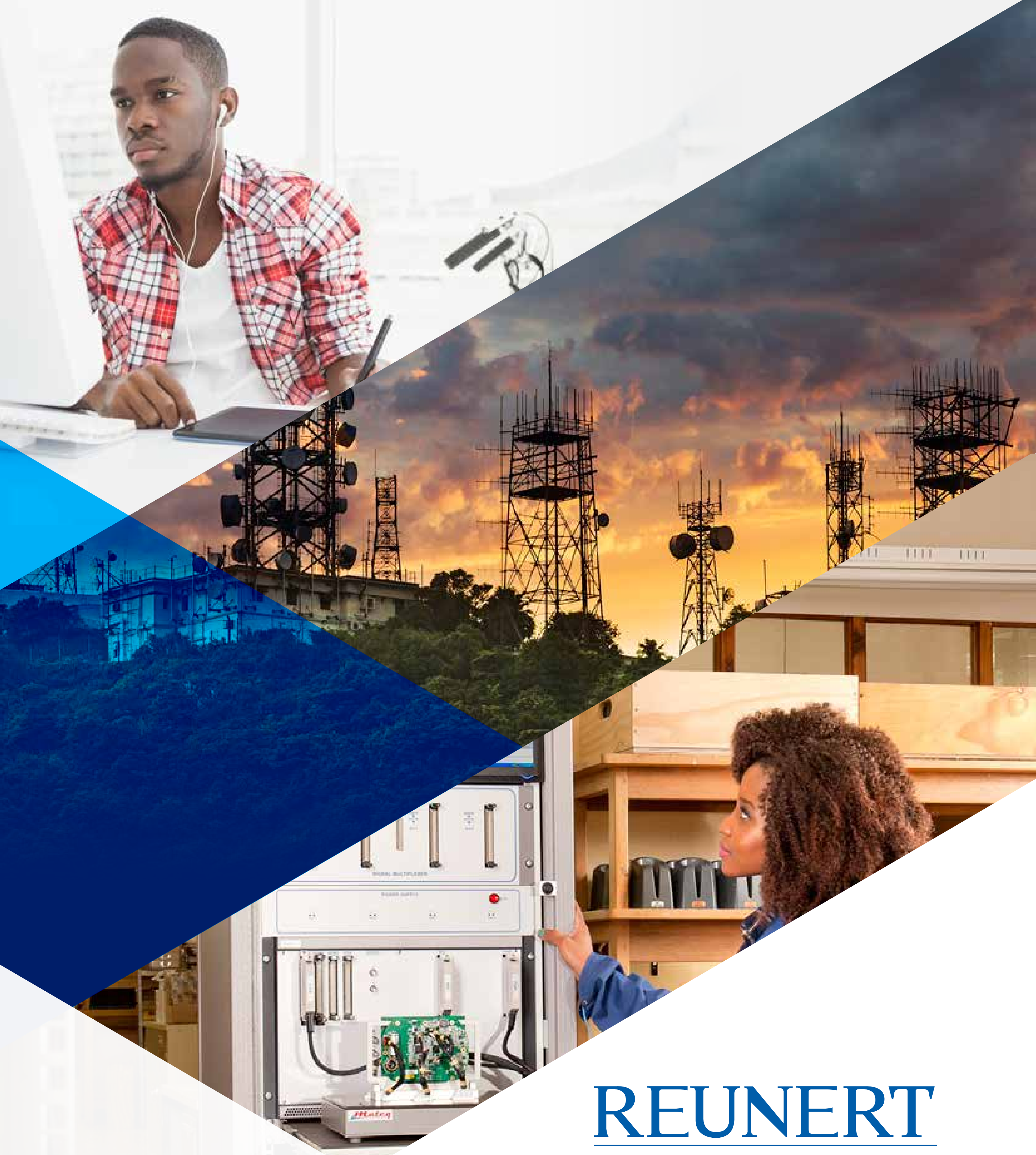


REUNERT

REUNERT LIMITED

NOTICE OF ANNUAL GENERAL MEETING 2018

CONTENTS

REUNERT'S 2018 REPORTING SUITE

Report	Objective of the report	Online reference
Integrated report	The report was prepared on the basis of materiality, and it provides an overview of how Reunert and its operations create and sustain value in the context of its operating environment. The report includes summarised financial statements, adopted from the audited consolidated financial statements.	www.reunert.co.za/downloads/reports/2018/Reunert_IR_2018.pdf
Annual financial statements	The audited consolidated and separate annual financial statements of Reunert for the year ended 30 September 2018, prepared in compliance with IFRS and the Companies Act.	www.reunert.co.za/downloads/reports/2018/Reunert_AFS_2018.pdf
Notice of AGM 7	The required statutory information and notice of annual general meeting which is distributed to shareholders to call the AGM.	www.reunert.co.za/agm-and-financial-calendar.php
GHG Protocol report	This report reflects the greenhouse gas (GHG) emissions and water usage of Reunert Limited for the financial year based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.	www.reunert.co.za/sustainability
King IV application register	Disclosure on Reunert's application of the King IV principles.	www.reunert.co.za/sustainability
Supplementary fact sheets	Additional fact sheets about the business, standards and principles and BBBEE ratings.	www.reunert.co.za/downloads/reports/supplementary

The number in the icon refers to the supporting King IV™ [1] principle

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the hundred and fifth annual general meeting of the holders of ordinary shares of Reunert Limited. The annual general meeting will be held at:

Reunert Boardroom
Nashua Building
Woodmead North Office Park
54 Maxwell Drive
Woodmead
Johannesburg

on **Monday, 11 February 2019, at 10h00**

Directions to the venue for the annual general meeting are available at:
https://www.reunert.co.za/downloads/map/Reunert-HO-map.pdf

In terms of section 59(1) of the Companies Act, 71 of 2008 (as amended) (**the Companies Act**), the record date for the purpose of determining which shareholders of the company are entitled to receive notice of the annual general meeting is **Friday, 7 December 2018**, and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is **Friday, 1 February 2019**. Accordingly, the last date to trade in order to be registered in the register of members of the company and therefore be eligible to participate in and vote at the annual general meeting is **Tuesday, 29 January 2019**.

RELEVANT INFORMATION

Who may attend?

If you hold dematerialised shares which are registered in your name, or if you are the registered holder of certificated shares, you may:

> attend the annual general meeting in person; alternatively

> appoint a proxy or proxies to represent you at the annual general meeting and to attend, participate in, speak and vote in your stead by completing the enclosed proxy form *(blue)* in accordance with the instructions it contains.

If you hold dematerialised shares that are not registered in your name:

> and you wish to attend the annual general meeting in person, or to appoint a proxy to attend in your stead, you must obtain the requisite letter of representation from your participant (previously "CSDP"), broker or nominee, as the case may be;

> and you do not wish to attend the annual general meeting, but would like your vote to be recorded, you should contact your participant, broker or nominee and furnish them with your voting instructions; and

> you must not complete the proxy form.

Shareholders must verify the cut-off date for the submission of voting instructions with their participants, brokers or nominees.

Who may vote?

Shareholders of ordinary shares are entitled to vote. Resolutions will be put to vote on a poll, unless the Chair of the meeting decides otherwise. Each shareholder will have one vote for each share held.

On a show of hands, every shareholder present in person or represented by proxy, and if a member is a body corporate, its representative, shall have one vote, irrespective of the number of shares held.

Voting and proxies

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his or her stead. A proxy need not be a shareholder of the company. For the convenience of shareholders of the company, a form of proxy is enclosed herewith (blue). Shareholders are requested to forward proxy forms to reach the share transfer secretaries, (Computershare Investor Services Proprietary Limited), no later than **10h00** on **Thursday, 7 February 2019** in order to allow sufficient time for the verification and collation of the information. However, proxy forms submitted after this date and/or handed to the Chair, up to **10h00** on **Monday, 11 February 2019**, will be taken into account at the meeting.

Contact information for the share transfer secretaries:

Computershare Investor Services Proprietary Limited
Physical address: Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196, South Africa
Postal address: PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Fax: +27 11 688 5248
E-mail: proxy@computershare.co.za
Website: www.computershare.com/za

Electronic participation

As required in terms of section 61(10) of the Companies Act, the company will make provision for shareholders or their proxies to participate in the annual general meeting by way of electronic communication. Such shareholder (or proxy) will need to contact the company at +27 11 517 9044 by no later than **10h00** on **Thursday, 7 February 2019**, so that the company can provide for a teleconference dial-in facility. Shareholders must ensure that, when such shareholder intends to participate in the annual general meeting via teleconference, the voting proxies are sent to the share transfer secretaries, (see contact information provided above) to be received by them no later than **10h00** on **Thursday, 7 February 2019** in order to allow sufficient time for the verification and collation of the information. However, proxy forms submitted after this date and/or handed to the Chair, up to **10h00** on **Monday, 11 February 2019**, will be taken into account at the meeting.

The company will not levy any fee or recover its costs from any shareholder making use of this service. Shareholders may, however, be billed separately by their own telephone service providers for their telephone call to participate in the annual general meeting.

Change of address and banking details

Shareholders are requested to communicate any change of address or banking details to the share transfer secretaries, no later than **10h00** on **Thursday, 7 February 2019**.

Proof of identification required

Section 63(1) of the Companies Act, requires that any person who wishes to attend, participate in, and vote at the annual general meeting, must present reasonably satisfactory identification at the meeting. A smart ID card or green bar-coded identification document issued by the South African

Department of Home Affairs, a driver's licence or a valid passport will be accepted as satisfactory identification by the Chair of the annual general meeting.

Shares held by a share trust or scheme will not have their votes at the annual general meeting taken into account for the purposes of the resolutions proposed in terms of the JSE Limited Listings Requirements (**Listings Requirements**). Unlisted securities and treasury shares also do not carry any voting rights.

Guidance to obtain a copy of the complete audited financial statements

The directors have summarised important aspects of the financial statements and incorporated the information in this notice. The complete audited financial statements for the financial year ended 30 September 2018 are available on the company's website at https://www.reunert.co.za/results-reports-and-presentations.php

General purpose of the annual general meeting

The general purpose of this annual general meeting is to:

> present information on the company to shareholders;

> deal with matters required to be dealt with at an annual general meeting in terms of the Companies Act, and the Listings Requirements; and

> deal with matters raised by shareholders, with or without advance notice.

Recommendation

The board of directors of the company (**the Board**) believes that the resolutions to be considered at the annual general meeting are in the best interest of the company and its shareholders. The Board unanimously recommends that the shareholders vote in favour of the proposed resolutions.

Voting percentage required to pass resolutions

Resolution 1 to 14 and 23 require the support of more than **50%** of the voting rights exercised on each of them by the shareholders, whether present in person, or represented by proxy.

Resolution 15 and 16 are non-binding advisory votes.

Resolution 17 to 22 require the support of at least **75%** of the voting rights exercised on each of them by the shareholders, whether present in person, or represented by proxy.

PROPOSED AGENDA

1. Presentation of information

The following documents will be available at or presented at the annual general meeting:

> the directors' report (also see page 10 of the audited annual financial statements for the year ended 30 September 2018);

> the audited annual financial statements for the year ended 30 September 2018;

> the Audit Committee report (also see page 7 of the audited annual financial statements for the year ended 30 September 2018); and

> report of the Social, Ethics and Transformation Committee* (see pages 15 of this notice) for the year ended 30 September 2018.

*(*Note: The Social, Ethics and Transformation Committee has been mandated to perform the statutory functions of the social and ethics committee as contemplated by the Companies Act, and its regulations. Its Chair will be available at the meeting to provide feedback to shareholders on matters within its mandate.)*

2. Ordinary resolutions

The following ordinary resolutions will be proposed and, if deemed fit, passed, with or without amendments.

Confirmation of office of newly appointed directors

Resolution 1

Election of Mr JP Hulley as an independent non-executive director of the company

"Resolved that Mr JP Hulley be and is hereby elected as an independent non-executive director of the company."

Resolution 2

Election of Ms T Matshoba-Ramuedzisi as an independent non-executive director of the company

"Resolved that Ms T Matshoba-Ramuedzisi be and is hereby elected as an independent non-executive director of the company."

Re-election of retiring directors

Resolution 3

Re-election of Ms T Abdool-Samad as an independent non-executive director of the company

"Resolved that Ms T Abdool-Samad be and is hereby re-elected as an independent non-executive director of the company."

Resolution 4

Re-election of Mr SD Jagoe as an independent non-executive director of the company

"Resolved that Mr SD Jagoe be and is hereby re-elected as an independent non-executive director of the company."

Resolution 5

Re-election of Ms S Martin as an independent non-executive director of the company

"Resolved that Ms S Martin be and is hereby re-elected as an independent non-executive director of the company."

Resolution 6

Re-election of Mr TS Munday as an independent non-executive director of the company

"Resolved that Mr TS Munday be and is hereby re-elected as an independent non-executive director of the company."

Resolution 7

Re-election of Mr MAR Taylor as an executive director of the company

"Resolved that Mr MAR Taylor be and is hereby re-elected as an executive director of the company."

Information pertinent to resolutions 1 to 7

Newly appointed directors

In accordance with the provisions of section 68(3) of the Companies Act, the directors appointed to the Board during the 2018 financial year are presented to shareholders for election.

Directors retiring by rotation

In terms of the company's Memorandum of Incorporation (MOI), one third of the Board is required to retire at each annual general meeting. All directors retiring by rotation have made themselves available for re-election. The Board has evaluated the performance of the Board and these directors and is of the view that these directors contribute positively to the skills, experience and effectiveness of the Board.

A brief curriculum vitae of each of the directors standing for election or re-election, as outlined in resolutions 1 to 7 above, appears on page 2 of this notice.

Due to the length of tenure on the Board, the Board, with the assistance of the Nomination and Governance Committee, conducted an in-depth review of the independence of Trevor Munday and Sean Jagoe. This in-depth assessment process, conducted holistically on a substance-over-form basis, showed that neither Mr Munday nor Mr Jagoe has any interests, positions, associations or relationships which, when judged objectively and reasonably, are likely to influence unduly or cause bias in decision-making in the best interest of the company. Both Mr Munday and Mr Jagoe are highly experienced in commercial endeavours outside the company, which enhances their ability to maintain appropriate independent judgement. The Board's performance assessment process indicated that their contributions are highly regarded by their peers and that the Board as a whole is well-balanced between longer-serving and newly appointed directors.

The Board therefore recommends to shareholders that all directors put forward in resolutions 1 to 7 above be elected or re-elected, as the case may be.

Election of Audit Committee members

Resolution 8

Re-election of Mr R van Rooyen to the Audit Committee of the company

"Resolved that Mr R van Rooyen, a director of the company who fulfils the requirements contemplated in section 94(4) of the Companies Act, be and is hereby re-elected as a member of the Audit Committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

Resolution 9

Re-election of Ms T Abdool-Samad to the Audit Committee of the company

"Subject to the passing of resolution 3, resolved that Ms T Abdool-Samad, a director of the company who fulfils the requirements contemplated in section 94(4) of the Companies Act, be and is hereby re-elected as a member of the Audit Committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

Resolution 10

Re-election of Ms S Martin to the Audit Committee of the company

"Subject to the passing of resolution 5, resolved that Ms S Martin, a director of the company who fulfils the requirements contemplated in section 94(4) of the Companies Act, be and is hereby re-elected as a member of the Audit Committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

Resolution 11

Election of Ms T Matshoba-Ramuedzisi to the Audit Committee of the company

"Subject to the passing of resolution 2, resolved that Ms T Matshoba-Ramuedzisi, a director of the company who fulfils the requirements contemplated in section 94(4) of the Companies Act, be and is hereby elected as a member of the Audit Committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

Information pertinent to resolutions 8 to 11

The skills and experience of each member of the Audit Committee are evident from each member's curriculum vitae, on page 12 of this notice. Three of the members of the committee are chartered accountants and one member holds an LLB and MBA. The Board is satisfied that the collective financial literacy and experience of the members of the Audit Committee enable this committee to execute its duties effectively and therefore proposes the members for re-election. All of the proposed members of the Audit Committee are independent non-executive directors of the company.

As disclosed in the Chair's report in the integrated report, the succession management process is a priority for the Board. However, Reunert's search for suitable candidates during the 2018 financial year has been challenging. A large proportion of candidates submitted by reputable recruitment agencies were relatively young and inexperienced. In the case of more experienced candidates, many already carry many directorships, executive and other responsibilities, thereby signaling that time and attendance problems might arise. As a result, the Board requested the Audit Committee Chair, Mr Rynhardt van Rooyen, and the Chair of the Risk Committee, Mr Brand Pretorius, to serve one more year before retiring, which will ensure proper succession and hand-over of responsibilities in the year ahead.

Resolution 12

Re-appointment of external auditors – Deloitte

"Resolved that Deloitte & Touche (Deloitte) is hereby re-appointed as the independent external auditor of the company to conduct the audit of the company for the financial year ending 30 September 2019, subject to Deloitte and the Audit Committee agreeing on the fees and terms of engagement on behalf of the company."

Resolution 13

Appointment of individual designated auditor – N Ranchod

"Subject to the passing of resolution 12, resolved that N Ranchod is hereby appointed as the individual designated auditor (that is the audit partner representing Deloitte) in respect of the audit of the company for the financial year ending 30 September 2019."

Information pertinent to resolution 12 and 13

The Audit Committee recommends the re-election of Deloitte as the independent external auditor and the election of Ms Ranchod as the individual designated external auditor of the company, to conduct the company's audit for the financial year ending 30 September 2019.

The Audit Committee has evaluated the independence, experience and performance of both Deloitte and Ms Ranchod and has concluded that both the firm and the individual comply with the requirements of section 94 of the Companies Act. The 2019 financial year will be Ms Ranchod's first appointment as the individual designated auditor responsible for the audit.

In compliance with paragraph 3.84(g)(iii) of the Listings Requirements the Audit Committee obtained the information listed in paragraph 22.15(h) of the Listings Requirements in its assessment of the suitability of Deloitte, as well as Ms Ranchod, for appointment.

The information, including copies of the relevant decision letters and findings reports by the Independent Regulatory Board for Auditors (**IRBA**), was presented to and considered by the Audit Committee at its meeting on 14 November 2018. The committee concluded that, based on the outcome of the inspection by the IRBA of Deloitte (concluded on 6 November 2017) and Ms Ranchod (concluded on 3 September 2009), as well as an internal inspection conducted during 2018 by Deloitte of Ms Ranchod, no matters were raised that impacted negatively on the suitability of either Deloitte or Ms Ranchod for appointment as external auditors.

There are no current, pending or finalised legal or disciplinary processes which affect the suitability of Deloitte and/or Ms Ranchod for appointment as Reunert's external auditor and individual designated auditor, respectively. (Further information on the execution of the duties of the Audit Committee is set out in the Audit Committee Report, on page 7 of the audited annual financial statements for the year ended 30 September 2018.)

The Audit Committee has considered the independence of both Deloitte and Ms Ranchod, considering various factors in this regard, including the audit firm tenure, as well as the nature and extent of non-audit services provided by Deloitte. The Audit Committee concluded that the external auditor remains independent and able to provide unfettered and independent professional audit oversight.

The Audit Committee confirms that Deloitte is accredited as such on the JSE list of Auditors and Accounting Specialists, and that Ms Ranchod does not appear on the JSE list of disqualified individual auditors, as set out in section 22 of the JSE Listings Requirements.

Resolution 14

Ratification relating to personal financial interest arising from multiple offices in the group (the company and its subsidiaries)

"Resolved that any resolutions or agreements of executive directors and prescribed officers of the company in contravention of section 75 of the Companies Act, are hereby ratified, but only to the extent that the relevant resolutions or agreements fell within the ambit of section 75 of the Companies Act, as a result of the deeming of the relevant executive director and/or prescribed officer as a "related person" to another company in the group, of which the relevant executive director and/or prescribed officer is also a director or prescribed officer."

Information pertinent to resolution 14

Section 75 of the Companies Act, prohibits a director or prescribed officer from participating in or voting on any Board resolutions or entering into any agreements if such director or prescribed officer has a "personal financial interest" in the matter. This prohibition also applies if that director is related to another person that has a "personal financial interest" in that matter. Section 75 of the Companies Act extends the definition of "related person" to other companies for which the director and/or prescribed officer is a director or prescribed officer.

As the executive directors and prescribed officers of the company may serve more than one company in the group, the above resolution is intended to ensure that any resolutions or agreements by the Board are valid, despite the fact that it may have involved multiple Reunert group companies, served by the same individuals as directors or prescribed officers. The above resolution does not ratify any other actions of directors or prescribed officers that contravened section 75 of the Companies Act, for any other reason. Resolution 14 does not limit any other statutory or common law duties that apply to directors or prescribed officers.

3. Non-binding advisory votes

Resolution 15

Endorsement of the company remuneration policy

"Resolved that the Reunert remuneration policy, as set out in the Remuneration Committee Report on pages 21 to 29 of this notice, is hereby endorsed."

Resolution 16

Endorsement of the company remuneration implementation report

"Resolved that the Reunert remuneration implementation report, as set out in the Remuneration Committee report on pages 21 to 29 of this notice, is hereby endorsed."

Information pertinent to resolutions 15 and 16

Paragraph 3.84(k) of the Listings Requirements stipulates that Reunert's remuneration policy and implementation report be tabled to shareholders for a non-binding advisory vote.

Failure of either resolution 15 or 16 to receive support from more than 75% of the votes cast at the meeting will result in the Board implementing a shareholder engagement process, as set out in the Remuneration Committee report on pages 21 to 29 of this notice.

4. Special resolutions

The following special resolutions will be proposed and, if deemed fit, passed, with or without amendments.

Resolution 17

Approval of issue of shares in terms of the Reunert 2006 Share Option Scheme

"Resolved that, as required by section 41(1) of the Companies Act, the issue of up to 1 400 000 authorised but unissued shares, to any:

> director, future director, prescribed officer, or future prescribed officer of the company;
> person related or inter-related to the company, or to a director or prescribed officer of the company; or
> nominee of a person contemplated above.

Pursuant to Reunert's anticipated obligations in terms of the Reunert 2006 Share Option Scheme is hereby approved.

This resolution shall endure until the earlier of a superseding resolution being passed by shareholders or two years from the date of passing of this resolution."

Information pertinent to resolution 17

Resolution 17 is proposed to enable the company to settle its potential obligations in respect of the exercise of options previously issued in terms of a historic long-term incentive scheme. The company has not made any new allocations under the Reunert 2006 Share Option Scheme mentioned in this resolution from the financial year ended 30 September 2012 and the Board has undertaken not to make any further allocations in terms of this scheme.

Resolution 17 is proposed in compliance with section 41 of the Companies Act, which requires that an issue of shares to directors, future directors, prescribed officers, future prescribed officers and persons related or inter-related to the company must be approved by way of a special resolution.

To the extent that the issue of shares in respect of the Reunert 2006 Share Option Scheme mentioned in resolution 17 is not required, the Board will not (and is not authorised by this resolution to) otherwise utilise this authority to issue shares to related parties.

Resolution 18

General authority to re-purchase shares

"Resolved that the company hereby approves, as a general authority, the re-purchase by the company, and/or any subsidiary of the company (subject to such subsidiary's MOI and passing of the necessary special resolution by that subsidiary), a re-purchase of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, subject to any other approvals required in terms of the Companies Act, and the Listings Requirements and provided that such re-purchase shall, in aggregate, not exceed 5% of the issued shares as at the date of the annual general meeting to which this notice relates (which equates to approximately 9 229 million shares as at the date of this notice); such authority to endure until the earlier of a superseding resolution being passed by shareholders, the company's next annual general meeting or 15 months from the date of passing of this resolution.

Required disclosures

The information required in terms of the Listings Requirements is contained in Annexure "A" hereto.

Further information pertinent to resolution 18

The directors are of the opinion that it would be in the best interests of the company to ensure that the company is in a position to re-purchase issued shares through the order book of the JSE, should the market conditions and price justify such action, subject to the provisions of sections 46 and 48 of the Companies Act having been met. This general authority sought is limited to 5% of the issued shares as at the date of the annual general meeting (being **Monday**, **11 February 2019**).

Resolution 19

Directors' remuneration

"Resolved that the remuneration proposed hereunder in respect of the non-executive directors of the company, for their services as directors (as contemplated in section 66(8) read with section 66(9) of the Companies Act), be and is hereby approved, with effect from 1 March 2019:

Proposed non-executive director fees – 2019

	Current fee per annum (in Rand)	Current fee per additional meeting (in Rand)	Number of meetings	Note	Proposed % increase	*Proposed fee per annum – 2019 (in Rand)	*Proposed fee per additional meeting – 2019 (in Rand)
Chair	1 313 340	44 364	5	1	6,5	1 398 707	47 248
Non-executive directors	222 250	24 736	5		7,5	238 919	26 591
Audit Committee Chair	233 718	22 723	3		6,5	248 910	24 200
Audit Committee member	133 559	22 723	3		6,5	142 240	24 200
Remuneration Committee Chair	149 617	22 723	3		6,5	159 343	24 200
Remuneration Committee member	85 485	22 723	3		6,5	91 041	24 200
Nomination and Governance Committee Chair		22 723	3	2	6,5	159 343	24 200
Nomination and Governance Committee member	85 485	22 723	3		6,5	91 041	24 200
Risk Committee Chair	149 617	22 723	2		6,5	159 343	24 200
Risk Committee member	85 485	22 723	2		6,5	91 041	24 200
Social, Ethics and Transformation Committee Chair	149 617	22 723	3		6,5	159 343	24 200
Social, Ethics and Transformation Committee member	85 485	22 723	3		6,5	91 041	24 200
Investment Committee Chair		29 328	ad hoc		6,5		31 234
Investment Committee member		16 759	ad hoc		6,5		17 848

1. The Chair's fee is on an all-inclusive basis, including attendance at pre-planned Board and committee meetings as set out in the table. This fee, however, excludes attendance at Investment Committee meetings and additional meetings, which are paid on a "per meeting" basis.
2. The Chair of the Board is also the Chair of the Nomination and Governance Committee. The proposed fee (or a pro-rated portion thereof) will only be paid in the event that the two positions are no longer held by the same person.
** The proposed fees exclude VAT, which will be added to the fees paid to directors who are registered VAT vendors, on receipt of a tax invoice.*

This authority shall endure until the earlier of a superseding resolution being passed by shareholders or two years from the date of passing of this resolution."

Information pertinent to resolution 19

Section 66 of the Companies Act provides that in order for directors to be remunerated for their services as directors, the remuneration must be authorised by a special resolution approved by shareholders within the previous two years.

Reunert conducted a market research exercise with respect to non-executive directors' fees. Based on the information obtained the company proposes that it will be appropriate to increase the fees, as set out in the table in resolution 19 overleaf. It is the company's intention that remuneration of its non-executive directors remains in line with the fees paid by listed companies to non-executive directors with comparable levels of responsibility.

If the number of meetings of the Board or its committees exceeds the number indicated in the relevant column of the table, the fees listed for additional meetings will be paid.

Resolution 20

Directors' remuneration for ad hoc assignments

"Resolved that the Chairs of the Board and the Remuneration Committee are hereby authorised to jointly exercise discretion to pay additional fees to non-executive directors, of no more than R55 000 (excluding VAT) per director per annum, in the event that any non-executive director is involved in an ad hoc committee, litigation or other assignment on behalf of the company that significantly exceeds the time commitments typically required of non-executive directors in the exercise of their duties to the Board and the standing committees on which they serve. Resolved further that, should either or both these Chairs have an interest in the matter, the above discretion will be exercised by the Remuneration Committee, excluding the individual or individuals with the interest.

The authority granted herewith shall commence on 1 March 2019 and shall endure until the earlier of a superseding resolution being passed by shareholders, or two years from the date of passing of this resolution."

Information pertinent to resolution 20

As indicated in resolution 20 above, directors may not receive fees for their services as directors without prior approval from shareholders. This constrains the ability of the Board to fairly remunerate directors for unforeseen matters that arise during the course of the year and that necessitates significant additional effort from particular directors. The purpose of this resolution 20 is to provide the Chairs of the Board and the Remuneration Committee (acting together) with limited discretion to pay additional remuneration to non-executive directors, where warranted by the circumstances. In the event that either or both the

Chairs of the Board or the Remuneration Committee is or are being considered for this additional remuneration, the Remuneration Committee, excluding the individuals concerned, will exercise this limited discretion.

Any remuneration paid to non-executive directors in terms of this resolution 20 will be disclosed to shareholders as required by section 30 of the Companies Act.

The fees proposed in this resolution 20 are limited to services as directors and do not allow for consulting or other services to be provided to the Reunert group. The Board has adopted a policy regulating non-executive directors' fees, which is available at https://www.reunert.co.za/sustainability.php. Among other things the policy stipulates that the Board and Board committee fees do not pertain only to the preparation for and attendance of meetings, but also assumes that the particular director will be reasonably available to consider matters that may arise during the course of the year. The payment of additional fees to non-executive directors can be made only in the limited circumstances provided for in the policy.

The proposed fee excludes VAT, which will be added to the fees paid to directors who are registered VAT vendors, on receipt of a tax invoice.

Resolution 21

Financial assistance relating to share re-purchases and share schemes

"Resolved that, as a general approval, the company may provide such direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 44(1) of the Companies Act) as the Board of the company may deem fit and on the terms and conditions, in the form, nature and extent and for the amounts that the Board of the company may determine from time to time, to:

> any director or a prescribed officer of the company; and
> to any related or inter-related company or foreign company;
> but only:
> in respect of the re-purchase of ordinary shares by the group, as contemplated in resolution 18; or
> in respect of formally adopted share incentive schemes of the group, from time to time; and
> subject to compliance with the remainder of section 44.

This authority shall endure until the earlier of a superseding resolution being passed by shareholders or two years from the date of passing of this resolution."

Information pertinent to resolution 21

Resolution 21 provides limited authority to the Board to authorise the provision of financial assistance relating to the company's shares for (i) the purchase of treasury shares by the group and (ii) the implementation of share incentive schemes.

The exercise of this authority remains subject to compliance with the remainder of the provisions of section 44 of the Companies Act, which requires that the Board be satisfied that:

> immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
> the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

This resolution 21 does not allow any financial assistance for the benefit of directors and prescribed officers, other than in the course of the implementation of a share incentive scheme.

Resolution 22

Financial assistance to persons related or inter-related to the company for advancement of commercial interest

"Resolved that, as a general approval, the company may provide direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) to any related or inter-related companies or foreign companies of Reunert (but not to any directors or prescribed officers of the group), as the Board may deem fit, and on the terms and conditions, in the form, nature and extent and for the amounts that the Board may determine from time to time:

> provided that such financial assistance is for the advancement of the group's commercial interests; and
> subject to compliance with the remainder of section 45 of the Companies Act.

This authority shall endure until the earlier of a superseding resolution being passed by shareholders or two years from the date of passing of this resolution."

Information pertinent to resolution 22

In the ordinary course of business, the company is required to grant financial assistance to subsidiaries and foreign companies controlled (directly or indirectly) by the company, such as performance and pre-payment guarantees, subordination of existing debt of subsidiaries, as well as the "financial assistance" which results from the cash management system of the group. This resolution will enable the company (provided that the additional requirements of section 45 relating to solvency and liquidity and the terms of the financial assistance are also met) to provide financial assistance to subsidiaries in the group as is required from time to time. Such financial assistance must be aimed at advancing the group's commercial interests.

This resolution 22 does not allow the company to provide any form of financial assistance to directors or prescribed officers.

5. Authorising resolution (ordinary)

Resolution 23

Signature of documents and authority for implementation of resolutions

"Resolved that any one executive director or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents and agreements and procure the doing of all such things and the signature of all documents and take all such action as he or she considers necessary for or incidental to the implementation of the resolutions set out in this notice and passed at the annual general meeting of the company."

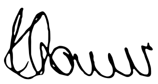
Information pertinent to resolution 23

Resolution 23 grants any executive director or the company secretary of the company the authority to implement the resolutions passed at the annual general meeting.

6. Matters raised by shareholders

Matters raised by shareholders shall be dealt with in the manner determined by the Chair of the meeting.

By order of the Board



Karen Louw
on behalf of Reunert Management Services Limited
Company secretary
Sandton

19 November 2018

ANNEXURE "A"

REUNERT LIMITED
("**the company**" or "**the group**")
Registration Number 1913/004355/06
JSE Share Code: RLO
ISIN Number: ZAE000057428

RESOLUTION NO 18: DISCLOSURE OF INFORMATION RELEVANT TO GENERAL RE-PURCHASE OF SHARES

In respect of the general authority to re-purchase ordinary shares in issue (**shares**) requested by the Board from shareholder of the company (**shareholders**) and in terms of Article 6 of the company's MOI, the following additional information is disclosed:

1. It is recorded that the group may and will only make a general re-purchase of shares if:

   1.1. The re-purchase of shares is effected through the order book operated by the JSE trading system and is done without any prior understanding or arrangement between the company, or the relevant subsidiary, and any counterparty (reported trades are prohibited);

   1.2. The relevant subsidiary, if applicable, is authorised thereto by its Memorandum of Incorporation;

   1.3. The relevant subsidiary, if applicable, is authorised thereto by its shareholders in terms of a special resolution of that relevant subsidiary;

   1.4. An announcement containing full details of the re-purchase of shares is published as soon as the company and/or any of its subsidiaries shall have acquired shares which constitute, on a cumulative basis, 3% of the company's issued shares on the date on which this approval is granted ("the initial number") and for each subsequent 3% (on a cumulative basis) of the initial number acquired thereafter, in accordance with paragraph 11.27 of the Listings Requirements;

   1.5. This general authority is valid only until the next annual general meeting of the company, or 15 months from the date of passing of this special resolution, whichever is the earlier;

   1.6. Re-purchases will be made at a price no greater than 10% above the volume weighted average of the market value for the shares for the five business days immediately preceding the date on which the re-purchase(s) is/are effected;

   1.7. At any point in time, the company, or the relevant subsidiary, will appoint only one agent to effect any re-purchase on the group's behalf;

   1.8. The number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in aggregate of the number of issued shares in the company at the relevant times;

   1.9. The group will not re-purchase shares during a prohibited period as defined in the Listings Requirements, unless the company has a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and have been submitted to the JSE in writing, prior to the commencement of the prohibited period. The company shall instruct an independent third party, which makes its investment decisions in relation to the company's shares independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

   1.10. A resolution will be passed by the Board of the group authorising the re-purchase, acknowledging that the company and or the relevant subsidiary passed the solvency and liquidity test as required by section 48 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the group; and

   1.11. The general re-purchase of any shares, in aggregate (notwithstanding the 20% limit in the Listings Requirements), is limited to a maximum of 5% of the company's shares in issue as at the date of the annual general meeting to which this notice relates (which percentage, as at the date of this notice of annual general meeting, equates to approximately 9 229 million shares).

2. Any acquisition of ordinary shares shall be subject to:

   2.1. The Companies Act;

   2.2. The Listings Requirements;

   2.3. The MOI of the company and/or the relevant subsidiary as applicable;

   2.4. Exchange control regulations and approvals as may be applicable at that point in time; and

   2.5. The sanction of any other relevant authority where approval is required by law.

3. After having considered the effect of any re-purchases of ordinary shares pursuant to this general authority, the Board confirms that it will not undertake a re-purchase of shares unless:

   3.1. The company and the consolidated position of the group would be able to repay its/their debts in the ordinary course of business for the period of 12 months after the date of the re-purchase;

   3.2. The assets of the group, fairly valued in accordance with International Financial Reporting Standards (IFRS) and the group's accounting policies used in the latest audited group financial statements, will be in excess of the liabilities of the group for the period of 12 months after the date of the re-purchase;

3.3. The group will have adequate capital and reserves for ordinary business purposes for the period of 12 months after the date of the re-purchase; and

3.4. The working capital of the group will be adequate for ordinary business purposes for the period of 12 months after the date of the re-purchase.

4. For the purposes of considering the special resolution and in compliance with paragraph 11.26 of the Listings Requirements, certain information is either listed below or has been included in the audited annual financial statements or integrated report for the financial year ended 30 September 2018:

4.1. Major shareholders – refer to page 81 of the annual financial statements.

4.2. Share capital of the company – refer to pages 48 to 51 of the annual financial statements.

4.3. Directors' responsibility – The directors, whose names are set out on pages 68 and 69 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information contained in the notice of the annual general meeting to which this annexure is attached and the integrated report and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and further that the notice of annual general meeting to which this annexure is attached; and this annexure contain all information required by law and the Listings Requirements.

4.4. No material changes – Other than the facts and developments reported on in the annual financial statements and the integrated report, there have been no material changes in the financial position of the company since the date of the audit report.

CURRICULUM VITAE

Directors available for re-election to board

JOHN HULLEY (58)

Independent non-executive director

Appointed to the Board	1 July 2018
Qualifications	NDip ME; MDP (Unisa)
Committees	Remuneration Committee Risk Committee
Expertise	John is an accomplished operations executive with a successful track record in business leadership, agri-processing, engineering and project management. John's 40-year career started on the shop floor, and he progressed to the position of managing director of Ubombo Sugar Limited in Swaziland before he was appointed as group operations director of Illovo Sugar Africa. This position assumed group executive accountability for all aspects of agricultural operations, manufacturing of sugar and numerous by-products, health, safety, environment, quality, capital projects and procurement. His responsibilities spanned 18 manufacturing operations across six countries in Sub-Saharan Africa, including chairing the Enterprise Risk Committee of each of the Illovo Sugar Africa subsidiary boards. John retired as executive director at Illovo Sugar in March 2018.

TUMEKA MATSHOBA-RAMUEDZISI (37)

Independent non-executive director

Appointed to the Board	1 April 2018
Qualifications	CA(SA); Registered Auditor
Committees	Audit Committee Social, Ethics and Transformation Committee
Other directorships	Financial and Fiscal Commission – *Audit & Risk Committee* National Lotteries Participants Trust – *Independent trustee* Ditikeni Investments Company Limited – *Independent director* Adept Advisory (Proprietary) Limited – *Non-executive director* Tshwane University of Technology – *Audit & Risk Committee*
Expertise	Tumeka is a CA(SA) and registered auditor with an MCom in Computer Auditing. She also holds a Bachelor of Business Science, with Honours in Finance. Tumeka spent six years as a senior lecturer in Auditing at the University of Johannesburg before going full-time into her own audit and advisory services firm – Ramuedzisi Chartered Accountants & Registered Auditors. Tumeka has previously served on various committees and boards, including the Morokotso Trust (Implats Employee Share Ownership Programme), and the Complaints and Compliance Committee of ICASA.

TASNEEM ABDOOL-SAMAD (44)

Independent non-executive director

Appointed to the Board	1 July 2014
Qualification	CA(SA)
Committees	Audit Committee Investment Committee (Chair) Nomination and Governance Committee Risk Committee
Other directorships	Absa Group Limited Board Absa Financial Services Board Long4Life Limited Crookes Brothers Limited
Expertise	Tasneem completed her BCom and Honours in Accountancy at the University of Natal. She has experience as a chartered accountant and served as a partner at Deloitte from 2006 to 2014. Tasneem transitioned out of audit to head up Deloitte's advisory business in KwaZulu-Natal. She also served on the Board of Deloitte.

Curriculum vitae continued

SEAN JAGOE (67)

Independent non-executive director, lead independent director

Appointed to the Board	20 April 2000
Qualifications	BSc (Eng), MBA
Committees	Investment Committee Remuneration Committee
Other directorships	Ceramic Industries Ltd Serves on the board of unlisted UK and US investments on behalf of Reinet
Expertise	Sean has over 30 years' experience in banking and finance and is an executive with Reinet. During his investment banking career he was a senior advisor and member of the European Advisory Council at JP Morgan and worked at Fidelis Partners, Morgan Stanley and Rand Merchant Bank. Prior to entering investment banking, Sean worked at the Industrial Development Corporation.

SARITA MARTIN (46)

Independent non-executive director

Appointed to the Board	1 December 2013
Qualifications	BProc, LLB, MBA
Committees	Audit Committee Nomination and Governance Committee Remuneration Committee (Chair)
Other directorships	Grayston Preparatory School Governing Board ActionAid South Africa National Advisory Board
Expertise	Certified Commercial Mediator, executive coach, Facilitator Faculty at the Institute of Directors in Southern Africa. An admitted attorney of the High Court of South Africa. Sarita started her career as a candidate attorney at the Office of the Public Defender. She left public office to join the corporate world in 1999. Sarita has held various senior positions in the fields of compliance, corporate governance and company secretariat at several listed companies. She is a Certified Director and Fellow of the Institute of Directors in Southern Africa. She is a corporate governance specialist as well as an executive coach and facilitates board appraisals, governance training and advisory services for the IoDSA.

TREVOR MUNDAY (69)

Chair, independent non-executive director

Appointed to the Board	1 June 2008
Appointed chairman	1 June 2009
Qualification	BCom
Committees	Investment Committee Nomination and Governance Committee (Chair) Remuneration Committee Risk Committee Social, Ethics and Transformation Committee
Expertise	Following his formative career, Trevor held a wide range of financial and commercial management positions, both in southern Africa and Europe. In the mid-1980s, he was appointed finance and commercial director of AECI Explosives and Chemicals Limited. In 1990, he was appointed managing director of Dulux Paints and, between 1996 and 2000, he was managing director of Polifin Limited. In 2001, Trevor was appointed executive director and chief financial officer of Sasol Limited and was also responsible for corporate affairs and various other portfolios. Two years later he assumed global responsibility for Sasol's chemicals businesses. In 2005 and 2006, he was deputy chief executive of Sasol Limited. Trevor retired from his executive roles at the end of 2006. In 2007 he became a non-executive director of several companies. Among others, Trevor served as chairman of Illovo Sugar Limited until its delisting in June 2016. After over 11 year's service he retired as lead independent director from the Absa Bank and Barclays Africa Group boards in May 2018.

MARK TAYLOR (55)

Executive director

Appointed to the Board	21 November 2013
Appointed to Reunert	1 October 2012
Qualification	EDP, SEP
Committees	Group Executive Committee Group Transformation Committee
Expertise	Mark is an ICT industry veteran with more than three decades of experience. Mark began his career at Nedbank in the early 1980's as an IT specialist and worked extensively in the mainframe arena. Mark was involved in both the mergers of Plessy into Nedtel Cellular and then into Nashua. He was appointed operations and IT director of Nashua Mobile during 1999. Mark served as managing director of Nashua Mobile from July 2003 to September 2008. Prior to re-joining Nashua Mobile on 1 October 2012, Mark held various senior executive positions at Vodacom, including in supply chain and logistics, online digital platforms and served as managing director of the Vodacom Payment Services company. Mark currently serves as an executive director of Reunert and heads up the Reunert ICT Segment.

RYNHARDT VAN ROOYEN (69)

Independent non-executive director

Appointed to the Board	1 November 2009
Qualification	CA(SA)
Committees	Audit Committee (Chair) Investment Committee Nomination and Governance Committee Risk Committee
Other directorships	WIP Beleggings (Edms) Bpk
Expertise	Rynhardt held various financial and commercial positions during his 31-year career with Sasol. At retirement in 2008, he was group general manager, a member of Sasol's group executive committee, and director and member of most of Sasol's major subsidiaries and audit committees.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

This report highlights how the Social, Ethics and Transformation Committee (Setco) discharged its statutory duties as prescribed in section 72 of the Companies Act, read with Regulation 43, its additional transformation mandate from the Board, and ensuring that Reunert is a responsible corporate citizen.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Main areas of responsibility

> Executes the statutory duties of the social and ethics committee, including overseeing group ethics, human resources, corporate citizenship and stakeholder relationships

> Oversees and monitors matters relating to the transformation strategy

Composition[3]

40% members are independent and non-executive

Members and meeting attendance

Adv NDB Orleyn (chair)	3/3
AE Dickson	3/3
TS Munday	3/3
TJ Motsohi[1]	1/1
SG Pretorius	3/3
T Matshoba-Ramuedzisi[2]	2/2
	100%

Permanent invitee

> Group human resources and transformation executive director

Expertise

Commercial, governance, legal and non-profit organisation qualifications and experience

Tenure[3]

40%	longer than 9 years
20%	> 5 to 9 years
40%	less than 5 years

2018 focus areas

> Exercised statutory oversight

> Considered the progress made on the group values process and organisational ethics

> Monitored Reunert's HR strategy and BBBEE strategy and approved the amendments thereto

> Approved the revised sustainability strategy (page 56) and considered stakeholder relationships and corporate citizenship

2019 focus areas

Continue statutory oversight for the group, including a focus on developing a values-based culture and embedding the sustainability strategy

Organisational ethics and living the values

The Reunert group values and its supporting defining statements form a moral compass which directs us toward strong organisational ethics.

During 2018, we focused on entrenching the five values and customer centricity throughout the group, with business units taking ownership in communicating the values in the individual business units. We conducted an awareness survey among employees in September 2018. The survey showed an overwhelming awareness of the values, and 64% of employees felt that the values were lived in the group (page 5).

Review of the transformation strategy

The transformation strategy is built on three key pillars, which emphasise the aspects described below and which form part of the group's governance of social, ethical, environmental and transformational performance. Due to good traction made on the BBBEE pillar, the committee devoted more time to the HR and sustainability strategies.

The Setco reviewed the HR strategy as part of the broader review of the transformation strategy and identified refined metrics to drive the focus on creating a high-performance culture in the group. These metrics will be implemented from 2019.

[1] Retired on 12 February 2018.
[2] Appointment effective 1 April 2018.
[3] As at 30 September 2018.

Transformation strategy

Strategy pillar	Focus areas during 2018	Output
BBBEE Page 47	> Developments in the BBBEE regulatory environment and the impact on Reunert's competitiveness > Customer expectations on transformation and ownership > Competitor positioning > Setting of three-year employment equity targets (aspirational targets 2020)	> Market-leading BBBEE levels through properly constructed BBBEE plans > Participation in South African economy > Diversity > Improved employment equity representation at all management levels
Human resources Page 49	> Review of the HR strategy and KPIs > Measurement of a high-performance culture	A high-performance culture and a sustainable organisation that achieves its strategic and operational objectives by managing talent appropriately
Sustainability Page 56	> Oversight of formal process followed to identify material sustainability matters and measurement thereof > Approval of a group sustainability strategy > Review of key stakeholder relationships governance and the effectiveness of stakeholder management processes	To operate responsible businesses and to create shared value

Approval of sustainability strategy

Reunert considered material sustainability matters in developing the sustainability strategy that was approved by the committee and ratified by the Board in May 2018. The sustainability strategy follows a dual framework focusing on responsibility as a corporate citizen and offering shared value solutions. It consists of two material objectives with five sustainability pillars (page 56):

Operate responsible business (current priorities)

> Build trust and accountability
> Nurture and grow people
> Manage our environmental impact

Pursue shared value solutions (medium to long-term priorities)

> Embrace inclusive growth
> Seek transformative solutions

Stakeholder relationships

The committee reviewed our governance processes and stakeholder management, including our approach to stakeholder inclusivity, to ensure alignment with King IV. Reunert follows a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the group over time (page 59).

UN Global Compact

Although Reunert is not a signatory to the United Nations Global Compact, we comply to its 10 principles, and it informs our policies, procedures and processes.

Conclusion

The committee is satisfied that it had complied with its statutory duties in terms of Regulation 43 and its terms of reference.

Adv Thandi Orleyn
Chair: Social, Ethics and Transformation Committee

19 November 2018

AUDIT COMMITTEE REPORT

The Audit Committee is an independent statutory committee recommended by the Board and appointed by the shareholders.

The Board formally delegates such additional duties and responsibilities to the Audit Committee beyond the statutory and regulatory duties of the Audit Committee as set out in the Companies Act of South Africa (Companies Act) and the JSE Listings Requirements, as it considers appropriate. These duties are summarised in the Audit Committee charter which is reviewed annually by the Audit Committee and then formally approved by the Board.

During the year under review, the Audit Committee conducted its affairs in accordance with the charter and assisted the Board in discharging its responsibilities under the Companies Act and the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

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

The composition and effectiveness of the Audit Committee was also evaluated by the Nominations and Governance Committee as part of their annual review.

Composition and meetings

Members: R van Rooyen (Chair), T Abdool-Samad, S Martin and MT Matshoba-Ramuedzisi[1].

The Audit Committee comprises of at least three independent non-executive directors and meets at least three times a year. The chair of the Board attends all meetings. The chief executive, chief financial officer, external auditors, internal auditors and financial executives attend committee meetings by request.

[1] MT Matshoba-Ramuedzisi was appointed on 1 April 2018.

Attendance register	Appointed to committee	13 November 2017	18 May 2018	**25 September 2018**	**14 November 2018**
R van Rooyen	17 Nov 2009	✓	✓	✓	✓
T Abdool-Samad	1 Jul 2014	✓	✓	✓	✓
S Martin	1 Dec 2013	✓	✓	✓	✓
MT Matshoba-Ramuedzisi	1 Apr 2018	N/A	✓	✓	✓

Statutory duties

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

> confirmed the appointment of both Deloitte & Touche (Deloitte) as the independent external auditors and Mr Welch as the designated audit partner for the 2018 financial year;

> confirmed that Deloitte and the designated audit partner have not been removed from the JSE list of accredited auditors and accounting specialists;

> reviewed the findings of the Independent Regulatory Board for Auditors (IRBA) resulting from their 2017 inspection which indicated that the quality control processes of Deloitte were satisfactory, and the 2016 IRBA inspection of the performance of the designated audit partner which indicated that his performance was satisfactory;

> approved the Deloitte engagement letter, the audit plan and the audit fees payable to Deloitte;

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

> reviewed and reconfirmed the policy with regards to non-audit services which is that 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 auditors independence.

> pre-approved the non-audit services provided by Deloitte in terms of the approved policy as follows:
  - o total fees charged by Deloitte in respect of all services were R25,2 million (2017: R23,3 million);
  - o of which the group's external audit fee amounted to R21,9 million, including the audit fees for the new acquisitions (2017: R19,6 million); and
  - o the fees for other services amounted to R3,3 million (2017: R3,7 million) which was lower than the maximum cap for non-audit services of 20% of the external audit fee or R4,4 million.

> carefully considered the nature and extent of the other services prior to the engagements being approved and confirmed that, in the committee's opinion, they would not impact on the external auditor's independence;

> recommends to the shareholders for consideration at the next AGM, the appointment of Deloitte as external auditors for the group's annual financial statements for the year ending 30 September 2019;

> in making this recommendation it:
  - o considered the information listed in paragraph 22.15(h) as required by section 3.84(g)(iii) of the JSE Listings Requirements;
  - o concluded that based on the outcome of the inspection by IRBA of Deloitte (conducted in 2017) no matters were raised that impacted negatively on the suitability of Deloitte for reappointment as external auditors;
  - o satisfied itself that there are no current, pending or finalised legal or disciplinary processes which affect the suitability of Deloitte for appointment as Reunert's external auditor;
  - o considered Deloitte's independence, quality of work performed and value for money in terms of fees charged;
  - o noted that Mr Welch will rotate from being the designated audit partner in 2019 and Ms Ranchod will, subject to shareholder approval, be appointed as the designated audit partner in his stead;
  - o has inspected the outcome of the IRBA and Deloitte's internal quality assessment of Ms Ranchod and is comfortable with recommending her appointment in this capacity;
  - o recognised that the chief executive and chief financial officer have held their roles since 2014 and 2015 respectively and this mitigates any familiarity risk implicit in the extended tenure of Deloitte of 33 years; and
  - o considered the IRBA guidelines on mandatory audit firm rotation.

- as required by section 3.84(g)(iii) of the JSE Listings Requirements, considered and satisfied itself that the group has adequate financial reporting procedures to ensure the timely and accurate preparation of the group's annual financial statements, free from material error and that these procedures are operating as intended; and
- 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 committee has performed its duties and responsibilities as follows:

Integrated reporting, interim reporting and annual financial statements for the year ended 30 September 2018:

- guided the integrated reporting process, having regard to all factors and risks that may impact on the integrity of the integrated report;
- assessed and recommended to the Board, the company's and group's ability to continue as going concerns for at least the next 12 months and accordingly confirmed that the interim and annual financial statements were appropriately prepared on the going concern basis;
- reviewed the interim and annual financial statements and other financial information made public, for recommendation to the Board, and satisfied itself that they fairly present the results of operations, cash flows and the financial position of both Reunert Limited and the group;
- considered the accounting treatment for significant or unusual transactions and all material accounting judgements;
- considered the appropriateness of the group's accounting policies and any changes made thereto;
- reviewed any significant legal and tax matters and considered any concerns identified therein that could have a material impact on the annual financial statements;
- reviewed the solvency and liquidity tests undertaken prior to relevant transactions and dividend declarations;
- considered and made recommendations to the Board on the proposal for interim and final dividends; and
- met separately with management, Deloitte and internal audit to assess reporting controls and matters pertaining to the annual financial statements.

External audit function:

- reviewed and evaluated Deloitte's audit process and concluded it to be satisfactory;
- determined whether any reporting irregularities were identified and reported by Deloitte – no w irregularities were identified;
- reviewed Deloitte's reports and obtained their assurance that adequate accounting records are being maintained; and
- 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 committee noted the key audit matters set out in the independent external auditor's report, namely:
  - revenue recognition;
  - acquisition accounting;
  - goodwill impairment; and
  - IFRS 2 – share-based payment.

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

- the acquisition of SkyWire and the related accounting treatment including the value of goodwill and intangible assets;
- accounting for any goodwill arising on acquisition and the impairment testing of significant goodwill balances at year-end; and
- accounting for share-based payments including the group's conditional share plans, share matching schemes and charges arising from empowerment transactions.

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

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

The committee also:

- reviewed and approved internal audit 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 assurance) on the group's systems of internal control including financial and disclosure controls, financial risk management, information technology and maintenance of effective internal control systems and concluded that there were no material breakdowns in internal control;
- reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto; and
- received written assurance as to the effectiveness of the group's systems of internal control including financial and disclosure controls and financial risk management from internal audit.

Legal and regulatory compliance:

- reviewed legal matters that could have a material impact on the group and none were identified;
- considered reports provided by management, internal audit and Deloitte regarding compliance with legal and regulatory requirements;
- monitored the resolution of items received through the group's independent, confidential whistle blowing service; and
- 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; and
- received the necessary assurance from internal audit and various third party assurance providers that material disclosures are reliable and do not conflict with the financial information.

Conclusion

The committee was 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 on the integrity of the integrated report and the annual financial statements, following its review and having concluded on its findings the Audit Committee recommended the integrated report and the annual financial statements of Reunert Limited for the year ended 30 September 2018 for approval by the Board.

Rynhardt van Rooyen
Chair
Sandton

19 November 2018

14

REMUNERATION REPORT

Reunert's remuneration policy is designed to align the reward of executive directors and top management with the growth of shareholder value.

REMUNERATION POLICY: BACKGROUND STATEMENT

The policy principles guide the group's remuneration practices. The remuneration policy is set to:

> attract, retain, motivate and reward high performers;
> promote positive outcomes and the achievement of operational and strategic objectives;
> be flexible enough to adjust to changing economic conditions and to the group's needs;
> foster individual excellence and teamwork; and
> promote an ethical culture and responsible corporate citizenship.

The policy is reviewed annually by the committee to ensure it is relevant, in accordance with best practice and addresses the requirements of the business.

During 2018, the Remuneration Committee engaged extensively with shareholders and considered the group's performance, including the creation of value for its shareholders. The policy was updated to reflect further alignment with group strategy and shareholder expectations.

Remuneration Committee 7 8

The Remuneration Committee's mandate is to ensure that the remuneration policy and practices in the group deliver shareholder value, are fair and reasonable, compliant with regulatory and governance requirements, and are aligned to good business practice.

The mandate of the Remuneration Committee includes the matters contemplated in the updated JSE Listings Requirements, the provisions of principle 14 of King IV, and such related practices that the Board, on recommendation by the committee, deems appropriate to adopt. The roles and responsibilities of the committee are set out in the terms of reference, which are reviewed by the committee and approved by the Board annually and is available at www.reunert.co.za/corporate-governance.php

The structure of the committee and its members is set out below.

REMUNERATION COMMITTEE

Main areas of responsibility

> Oversee the remuneration policy, the implementation thereof and reporting thereon
> Oversee executive and top management salaries and the group's short and long-term incentives

Composition

Independent non-executive chair

80% members are independent

100% members are non-executive

Members and meeting attendance

S Martin (chair)	3/3
JP Hulley[1]	1/1
SD Jagoe	3/3
TS Munday	3/3
Adv NDB Orleyn	3/3
	100%

Permanent invitees

> Group CEO
> Group human resources and transformation executive director

Tenure

60% longer than 9 years

40% less than 5 years

Expertise

Commercial, governance, risk management, legal, HR, remuneration, business, finance and management qualifications and experience

2018 focus areas

> Engaging with shareholders on the 2017 AGM vote on the remuneration policy and implementation report
> Engaging with shareholders to receive input on the future structuring of the remuneration policy
> Re-assessing the peer group
> Evaluating whether to apply the deferred bonus plan (DBP) for the 2018 financial year short-term incentive awards
> Continued focus on the disclosure of remuneration practices

2019 focus areas

> Ongoing review of remuneration for all employees
> Setting financial metrics and strategic KPIs for the short-term incentive (STI)
> Design a new long-term incentive (LTI) scheme for proposal to shareholders at the 2020 AGM
> Application of the DBP

[1] *Appointment effective 1 July 2018.*

This report comprises three sections:

Section one: A report of material matters and key focus areas covered by the committee during the year.

Section two: Overview of the remuneration policy and structures.

Section three: 2018 remuneration policy implementation report.

SECTION ONE: MATERIAL MATTERS AND KEY FOCUS AREAS

The committee's focus areas are listed on page 88.

Voting on remuneration

The remuneration policy and implementation report were presented for shareholder voting at the annual general meeting (AGM) held on 12 February 2018. The remuneration policy received an in-favour vote of 58% and the implementation report received an in-favour vote of 66% from shareholders.

As disclosed in the 2017 remuneration policy, in the event that the remuneration policy or the implementation report receives a vote against of more than 25%, we would implement shareholder engagement to obtain information about the reasons for the votes against. Reunert embarked on a comprehensive shareholder engagement process which included the following:

1. By way of an official SENS announcement, shareholders were invited to participate in a telephonic conference on 1 March 2018 to discuss feedback on the reasons for the votes against. Disappointingly, no dissenting shareholders accepted the invitation.
2. Written communication was sent to Reunert's largest institutional shareholders on 19 April 2018, representing 43,2% of total shareholding at the time of the AGM, inviting feedback on their 2018 voting. Responses advising of reasons for the votes against were received from three representatives, holding 18,1% of shares.
3. The following comments were raised and considered.

Topic	Shareholder comments	Remuneration Committee response
Pay mix	> Pay mix should be reviewed. Variable pay to carry a higher weighting than guaranteed pay	The pay mix for the executive directors is designed to have a bias towards variable pay if performance targets are met. The pay mix for top management is designed to obtain balance between guaranteed pay and variable pay.
LTI: Conditional share plan (CSP) performance scheme	> Peer group should be changed to be more challenging	The committee considered these comments and agreed that the peer group for the total shareholder return (TSR) performance condition is no longer relevant due to the relative size of Reunert and removal of peers from the index. In response to shareholders' comments four additional listed companies have been added to the peer group list for the year ahead (refer page 96).
	> Performance measures to include additional financial measures as the current measures are too narrow	Subject to the approval of the new scheme presented for shareholder approval at the 2020 AGM, the current CSP scheme will be terminated early, with the last allocation in terms of the current CSP being in November 2018.
DBP	> Lack of performance conditions for the DBP > Deferred bonus shares are matched by the company after being held for three years, but further retention emphasis would be better achieved by a five-year rule rather than three years for matching the shares	Participation in the DBP is subject to senior executives qualifying for a STI award and electing to invest their own funds in Reunert shares. There are stringent performance conditions that need to be met prior to the achievement of a STI and the participation in the DBP is based on the achievement of predetermined and defined performance criteria. The DBP was implemented to embrace previous shareholder input for senior executives to invest their own capital in Reunert and to increase executive and shareholder alignment by encouraging executives to invest in Reunert's shares. The DBP rules allow for the matching period to be extended to four years. The committee is satisfied that the performance conditions and employees own funds ensure alignment to shareholders interests.
Financial targets and strategic KPIs	> The detail relating to the financial targets and strategic KPIs is insufficient as it lacks disclosure of the actual performance indicators and distribution of weightings	The disclosure on financial targets and strategic KPIs has been enhanced in this year's report. Refer to pages 98 and 99.

In accordance with its terms of reference, the committee made the following key decisions:

REVIEWED	> The remuneration policy > The structure of the variable pays schemes (STI and the LTI schemes) and made changes where appropriate. No changes were made to the STI scheme. Changes to the LTI scheme can be found on page 96 > The participation in the DBP linked to the STI payouts for the 2018 financial year
APPROVED	> Annual increases in line with inflation, for executive directors, top management and salaried employees within the group > Promotional adjustments and relocation allowances for top management > 2018 STI payouts for executive directors and top management > 2018 CSP allocations for executive directors, top management and selected key employees > Changes to the LTI to embrace input given by shareholders > The early termination of the current LTI CSP scheme, subject to shareholder approval of the new scheme > The development of a new scheme to be approved by shareholders at the 2020 AGM
SET, REVIEWED AND RECOMMENDED TO THE BOARD	> Performance conditions for the STI and the LTI schemes for the 2019 financial year > The fees for non-executive directors for 2019

Amendments/changes to application of remuneration policy for 2019

The Remuneration Committee reviewed the 2018 remuneration policy against shareholder feedback, internal requirements, and market practice. Discussions were held with Reunert's largest institutional shareholders on the proposed changes to the 2019 remuneration policy. As part of the continuous process to ensure that the remuneration policy reflects best practice and drives performance, the following changes will be implemented for the 2019 financial year.

Remuneration element	Amendment/change	Reason for change
DBP	The DBP will not be offered as part of the 2018 executive STI scheme.	It was always the intention to use the DBP only when the CSP had a reduced or no retention element. The retention element through the performance of the CSP has improved and therefore the DBP will not be used at present (Refer to page 95).
LTI: CSP performance scheme	The peer group for the relative TSR performance condition will be increased. The current peer group being the constituents of the JSE Electrical and Electronics Index will remain, with an additional four companies being added (shown in bold). The new peer group will consist of Reunert Limited, Consolidated Infrastructure Group Limited, ARB Holdings Limited, Ellies Holdings Limited, South Ocean Holdings Limited, Cafca Limited, **Barloworld Limited, Bidvest Group (Bidvest), African Oxygen Limited (Afrox) and Allied Electronics Corporation Limited (Altron)**.	Over the past few years, the exit of four companies from the Electrical and Electronics Index resulted in a material change in the composition of the peer group. In addition, Reunert's disproportionately large market capitilisation in this index no longer makes the peer group an appropriate benchmark. The introduction of the increased peer group improves the TSR measurement by introducing four large listed entities facing broadly similar trading factors as Reunert (Refer to page 96).

The committee is confident that the remuneration policy is aligned to Reunert's strategic objectives, is market related, reflects best practice and should generate long-term value for shareholders. The remuneration policy is subjected to a robust review each year. Where the remuneration policy needs to be reconsidered in order to adapt to changing business realities and exigencies and to maximise shareholder value, or where shareholders have raised legitimate concerns regarding an element of the remuneration policy, the committee will consider amending relevant aspects of the remuneration policy.

SECTION TWO: OVERVIEW OF THE REMUNERATION POLICY AND STRUCTURES

Overview of remuneration policy

The policy is structured to be market competitive, and comprises guaranteed pay and a mix of variable pay (STI and LTI). The STI drives the achievement of both the financial and strategic objectives of the business units, with the LTI driving the achievement of group performance. The policy further links remuneration incentives to achieving transformation objectives, whereby a modifier is applied if transformation objectives are not met. The detail of the remuneration policy structures is covered in the table on pages 92 and 93.

Targeted pay-mix for executive directors

This targeted pay mix is intended to create a significant degree of alignment with shareholder interests, with the aim of driving sustainable value creation over a longer term.

Below target

	GP[1]	STI	LTI
Group CEO	100%	0%	0%
Group CFO	100%	0%	0%
Other executive directors	100%	0%	0%

The below-target level assumes that STI and LTI performance conditions are not achieved.

On target

GP	STI	LTI
35%	30%	35%
40%	30%	30%
40%	30%	30%

On-target level assumes 50% vesting of annual LTI allocations and on target STI performance.

Stretch target

GP	STI	LTI
20%	35%	45%
25%	35%	40%
30%	35%	35%

The stretch target level assumes 100% vesting of annual LTI allocations and stretch STI achievement.

Service contracts

Remuneration policies affecting executive directors

All executive directors are compensated according to the group's remuneration policy. Employment contracts of executive directors are in accordance with the group's standard terms and conditions of employment and include a notice period of six months.

Executive directors do not receive extended employment contracts or special termination benefits. In the event that an executive director's employment is terminated as a result of operational requirements, payment will be in accordance with the retrenchment practices within the group, and in accordance with South African labour legislation. There were no severance payments made to executive directors in the 2018 financial year. Executive directors do not receive additional remuneration for their attendance at Board or committee meetings.

[1] *Guaranteed package.*

Remuneration structures

Remuneration structures are designed to achieve a fair and sustainable balance between GP and variable pay to assist with the achievement of Reunert's strategic and operational objectives.

Remuneration comprises four core elements as presented in the table below.

	GP	STI
Purpose	Attraction and retention	To drive sustainable financial performance
Participation	All employees	Executive directors, top management and selected senior management
Performance period	One year	One year
Implementation	1 July – bargaining unit employees 1 October – non-bargaining unit employees	Annually in October, at the discretion of the Remuneration Committee
Key elements	GP consists of base salary and company contributions toward retirement funding and health benefits. It is a fixed cost for the company and is targeted to be up to the median of relevant market data. The following factors are considered during salary reviews: > Market benchmarks > Prevailing Economic conditions > Average consumer price index (CPI) > Group business unit financial performance > Employee performance	> The maximum bonuses for the group CEO, executive directors, business unit managing directors, and business unit executives are respectively 140%, 130%, 120% and 100% of GP > Senior managers and below are paid incentives at lower percentages of GP > Incentives are self-funded (profit target only achieved after providing for the bonus). > Financial targets constitute 70% and strategic KPIs 30% of STIs > Incentives are not guaranteed. The full incentive payment depends on performance against predetermined financial targets and strategic objectives and measures > Employment equity targets and external employment equity appointments are modifiers. Failure to achieve the required targets of the employment equity modifiers results in a downward modification of the incentive payout
Method of delivery	Cash	Cash
Performance measures	N/A	> Financial KPI for executive directors is an earnings-per-share measure > For other top management (segment heads and business unit executives) it is operating profit targets > Strategic KPIs are linked to the group and business unit strategic objectives. Each KPI has a direct performance measure
Clawbacks	N/A	Yes

	LTI		DBP
	LTI performance scheme	LTI retention scheme	Not used in 2018
	To drive long-term performance and to create alignment with management and shareholder objectives.	Retention of critical skills for business continuity.	To retain employees and ensure that long-term behaviour and performance are aligned to shareholder value.
	Executive directors, top management and selected employees that are able to directly impact financial performance through the development and implementation of operational strategy.	Technical specialists, high-potential employment equity candidates and identified successors.	Executive directors and top management who qualify for STIs in the respective year.
	Four years	50% (four years) and 50% (five years)	Three or four years
	Annually in November, at the discretion of the Remuneration Committee	Annually in November, at the discretion of the Remuneration Committee	Annually in November, at the discretion of the Remuneration Committee
	> Allocations are based on defined criteria (seniority of position, size of business unit and contribution to group performance) > Allocations may not exceed two times annual GP > Details of the CSP are included on page 94	> Remaining in the employment of the group is the only criteria > Allocations may not exceed 20% of annual GP	> Participants receive their elected portion in the form of restricted Reunert shares > At the end of the stipulated vesting period, participants will be entitled to receive a cash award. Dividends are paid on the restricted shares during this period > The committee annually determines: o who can participate; o the percentage of the STI that can be received in deferred restricted shares; o the period for which the restricted shares must be retained by participants; and o the quantum of the deferred bonus for which participants will qualify at the end of this period. This percentage may not exceed 100%
	Reunert shares	Reunert shares	Cash
	> Normalised headline earnings per share > Relative TSR > Each condition carries a 50% weighting > Further information on allocations to date and performance conditions is presented on page 94	> Remaining in the employment of the group	> Participation in the DBP is determined by the achievement of set performance criteria
	Yes	Yes	Yes

CSP

The CSP was constituted for eight years from date of inception (2013), and will terminate early at the end of the 2019 financial year, provided that the new scheme is approved by shareholders at the 2020 AGM. The scheme was presented to shareholders at the 2013 annual general meeting and obtained a vote in favour of 94,3%. The total number of units available for the CSP is 10 000 000. The Board adopted a resolution in 2016, whereby irrespective of any other prior shareholder approval, the total number of units that may vest in the life of the scheme may never exceed 5% of total share capital.

The table below provides information on the number of CSP units that have been allocated and that have vested since the inception of the scheme.

Year of allocation	Number of performance units allocated	Number of retention units allocated	Total units allocated	Number of units that have vested	Number of units that may still vest	Cumulative % of total share capital
2012	816 694	67 896	884 590	56 515*	0	0,49
2013	918 688	60 685	979 373	22 365*	0	1,02
2014	921 916	114 039	1 035 955	933 970	0	1,59
2015	1 023 206	82 021	1 105 227		1 105 227	2,18
2016	1 059 421	112 901	1 172 322		1 172 322	2,81
2017	1 080 575	125 350	1 205 925		1 205 925	3,46
2018	1 036 644	110 772	1 147 416	0	1 147 416	4,08
Total	6 857 144	673 664	7 530 808	1 012 850	4 630 890	4,08

* *Retention units vested only in 2012 and 2013.*

Maximum participants and allocations for CSP		
Maximum number of participants	Performance vesting	80
	Retention vesting	100
Number of units to be issued	Maximum annual allocations	1 250 000 units
	Scheme maximum allocations (over eight years)	10 000 000 units

SECTION THREE: 2018 REMUNERATION POLICY IMPLEMENTATION REPORT

This section of the report specifically deals with the remuneration for the group CEO, group CFO, other executive directors and non-executive directors. Where appropriate, details are included for top management and other employees.

Compliance with the remuneration policy

The Remuneration Committee monitored the implementation of the remuneration policy throughout the year. We are of the view that the 2018 remuneration policy, as set out in the 2017 integrated report, was compiled with and met its objectives.

Remuneration advisors

In 2018, PwC, who is independent, was commissioned to provide salary benchmarking information. The services of independent advisors, Exchange Capital, were commissioned to provide advice on the CSP scheme.

Fair and responsible remuneration

An internal remuneration analysis was conducted within the group and found that employees are remunerated fairly and in accordance with job functions.

2018 annual increases

The group's total payroll cost is R2 160 million (2017: R2 112 million), which represents 21% of total revenue (2017: 22%).

The average increase for salaried employees effective 1 October 2017 was 5,4%. All executive directors received an annual increase of 5,4%, effective the same date. Bargaining unit wage increases effective on 1 July 2018 was on average 6,75% (1 July 2017: 7,0%) aligned with the three-year agreement (refer page 55).

2018 incentive rewards

2018 short-term incentive awards

Executive directors, segment heads and business units qualified for incentive payments by meeting financial targets and/or strategic KPIs.

A detailed assessment of the financial targets and strategic KPIs that determine the qualification for an STI resulted in the Remuneration Committee approving the STI awards in the table below. The committee is satisfied that the STI awards reflect the performance of the group for the 2018 financial year.

STIs earned	**2018 R million**	2017 R million
Electrical Engineering	**2,22**	22,2
ICT[1]	**16,02**	19,1
Applied Electronics	**11,43**	8,5
Executive directors at head office	**4,40**	13,9
Total STIs earned	**34,07**	63,7

The 2018 STIs will be settled in cash only.

2018 STI awards for group executive directors

15% of GP was awarded for the achievement of financial targets. The awards for strategic KPIs are detailed in the table below.

	Strategic KPIs		
	Diversification	People	Transformation
	Execution of strategy through acquisitions	Implementation of the group values to embed a values-based culture	Driving group transformation with specific focus on increasing employment equity representation at management levels
Group CEO			
Weighting*	12,5%	7,5%	10%
Achieved	**0%**	**7,5%**	**10%**
Group CFO			
Weighting	17,5%	5%	7,5%
Achieved	**0%**	**5%**	**7,5%**
Group human resources and transformation executive director			
Weighting	7,5%	12,5%	10%
Achieved	**0%**	**12,5%**	**10%**

** KPI % achieved is converted to a 40% weighting for the group CEO.*

Executive director: segment head ICT

50,23% of GP was awarded for the achievement of financial targets. The award for strategic KPIs is detailed in the table below.

	Strategic KPIs			
	Diversification		Transformation	Efficiency
	Segment growth and acquisitions	Diversification of revenue	Talent management	Implementation of a sustainable efficiency programme
Weighting*	15%	10%	5%	10%
Achieved	**0%**	**0%**	**5%**	**10%**

** KPI % achieved is converted to a 30% weighting.*

2018 DBP

Participation in the DBP is reviewed annually by the Remuneration Committee. The review entails an analysis of remuneration (GP, STI and LTI) over a cycle and the outcome of the analysis conducted has resulted in the DBP not being offered in 2018 because of the retention element embedded in the CSP.

[1] This includes executive director: segment head ICT.

2018 LTI awards in terms of the CSP

The Remuneration Committee allocated the following awards.

CSP	2018 performance allocation	2018 retention allocation
Participants	68	82
Number of units to be allocated	1 036 644	110 772

CSP allocations for executive directors are included in the remuneration disclosures in the annual financial statement available at www.reunert.co.za/downloads/reports/2018/Reunert_AFS_2018.pdf

CSP performance conditions for the 2018 CSP scheme are set out in the tables below. Measurement of the performance conditions commence from the 2019 financial year.

Performance condition 1: Compound growth in NHEPS

NHEPS less or equal to consumer price index	0% vesting
NHEPS = (CPI + GDP + 3%)	100% vesting on linear basis

Performance condition 2: Relative total shareholder return

(Will be determined by Reunert's position in the selected peer group)

Position	% vesting
1	100
2	80
3	60
4	45
5	30
6	22,5
7	15
8	10
9	5
10	2,5

Peer group

> African Oxygen Limited (Afrox)
> Allied Electronics Corporation Limited (Altron)
> ARB Holdings Limited
> Barloworld Limited
> Bidvest Group (Bidvest)
> Cafca Limited
> Consolidated Infrastructure Group Limited
> Ellies Holdings Limited
> Reunert Limited
> South Ocean Holdings Limited

Remuneration and interests

The remuneration of executive directors for the past two financial years is reflected in the tables below. These are payable to the directors of the company by the company and its subsidiaries for services as directors.

Executive directors

R'000	Salary	Bonus and performance related payments	Travel allowances	Retirement contributions	Medical contributions	Sub total	Deferred shares[1]	Total	Fair value of CSP at grant date[2]
2018									
AE Dickson	5 185	2 159	132	251	64	7 791	–	7 791	3 897
M Moodley	2 412	1 012	–	233	53	3 710	–	3 710	1 321
MAR Taylor	3 620	2 380	–	193	58	6 251	–	6 251	1 853
NA Thomson	4 139	1 229	–	218	112	5 698	–	5 698	2 386
	15 356	6 780	132	895	287	23 450	–	23 450	9 457

Executive directors (continued)

R'000	Salary	Bonus and perfor-mance related payments	Travel allow-ances	Retire-ment contri-butions	Medical contri-butions	Sub total	De-ferred shares[1]	Total	Fair value of CSP at grant date[2]
2017									
AE Dickson	4 909	4 630	132	253	48	9 972	1 544	11 516	3 651
M Moodley	2 290	1 565	–	221	49	4 125	1 565	5 690	1 072
MAR Taylor	3 432	2 227	–	176	65	5 900	2 227	8 127	1 538
NA Thomson	3 944	2 309	–	193	103	6 549	2 309	8 858	1 937
	14 575	10 731	132	843	265	26 546	7 645	34 191	8 198

[1] *This represents the short term incentive that was invested into the deferred bonus plan (DBP). At their election, those directors who were entitled to a short term incentive in 2017 could elect to receive their incentive in either cash or a combination of cash and deferred shares (up to 50% of their incentive (2016: 100%)). Where the directors elected to take deferred shares, then the shares were acquired by the company from the market for the participating directors. These shares are restricted in nature and cannot be sold, pledged or alienated in any way for a period of three years from date of their acquisition.*

The value of the shares that vest after the three year period will be matched in cash.

[2] *Conditional Share Plan (CSP). This has been determined using the fair value per unit and the expected vesting probability (23,34%) of the non-market conditions and the fair value of the market conditions (TSR) at grant date.*

For further details relating to the valuation methodologies and assumptions used, refer to note 19 of the Annual Financial Statements.

Remuneration policies affecting non-executive directors

CONTRACTS

Non-executive directors do not have service contracts with the company.

The term of office for non-executive directors is governed by the company's Memorandum of Incorporation, which requires that directors must resign every three years, but may make themselves available for re-election by shareholders.

FEES

Non-executive directors receive a standard fee for their services on the Board and Board committees.

The Remuneration Committee reviews the fees on an annual basis using external benchmarking to review and propose fees.

Fees are submitted to shareholders for approval annually at the Reunert's annual general meeting, and changes are effective from 1 March each year.

If the proposed fees do not receive the approval of the shareholders, the last approved fees will apply.

BENEFITS

Non-executive directors are not eligible for any company incentives, such as participation in long-term share-based incentive schemes.

Reunert covers travel costs and expenses incurred in the normal course of business, for example, attending Board and Board committee meetings.

Payments to non-executive directors

Amounts paid to non-executive directors as fees for the year are reflected below. Travel and accommodation expenses of R192 850 were reimbursed to non-executive directors are not included in the fees shown below.

Total paid for the year (all directors' and committee fees)

R'000	2018	2017
TS Munday	**1 519**	1 423
T Abdool-Samad	**715**	583
SD Jagoe	**440**	356
JP Hulley[1]	**98**	–
T Matshoba-Ramuedzisi[2]	**221**	–
P Mahanyele[3]	**26**	448
S Martin	**658**	608
TJ Motsohi[4]	**137**	403
NDB Orleyn	**634**	585
SG Pretorius	**692**	595
R van Rooyen	**735**	652
Total	**5 875**	5 653

Refer to the notice of annual general meeting for the proposed 2019 fees.

Key objectives for 2019

STI objectives: financial targets

The NHEPS targets shown in the table below are the financial targets for the group CEO, group CFO and the group human resources and transformation executive director. The percentages shown are calculated in relation to the 2019 budget numbers, which is in accordance with the Reunert strategy. The maximum payout for the achievement of financial targets is 100% of GP which can only be earned at level 4 (stretch target). The on-target payout for the group CEO and executive directors is 50% and 40% respectively.

NHEPS targets

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
Budget	Budget +5%	Budget +9%	Budget +12%

Strategic KPIs

The strategic KPIs are shown in the table below. The maximum payout for the achievement of strategic KPIs is 40% of GP for the group CEO and 30% of GP for the group CFO and the group human resources and transformation executive director.

Group CEO (Total weighting: 40%)

	Transformation	People	Diversification
Objectives	Drive people transformation within the group	Promote an ethical culture within the group through values-based leadership	Drive the execution of the group strategy through the diversification of revenues
Weighting	12,5%	12,5%	15,0%

Group CFO (Total weighting: 30%)

	Transformation	People	Efficiency
Objectives	Drive people transformation within the group	Promote an ethical culture within the group through values-based leadership	Maximise the free cash flow generation of the group
Weighting	7,5%	7,5%	15,0%

[1] *Appointed effective 1 July 2018.*
[2] *Appointed effective 1 April 2018.*
[3] *Resigned effective 1 November 2018.*
[4] *Retired effective 12 February 2018.*

Group human resources and transformation executive director (Total weighting: 30%)

	Transformation	People	Transformation and people
Objectives	Drive people transformation within the group	Promote an ethical culture within the group through values-based leadership	Enhance a high performance culture and a sustainable organisation
Weighting	10,0%	10,0%	10,0%

Executive director: Head of ICT segment

	Diversification	Efficiency	Diversification
	Achieve segment broadband connectivity strategy	Implementation of key systems to accelerate the ICT strategy	Increase segment growth through diversification
Weighting	10%	5%	15%

The full Reunert remuneration policy is contained in this report and it can also be accessed at www.reunert.co.za/results-reports-and-presentations.php

ANNUAL GENERAL MEETING

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the annual general meeting, details of which can be found in the meeting notice:

1. Advisory vote on the remuneration policy, section starting on page 91
2. Advisory vote on the implementation report, section starting on page 94
3. Binding vote on non-executive director's fees

In the event that the remuneration policy or the implementation report receives a vote against of more than 25%, we will implement shareholder engagement to address concerns raised. This engagement may be done in person or in writing and will be implemented at a time after the release of the voting results.

APPRECIATION

Thank you to our shareholders for your support and engagement in 2018, we look forward to further interaction on the Reunert remuneration policy.

I thank my fellow Remuneration Committee members for their continued support, healthy debate and for always being available.

Sarita Martin
Chairman: Remuneration Committee

19 November 2018

SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF REUNERT LIMITED

Opinion
The summarised consolidated financial statements of Reunert Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2018, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Reunert Limited for the year ended 30 September 2018. In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Reunert Limited, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summarised Consolidated Financial Statements
The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Reunert Limited and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 19 November 2018. That report also includes the communication of other key audit matters as reported in the auditor's report of the audited financial statements.

Directors' Responsibility for the Summarised Consolidated Financial Statements
The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*.

Auditor's Responsibility
Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

Deloitte + Touche

Deloitte & Touche

Registered Auditors
Per: James Welch
Partner
19 November 2018

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

R million	Notes	Audited 2018	Audited 2017	% change
Revenue		**10 492**	9 773	7
EBITDA*		**1 699**	1 635	4
Depreciation and amortisation		**(157)**	(138)	14
Operating profit (before net interest income and dividends, and empowerment transactions)	2	**1 542**	1 497	3
Net interest income and dividends	3	**11**	65	(83)
Profit (before empowerment transactions)		**1 553**	1 562	(1)
Empowerment transactions	4	**(42)**	(20)	
Profit before taxation		**1 511**	1 542	(2)
Taxation		**(358)**	(437)	(18)
Profit after taxation		**1 153**	1 105	4
Share of joint ventures' and associate's profit		**(1)**	37	
Profit for the year		**1 152**	1 142	1
Profit attributable to:				
Non-controlling interests		**(6)**	30	
Equity holders of Reunert		**1 158**	1 112	4
Cents				
Basic earnings per share	5, 6	**717**	680	5
Diluted earnings per share	5, 6	**705**	670	5

Other measures of earnings per share

Cents	Notes	Audited 2018	Audited 2017	% change
Headline earnings per share	5, 6	**703**	679	4
Diluted headline earnings per share	5, 6	**691**	670	3
Normalised headline earnings per share	5, 6	**687**	697	(1)
Diluted normalised headline earnings per share	5, 6	**675**	687	(2)
Total cash dividend per share for the year		**493**	474	4

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

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

R million	Audited 2018	Audited 2017
Profit for the year	**1 152**	1 142
Other comprehensive income, net of taxation:		
Items that may be reclassified subsequently to profit or loss	**(65)**	8
(Losses)/gains arising from translating the financial results of foreign subsidiaries	**(23)**	8
Translation loss on net investment in subsidiary*	**(42)**	–
Total comprehensive income	**1 087**	1 150
Total comprehensive income attributable to:		
Non-controlling interests	**(9)**	34
> Share of profit for the year	**(6)**	30
> Share of other comprehensive income	**(3)**	4
Equity holders of Reunert	**1 096**	1 116
> Share of profit for the year	**1 158**	1 112
> Share of other comprehensive income	**(62)**	4

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

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

R million	Notes	Audited 2018	Audited 2017
Non-current assets			
Property, plant and equipment, investment properties and intangible assets		**1 297**	1 095
Goodwill	7	**1 053**	921
Investments and loans		**56**	55
Investment in joint ventures and associate		**158**	159
Rental and finance lease receivables		**1 990**	1 682
Deferred taxation		**151**	105
		4 705	4 017
Current assets			
Inventory		**1 461**	1 439
Rental and finance lease receivables		**821**	747
Accounts receivable and taxation		**2 694**	2 222
Derivative assets		**7**	12
Money market instruments		**–**	130
Cash and cash equivalents		**765**	1 522
		5 748	6 072
Total assets		**10 453**	10 089
Equity attributable to equity holders of Reunert		**7 438**	7 138
Non-controlling interests		**88**	105
Total equity		**7 526**	7 243
Non-current liabilities			
Deferred taxation		**156**	112
Long-term borrowings	8	**82**	73
Put option liability	9	**120**	121
Share-based payment liability		**23**	–
		381	306
Current liabilities			
Accounts payable, provisions and taxation		**2 270**	2 304
Derivative liabilities		**65**	28
Bank overdrafts and short-term loans		**193**	197
Current portion of long-term borrowings	8	**18**	11
		2 546	2 540
Total equity and liabilities		**10 453**	10 089

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

R million	Notes	**Audited 2018**	Audited 2017
EBITDA		**1 699**	1 635
Increase in net working capital		**(498)**	(225)
Other net non-cash movements		**(79)**	60
Cash generated from operations		**1 122**	1 470
Net cash interest income and dividends		**20**	70
Taxation paid		**(445)**	(375)
Dividends paid (including to non-controlling interests)		**(781)**	(745)
Net (outflow)/inflow from operating activities		**(84)**	420
Net outflow from investing activities		**(597)**	(21)
Capital expenditure		**(162)**	(143)
Net inflow arising from disposal of businesses		**–**	15
Gross cash flows on acquisition of businesses	10	**(228)**	(241)
Increase in total rental and finance lease receivables		**(375)**	(231)
Net other investments and loans (granted)/repaid		**(3)**	(2)
Dividends received from joint venture		**–**	30
Investments net of other capital proceeds[1]		**171**	551
Net outflow from financing activities		**(85)**	(386)
Shares issued		**15**	16
Investment in treasury shares		**(115)**	(203)
Net long-term borrowings raised/(repaid)		**20**	(199)
Shares acquired in terms of retention scheme		**(2)**	–
Net transactions with non-controlling interests		**(2)**	–
Exercise of Ryonic put option		**(1)**	–
(Decrease)/increase in net cash resources		**(766)**	13
Net cash resources at the beginning of the year		**1 325**	1 312
Net cash resources at the end of the year		**559**	1 325
Cash and cash equivalents		**765**	1 522
Foreign exchange translation adjustments on cash and cash equivalents[2]		**11**	–
Bank overdrafts		**(126)**	(138)
Foreign exchange translation adjustments on bank overdrafts[2]		**(24)**	–
Short-term borrowings		**(67)**	(59)
Net cash resources at the end of the year		**559**	1 325

[1] *This includes R130 million withdrawal from investments in long-dated money market instruments (2017: R540 million).*
[2] *In the prior year, these effects were insignificant.*

SUMMARISED CONSOLIDATED STATEMENT IN CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

R million	Audited 2018	Audited 2017
Share capital	374	359
Balance at the beginning of the year	359	343
Issue of shares	15	16
Share-based payment reserves	256	176
Balance at the beginning of the year	176	136
Equity-settled share-based payments	79	40
Transfer to retained earnings	1	–
Equity transactions/put option with non-controlling shareholders	(108)	(116)
Balance at the beginning of the year	(116)	–
Put option	–	(116)
Acquisition of businesses[1]	(3)	–
Transfer to retained earnings[1]	11	–
Empowerment shares[2]	(276)	(276)
Treasury shares[3]	(342)	(227)
Balance at the beginning of the year	(227)	(28)
Shares bought back during the year	(115)	(203)
Shares used for incentive scheme	–	4
Foreign currency translation reserves	(23)	(3)
Balance at the beginning of the year	(3)	(7)
Other comprehensive income	(20)	4
Translation loss on net investment in foreign subsidiary	(42)	–
Balance at the beginning of the year	–	–
Current period loss	(42)	–
Retained earnings	7 599	7 225
Balance at the beginning of the year	7 225	6 843
Profit for the year attributable to equity holders of Reunert	1 158	1 112
Cash dividends declared and paid	(772)	(730)
Transfer from reserves	(12)	–
Equity attributable to equity holders of Reunert	7 438	7 138
Non-controlling interests	88	105
Balance at the beginning of the year	105	81
Share of total comprehensive income	(9)	34
Dividends declared and paid	(9)	(15)
Net changes in non-controlling interests	1	5
Total equity at end of the year	7 526	7 243

[1] *In respect of the acquisition of further interests in Terra Firma Solutions (3,38%). Refer to note 10 – other transactions. R3 million of the transfer to retained earnings relates to the Terra Firma acquisition and R8 million relates to the finalisation of the put option in Ryonic Robotics.*

[2] *These are the cost of Reunert Limited shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to its empowerment partner in 2007.*

Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the group as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.

[3] *Reunert shares bought back in the market and held by a subsidiary: 4 997 698 (2017: 3 392 422).*

SUMMARISED SEGMENTAL ANALYSIS

AT 30 SEPTEMBER 2018

R million	Audited 2018	% of total	Audited 2017	% of total	% change
Revenue[1]					
Electrical Engineering	**5 139**	48	5 247	51	(2)
ICT	**3 443**	32	3 307	32	4
Applied Electronics	**2 198**	20	1 720	17	28
Other	**15**	–	14	–	7
Total segment revenue	**10 795**	100	10 288	100	5
Revenue from equity accounted joint venture in Electrical Engineering segment	**(271)**		(489)		–
Revenue from equity accounted associate in ICT segment	**(29)**		(26)		
Revenue from equity accounted joint venture in Other segment	**(3)**		–		
Revenue as reported	**10 492**		9 773		7
Operating profit					
Electrical Engineering	**440**	29	696	45	(37)
ICT[2]	**792**	51	635	41	25
Applied Electronics	**380**	25	276	18	38
Other	**(73)**	(5)	(59)	(4)	(24)
Total segment operating profit	**1 539**	100	1 548	100	(1)
Operating loss/(profit) from equity accounted joint venture in Electrical Engineering segment	**9**		(48)		
Operating profit from equity accounted associate in ICT segment	**(3)**		(3)		
Operating profit from equity accounted joint venture in Other segment	**(3)**		–		
Operating profit as reported	**1 542**		1 497		3

[1] *Inter-segment revenue is immaterial and has not been separately disclosed.*
[2] *Net interest charged on group funding provided to the group's in-house finance operation has been eliminated in line with the consolidation principles of IFRS. This elimination amounted to R146 million (2017: R125 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.

R million	Audited 2018	% of total	Audited 2017	% of total
Total assets				
Electrical Engineering	**2 978**	28	3 115	31
ICT	**4 662**	45	3 952	39
Applied Electronics	**2 443**	23	1 854	18
Other[3]	**370**	4	1 168	12
Total assets as reported	**10 453**	100	10 089	100
Total liabilities				
Electrical Engineering	**1 105**	38	1 153	41
ICT	**845**	29	740	26
Applied Electronics	**807**	27	744	26
Other	**170**	6	209	7
Total liabilities as reported	**2 927**	100	2 846	100

[3] *This mainly comprises properties and in the prior year mainly comprised properties and group treasury cash balances.*

NOTES

1 Basis of preparation

These summarised consolidated financial statements have been prepared in compliance with the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in effect for the group at 30 September 2018, and further comply with the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. These summarised consolidated financial statements contain the minimum information as required by IAS 34 – Interim Financial Reporting, and comply with the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008, of South Africa. This report was compiled under the supervision of NA Thomson CA(SA) (chief financial officer).

The group's accounting policies applied for the year ended 30 September 2018, were consistent with those applied in the prior year's audited consolidated annual financial statements. These accounting policies comply with IFRS.

	R million	Audited 2018	Audited 2017
2	**Operating profit**		
	Operating profit includes:		
	– Cost of sales (excluding depreciation and amortisation)	**6 999**	6 309
	– Other expenses (expenses excluding depreciation and amortisation)	**1 976**	1 859
	– Other income	**82**	30
	– Fair value gain on contingent purchase consideration	**100**[1]	–
	– Depreciation and amortisation	**157**[2]	138[2]
	– Included in other expenses above are:		
	– Realised loss on foreign exchange and derivative instruments	**(99)**	(20)
	– Unrealised gain on foreign exchange and derivative instruments	**21**	1
	– Auditors' remuneration	**25**	24
3	**Net interest income and dividends**		
	Interest income and dividends	**60**	113
	Interest expense	**(40)**	(43)
	Interest on unwinding of put option liability	**(9)**	(5)
	Total	**11**	65
4	**Empowerment transactions**		
	IFRS 2 share-based payment cost of BBBEE transactions[3]	**32**	20
	Professional costs related to BBBEE transactions	**10**	–
	Taxation thereon	**–**	–
	Net empowerment transactions after taxation	**42**	20
5	**Number of shares and earnings used to calculate earnings[4] per share**		
	Weighted average number of shares in issue, net of treasury and empowerment shares, used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	**161**	164
	Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**3**	2
	Weighted average number of shares used to determine diluted basic, headline and normalised headline earnings per share (millions of shares)	**164**	166
6	**Headline earnings**		
6.1	**Profit attributable to equity holders of Reunert**	**1 158**	1 112
	Headline earnings are determined by eliminating the effect of the following items from attributable earnings:		
	Net gain on disposal of assets (after a tax charge of R5 million and non-controlling interest (NCI) portion of Rnil) (2017: tax and NCI of Rnil)	**(23)**	(1)
	Headline earnings	**1 135**	1 111

[1] Includes routine movements of R23 million and a non routine movement of R77 million arising from the SkyWire fair value remeasurement.

[2] Depreciation and amortisation allocated to cost of sales in gross margin calculations is R 51 million (2017: R57 million). Depreciation and amortisation allocated to other expenses is R106 million (2017: R81 million).

[3] Included in the prior year charge is a donation to an empowerment structure for R1 million.

[4] The earnings used to determine earnings per share and diluted earnings per share are the profit for the year attributable to equity holders of Reunert of R1 158 million (2017: R1 112 million). (Refer to the statement of profit or loss).

R million	Audited 2018	Audited 2017
6 Headline earnings continued		
6.2 Normalised headline earnings[1]		
Headline earnings	**1 135**	1 111
Normalised headline earnings are determined by eliminating the effect of the following items from headline earnings:		
Empowerment transactions	**42**	20
Once-off IFRS 2 share-based payment cost of BBBEE transactions (tax and NCI of Rnil) (2017: tax and NCI of Rnil)	**32**	19
Professional fees for BBBEE transactions (tax and NCI of Rnil) (2017: tax and NCI of Rnil)	**10**	–
Once-off donation to empowerment structure (2017: tax and NCI of Rnil)	**–**	1
Acquisition transactions	**(68)**	9
Recurring professional fees for acquisitions (tax and NCI of Rnil) (2017: tax and NCI of Rnil)	**9**	9
Once-off contingent consideration fair value remeasurement (tax and NCI of Rnil) (2017: tax and NCI of Rnil)[2]	**(77)**	–
Normalised headline earnings	**1 109**	1 140

[1] *The pro forma financial information above has been prepared for illustrative purposes only to provide information on how the normalised earnings adjustments might have impacted on the financial results of the group. Because of its nature, the pro forma financial information may not be a fair reflection of the group's results of operation, financial position, changes in equity or cash flows.*

The pro forma financial effects have been prepared in a manner consistent in all respects with IFRS, the accounting policies adopted by Reunert Limited as at 30 September 2018, the revised SAICA guide on pro forma financial information and the Listings Requirements of the JSE Limited.

There are no post-balance sheet events that necessitate adjustment to the pro forma financial information.

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

The pro forma financial information should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants' reasonable assurance report thereon, which is available for inspection at the Company's registered office.

[2] *In respect of SkyWire (refer to note 10). At year end the contingent purchase consideration was adjusted to R16 million, resulting in a fair value remeasurement gain of R77 million. This is disclosed in EBITDA in the statement of profit or loss.*

R million	Audited 2018	Audited 2017
7 Goodwill		
Carrying value at the beginning of the year	**921**	737
Acquisition of businesses[1] (Note 10)	**146**	171
Adjustment to goodwill on finalisation of acquisition made in prior financial year	**–**	33
Disposal of a controlling interest in a subsidiary	**–**	(12)
Disposal of businesses	**–**	(9)
Exchange differences on consolidation of foreign subsidiaries	**(14)**	1
Carrying value at the end of the year	**1 053**	921
8 Long-term borrowings		
Total long-term borrowings (including finance leases)	**100**	84
Less: short-term portion (including finance leases)	**(18)**	(11)
	82	73

[1] *At 30 September 2018, the purchase price allocation of the acquisitions made in 2018 have not been finalised and therefore the amounts reported are provisional and subject to change.*

R million	Audited 2018	Audited 2017
9 Put option liability		
As part of the Terra Firma and Ryonic acquisitions, the group granted put options in favour of the non-controlling shareholders for 25% of the issued share capital. During the current year the Ryonic put obligation was re-negotiated and settled.		
A reconciliation of the closing balance is as below:		
Balance at the beginning of the year	121	–
Raised at acquisition at fair value	–	116
Fair value remeasurements	(9)	–
Payment to option holder (Ryonic)	(1)	–
Unwinding of discount	9	5
Balance at the end of the year	**120**	121

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

For Terra Firma, the fair value of the put option liability has been determined using a discounted cash flow valuation technique and is based on the multiples stipulated in the sales and purchase agreement. Significant unobservable inputs include:

> The 2020 forecast revenue and net profit after tax (NPAT) have been used. These forecasts are based on management's best estimate of the revenue and NPAT likely to be achieved in 2020.
> The earnings multiples are as stipulated in the sales and purchase agreement.
> The discount rate applied was 8%, being the average cost of borrowing.

If the key unobservable inputs to the valuation model being estimated were 1% higher/lower while all the other variables were held constant, the carrying amount of the put option liabilities would decrease/increase by R2 million respectively.

R million	Audited 2018
10 Acquisition of businesses	
During the current period the group made the following acquisitions:	
> **SkyWire Proprietary Limited:** With effect from 1 March 2018, the group acquired 100% of the business and related assets of SkyWire, a provider of broad band connectivity, in an asset transaction. The R146 million in goodwill arising from the acquisition is attributable to the expected high growth in this business and the ability to harvest significant synergies through the ICT segment's distribution network. As the ICT segment in the Reunert group is seeking to diversify its product offerings, and its existing services depend on reliable high-speed data connections, SkyWire data-access products provide a natural extension of the segment's service offering. Synergies will also be obtained from the vertical integration with the group's other businesses in the ICT Segment. A contingent purchase consideration amounting to R93 million was raised on acquisition[1]. This is disclosed in note 13.	205
> **Dopptech Proprietary Limited:** With effect from 1 March 2018, the group acquired 100% of the share capital of Dopptech Proprietary Limited. An intangible asset of R51 million was valued on acquisition attributable mainly to the customer relationships in key geographic regions not accessible to the group as well as patents currently in use. The company has a well-developed R&D capability in electro-mechanical engineering that will assist with product development within the Applied Electronics segment. A contingent purchase consideration amounting to R17 million was also raised on acquisition. This is disclosed in note 13.	20
> **Other transactions:**	
– During the current year the group increased its holding in Terra Firma Solutions Proprietary Limited from 51% to 54,38%.	4
– The group purchased the remaining 25,1% of Ryonic Robotics Proprietary Limited from the existing non-controlling shareholder.	1
Direct cash cost	230
Net borrowings acquired on acquisition	3
Net cash flows on acquisition of businesses[2]	233
Contingent purchase considerations	110
Total purchase consideration	**343**

[1] This contingent purchase consideration was finalised and remeasured to R16 million at the financial year end (refer to note 6).

[2] Reflected in the statement of cash flows in the following lines:

– gross cash flows on acquisition of business	*R228 million*
– incorporated as part of net transactions with non-controlling interests	*R4 million*
– exercise of Ryonic put option	*R1 million*

R million	Audited 2018
10 Acquisition of businesses continued	
Gross assets acquired and liabilities taken over:	
Property, plant and equipment and intangible assets	**235**
Inventory	**2**
Receivables	**2**
Payables	**(1)**
Deferred taxation	**(46)**
Goodwill	**146**
Non-controlling interests	**1**
Transactions with non-controlling interests	**3**
Put option liability	**1**
Net assets acquired	**343**
Revenue since acquisition	**71**
Profit after taxation since acquisition[1]	**1**
Revenue for the 12 months ended 30 September 2018 as though the acquisition dates had been 1 October 2017	**119**
Profit after taxation for the 12 months ended 30 September 2018 as though the acquisition dates had been 1 October 2017[2]	**2**

The value of uncollectible accounts receivable at acquisition was negligible.

2017

Refer to 2017 published results.

[1] *Includes the after tax effect of R13 million of additional depreciation and amortisation since acquisition. The additional depreciation and amortisation relate to the revalued plant and equipment and intangible assets on acquisition.*

[2] *Includes the after tax effect of R22 million of depreciation and amortisation as noted in 1 above had the acquisition been 1 October 2017.*

11 Unconsolidated subsidiary

The financial results of Cafca Limited (Cafca), a 70%-owned subsidiary of the company, incorporated in Zimbabwe, have not been consolidated into the group results as the group does not exercise management control because it does not have the ability to affect its variable returns through its powers over Cafca.

This is supported by:

> Reunert having not appointed a majority of the directors to the board of directors of Cafca and therefore does not control the board; and

> The difficult economic circumstances in Zimbabwe have resulted in an ongoing liquidity constraint which impairs Reunert's ability to repatriate the economic benefits from Cafca (e.g. dividends).

The amounts involved are not material to the group's results.

At 30 September 2018, Cafca's share capital and reserves amounted to US$16 million (2017: US$15 million) after the declaration in 2018 of a dividend of US$3.5 million. Reunert has applied for the repatriation of its portion of the dividend, but permission has not yet been received. If permission is not received, the cash proceeds will be re-advanced to the company as a shareholder loan.

12 Related party transactions

R million Counterparty	Relationship	Sales	Purchases	Lease payments	Treasury shares
All related-party transactions, trading account and loan balances are on the same terms and conditions as those with non-related parties.					
September 2018					
CBI-electric Telecom Cables Proprietary Limited	A joint venture	2	5	–	–
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	16	2	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276
Lexshell 661 Investment Proprietary Limited	A joint venture	–	–	5	–
September 2017					
CBI-electric Telecom Cables Proprietary Limited	A joint venture	3	35	–	–
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	2	22	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276
Lexshell 661 Investment Proprietary Limited	A joint venture	–	–	1	–

R million	**Audited 2018**	Audited 2017
13 Contingent purchase considerations		
As part of the acquisitions of SkyWire and Dopptech (note 10), the group recognised contingent purchase considerations on these acquisitions as follows:		
Balance at the beginning of the year	**–**	–
Transfer from provisions[1]	**27**	–
Raised at acquisition at fair value (SkyWire and Dopptech)	**110**	–
Fair value remeasurements	**(100)**	–
Balance at the end of the year[2]	**37**	–

[1] *In 2018, the Omnigo purchase consideration was transferred to the contingent consideration category under trade and other payables. The acquisition of SkyWire and Dopptech in 2018 resulted in additional contingent consideration for the current year. Refer to note 10. Due to the materiality of the amounts on acquisition of these businesses, all contingent considerations have been separately disclosed.*

[2] *The balance of the contingent purchase consideration have been included in 'Accounts payable, provisions and taxation' on the balance sheet.*

These were classified as level 3 instruments in the fair value hierarchy based on the following unobservable inputs:

For Omnigo, the fair value of the contingent purchase consideration is determined using a cash flow valuation technique and is based on earnings multiples stipulated in the purchase agreement.

The contingent purchase consideration for Omnigo was determined as 40% of the expected excess of profit before interest and tax (PBIT) exceeding a 25% return on expected average capital employed during the year.

The amount is assessed on an annual basis using forecasted average capital employed and PBIT. The discount rate used is 9,1% (Jibar plus 2%).

For SkyWire, the contingent consideration is based on a defined business plan according to which the company has to achieve certain predefined strategic tasks and objectives within 12 months of the acquisition date. The discount rate used is 9,1% (Jibar plus 2%).

For Dopptech, the contingent consideration is fixed and stipulated within the purchase agreement.

14 Litigation

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

15 Events after reporting date

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

ADDITIONAL INFORMATION

R million (unless otherwise stated)	Audited 2018	Audited 2017
Current ratio (:1)	2,3	2,4
Quick ratio (:1)	1,7	1,8
Dividend yield (%)*	6,5	7,0
Return on capital employed (%)	19,5	19,8
Net number of ordinary shares in issue (million)	161	162
Number of ordinary shares in issue (million)	185	185
Less: Empowerment shares (million)	(19)	(19)
Less: Treasury shares (million)	(5)	(4)
Capital expenditure	162	143
> expansion	106	98
> replacement	56	45
Capital commitments in respect of property, plant and equipment	83	39
> contracted	35	20
> authorised not yet contracted	48	19
Commitments in respect of operating leases	252	126
Contingent liabilities**	–	–

* *Calculated as the total dividend out of 2018 profits (interim 125 cents per share and final 368 cents per share) (2017: 120 cents per share and 354 cents respectively) divided by a Reunert share price of 7 600 cents (2017: 6 772 cents), being the closing market price on 28 September 2018.*

** *The directors are confident that Reunert Limited and its subsidiaries have no exposure arising from the guarantees and sureties in issue, beyond the liabilities recognised in the summarised consolidated statement of financial position at the financial year end.*

CORPORATE INFORMATION AND ADMINISTRATION

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(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

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