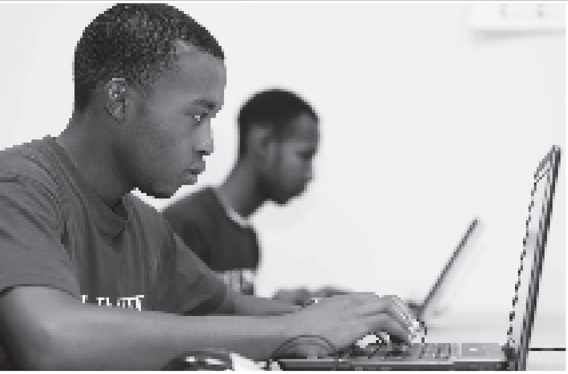
REUNERT

REUNERT LIMITED



AUDITED PRELIMINARY SUMMARISED CONSOLIDATED RESULTS

AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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Group profile

Reunert manages a diversified portfolio of businesses in the fields of electrical engineering, information communication technologies (ICT), and applied electronics. The group was established in 1888, by Theodore Reunert and Otto Lenz, and has contributed to the South African economy in numerous ways over the past 128 years. Reunert was listed on the JSE in 1948 and is included in the industrial goods and services (electronic and electrical equipment) sector of the JSE. The group operates mainly in South Africa with minor operations in Australia, Lesotho, Sweden, the USA, Zambia and Zimbabwe. Group headquarters are located in Woodmead, Johannesburg, South Africa.

Commentary

Overview

Reunert delivered another pleasing result in 2016 primarily evidenced by an increase of 12,7% in operating profit from continuing operations to R1 315 million (2015: R1 167 million). The improvement follows on from the 14,7% increase achieved in 2015, reflecting two years of double digit earnings growth from our core operations. NHEPS, after removing merger and acquisition and empowerment IFRS 2 – Share-based Payment transaction costs, increased by 16,5% to 662 cents per share (2015: 29%).

The growth in revenue, operating profit and in the earnings metrics are presented in the table below.

Measure	Units	2016	2015	%
Revenue	R million	**8 511**	8 300	3
Operating profit (before interest, dividends and empowerment transactions)	R million	**1 315**	1 167	13
Continuing operations				
Basic earnings per share	cents	**577**	579	–
Headline earnings per share	cents	**570**	576	(1)
Normalised headline earnings per share	cents	**662**	568	17
All operations				
Basic earnings per share	cents	**577**	604	(4)
Headline earnings per share	cents	**570**	588	(3)
Normalised headline earnings per share	cents	**662**	580	14

Financial performance

Group revenue

Overall group revenue from continuing operations increased by 2,5% to R8,5 billion (2015: R8,3 billion). This was underpinned by significant growth of 39,2% in the Applied Electronics segment. The Electrical Engineering segment remained static at R4,1 billion. Revenue in the ICT segment was 2,9% down as the economic conditions resulted in weaker unit sales offset by an increase in average selling prices, in part due to a weaker Rand and a strategy of moving the sales mix towards more expensive units.

Group operating profit

The 2,5% increase in group revenue was leveraged to a 12,7% increase in operating profit through improved margins. This can be ascribed to the positive impact from Applied Electronics arising from large export orders and a good performance in the Electrical Engineering segment. Gains were tempered by the impact of the difficult trading conditions in the ICT segment.

Cash

Our cash resources and money market deposits ended the year at R2,4 billion. This balance, together with a largely ungeared finance book of R2,1 billion in our in-house finance company, and the capacity to leverage the rest of our balance sheet, provides us with significant resources to invest in achieving our strategy.

Commentary continued

Segmental performance

Electrical Engineering

The Electrical Engineering segment delivered a strong performance on the back of a good result in 2015.

The energy cable business' operating profit is in line with that of the prior year despite a 7,8% decline in revenue due to changes in product mix and the delay in the award of key infrastructure projects. The telecommunications cable business enjoyed an excellent year on the back of the roll-out of the national fibre to the home programme.

The low voltage business benefited from the closure of its underperforming solutions unit at the end of 2015. The business offset muted local volumes through an excellent export performance. Its Australian operations continued to be impacted by the global downturn in commodities, whereas its North American business performed strongly. The circuit breaker business launched several new products, which bodes well for the future.

ICT

The main components of this segment made solid progress despite adverse economic conditions. The number of office automation units sold was down on the prior year, although an improvement in product mix yielded an increase in the average selling price. The office automation business continued to drive efficiencies throughout its supply chain and together with the enhanced product mix enabled the business to nominally retain its financial performance.

Our voice business, ECN, continued to increase its market share by securing a continuous stream of new customers resulting in the sale of 1,1 billion voice minutes. Future revenue should reflect the impact of this positive growth now that the last interconnect rate reduction became effective in October 2016 and the regulated floor has been reached.

Quince Capital, our in-house finance company continued to enjoy the benefits of credit loss ratios that remain well below market levels.

Applied Electronics

This segment delivered an outstanding performance driven by major export orders, most of which were completed in 2016. In particular, the Fuchs business completed the execution of its large export order with delivery being finalised in the latter part of the financial year.

Our tactical communication business had a difficult year as it industrialised its new production processes and expanded production lines, from three to eight, to accommodate the new multi-year Radiate contract. The impact of full production is expected to be realised from the second quarter of the 2017 financial year.

Our radar business continued to innovate its product line, launching the latest version of its mining surveillance radar and a new handheld radar for assessing faults in the ceiling of underground stopes. On the defence side of the business, significant effort was made to secure future research funding and position the business to participate in future large-scale radar orders. However, due to the delay in certain key programmes in the current year, revenue and profit were below those of the prior year. This unit is, however, well positioned for the future due to marketing efforts undertaken in the current year.

Omnigo, our high technology printed circuit board manufacturer, was recapitalised after being acquired in December 2015, and this enabled a significantly improved performance. This business unit exceeded all investment criteria and has secured more long-term orders.

The Solutions logistics business out-performed inflation with a pleasing increase in operating profit due to stringent cost and margin control.

Strategy execution

The progress made in the execution of the group's strategy yielded pleasing results with the conclusion of three complementary acquisitions that should deliver geographically diversified revenue streams and provide good growth opportunities.

With our cash resources, the confidence we have in Reunert's future and recognising our shareholders' desire for greater clarity regarding cash reserves, we commenced a share buyback programme in September 2016, under general shareholder authority permitting us to purchase up to nine million shares. By year-end we had repurchased 443 000 shares at an average price of R62,69 per share and at total consideration of R27,8 million. We continued to repurchase shares during the closed period, in terms of a firm mandate that was effected prior to the closed period in accordance with the JSE Listings Requirements.

We will continue to carefully balance our opportunities to invest in new businesses together with the benefit of share buybacks.

The execution of our transformation pillar progressed well. The demographic at all management levels has improved and the business units are well advanced in their activities in compliance to the new BBBEE Codes or Sector Codes, as applicable.

We took concrete action in ensuring our businesses have the appropriate equity structures to participate in the local markets. We concluded the new BEE equity ownership transaction in our Electrical Engineering segment. The equity transaction in the Applied Electronics segment is progressing according to schedule.

These transactions will position the respective segments to continuously participate in the local markets in which they operate.

Prospects

We have made good progress on the execution of the group strategy, underpinned by our ongoing programme of strategic acquisitions, positioning the group positively for growth. In the short term, although diminished, our concentration in South Africa will continue to expose the group to the local macro-economic drivers resulting from the country's current and emerging economic and political environment. In 2017, growth in the second half of the year is likely to be stronger than in the first half as our export businesses return to full capacity on the back of expected new orders.

Directorate

There were no changes in the directorate during the year under review.

Commentary continued

Cash dividend

Notice is hereby given that a gross final cash dividend No 181 of 326,0 cents per ordinary share (2015: 302,0 cents per share) has been declared by the directors for the year ended 30 September 2016.

The dividend has been declared from income reserves.

A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt from, or who do not qualify for, a reduced rate of withholding tax. The net dividend payable to shareholders is subject to withholding tax at a rate of 15%, and thus amounts to 277,10 cents per share.

The issued share capital at the declaration date is 184 005 796 ordinary shares.

In compliance with the requirements of Strate, the following dates are applicable:

Last date to trade (cum dividend)	Tuesday, 10 January 2017
First date of trading (ex dividend)	Wednesday, 11 January 2017
Record date	Friday, 13 January 2017
Payment date	Monday, 16 January 2017

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 11 January 2017 and Friday, 13 January 2017, both days inclusive.

On behalf of the board

Trevor Munday
Chairman

Alan Dickson
Chief executive officer

Nick Thomson
Chief financial officer

Sandton
21 November 2016

Independent auditor's report on summarised financial statements

To the shareholders of Reunert Limited

The summarised consolidated financial statements of Reunert Limited, contained in the accompanying preliminary report, which comprise the summarised consolidated statement of financial position as at 30 September 2016, 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 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 21 November 2016. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (refer below).

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, therefore, is not a substitute for reading the audited consolidated financial statements of Reunert Limited.

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 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 summarised 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 Financial Pronouncements as issued by the Financial Reporting Standards Council, 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 the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of Reunert Limited for the year ended 30 September 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 16 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Independent auditor's report on summarised financial statements continued

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 21 November 2016 states that as part of our audit of the consolidated financial statements for the year ended 30 September 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

Deloitte & Touche
Registered Auditors

Per: James Welch
Partner

21 November 2016

Building 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton, 2196

Summarised consolidated statement of profit or loss

for the year ended 30 September 2016

R million	Notes	Audited 2016	Audited 2015	% change
Revenue		**8 511**	8 300	3
EBITDA		**1 433**	1 284	12
Depreciation and amortisation		**118**	117	1
Operating profit before interest, dividends and empowerment transactions	2	**1 315**	1 167	13
Net interest income and dividends	3	**137**	135	1
Profit before empowerment transactions		**1 452**	1 302	12
Empowerment transactions	4	**(113)**	–	
Profit before taxation		**1 339**	1 302	3
Taxation		**404**	360	(12)
Profit after taxation		**935**	942	(1)
Share of joint venture's profit		**28**	17	65
Profit for the year from continuing operations		**963**	959	–
Profit for the year from discontinued operation		**–**	42	
Profit for the year		**963**	1 001	(4)
Profit attributable to:				
Non-controlling interests		**9**	7	29
Equity holders of Reunert – from continuing operations		**954**	952	–
Equity holders of Reunert – from discontinued operation		**–**	42	
Cents				
Basic earnings per share	5, 6	**577**	604	(4)
Diluted earnings per share	5, 6	**572**	595	(4)
Basic earnings per share from continuing operations	5, 6	**577**	579	–
Diluted earnings per share from continuing operations	5, 6	**572**	570	–
Basic earnings per share from discontinued operation	5, 6	**–**	26	
Diluted earnings per share from discontinued operation	5, 6	**–**	25	

Summarised consolidated statement of profit or loss continued

for the year ended 30 September 2016

Cents	Notes	Audited 2016	Audited 2015	% change
Other measures of earnings per share				
Headline earnings per share	5, 6	**570**	588	(3)
Diluted headline earnings per share	5, 6	**565**	579	(2)
Normalised headline earnings per share	5, 6	**662**	580	14
Diluted normalised headline earnings per share	5, 6	**656**	572	15
Other measures of earnings per share from continuing operations				
Headline earnings per share	5, 6	**570**	576	(1)
Diluted headline earnings per share	5, 6	**565**	568	(1)
Normalised headline earnings per share	5, 6	**662**	568	17
Diluted normalised headline earnings per share	5, 6	**656**	560	17
Total cash dividend per share for the year		**439**	407	8

Summarised consolidated statement of comprehensive income

for the year ended 30 September 2016

	Audited	
R million	**2016**	**2015**
Profit for the year	**963**	1 001
Other comprehensive income, net of taxation:		
Items that may be reclassified subsequently to profit or loss		
(Losses)/gains arising from translating the financial results of foreign subsidiaries	**(19)**	3
Total comprehensive income	**944**	1 004
Total comprehensive income attributable to:		
Non-controlling interests	**3**	7
Share of comprehensive income	**9**	7
Share of translation loss	**(6)**	–
Equity holders of Reunert – from continuing operations	**941**	955
Equity holders of Reunert – from discontinued operation	**–**	42

Summarised consolidated statement of financial position

at 30 September 2016

R million	Notes	Audited 2016	Audited 2015
Non-current assets			
Property, plant and equipment, investment properties and intangible assets		**1 019**	745
Goodwill	7	**737**	653
Investments and loans	8	**53**	95
Investment in joint ventures		**152**	158
Rental and finance lease receivables		**1 449**	1 463
Deferred taxation		**104**	92
		3 514	3 206
Current assets			
Inventory		**1 295**	990
Rental and finance lease receivables		**695**	728
Accounts receivable and taxation		**2 008**	1 689
Derivative assets	9	**15**	22
Money market instruments		**670**	–
Cash and cash equivalents		**1 712**	2 713
Assets of discontinued operation		**–**	51
		6 395	6 193
Total assets		**9 909**	9 399
Equity attributable to equity holders of Reunert		**7 011**	6 679
Non-controlling interests		**81**	46
Total equity		**7 092**	6 725
Non-current liabilities			
Deferred taxation		**102**	98
Long-term borrowings	10	**43**	239
		145	337
Current liabilities			
Accounts payable, provisions and taxation		**2 037**	2 003
Derivative liabilities	9	**6**	7
Bank overdrafts and short-term loans		**400**	77
Current portion of long-term borrowings	10	**229**	201
Current liabilities of discontinued operation		**–**	49
		2 672	2 337
Total equity and liabilities		**9 909**	9 399

Summarised consolidated statement of cash flows

for the year ended 30 September 2016

R million	Note	Audited 2016	Audited 2015
EBITDA		**1 433**	1 329
EBITDA from continuing operations		**1 433**	1 284
EBITDA from discontinued operation		**–**	45
(Increase)/decrease in net working capital		**(396)**	62
Other (net)		**50**	79
Cash generated from operations		**1 087**	1 470
Net interest and dividends		**137**	133
Taxation paid		**(431)**	(415)
Dividends paid (including to non-controlling interests)		**(690)**	(629)
Net inflow from operating activities		**103**	559
Net (outflow)/inflow from investing activities		**(1 205)**	1 641
Capital expenditure		**(222)**	(146)
Net (outflow)/inflow from disposal of businesses		**(23)**	1 789
Net outflow arising from acquisition of businesses	11	**(462)**	(19)
Movement in total rental and finance lease receivables		**14**	(2)
Non-current loans repaid/(granted)		**43**	(5)
Proceeds from investment in insurance cell captive		**48**	–
Dividends received from joint venture		**35**	10
Investments net of other capital items*		**(638)**	14
Net (outflow)/inflow from financing activities		**(222)**	21
Shares issued		**25**	32
Investment in treasury shares		**(28)**	–
Net long-term borrowings repaid		**(181)**	(3)
Equity transactions with non-controlling interests		**(40)**	(21)
Other		**2**	13
(Decrease)/Increase in net cash resources		**(1 324)**	2 221
Net cash resources at the beginning of the year		**2 636**	415
Net cash resources at the end of the year		**1 312**	2 636
Cash and cash equivalents		**1 712**	2 713
Bank overdrafts		**(327)**	–
Short-term borrowings		**(73)**	(77)
Net cash resources at the end of the year		**1 312**	2 636

* *This includes R670 million investment in long-dated money market instruments.*

Summarised consolidated statement of changes in equity

for the year ended 30 September 2016

R million	Audited 2016	2015
Share capital	**343**	318
Balance at the beginning of the year	**318**	294
Issue of shares	**25**	32
Cancellation of issued shares	**–**	(8)
Share-based payment reserve	**136**	16
Balance at the beginning of the year	**16**	–
Share-based payment expense	**120**	16
Equity transactions with empowerment partners and non-controlling shareholders	**–**	–
Balance at the beginning of the year	**–**	–
Net changes in non-controlling interests	**(40)**	(10)
Transferred to retained earnings	**40**	10
Empowerment shares*	**(276)**	(276)
Treasury shares	**(28)**	–
Balance at the beginning of the year	**–**	–
Shares bought back during the year	**(28)**	–
Foreign currency translation reserves	**(7)**	6
Balance at the beginning of the year	**6**	3
Other comprehensive income	**(13)**	3
Non-distributable reserves	**1**	–
Balance at the beginning of the year	**–**	–
Increase in capital reserve	**1**	–
Retained earnings	**6 842**	6 615
Balance at the beginning of the year	**6 615**	6 561
Total comprehensive income attributable to equity holders of Reunert	**954**	994
Cash dividends declared and paid	**(687)**	(625)
Cancellation of issued shares	**–**	(305)
Transfer to reserves**	**(40)**	(10)
Equity attributable to equity holders of Reunert	**7 011**	6 679
Non-controlling interests	**81**	46
Balance at the beginning of the year	**46**	63
Share of total comprehensive income	**3**	7
Dividends declared and paid	**(3)**	(4)
Net changes in non-controlling interests	**35**	(20)
Total equity at end of the year	**7 092**	6 725

* *These are shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to an accredited 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.

** *Impact of the final settlement of prior empowerment transactions.*

Summarised segmental analysis

for the year ended 30 September 2016

R million	Audited 2016	Audited % of total	Audited 2015	% of total	% change
Revenue[1]					
Electrical Engineering	**4 106**	**46**	4 112	45	–
ICT	**3 332**	**37**	3 431	37	(3)
ICT – discontinued	**–**	**–**	530	6	
Applied Electronics	**1 505**	**17**	1 081	12	39
Other	**21**	**–**	23	–	(9)
Total segment revenue	**8 964**	**100**	9 177	100	(2)
Revenue from equity-accounted joint venture – Electrical Engineering	**(453)**		(347)		–
Revenue from discontinued operation – ICT	**–**		(530)		
Revenue as reported	**8 511**		8 300		3
Operating profit					
Electrical Engineering	**610**	**45**	520	42	17
ICT[2]	**549**	**41**	533	43	3
ICT – discontinued	**–**	**–**	44	4	
Applied Electronics	**305**	**23**	181	15	69
Other[2]	**(111)**	**(9)**	(42)	(4)	(164)
Total segment operating profit	**1 353**	**100**	1 236	100	9
Operating profit from equity-accounted joint venture – Electrical Engineering	**(38)**		(25)		
Operating profit from discontinued operation – ICT	**–**		(44)		(100)
Operating profit as reported	**1 315**		1 167		13

[1] *Inter-segment revenue is immaterial and has not been separately disclosed.*
[2] *Net interest charged on group funding provided to Quince has been eliminated in line with the consolidation principles of IFRS. This elimination amounted to R95 million (2015: R77 million).*

Summarised segmental assets

as at 30 September 2016

R million	Audited 2016	Audited % of total	Audited 2015	% of total
Total assets				
Electrical Engineering	**2 699**	**27**	1 900	20
ICT	**4 084**	**41**	3 976	43
Applied Electronics	**1 477**	**15**	979	10
Other[3]	**1 649**	**17**	2 544	27
Total assets as reported	**9 909**	**100**	9 399	100

[3] *Other consists mainly of group treasury cash balances.*

Notes

1. Basis of preparation

These preliminary summarised consolidated financial statements were prepared in accordance with the framework concepts and the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Boards (IASB) in issue and effective for the group at 30 September 2016 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. This summarised consolidated information was prepared using, at a minimum, the information as required by IAS 34 – Interim Financial Reporting, and complies with the Listings Requirements of the JSE Limited and the requirements of the Companies Act, 71 of 2008, of South Africa. This report was compiled under the supervision of N A Thomson CA(SA) (chief financial officer).

The group's accounting policies, as per the audited financial statements for the year ended 30 September 2016, were consistently applied with those used in the prior year financial statements. These accounting policies comply with IFRS.

	Audited	
R million	**2016**	**2015**
2. Operating profit		
Operating profit includes:		
– Cost of sales	**5 402**	5 416
– Other expenses excluding depreciation and amortisation	**1 731**	1 652
– Other income	**45**	31
– Realised gain/(loss) on foreign exchange and derivative instruments	**26**	(13)
– Unrealised (loss)/gain on foreign exchange and derivative instruments	**(16)**	34
3. Net interest income and dividends		
Interest income and dividends*	**164**	150
Interest expense	**(27)**	(16)
Other	**–**	1
Total	**137**	135
4. Empowerment transactions		
Share-based payment charges**	**113**	–
Taxation thereon	**–**	–
Net empowerment transactions after taxation	**113**	–

* *Includes dividends of R8 million (2015: Rnil).*

** *This represents IFRS 2 (Share-based Payment) charges as a result of the introduction of empowerment partners in the Electrical Engineering and Applied Electronics segment.*

		Audited	
	R million	**2016**	**2015**
5.	**Number of shares used to calculate earnings per share**		
	Weighted average number of shares in issue used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	**165**	165
	Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**2**	2
	Weighted average number of shares used to determine diluted basic, headline and normalised headline earnings per share (millions of shares)	**167**	167
6.	**Headline earnings**		
6.1	**Profit attributable to equity holders of Reunert from continuing operations**	**954**	952
	Headline earnings are determined by eliminating the effect of the following items from attributable earnings:		
	Net gain on disposal of property, plant and equipment (after a tax charge of R2 million and non-controlling interest (NCI) portion of Rnil) (2015: R1 million)	**(20)**	(4)
	Impairment of intangible asset (after a tax credit of R3 million and NCI portion of R2 million) (2015: after tax charge and NCI of Rnil)	**8**	–
	Headline earnings from continuing operations	**942**	948
	Headline earnings from discontinued operation	**–**	20
	Headline earnings	**942**	968

Notes continued

R million	Audited 2016	Audited 2015
6.2 Normalised headline earnings#		
Headline earnings from continuing operations	**942**	948
Normalised headline earnings are determined by eliminating the effect of the following items from attributable headline earnings:		
Recurring IFRS 2 charges on BBBEE deals undertaken in the current year (after tax charge and NCI portion of Rnil)	**113**	–
Merger and acquisition costs relating to current transactions (after tax charge and NCI portion of Rnil)	**39**	–
Net economic interest in profit attributable to non-controlling interests with outstanding equity-related loan accounts. These are not recognised as significant risks and rewards of ownership have not passed to the non-controlling shareholders.	**–***	(13)
Normalised headline earnings from continuing operations	**1 094**	935
Headline earnings attributable to equity holders of Reunert from discontinued operation	**–**	20
Normalised headline earnings	**1 094**	955

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

The summarised pro forma financial effects have been prepared in a manner consistent in all respects with IFRS, the accounting policies adopted by Reunert Limited as at 30 September 2016, the revised SAICA guide on pro forma financial information, and the Listings Requirements of the JSE.

There are no post balance sheet events which require 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.

* *This adjustment is not required in 2016 as Reunert bought back the non-controlling interests during the year.*

R million	Audited 2016	2015
7. Goodwill		
Carrying value at the beginning of the year	**653**	649
Acquisition of businesses[1]	**90**	13
Disposals of businesses and subsidiaries	**–**	(6)
Exchange differences on consolidation of foreign subsidiaries	**(6)**	(3)
Carrying value at the end of the year	**737**	653
8. Investments and loans		
Loans – at cost	**37**	81
Investment in insurance cells – at fair value	**16**	14
Carrying value at the end of the year	**53**	95
9. Fair value classification and measurement		
At the balance sheet date, the only financial instruments that the group held at fair value were:		
Derivative assets	**15**	22
Derivative liabilities	**6**	7
These were classified as Level 2 instruments in the fair value hierarchy and comprise forward exchange contracts and interest rate swaps. The fair value of these derivative financial instruments is calculated using a discounted cash flow model, with the major variables being the discount rate, the spot exchange rate and prevailing interest rates.		
The calculations were performed by major financial institutions.		
10. Long-term borrowings		
Total long-term borrowings (including finance leases)[2]	**272**	440
Less: short-term portion (including finance leases)	**(229)**	(201)
	43	239

[1] *At 30 September 2016, the purchase price allocation of the acquisitions made in 2016 were not yet finalised and therefore the amounts reported are provisional and subject to change.*

[2] *These borrowings include R200 million (2015: R400 million) in respect of the Quince rental book, which is repayable in May 2017 (2015: R200 million).*

Notes continued

R million	Audited 2016	2015
11. Acquisition of businesses		
During the current year, the following entities were acquired by the group:		
– **Metal Fabricators of Zambia Plc:** With effect from 26 August 2016, 74,39% of the share capital of Metal Fabricators of Zambia Plc (Zamefa) was purchased by Reunert International Investments (Mauritius) Limited. The R40 million goodwill arising from this acquisition consists mostly of synergies expected to be realised with the group's existing energy cable businesses and through the facilitation of Zambian copper procurement which is utilised extensively in cable production.	**153**	–
– **Omnigo Proprietary Limited:** With effect from 1 December 2015, 100% of the share capital of Omnigo Proprietary Limited was purchased by Reutech Proprietary Limited. In addition to the base purchase price, there is a further contingent purchase consideration estimated at a net present value of R51 million payable over three years subject to the achievement of pre-defined threshold targets. The R40 million in goodwill arising from the acquisition is attributable to the synergies from the vertical integration with the group's other businesses in the Applied Electronics segment.	**22**	–
– **Polybox Proprietary Limited:** With effect from 1 October 2015, 51,12% of the share capital of Polybox Proprietary Limited was purchased by CBI Proprietary Limited. The R10 million in goodwill is attributable to the combination of the Polybox product in conjunction with CBI Low Voltage's circuit breakers to provide a weather-proof solution to customers.	**5**	–
Cost of investment	**180**	–
Net borrowings at time of acquisition	**282**	–
Net cash flows on acquisition of businesses	**462**	–
Minority interest	**32**	–
	494	–

R million	Audited 2016	2015
11. Acquisition of businesses continued		
Gross assets acquired:		
Deferred taxation	**19**	–
Property, plant and equipment and intangible assets	**201**	–
Inventory	**151**	–
Current accounts receivable	**443**	–
Non-current payables	**(12)**	–
Payables and provisions	**(398)**	–
Goodwill	**90**	–
Net assets acquired	**494**	–
Revenue since acquisition	**439**	–
Profit after taxation since acquisition	**24**	–
Revenue for the 12 months ended 30 September 2016, as though the acquisition dates had been 1 October 2015	**1 881**	–
Profit after taxation for the 12 months ended 30 September 2016 as though the acquisition dates had been 1 October 2015	**111**	–

12. Unconsolidated subsidiary

The financial results of Cafca Limited (Cafca), a subsidiary incorporated in Zimbabwe, have not been consolidated into the group results, as the group does not exercise management control:

- Reunert has not appointed a majority of the directors to the board of directors of Cafca and therefore does not control the board; and
- The difficult economic circumstances in Zimbabwe have resulted in a major liquidity crisis, which renders Reunert's access to economic benefits from Cafca (e.g. dividends) such that it does not have the ability to affect its variable returns through its powers over Cafca.

The amounts involved are not material to the group's results.
At 30 September 2016 Cafca's share capital and reserves amounted to US$15 million.

Notes continued

13. Related party transactions

Counterparty Rm	Relationship	Sales	Purchases	Treasury shares
All related-party transactions, trading accounts and loan balances are on the same terms and conditions as those with non-related parties.				
September 2016				
CBI-electric: Telecom Cables Proprietary Limited	A joint venture	1	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	276
September 2015				
CBI-electric: Telecom Cables Proprietary Limited	A joint venture	2	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	276

14. Litigation

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

15. Events after reporting date

Effective from 1 October 2016, the group acquired all the issued share capital and shareholder loans in Nanoteq Proprietary Limited, a company specialising in military grade encryption. The company was purchased for a total cash consideration of R130 million and will form part of the Applied Electronics segment.

16. Audit opinion

These summarised consolidated financial statements were derived from the consolidated financial statements and are consistent in all material respects with the group's consolidated financial statements. The directors take full responsibility for the preparation of the summarised consolidated financial statements. The auditors, Deloitte & Touche, have issued unmodified audit opinions on the consolidated financial statements and on these summarised consolidated financial statements for the year ended 30 September 2016, and the audit opinions and consolidated financial statements are available for inspection at Reunert's registered office. The audit was conducted in accordance with the International Standards on Auditing. The auditor's report does not necessarily report on all information contained in this announcement. Shareholders are, therefore, advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from Reunert's registered office. Any reference to future performance included in this announcement has not been reviewed or reported on by the auditors.

Additional information

R million (unless otherwise stated)	Audited **2016**	 **2015**
Current ratio (:1)	**2,4**	2,6
Quick ratio (:1)	**1,9**	2,2
Dividend Yield (%)	**7,2**	6,7
Net number of ordinary shares in issue (million)	**165**	165
Number of ordinary shares in issue (million)	**184**	184
Less: Empowerment shares (million)	**(19)**	(19)
Capital expenditure	**222**	146
– expansion	**174**	104
– replacement	**48**	42
Capital commitments in respect of property, plant and equipment	**60**	68
– contracted	**10**	41
– authorised not yet contracted	**50**	27
Commitments in respect of operating leases	**63**	75
Contingent liabilities	**–**	–

Administration

Directors
T S Munday (Chairman)*,T Abdool-Samad*, A E Dickson (Chief Executive Officer), S D Jagoe*, S Martin*, P Mahanyele*, M Moodley, T J Motsohi*, N D B Orleyn**, S G Pretorius*, M A R Taylor, N A Thomson (Chief Financial Officer), R Van Rooyen*
** independent non-executive; ** non-executive*

Registered office
Nashua Building
Woodmead North Office Park
54 Maxwell Drive
Woodmead, Sandton
PO Box 784391
Sandton, 2146
Telephone +27 11 517 9000

Income taxation reference number 9100/101/71/7P

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
PO Box 61051
Marshalltown, 2107

Sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)

Registered auditors
Deloitte & Touche

Secretaries' certification
In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I, Karen Louw, duly authorised on behalf of the Company Secretary, Reunert Management Services Proprietary Limited (Registration number 1980/007949/07), certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 September 2016 all such returns and notices as are required in terms of the aforesaid Act and that all such returns and notices appear to be true, correct and up to date.

Karen Louw
On behalf of Reunert Management Services Proprietary Limited
Group Company Secretaries

Enquiries
Carina de Klerk +27 11 517 9000 or e-mail invest@reunert.co.za.
For more information log on to the Reunert website at www.reunert.com.

22 November 2016 (publication date)

REUNERT

REUNERT LIMITED

WWW.REUNERT.COM