and call and the resulting net fair value loss:

1. Strike price in US dollars calculated at 30 September 2021 using a forward exchange rate of R16,58 – USD13,3 million

2. Average growth rate 16,0%

3. Post-tax discount rate 15,5%

	Group		Company	
Fair value measurements **Rm**	**2021** **Level 3**	2020 Level 3	**2021** **Level 3**	2020 Level 3
Put option derivative financial asset	**41**	–	**–**	–
Call option derivative financial liability	**(92)**	–	**–**	–
Fair value remeasurement loss on option contract	**(51)**	–	**–**	–

Non-current derivative financial asset and liability sensitivity analysis

The following details the Group's sensitivity to a change in the strike price, average growth rate, and post-tax discount rate against the current derivatives.

If the forward exchange rate had been 10% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase/decrease by R20 million respectively. If the average growth rate had been 5% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would decrease/increase by R53 million respectively. If the post tax discount rate had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2021 would increase by R26 million and decrease by R29 million respectively.

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.

Notes to the annual financial statements

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for the year ended 30 September 2021

28. FINANCIAL INSTRUMENTS *continued*

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 prior 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.

	Group			
Rm	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
2021				
Financial liabilities included in trade and other payables	**(1 648)**	**–**	**–**	**(1 648)**
Contingent Consideration	**(18)**	**(12)**	**–**	**(30)**
Bank overdrafts and current portion of long-term loans	**(816)**	**–**	**–**	**(816)**
Non-current long-term loans	**(5)**	**(27)**	**(36)**	**(68)**
Lease liabilities	**(110)**	**(146)**	**(3)**	**(259)**
Put option liability	**(25)**	**–**	**–**	**(25)**
Equity forward contract	**(18)**	**(52)**	**–**	**(70)**
Derivative financial liabilities	**(17)**	**–**	**–**	**(17)**
	(2 657)	**(237)**	**(39)**	**(2 933)**
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)

Rm	Company			
	<1 year	**1 – 5 years**	**> 5 years**	**Total**
2021				
Financial liabilities included in trade and other payables	**(20)**	**–**	**–**	**(20)**
Equity forward contract	**(18)**	**(52)**	**–**	**(70)**
	(38)	**(52)**	**–**	**(90)**
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)

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 24, 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 associates and joint ventures to satisfy operational and other requirements. These associates 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.

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.

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for the year ended 30 September 2021

28. FINANCIAL INSTRUMENTS *continued*

Foreign currency risk *continued*

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)/ gain Rm
2021				
Imports – trade				
US dollar	**(9)**	**(93)**	**(91)**	**2**
Euro	**(8)**	**(137)**	**(134)**	**3**
Exports – trade				
US dollar	**8**	**131**	**131**	**–**
Euro	**2**	**31**	**31**	**–**
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 current portion of derivatives per the statement of financial position is a net liability of R10 million (2020: R16 million), R15 million (2020: R22 million) liability relating to interest rate swaps, R2 million liability relating to the put option (2020: R6 million), and R7 million (2020: R12 million) asset which relates to FECs.

Additional disclosures

Rm	As at 30 September 2021	As at 30 September 2020
Balances related to:		
Trade payables denominated in foreign currencies[1]	**730**	638
Of which covered by FECs or zero-cost collars[1]	**307**	366
Loans payable denominated in foreign currencies	**–**	–
Of which covered by FECs	**–**	–
Trade receivables denominated in foreign currencies[2]	**583**	682
Of which covered by FECs or zero-cost collars[2]	**138**	519
Loans receivable denominated in foreign currencies	**–**	–
Of which covered by FECs	**–**	–
Cash and cash equivalents held in customer foreign currency accounts[3]	**168**	147
Of which covered by FECs or zero-cost collars	**–**	–
Bank overdrafts denominated in foreign currency[3]	**133**	122
Of which covered by FECs or zero-cost collars	**–**	–

[1] *Trade payables denominated in foreign currencies related to USD of R517 million (2020: R503 million), Euro of R144 million (2020: R118 million) and other foreign currencies of R69 million (2020: R17 million). The FECs relating to USD of R141 million (2020: R228 million), Euro of R161 million (2020: R113 million) and other foreign currencies of R5 million (2020: R25 million).*

[2] *Trade receivables denominated in foreign currencies related to the USD of R458 million (2020: R531 million), Euro of R74 million (2020: R95 million) and other foreign currencies of R51 million (2020: R56 million). The FECs relating to USD of R126 million (2020: R414 million), Euro of R2 million (2020: R105 million) and other foreign currencies of R10 million (2020: 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.*

	Company
There were no FECs for the Company as at 30 September 2021.	

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 2021 would have decreased by R18 million (2020: decrease of R39 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 R18 million (2020: increase of R47 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 R3,4 million liability (2020: R9,2 million liability).

Details of the interest rate swaps:

	Group			
	Contracts expiring in:			
Rm	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
2021				
Quince				
Contract value	**–**	**100**	**–**	**100**
Average fixed interest rate		**7,4%**		**7,4%**
2020				
Quince				
Contract value	–	100	–	100
Average fixed interest rate		7,4%		7,4%

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 quarterly 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 2021 would increase by R5.9 million on average (2020: R4,1 million increase). This is mainly due to the exposure to linked rate funding cost and the fixed rate customer loans originated, this is termed the open position. Management has taken a decision in prior not to renew the swap contracts that have expired but rather explore funding strategy with the banks that will result in obtaining funding that is a match proportionally to the split of the loan book between linked and fixed.

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28. 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**
2021					
Assets					
Cash and cash equivalents	3,1	558	296	214	1 068
Financial assets included in trade and other receivables	11,8	36	7	1 724	1 767
Other investments and loans	7,1	22	13	30	65
Investment held at fair value through profit or loss	–	–	–	76	76
Lease and loan receivables	14,2	1 557	919	–	2 476
Derivative financial assets	–	–	–	48	48
		2 173	1 235	2 092	5 500
Liabilities					
Financial liabilities included in trade and other payables	2,8	(361)	(79)	(1 208)	(1 648)
Contingent consideration	–	–	–	(28)	(28)
Bank overdrafts and short-term facilities	5,3	(632)	(147)	(37)	(816)
Lease liabilities	10,0	–	(185)	–	(185)
Equity forward contract	6,8	–	(66)	–	(66)
Put option liability	–			(25)	(25)
Long-term loans	7,6	(41)	–	(3)	(44)
Derivative financial liabilities	–	–	–	(109)	(109)
		(1 034)	(477)	(1 410)	(2 921)
Net financial assets		1 139	758	682	2 579
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
Lease and loan receivables	13.1	1 546	1 027	–	2 573
Derivative financial asset	–	–	–	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

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 statement of financial position date.

The analyses are prepared assuming the amount of net assets outstanding at the date of the statement of financial position was outstanding for the whole year. A 2% increase is used for both the current year and prior year and represents management's assessment of a reasonable maximum change in interest rates over the next 12 months. A 2% decrease would have the opposite effect on 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 2021 would increase by R7 million (2020: increase by R22 million). This is mainly attributable to the Group's exposure to interest rates on its floating rate deposits.

Interest rate analysis

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

	Company				
Rm	**Weighted average effective interest rate %**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
2021					
Assets					
Cash and cash equivalents	**2,0**	**5**	**–**	**–**	**5**
Financial assets included in trade and other receivables	**–**	**–**	**–**	**28**	**28**
Other investments and loans	**7,5**	**1**	**–**	**–**	**1**
Amounts owing by subsidiaries	**–**	**–**	**–**	**4 452**	**4 452**
		6	**–**	**4 480**	**4 486**
Liabilities					
Financial liabilities included in trade and other payables	**–**	**–**	**–**	**(19)**	**(19)**
Equity forward contract	**6,8**	**–**	**(66)**	**–**	**(66)**
Amounts owing to subsidiaries	**–**	**–**	**–**	**–**	**–**
		–	**(66)**	**(19)**	**(85)**
Net financial assets		**6**	**(66)**	**4 461**	**4 401**
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

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 2021 would increase by Rnil (2020: increase by Rnil). This is mainly attributable to the Company's exposure to interest rates on its floating rate deposits.

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29. ACQUISITION OF BUSINESS

All business combinations are accounted for by applying the acquisition method.

All acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the related services received. For the accounting policy relating to goodwill arising through acquisition, refer to note 12.

If the initial accounting for the business combinations is incomplete at the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are then adjusted during the remaining measurement period, or additional assets and liabilities are recognised, to reflect any new information obtained about facts and circumstances that existed at the acquisition date, which if known at the time of making the initial recognition entries, would have impacted the amounts recognised at that time.

Non-controlling interests (NCI) in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. NCI consists of the value of those interests at the date of the original business combination and the NCI's share of changes in equity since the date of the combination.

Losses applicable to the NCI in excess of the NCI's share of changes in equity are allocated against the interests of the Group except to the extent that the NCI has a binding obligation and is able to make an additional investment to cover their share of losses beyond their contributed equity.

1. TripleH Cloud Services (Pty) Ltd (TripleH)

With effect from 1 June 2021, the Group, through +OneX, acquired 100% of the business and related net assets of TripleH.

TripleH is a company focused on virtual cloud based solutions. The existing work force is appropriately skilled and resourced to service the existing client base and new clients that will come from synergistic benefits within the ICT segment.

The acquisition of TripleH complements the ICT Segment's expansion strategy and increases the geographical presence of +OneX.

The acquisition also provides +OneX with additional service offerings such as multi-cloud management, infrastructure as a service, disaster recovery as a service and backup as a service. As +OneX is a cloud systems integrator, the TripleH Cloud Services business will be core to its cloud service offering.

2. Datacore Media (Pty) Ltd (DCM)

With effect from 1 May 2021, the Group, through +OneX, acquired 100% of the business and related net assets of DCM. DCM is a company focused on the digital media planning industry space. The existing work force is appropriately skilled and resourced to service the existing client base and new clients that will come from synergistic benefits within the ICT Segment.

The acquisition of DCM complements the ICT Segment's expansion strategy and increases the geographical presence of +OneX.

The acquisition also provides +OneX with additional service offerings such as digital media and data consultancy business and will strengthen +OneX's position as an end-to-end business transformation partner.

Rm	2021
Cash paid	8
Contingent considerations	18
Working capital offset against the purchase price	(3)
Total purchase consideration for TripleH and DCM	23
Represented by:	
Property, plant and equipment	4
Goodwill	14
Intangible assets	11
Deferred tax liabilities	(3)
Trade and other payables	(3)
Net TripleH and DCM assets acquired (fair value at acquisition date)	23
Revenue since acquisition	12
Profit after tax since acquisition	2
Revenue for FY21 as though the acquisition dates had been 1 October 2020	32
Profit after tax for FY21 as though the acquisition dates had been 1 October 2020	6

Company

During the year Reunert (the Company) subscribed for additional shares in Reunert ICT Holdings (Pty) Ltd, one of the Group's segment holding companies, to enable it to increase its investment in existing subsidiaries. The Company subscribed for additional shares in Julopro (Pty) Ltd, the company used to buy-back and hold Reunert Ltd shares, to enable it to make further acquisitions of Reunert Ltd shares. In addition, the Company subscribed for additional shares in Reunert International Investments (Mauritius) Limited to provide it with additional funding to finance capital expenditure and working capital. The total cost of shares taken up is R237 million.

30. DISPOSAL OF SUBSIDIARY AND ASSOCIATE

Sale of Nashua Paarl and West Coast (Pty) Ltd (PWC)

With effect from 1 August 2021 Nashua Holdings (Pty) Ltd sold the interest it held in the franchise known as PWC for R3 million.

Rm	2021
Net assets disposed in PWC:	
Goodwill	4
Deferred tax assets	1
Lease receivables	72
Inventory	2
Trade and other receivables	11
Non-controlling interests	(4)
Long-term loans	(1)
Trade and other payables	(9)
Amounts owing to subsidiaries	(74)
Net carrying amount disposed of	2
Consideration received	1
Cash received on sale	3
Less: cash on hand	2
Loss on disposal of subsidiary (net of taxation of Rnil)	(1)

Sale of Oxirostax (Pty) Ltd (Winelands)[1]

With effect from 1 August 2021 Nashua Holdings (Pty) Ltd sold its interest in the Winelands franchise it owned for R9 million.

Rm	
Investment in Associate	8
Consideration received:	
In Cash	9
Profit on disposal of associate (net of taxation of Rnil)	1

[1] *The investment in Winelands was previously recognised as an investment in associate and equity accounted for in the Group's financial statements.*

Transaction with non-controlling interest where the Group retained control

This transaction was accounted for as a transaction under common control which is excluded from the scope of IFRS 3 – Business Combinations as they involve the combination of businesses that are ultimately controlled by the same company before and after the transaction. Such business combinations are accounted for at the net asset value of the business transferred and therefore no goodwill arises on these business combinations. No effect of the transactions is recorded at a Group level as the transactions eliminate on consolidation. Any differences between the proceeds and the net assets disposed were recognised in profit or loss of the relevant entity.

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 concerned. 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.

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30. DISPOSAL OF SUBSIDIARY AND ASSOCIATE *continued*

Transaction that affected the Group:

With effect from 30 September 2021 the net assets and business of Dopptech (Pty) Ltd (Dopptech), a subsidiary of the Group, were transferred to Fuchs Electronics (Pty) Ltd, another Group company, at the net book value of Rnil.

Rm	Dopptech
Net assets transferred	
Inventory	5
Trade and other receivables	2
Property, plant and equipment	3
Amounts owing to subsidiaries	(10)
Net carrying amount transferred	–
Amount received	–

Rm	2020 Audited
In the 2020 financial year Reunert ICT Holdings sold the PanSolutions shares it owned for R1.	
Net assets disposed in PanSolutions:	
Lease and loan receivables	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

31 . EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS (NCIs)

Rm	2021
Transactions to increase controlling interest in subsidiaries' holdings	
Kopano Solutions Company (Pty) Ltd (Nashua Kopano)	
With effect from 1 April 2021, the Group acquired all of the non-controlling interest in Nashua Kopano, a Group-owned Nashua franchise in the ICT Segment.	
Consideration paid	21
Main Street 1052 (Pty) Ltd (Nashua Central)	
With effect from 1 August 2021, the Group acquired all of the non-controlling interest in Nashua Central, a Group-owned Nashua franchise in the ICT Segment.	
Consideration paid	10
Transactions to decrease controlling interest in subsidiaries' holdings	
Classic Number Trading 80 (Pty) Ltd (Nashua Tshwane)	
With effect from 1 June 2021, the Group sold 30% of its interest in Nashua Tshwane, a Group-owned Nashua franchise in the ICT Segment.	
Consideration received	(3)
Reunert Investment Company No 2 (Pty) Ltd (RIC #2)	
With effect from 1 July 2021 Reunert Limited through its subsidiary, Reunert Applied Electronics Holdings (Pty) Ltd (RAEH) has, concluded a shareholders agreement with AIF I to establish a joint venture, Lumika Renewables (Pty) Ltd (Lumika). As part of the establishment of Lumika, RAEH has agreed to sell an effective 27,8% interest to Lumika.	
Through this 27,8% interest, Lumika will hold an effective 25% in TFS, which remains a subsidiary consolidated by Reunert.	
Reunert has elected to eliminate the equity-accounted earnings associated with TFS in the consolidated financial statements.	
Consideration received	(38)
Plus 1X Solutions (Pty) Ltd (+OneX)	
+OneX was introduced into the Group on the 1st of August 2020 whereby Reunert Connect (Pty) Ltd was renamed to +OneX, Reunert ICT Holdings (Pty) Ltd (Reunert ICT) held 100% of the shares. With effect from 1 December 2020 the +OneX group was formed and Nashua Communications (Pty) Ltd which was 100% owned by Reunert ICT was then moved to be a part of this cluster and renamed to +OneX Communications (Pty) Ltd. On 1 December 2020, non-controlling interests were introduced by way of an issue of shares by +OneX to the founders.	
On 30 September 2021, a further dilution of shareholding occurred resulting in a reduction in Reunert ICT shareholding in +OneX group. This reduction was due to new shares being issued to a strategic BEE group, which will now hold 20% of the +OneX group. Due to this dilution the shareholding for +OneX Group will change resulting in Reunert ICT, The Founders and the Black Founders now holding 56,9%, 14,4% and 8,7% respectively.	
Consideration received	(27)
Net consideration paid/(received)	(37)
Non-controlling interests	(65)
Transactions with non-controlling interests	47
Investment in joint venture	(19)

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for the year ended 30 September 2021

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS (NCIs) *continued*

Rm	2020
Transactions to increase percentage holding	
During the 2020 financial year the Group increased its holding in TFS 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 TFS.	
Net consideration paid	132
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

32. SUBSEQUENT EVENTS

Subsequent to the reporting date the Group has:

> Disposed of a further 15,57% of the Group's investment in CAFCA, the Group's investment in a Zimbabwean power cable manufacturer for a consideration of R29 million.

> Commenced the process to restructure and extend its original B-BBEE structure (Proposed B-BBEE Transaction). The original B-BBEE structure, which was implemented in 2007 and extended for another 4 years in 2018, is centred around Bargenel Investments (Pty) Ltd (Bargenel), which holds 18,5 million ordinary Reunert Limited shares (or approximately 10% of the issued ordinary shares of Reunert). Rebatona Investment Holdings (Pty) Ltd (Rebatona) is the sole shareholder of Bargenel. Rebatona, in turn is owned by the Rebatona Educational Trust (70%) and the founders of Peotona Investment Holdings (Pty) Ltd, being Adv Thandi Orleyn, Cheryl Carolus, Wendy Lucas-Bull and the late Dolly Mokgatle through their family trusts (the Peotona Parties) (30%), respectively.

> The Group provided shareholders with a detailed terms announcement on 23 November 2021 and will provide shareholders with a circular providing full details of the Proposed B-BBEE Transaction for their consideration in due course.

> Notwithstanding the long-term beneficial relationship between the Group and the Peotona Parties since the implementation of the original BEE transaction in 2007, the Peotona Parties have confirmed that they do not wish to participate in the Proposed B-BBEE Transaction. Therefore, as a separate transaction, with effect from 30 November 2021, Rebatona will repurchase all of the Rebatona Shares held by the Peotona Parties for a total consideration of R9,6 million.

> Entered into a sale of business agreement with Code Maven (Pty) Ltd (Code Maven) whereby +OneX Solutions (Pty) Ltd (+OneX) acquired 100% of the business and related assets of Code Maven with effect from 1 October 2021. The acquisition adds significant application development capability to +OneX, with over 100 highly skilled developers. Code Maven will form the core of +OneX's software talent and bespoke development business which enables +OneX to offer custom software development, product design, quality assurance and consultancy services.

> During October 2021, the EE segment suffered a three-week metal industry strike resulting in a loss of production, this will adversely impact the EE segment results to 31 March 2022, however, the production losses are expected to be largely recovered by the 2022 financial year-end.

> The Omicron variant of COVID-19 has started to spread rapidly throughout South Africa potentially resulting in a fourth wave, the impact of which is uncertain.

33. LITIGATION

There is no material litigation being undertaken against or by the Group other than the ongoing process to seek to recover the losses incurred from the Quince fraud.

34. GOING CONCERN

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 the approval of these annual financial statements.

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, Revenue .

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.

Segmental analysis (continued)

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

Rm	2021 Total	2021 EE	2021 ICT	2021 AE	2021 Other	2020 Restated[1] Total	2020 Restated[1] EE	2020 Restated[1] ICT	2020 Restated[1] AE	2020 Restated[1] Other	% change in Total
Revenue[2]											
Segment revenue	**9 905**	**5 551**	**2 490**	**1 854**	**10**	8 259	3 767	2 524	1 951	17	20
Adjusted for revenue from equity-accounted joint ventures and associates	**(330)**	**(294)**	**(25)**	**(5)**	**(6)**	(213)	(179)	(28)	–	(6)	
Revenue	**9 575**	**5 257**	**2 465**	**1 849**	**4**	8 046	3 588	2 496	1 951	11	
Revenue as reported in the statement of profit or loss	**9 575**					8 046					19
Segment revenue – % of total	**100**	**56**	**25**	**19**	**–**	100	46	30	24	–	
Segment revenue – % change over prior year		**47**	**(1)**	**(5)**	**(41)**						
Analysis of revenue											
Category of revenue											
Products	**7 632**	**5 138**	**1 340**	**1 154**	**–**	6 014	3 406	1 286	1 322	–	
Services	**1 575**	**119**	**785**	**671**	**–**	1 581	182	798	601	–	
	9 207	**5 257**	**2 125**	**1 825**	**–**	7 595	3 588	2 084	1 923	–	
Timing of revenue recognition:											
Revenue recognised at a point in time	**7 911**	**5 189**	**1 574**	**1 148**	**–**	6 215	3 468	1 508	1 239	–	
Revenue recognised over time	**1 296**	**68**	**551**	**677**	**–**	1 380	120	576	684	–	
	9 207	**5 257**	**2 125**	**1 825**	**–**	7 595	3 588	2 084	1 923	–	
Other revenue											
Interest recognised on lease and loan receivables	**340**	**–**	**340**	**–**	**–**	412	–	412	–	–	
Rental revenue	**28**	**–**	**–**	**24**	**4**	39	–	–	28	11	
Total revenue	**9 575**	**5 257**	**2 465**	**1 849**	**4**	8 046	3 588	2 496	1 951	11	
Revenue by geography											
South Africa	**6 942**	**3 447**	**2 365**	**1 126**	**4**	5 703	2 279	2 390	1 023	11	
Rest of Africa (excluding South Africa)	**1 468**	**1 310**	**100**	**58**	**–**	1 178	911	106	161	–	
Asia	**477**	**58**	**–**	**419**	**–**	567	40	–	527	–	
Australia	**218**	**189**	**–**	**29**	**–**	190	164	–	26	–	
Europe	**276**	**95**	**–**	**181**	**–**	221	76	–	145	–	
The Americas	**194**	**158**	**–**	**36**	**–**	187	118	–	69	–	
Total revenue	**9 575**	**5 257**	**2 465**	**1 849**	**4**	8 046	3 588	2 496	1 951	11	

[1] *Revenue has been disaggregated to align revenue disclosures to the annual financial statements.*

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

Rm	Note	2021 Total	2021 EE	2021 ICT	2021 AE	2021 Other	2020 Restated Total	2020 Restated EE	2020 Restated ICT	2020 Restated AE	2020 Restated Other	% change in Total
Operating profit												
Segment operating profit/(loss)[1]		**986**	**373**	**608**	**100**	**(95)**	868	28	604	269	(33)	14
Adjusted for operating (profit)/loss from equity-accounted joint ventures and associates		**(4)**	**5**	**(2)**	**(1)**	**(6)**	22	30	(3)	–	(5)	
Profit on disposal of property, plant and equipment and intangible assets	3	**12**	**3**	**–**	**3**	**6**	4	3	–	1	–	
Impairment of non-financial assets												
Impairment of goodwill	3	**–**	**–**	**–**	**–**	**–**	(75)	(61)	–	(14)	–	
Impairment of property, plant and equipment	3	**(1)**	**–**	**–**	**(1)**	**–**	(4)	(4)	–	–	–	
Fair value remeasurements												
Gain on option contract	3	**41**	**–**	**–**	**41**	**–**	–	–	–	–	–	
Loss on option contract	3	**(92)**	**–**	**–**	**(92)**	**–**	–	–	–	–	–	
Gain on investment at fair value through profit or loss	3	**103**	**103**	**–**	**–**	**–**	–	–	–	–	–	
Gain on contingent consideration	3	**13**	**–**	**–**	**13**	**–**	2	–	–	2	–	
Loss on put option liability	3	**–**	**–**	**–**	**–**	**–**	(3)	–	–	(3)	–	
Profit on disposal of associate	3	**1**	**–**	**1**	**–**	**–**	–	–	–	–	–	
Loss on disposal of subsidiary	3	**(1)**	**–**	**(1)**	**–**	**–**	(20)	–	(20)	–	–	
Transaction-related share-based payments	3	**(7)**	**–**	**(6)**	**(1)**	**–**	–	–	–	–	–	
Operating profit/(loss) before impairment of financial assets		**1 051**	**484**	**600**	**62**	**(95)**	794	(4)	581	255	(38)	
Impairment of financial assets												
Credit write-off	3	**(20)**	**(8)**	**(9)**	**(3)**	**–**	(298)	–	(298)	–	–	
Expected credit losses	3	**19**	**(23)**	**29**	**13**	**–**	(288)	(26)	(243)	(19)	–	
Operating profit/(loss)		**1 050**	**453**	**620**	**72**	**(95)**	208	(30)	40	236	(38)	
Operating profit as reported in the statement of profit or loss		**1 050**					208					405
Segment operating profit/(loss) – % of total		**100**	**38**	**62**	**10**	**(10)**	100	3	70	31	(4)	
Segment operating profit/(loss) – % change over prior year			**1 232**	**1**	**(63)**	**(188)**						

[1] *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 Rnil million (2020: R134 million). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.*

Segmental analysis (continued)

Restatement

Operating profit for total operations has been restated as segment operating profit, which excludes the profit on disposal of property, plant and equipment and intangible assets, the fair value remeasurement gain on contingent consideration and the fair value remeasurement loss on the put option liability. Additional disclosure for 2020 is provided to reconcile segment operating profit to the restated operating profit per the consolidated statement of profit or loss. Refer to note 2, Operating profit.

Rm	2020 Operating profit for total operations as previously reported	Profit on disposal of property, plant and equipment and intangible assets excluded from segment operating profit	Fair value remeasurement gain on contingent consideration excluded from segment operating profit	Fair value remeasurement loss on put option liability excluded from segment operating profit	Segment operating profit as now reported
EE	31	(3)	–	–	28
ICT	604	–	–	–	604
AE	269	(1)	(2)	3	269
Other	(33)	–	–	–	(33)
	871	(4)	(2)	3	868

Rm	2021	2021 % of total	2020	2020 % of total
Total assets				
EE	2 708	26	2 420	25
ICT	4 334	42	4 328	44
AE	2 755	27	2 500	26
Other	540	5	478	5
Total assets as reported in the statement of financial position[1]	10 337	100	9 726	100
Inventory				
EE	790	45	663	45
ICT	142	8	150	10
AE	811	47	670	45
Other	–	–	–	–
Total inventory as reported in the statement of financial position	1 743	100	1 483	100
Trade and other receivables, lease and loan receivables – current				
EE	995	35	772	29
ICT	1 105	40	1 133	42
AE	655	24	779	29
Other	15	1	6	–
Total trade and other receivables, lease and loan receivables as reported in the statement of financial position	2 770	100	2 690	100
Total liabilities				
EE	1 246	35	1 007	32
ICT	834	23	1 037	32
AE	839	24	793	25
Other	636	18	346	11
Total liabilities as reported in the statement of financial position[1]	3 555	100	3 183	100

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

Rm	2021	% of total	2020	% of total
Trade and other payables, contract liabilities, provisions, derivative financial liabilities, put option liability, share-based payment liability and put option liability – current				
EE	**1 074**	**50**	851	42
ICT	**430**	**20**	411	20
AE	**569**	**26**	651	33
Other	**90**	**4**	93	5
Total trade and other payables, contract liabilities, derivative financial liabilities, provisions, put option liability and share-based payment liability – current as reported in the statement of financial position	**2 163**	**100**	2 006	100
Capital expenditure				
EE	**64**	**27**	21	12
ICT	**46**	**19**	37	22
AE	**124**	**52**	99	58
Other	**4**	**2**	13	8
Capital expenditure as reported in the statement of cash flows	**238**	**100**	170	100
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets				
EE[1]	**52**	**21**	56	24
ICT	**109**	**43**	99	41
AE	**83**	**33**	75	31
Other	**9**	**3**	10	4
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets as reported in the statement of profit or loss[2]	**253**	**100**	240	100

[1] *2020 excludes the impairment of Polybox property, plant and equipment of R4 million which is now separately disclosed under operating profit.*
[2] *Intercompany depreciation has been eliminated in line with the consolidation principles of IFRS.*

Annexure A

PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND SPECIAL PURPOSE ENTITIES

	Share capital R (unless otherwise stated)
Refer to the Segmental Analysis for a description of the business activities and markets.	
Electrical Engineering	
Reunert Electrical Engineering Holdings (Pty) Ltd	8 000 047
Afcab Holdings (Pty) Ltd	8 409 091
CBi-Electric Mzansi (RF) (Pty) Ltd[1]	10 000 000
CBi-Electric: African Cables	
Reunert Investment Company No 1 (Pty) Ltd	4 000
ATC (Pty) Ltd[1]	145 740 511
Zambia	
Metal Fabricators of Zambia PLC	KW 270 900
CBi-Electric: Low and Medium Voltage	
Circuit Breaker Industries (Pty) Ltd	46
Circuit Breaker Industries GmbH (incorporated in Germany)	Euro 25 565
Circuit Breaker Industries Inc. (incorporated in USA)	USD 50000
Circuit Breaker Industries Lesotho (Pty) Ltd (incorporated in Lesotho)	LS 1 000
Heineman Electric (incorporated in Australia)	A$ 2
Polybox (Pty) Ltd[2, 3]	5 000 100
Reunert Investment Company No 3 (Pty) Ltd	5 028 000
CBi-Electric Telecom Cables (Pty) Ltd[1] (joint venture)	246 312 400
Information Communication Technologies	
Reunert ICT Holdings (Pty) Ltd	952 450 764
NPC (Air Conditioning) (Pty) Ltd[3]	100 000
Plus1X Solutions (Pty) Ltd[4]	62 549 779
Plus1X Communications (Pty) Ltd (previously Nashua Communications (Pty) Ltd)[4]	100
Nashua Office Automation[5]	
Nashua (Pty) Ltd	947 794
Kopano Solutions Company (Pty) Ltd[6]	2 000 000
Nashua Holdings (Pty) Ltd	377 220 436
Algoa Office Automation (Pty) Ltd	200
Circular Drive Property (Pty) Ltd	200
Classic Number Trading 80 (Pty) Ltd[6]	3 002 090
Zevoli 151 (Pty) Ltd	190
Bridoon Trade and Invest 197 (Pty) Ltd	20 140 100
Paarl and West Coast Office Automation (Pty) Ltd[6]	
Just Jasmine Investments 201 (Pty) Ltd[6]	120
Main Street 1052 (Pty) Ltd[6]	155 562 360
Main Street 1051 (Pty) Ltd	36 063 582
Oxirostax (Pty) Ltd (associate)[6]	
Quince Capital (Pty) Ltd[7]	75 268 322
Electronic Communications Network (Pty) Ltd	100
Skywire (Pty) Ltd	128 825 012

		Interest of holding company				Interest and distributions made to/(received from) the holding company	
Effective percentage holding		Shares		Loan to/(from)			
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
%	%	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
100	100	**38**	38	**–**	–	**155**	28
88	88	**–**	–	**–**	–	**–**	–
65,12	65,12	**–**	–	**–**	–	**–**	–
						–	–
100	100	**68**	68	**4**	4	**–**	–
65,12	65,12	**–**	–	**–**	–	**–**	–
						–	–
75	75	**–**	–	**–**	–	**–**	–
				–	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
51,22	51,22	**–**	–	**–**	–	**–**	–
100	100	**16**	16	**–**	–	**–**	–
32,56	32,56	**–**	–	**–**	–	**–**	–
100	100	**1 257**	1 122	**–**	–	**155**	118
100	100	**–**	–	**–**	–	**–**	–
56,9	100	**–**	–	**–**	–	**–**	–
56,9	100	**–**	–	**–**	–	**–**	–
				–	–		
100	100	**–**	–	**–**	–	**–**	–
100	60	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
70	70	**–**	–	**–**	–	**–**	–
51	51	**–**	–	**–**	–	**–**	–
70	100	**–**	–	**–**	–	**–**	–
60	60	**–**	–	**–**	–	**–**	–
80	80	**–**	–	**–**	–	**–**	–
–	51	**–**	–	**–**	–	**–**	–
100	51	**–**	–	**–**	–	**–**	–
100	75	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
–	49	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–

Annexure A (continued)

	Share capital R (unless otherwise stated)
Applied Electronics	
Reunert Applied Electronics Holdings (Pty) Ltd	301 708 809
Authentiss (Pty) Ltd	1
Reutech Mzansi (RF) (Pty) Ltd[8]	10 000 000
Reutech (Pty) Ltd	39 023 797
Omnigo (Pty) Ltd	1 000
Nanoteq (Pty) Ltd	100
Zisaforce Cyber Enterprise (Pty) Ltd	100
Accessential (Pty) Ltd t/a Dynateq International	48 272 679
Fuchs Electronics (Pty) Ltd	50 000
Dopptech (Pty) Ltd	7 683 147
Lumika Renewables (Pty) Ltd[9]	74 739 687
Reunert Investment Company No 2 (Pty) Ltd[9]	137 627 577
Terra Firma Solutions (Pty) Ltd[9]	8 327 426
Terragrow (Pty) Ltd[9]	100
Terradew One (Pty) Ltd[9]	100
Terradew Two (Pty) Ltd[9]	100
Terradew Three (Pty) Ltd[9]	100
Terradew Four (Pty) Ltd[9]	100
Terradew Ghana Limited (incorporated in Ghana)[9]	GHS 100
Terra Firma Solutions Namibia (Pty) Ltd (incorporated in Namibia) [9]	N$ 100
Nova Energy Holdings (Pty) Ltd[9]	100
Nova One Energy Solutions (Pty) Ltd[9]	100
City Industrial Solar Solutions (Pty) Ltd[9]	100
City Industrial Solar One (Pty) Ltd[9]	100
RKT Energy (Pty) Ltd[9]	1 000
MRKT Energy Holdings (Pty) Ltd[9]	100
MRKT Energy One (Pty) Ltd[9]	100
Reunert International Holdings (Pty) Ltd	100
Reutech India	₹ 18 544 870
Reutech Australia	A$ 100
NPC (Electronics) (Pty) Ltd	52 331 286
Blue Nova Energy (Pty) Ltd	95 277 941
RC&C (Parow Factory) Properties (Pty) Ltd	2
Investments and Services	
Reunert Finance Company (Pty) Ltd[7]	4 000 000
Reunert Management Services (Pty) Ltd	4 000
Julopro (Pty) Ltd[7, 10]	401 006 318
Reunert International Investments (Mauritius) Limited[11]	USD 11 597 211
Sundry companies (net)[3]	
Investment in terms of a broad-based share-based payment transaction encompassing group employees[12]	
Principal Subsidiaries	
Special Purpose Entities	
Bargenel Investments (Pty) Ltd[13]	
Rebatona Investment Holdings (Pty) Ltd[14]	
Rebatona Educational Trust[14]	
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)	

Effective percentage holding		Interest of holding company: Shares		Interest of holding company: Loan to/(from)		Interest and distributions made to/(received from) the holding company	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
%	%	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
100	100	**329**	329	**–**	–	**8**	66
100	100	**–**	–	**–**	–	**–**	–
80	80	**–**	–	**–**	–	**–**	–
80	80	**–**	–	**–**	–	**–**	–
80	80	**–**	–	**–**	–	**–**	–
80	80	**–**	–	**–**	–	**–**	–
80	80	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
50,1	–	**–**	–	**–**	–	**–**	–
72,2	100	**–**	–	**–**	–	**–**	–
77,46	89,94	**–**	–	**–**	–	**–**	–
77,46	89,94	**–**	–	**–**	–	**–**	–
77,46	89,94	**–**	–	**–**	–	**–**	–
77,46	89,94	**–**	–	**–**	–	**–**	–
77,46	89,94	**–**	–	**–**	–	**–**	–
77,46	89,94	**–**	–	**–**	–	**–**	–
67,36	78,21	**–**	–	**–**	–	**–**	–
46,48	53,96	**–**	–	**–**	–	**–**	–
38,73	44,97	**–**	–	**–**	–	**–**	–
38,73	44,97	**–**	–	**–**	–	**–**	–
38,73	44,97	**–**	–	**–**	–	**–**	–
38,73	44,97	**–**	–	**–**	–	**–**	–
23,24	26,98	**–**	–	**–**	–	**–**	–
11,62	13,49	**–**	–	**–**	–	**–**	–
11,62	13,49	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**5**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
51	51	**–**	–	**–**	–	**–**	–
100	100	**1**	1	**–**	–	**–**	–
100	100	**4**	4	**5 111**	5 411	**–**	–
100	100	**–**	–	**–**	–	**45**	–
100	100	**401**	312	**–**	(2)	**(15)**	–
100	100	**177**	164	**–**	–	**–**	–
		–	–	**–**	–	**4**	8
		27	27	**–**	–	**–**	–
		1 112	1 112	**–**	–	**–**	–
		–	–	–	–	–	–
		–	–	–	–	–	–
		3 430	3 193	**5 115**	5 413	**357**	220
		(655)	(1 028)	**(663)**	(551)	**–**	–
		2 775	2 165	**4 452**	4 862	**357**	220
		4 452	4 864	**–**	–	**–**	–
		–	(2)	**–**	–	**–**	–
		4 452	4 862	**–**	–	**–**	–

Annexure A (continued)

[1] Reunert owns 100% of Reunert Electrical Engineering Holdings (Pty) Ltd, which owns 88% of Afcab Holdings (Pty) Ltd, which owns 74% of CBi-Electric Mzansi (RF) (Pty) Ltd (CBi-Electric Mzansi) resulting in an indirect interest of 65.12%. CBi-Electric Mzansi owns 100% of ATC (Pty) Ltd, which owns 50% of CBi-Electric Telecom Cables (Pty) Ltd.

[2] Reunert owns 100% of CBi (Pty) Ltd, which owns 51,22% of Polybox (Pty) Ltd, resulting in an indirect interest of 51,22%

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

[4] During 2021 various strategic minority shareholders subscribed for Plus1X Solutions (Pty) Ltd (+OneX) shares. This diluted Reunert's investment in +OneX to 56,9%. +OneX owns 100% of +OneX Communications (Pty) Ltd.

[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] During 2021 the remaining shares not already owned by Reunert were acquired by Reunert in Kopano Solutions Company (Pty) Ltd, Just Jasmine Investments 201 (Pty) Ltd and Main Street 1052 (Pty) Ltd. During 2021 Reunert disposed of 30% of its investment in Classic Number Trading 80 (Pty) Ltd and its entire investment in Paarl and West Coast Office Automation (Pty) Ltd and Oxirostax (Pty) Ltd.

[7] Reunert has provided financial support to these companies, either in the form of a parent company guarantee, a letter of support, or a subordination agreement 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. This was provided after the financial year-end.

[8] Reunert owns 100% of Reunert Applied Electronics Holdings (RAEH), which owns 70 % of Reutech Mzansi (RF) (Pty) Ltd (Reutech Mzansi) and 100% of Bantel Investments (Pty) Ltd, which owns 10% of Reutech Mzansi, which results in RAEH holding an 80% indirect interest in Reutech Mzansi. Reutech Mzansi owns 100% of Reutech (Pty) Ltd, which owns 100 % of Omnigo (Pty) Ltd, 100 % of Nanoteq (Pty) Ltd and 100% of Zisaforce Cyber Enterprise (Pty) Ltd.

[9] During 2021 RAEH entered into a joint venture with AIF I Africa C&I Renewable Energy LLP (AIF I). Accordingly RAEH acquired 50,1% of Lumika Renewables (Pty) Ltd (Lumika) by exchanging 27,8% of its shareholding in Reunert Investment Company No 2 (Pty) Ltd (RIC # 2) for 50,1% of Lumika's shares. The remaining 49,9% of Lumika was acquired by AIF I. RIC # 2 owns 89,94% of Terra Firma Solutions (Pty) Ltd (TFS). RAEH's effective ownership of TFS is 77,46%.

TFS owns 100% of Terragrow (Pty) Ltd, Terradew One (Pty) Ltd and Terradew Two (Pty) Ltd.

TFS owns 86,96% of Terragrow Ghana Limited.

TFS owns 60% of Terra Firma Solutions Namibia (Pty) Ltd.

TFS owns 50% of Nova Energy Holdings (Pty) Ltd.

TFS owns 30% of RKT Energy (Pty) Ltd.

Nova Energy Holdings owns 100% of Nova Energy One Solutions (Pty) Ltd.

Terragrow (Pty) Ltd owns 100% of Terradew Three (Pty) Ltd, Terradew Four (Pty) Ltd and 50% of City Industrial Solar Solutions (Pty) Ltd.

City Industrial Solar Solutions owns 100% of City Industrial Solar One (Pty) Ltd.

RKT Energy owns 50% of MRKT Energy Holdings (Pty) Ltd.

MRKT Energy Holdings owns 100% of MRKT Energy One (Pty) Ltd.

[10] During 2021 Reunert Limited paid ordinary dividends totalling R15 million (2020: R22 million) to Julopro and Julopro paid ordinary dividends totalling Rnil (2020: R22 million) to Reunert Limited.

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

[12] 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.

[13] 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 arrears preference dividend of R216 million (2020: R209 million) it is entitled to as at 30 September 2021, 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 2021 Reunert paid ordinary dividends totalling R48 million to Bargenel (2020: R83 million) and Bargenel paid preference dividends totalling R48 million to Reunert Limited (2020: R83 million).

[14] Rebatona Educational Trust owns 70% of Rebatona Investment Holdings which owns 100% of the ordinary share capital of Bargenel Investments. These entities were set up as part of the B-BBEE ownership transaction undertaken in 2007. The terms of the memorandum of incorporation and relationship agreement together with the rights of the A preference shareholders and special preference shares provide Reunert with control over these entities.

Annexure B

SHARE OWNERSHIP ANALYSIS

as at 30 September 2021

Shareholder spread	Number of shareholders	%	Number of shares (millions)	%
1 – 1 000 shares	8 117	77,9	2	1,2
1 001 – 10 000 shares	1 761	16,9	6	3,2
10 001 – 100 000 shares	400	3,8	11	5,9
100 001 – 1 000 000 shares	113	1,1	40	21,6
1 000 001 shares and more	34	0,3	126	68,1
Total	10 425	100,0	185	100,0

Public/Non-public shareholders	Number of shareholders	%	Number of shares (millions)	%
Non-public shareholders	8	0,1	26	14,2
Bargenel Investments (Pty) Ltd[1]	1	–	19	10,0
Reunert Share Option Trust	3	–	–	0,3
Own Holdings[2]	4	0,1	7	3,9
Public Shareholders	10 417	99,9	159	85,8
Total	10 425	100,0	185	100,0

Beneficial shareholders holding 5% or more	Number of shares (millions)	%
Government Employees' Pension Fund	23	12,2
Bargenel Investments (Pty) Ltd[1]	19	10,0

Major holdings through fund managers in excess of 5%	2021		2020	
	Number of shares (million)	%	Number of shares (million)	%
Old Mutual Investment Group (South Africa) (Pty) Limited	27	14,5	25	13,3
Public Investment Corporation (SOC) Limited[3]	21	11,2	21	11,4
Ninety One SA (Pty) Ltd.	15	8,3	9	5,0
Pzena Investment Management, LLC	11	6,1	12	6,4

[1] *Empowerment transaction shares.*
[2] *Own shares include 187 301 ordinary shares held by the executive directors.*
[3] *Included in the Government Employees Pension Fund.*

Abbreviations and acronyms

AE	Applied Electronics
AFS	Annual Financial Statements
AGM	Annual General Meeting
AIF I	AIF I Africa C&I Renewable Energy LLP
ATC	ATC (Pty) Ltd
Bargenel	Bargenel Investments (Pty) Ltd
Blue Nova	Blue Nova Energy
Board	Board of directors of Reunert Limited
BEE	Black Economic Empowerment
Cafca	Cafca Limited
CGU	Cash Generating Unit
Code Maven	Code Maven (Pty) Ltd
CBI Telecoms	CBI-Electric Telecom Cables (Pty) Ltd
CPI	Consumer Price Index
CSP	Conditional Share Plan
DCM	Datacore Media (Pty) Ltd
Dopptech	Dopptech (Pty) Ltd
EAD	Exposure at default
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
ECN	Electronic Communications Network (Pty) Ltd
EPS	Earnings per share
ESOP	Employee Share Option Plan
FECs	Forward Exchange Contracts
FVTPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
HEPS	Headline earnings per share
IAS	International Accounting Standards
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
JSE	JSE Limited
Nashua Central	Main Street 1052 (Pty) Ltd
Nashua Kopano	Kopano Solutions Company (Pty) Ltd
Nashua Tshwane	Classic Number Trading 80 Pty Ltd
Nashua Winelands	Oxirostax (Pty) Ltd
KPI	Key performance indicators
Lumika	Lumika Renewables (Pty) Ltd
LGD	Loss given default
m	Million
Mauritius	Reunert International Investments (Mauritius) Limited
MFP	Multi-functional printer
MOI	Memorandum of Incorporation
NHEPS	Normalised headline earnings per share
NCI	Non-controlling interest
Oculus	OculusIP (Pty) Ltd
+OneX	Plus 1 X Solutions (Pty) Ltd
PAT	Profit after tax
PD	Probability of default
PPA	Power Purchase Agreements
PWC	Nashua Paarl and West Coast (Pty) Ltd
Polybox	Polybox (Pty) Ltd
Quince	Quince Capital (Pty) Ltd
RAEH	Reunert Applied Electronics Holdings (Pty) Ltd
Rebatona	Rebatona Investment Holdings (Pty) Ltd
Reunert	Reunert Limited
RFCL	Reunert Finance Company (Pty) Ltd
RIC #2	Reunert Investment Company No 2 (Pty) Ltd
RMS	Reunert Management Services (Pty) Ltd
ROCE	Return on capital employed
SARS	South African Revenue Service
SkyWire	SkyWire (Pty) Ltd
SME	Small to medium-sized enterprises
SPE	Special Purpose Entity
Telecom Cables	CBi-Electric Telecom Cables (Pty) Ltd
Terra Firma or TFS	Terra Firma Solutions (Pty) Ltd
TSR	Total shareholder return
TripleH	TripleH Cloud Services (Pty) Ltd
VAT	Value-added tax
WACC	Weighted average cost of capital
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

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South Africa

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Group Company Secretary and administration

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Sponsor

One Capital Sponsor Services (Pty) Ltd

Principal bankers

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Standard Bank
Investec

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