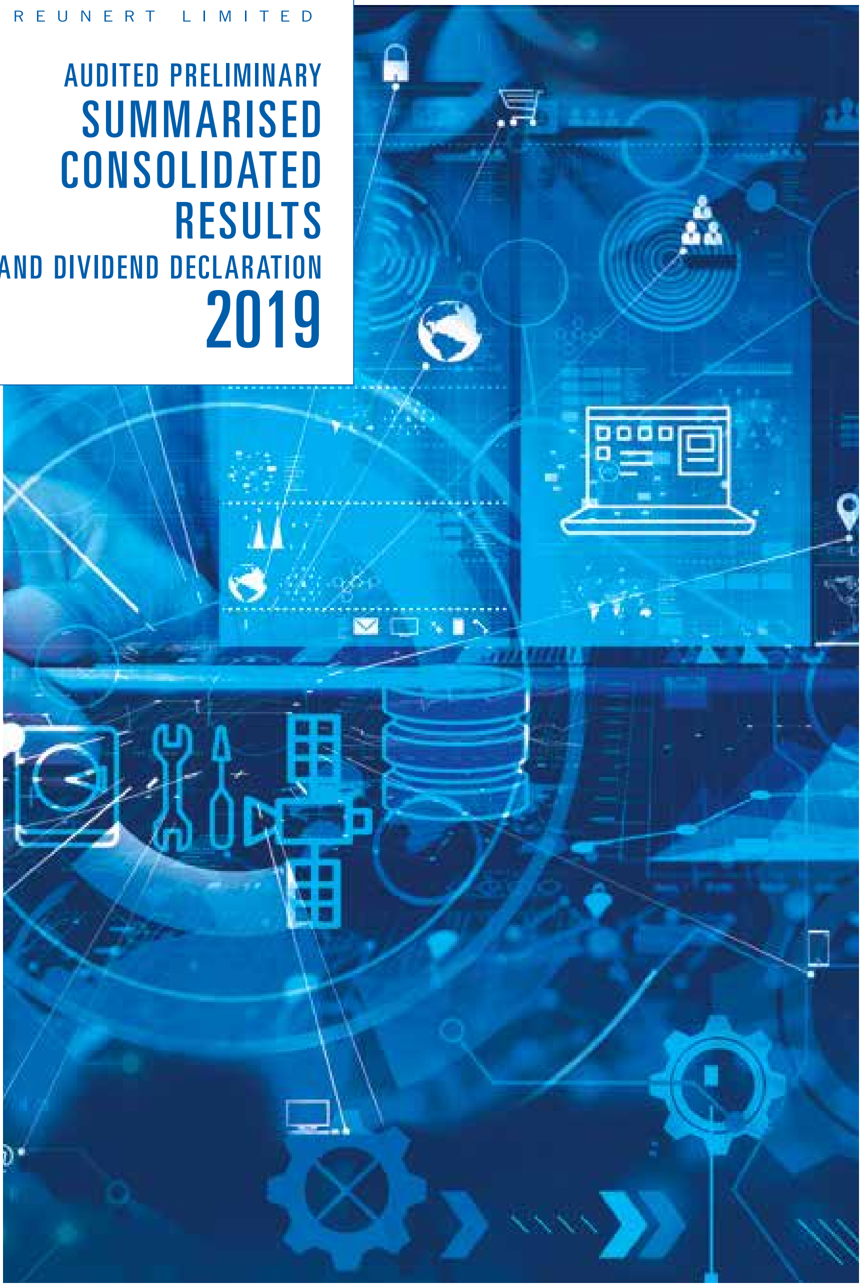
REUNERT

REUNERT LIMITED

AUDITED PRELIMINARY SUMMARISED CONSOLIDATED RESULTS AND DIVIDEND DECLARATION 2019



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OVERVIEW

Group revenue increased by 2% to R10 714 million (FY18[1]: R10 492 million). Group operating profit ("operating profit") declined by 12% to R1 361 million (FY18: R1 542 million) primarily due to the quantum of once-off items included in the prior year and the decline in the Electrical Engineering (EE) segment's contribution in the current year.

Consistent with the prospects outlined to shareholders in the 2019 interim results, both the Information, Communication and Technology (ICT) and Applied Electronics (AE) segments have delivered positive growth in their core operating profit[2]. The reduction of the EE segment's core operating profit in 2019 is due to lower electrical infrastructure spend, particularly by Eskom and municipalities. As a result, the Group's core operating profit reduced by 6%.

In addition, R40 million of plant & equipment and R57 million of goodwill at Zamefa was impaired. This was due to the unexpected change in the duty regime in Zambia which negatively impacts Zamefa's future gross trading margin and resulted in the impairments being required. This is despite the expected improvement in Zamefa's cash flow resulting from the zero rating of copper cathode for VAT purposes, which was announced at the same time.

[1] *FY18 = Financial Year ended 30 September 2018.*

[2] *Core operating profit comprises operating profit adjusted for the impact of once-off items such as profit or loss on disposal of assets and contingent considerations which do not realise as the measurement criteria are not met (see table below).*

GROUP RESULTS

Key earnings metrics

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

RECONCILIATION OF CORE OPERATING PROFIT TO OPERATING PROFIT PER SEGMENT

AT 30 SEPTEMBER 2019

	2019					2018					
	EE	**ICT**	**AE**	**Other**	**Total**	EE	ICT	AE	Other	Total	% Change
Core operating profit/(loss)	**323**	**748**	**356**	**(73)**	**1 354**	440	715	352	(73)	1 434	(6)
Release of contingent consideration (SkyWire)							77			77	(100)
Sale of assets			**2**	**2**	**4**			28		28	(86)
Segment operating profit/(loss)	**323**	**748**	**358**	**(71)**	**1 358**	440	792	380	(73)	1 539	(12)
Operating profit/(loss) from equity accounted joint venture	**11**			**(4)**	**7**	9			(3)	6	
Operating (loss) from equity accounted associate		**(4)**			**(4)**		(3)			(3)	
Operating profit per statement of profit or loss	**334**	**744**	**358**	**(75)**	**1 361**	449	789	380	(76)	1 542	(12)

SEGMENTAL RESULTS

Electrical Engineering

The EE segment delivered a disappointing performance. Although revenue increased by 6% to R5 457 million (FY18: R5 139 million), core operating profit contracted by 27% to R323 million (FY18: R440 million).

This contraction arose primarily from our two local cable businesses where the demand for cables fell materially in the second half of the year due to the factors described in the overview. Our channel partners, who provide a valuable route to market, rapidly reduced their orders. This compounded the already weak demand from both Eskom and municipalities. Telkom significantly reduced its demand for both copper telephone and fibre optic cable. The efficiency of both cable factories fell as reduced demand resulted in sub-optimum production levels in the plants. This, coupled with under-recoveries of overheads due to lower volumes and reduced margins from the changed sales mix, resulted in the reduction in the core operating profit of the segment.

Regrettably, the two South African cable plants had to conduct retrenchment exercises in the second half of 2019.

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

The steadiest performer in the segment was Low Voltage where strong export volumes and good performances in the USA and Australia provided some buffer to weakening volumes in South Africa. The business managed its cost base and margins well and delivered a satisfactory performance in an otherwise difficult local environment.

Information Communication and Technology

The ICT segment delivered core operating profit growth of 5% to R748 million (FY18: R715 million), despite revenues falling by 6% to R3 236 million (FY18: R3 443 million).

Office Automation further expanded its market position as a Total Workspace Provider. The complementary service revenues to the end customer across the total franchise channel, increased by 23% to R616 million (FY18: 501 million). These complementary services now comprise 17% of the total revenue in the franchise channel. The increase in complementary services offset weaker hardware sales due to business confidence remaining constrained for most of the year.

The Communications Cluster also had a strong performance:

> ECN, our fixed line VOIP service provider, restructured its business and is converting its network onto a "Best-in-Class" platform that has already improved cost efficiency and enabled greater scale. Record new customer sales were secured although the weak economy resulted in overall minutes remaining largely stable despite the high number of new customers gained. The increase in additional annuity revenue streams continues to build and both VBX and last mile connectivity solutions are now reaching scale. This performance enabled another year of real growth for ECN.

> The integration of SkyWire, our wireless last mile broadband connectivity provider, into the Communications Cluster was completed successfully during FY19. New connections continued to grow throughout the year, but were below expectations due to the delay in the rollout of a large state contract. Pleasingly, the execution of this contract has now commenced and accelerated growth is expected in FY20. The cash flow returns of the business remain in line with the investment case.

The Finance Cluster delivered another good financial performance. The book grew to R2 975 million (FY18: R2 811 million) due to Quince's support for complementary products sold by the Office Automation Franchise and Dealer channels. The fixed cost base required to manage the book remained well under control and the quality of the book is excellent. Bad debts remain well controlled, and were limited to only 0,27% of assets managed (FY18: 0,28%), despite the challenging environment faced by many of our customers.

Applied Electronics

The AE segment's core operating profit increased by 1% to R356 million (FY18: R352 million). Revenue increased by 7% to R2 346 million (FY18: R2 198 million). This was a commendable performance given the record level of sales into significant export contracts last year.

Fuchs executed their export fuze contracts and achieved another excellent performance with its major export contract being fully completed by the end of the third quarter of the financial year. Fuchs developed a lower cost supply chain and improved product optimisation which is expected to improve future margins and the business' ability to secure contracts. Pleasingly, there are also an increasing number of opportunities developing in new geographies that could materialise in the near future[1]. The factory will, however, not be fully loaded in H1:2020 until the next phase of the export contract to Southern Asia is negotiated.

Reutech Solutions had an excellent year as it sold a large volume of dynamic control platforms into export markets. Local volumes and margins remain challenging but export demand continues to underpin performance.

Reutech Communications had a record year as it delivered secure communication products into both local and export markets. The factory ran largely at full capacity. The investment in shop floor management systems over the past few years resulted in improved operational efficiency. It also commenced research into and the development of a suite of new radios for its key South East Asia markets. Customer acceptance of the new airborne radios continues to increase their international presence.

Reutech Radar Systems returned a solid performance and concluded a large export contract for a defence radar system. Mining radars returned to normal volumes as penetration into new markets increased. It opened new offices in Australia and we expect a positive impact on sales in this important mining market. The next generation of Mining Surveillance Radar (MSR), named Esprit, which provides significant performance improvement was released. The demand for the Sub-Surface Profiler, launched in FY18, continues to grow.

Terra Firma Solutions had another good year of growth as a record number of engineering, procurement and construction projects were executed and it concluded its first projects in Africa. These opportunities are expected to continue to grow.

[1] *Any forecast financial information has not been reviewed or reported on by the Group's auditors.*

DISPOSAL OF SUBSIDIARY

In March 2019, the Group disposed of its controlling shareholding in Prodoc Svenska AB (Prodoc), the Swedish office automation business. The rationale for this disposal was the consistently low earnings from this business and the growing misalignment with the ICT segment strategy. This disposal resulted in a loss of R44 million.

CAPITAL EXPENDITURE

The group invested R56 million (FY18: R56 million) into the replacement of property, plant and equipment and a further R102 million (FY18: R106 million) to expand its operations. All expenditure was financed out of available cash resources and represented 12% (FY18: 23%) of free cash flow before replacement capital expenditure[2].

[2] *Cash from operations ± interest received/(paid) – tax paid.*

CASH RESOURCES

The Statement of Financial Position was managed well and, pleasingly, released R318 million (FY18: (R498) million) from working capital. This resulted in free cash flow of R1 313 million (FY18: R641 million) being 163% of the profit for the year (FY18: 56%), comfortably leaving the Group with the financial resources to pursue its strategy, expand organically, and protect the dividend which underpins the Reunert Investment case.

The Group's net cash and cash equivalent amounted to R616 million (FY18: R572 million) at the financial year end. The Group continues to have significant facilities with tenures up to one year available to it.

NEW ACCOUNTING STANDARDS

The Group adopted the new accounting standards IFRS9: Financial Instruments and IFRS 15: Revenue from contracts with customers.

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

	Gross Impact Rm	Tax Impact Rm	Impact on NCI[1] Rm	Impact on opening retained income Rm
Increase in impairment relating to adoption of expected credit loss model	39	(9)	(3)	27
Revenue recognition impact of applying IFRS 15	48	(13)	(6)	29
Total	**87**	**(22)**	**(9)**	**56**

[1] *Non-controlling interest.*

DIRECTORATE

With effect from 1 October 2019 Mr AB Darko and Mr LP Fourie were appointed as independent non-executive directors.

Mr Fourie will serve on the Audit, Risk, and Investment Committees and Mr Darko on the Audit, Risk, and Social, Ethics and Transformation Committees.

Mr MAR Taylor resigned as an executive director with effect from 1 October 2019, but will continue in his role as the head of the ICT segment until the end of the 2020 financial year. Mr SG Pretorius and Mr van Rooyen were due to retire from the Board at the Annual General Meeting (AGM) having both reached mandatory retirement age, however at the request of the Board, their retirement was delayed for a year and as such will retire at the upcoming AGM.

There were no other changes to the Board in the year under review.

PROSPECTS[2]

Reunert's ICT and AE segments continue to perform well as their strategic execution translates into good financial performance. We expect this to continue into the new financial year. There remains uncertainty on the timing, rate and quantum of any EE recovery. Current industrial action is likely to negatively impact the first half of 2020.

Our Statement of Financial Position remains strong and cash flow generation is expected to continue at levels that support our dividend philosophy and operational and strategy execution.

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

[2] *Any forecast financial information has not been reviewed or reported on by the Group's auditors.*

APPRECIATION

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

CASH DIVIDEND

Our final and total dividend increase of 4% is again inflation related and reflective of our pleasing cash performance. It takes cognisance of our ungeared Statement of Financial Position and our strategic plans going forward.

Therefore, notice is hereby given that a gross final cash dividend No 187 of 383 cents per ordinary share (2018: 368 cents per share) has been declared by the directors for the year ended 30 September 2019.

The dividend has been declared from retained earnings, bringing the total dividends declared out of 2019 profits to 513 cents per share.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt from, or who do not qualify for a reduced rate of withholding tax.

Accordingly, for those shareholders subject to withholding tax, the net dividend amounts to 306,4 cents per share (2018: 294,4 cents per share).

The issued share capital at the declaration date is 184 950 196 ordinary shares.

In compliance with the requirements of Strate Proprietary Limited and the Listing Requirements of the JSE Limited, the following dates are applicable:

Last date to trade (cum dividend)	Tuesday, 14 January 2020
First date of trading (ex dividend)	Wednesday, 15 January 2020
Record date	Friday, 17 January 2020
Payment date	Monday, 20 January 2020

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 15 January 2020 and Friday, 17 January 2020, both days inclusive.

On behalf of the Board

Trevor Munday
Chair

Alan Dickson
Chief Executive Officer

Nick Thomson
Chief Financial Officer

18 November 2019

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

R million	Notes	Audited 2019	Audited 2018	% change
Revenue	2	**10 714**	10 492	2
EBITDA*		**1 526**	1 699	(10)
Depreciation and amortisation		**(165)**	(157)	5
Operating profit	3	**1 361**	1 542	(12)
Net interest (expense)/income	4	**(15)**	11	
Loss on disposal of subsidiary	12	**(44)**	–	–
Impairment of goodwill	8	**(67)**	–	–
Impairment of property, plant and equipment	8	**(40)**	–	–
Empowerment transactions	5	**(3)**	(42)	(93)
Profit before taxation		**1 192**	1 511	(21)
Taxation		**(387)**	(358)	8
Profit after taxation		**805**	1 153	
Share of joint ventures' and associate's loss		**(1)**	(1)	–
Profit for the year		**804**	1 152	(30)
Profit attributable to:				
Non-controlling interests (NCI)		**14**	(6)	
Equity holders of Reunert		**790**	1 158	(32)
Cents				
Earnings per share				
Basic	6,7	**490**	717	(32)
Diluted	6,7	**484**	705	(31)

* *Earnings before net interest; taxation; depreciation and amortisation; impairment of goodwill; impairment of property, plant and equipment; loss on disposal of subsidiary; and empowerment transactions.*

Cents	Notes	Audited 2019	Audited 2018	% change
Other measures of earnings per share				
Headline	6,7	**573**	703	(19)
Diluted headline	6,7	**566**	691	(18)
Normalised headline	6,7	**578**	687	(16)
Diluted normalised headline	6,7	**571**	675	(15)
Total cash dividend per share for the year		**513**	493	4

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

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

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

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

R million	Notes	Audited 2019	Audited 2018
Non-current assets			
Property, plant and equipment, investment property and intangible assets		**1 292**	1 297
Goodwill	8	**999**	1 053
Investments and loans		**60**	56
Investment in joint ventures and associate		**154**	158
Finance leases and loans receivable		**2 082**	1 990
Deferred taxation		**143**	151
		4 730	4 705
Current assets			
Inventory		**1 376**	1 461
Finance leases and loans receivable		**893**	821
Trade and other receivables and taxation		**2 356**	2 694
Derivative assets		**10**	7
Cash and cash equivalents		**939**	765
		5 574	5 748
Total assets		**10 304**	10 453
Equity attributable to equity holders of Reunert		**7 312**	7 438
Non-controlling interests		**119**	88
Total equity		**7 431**	7 526
Non-current liabilities			
Deferred taxation		**138**	156
Put option liability	9	**–**	120
Long-term loans	10	**57**	82
Share-based payment liability		**14**	23
		209	381
Current liabilities			
Put option liability	9	**120**	–
Current portion of long-term loans	10	**3**	18
Share-based payment liability		**18**	–
Derivative liabilities		**16**	65
Trade and other payables, provisions and taxation		**2 184**	2 270
Bank overdrafts and short-term facilities		**323**	193
		2 664	2 546
Total equity and liabilities		**10 304**	10 453

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

R million	Audited 2019	Audited 2018
Share capital	**388**	374
Balance at the beginning of the year	**374**	359
Issue of shares	**14**	15
Share-based payment reserves	**229**	256
Balance at the beginning of the year	**256**	176
In terms of the conditional share plan (CSP)	**1**	49
Shares acquired for incentive scheme	**(74)**	(2)
In terms of the empowerment transaction	**3**	32
Transfer from retained earnings	**43**	1
Equity transactions/put option with non-controlling shareholders	**(108)**	(108)
Balance at the beginning of the year	**(108)**	(116)
Net changes in non-controlling interests	**(27)**	(3)
Transfer from retained earnings	**27**	11
Empowerment shares[1]	**(276)**	(276)
Treasury shares[2]	**(342)**	(342)
Balance at the beginning of the year	**(342)**	(227)
Shares bought back during the year	**–**	(115)
Foreign currency translation reserves	**(11)**	(23)
Balance at the beginning of the year	**(23)**	(3)
From other comprehensive income	**2**	(20)
Recycled to the statement of profit or loss on disposal of foreign subsidiary	**10**	–
Translation loss on net investment in foreign subsidiary	**(47)**	(42)
Balance at the beginning of the year	**(42)**	–
Other comprehensive income	**(5)**	(42)
Gain on fair value movement of investment in financial asset	**6**	–
Balance at the beginning of the year	**–**	–
Other comprehensive income	**6**	–
Retained earnings	**7 473**	7 599
Balance at 30 September 2018	**7 599**	7 225
IFRS 9 and IFRS 15 transitional adjustments	**(56)**	–
Balance at the beginning of the year	**7 543**	7 225
Profit for the year attributable to equity holders of Reunert	**790**	1 158
Cash dividends declared and paid	**(803)**	(772)
Tax deduction in terms of CSP	**13**	–
Transfer to reserves	**(70)**	(12)
Equity attributable to equity holders of Reunert	**7 312**	7 438
Non-controlling interests	**119**	88
Balance at 30 September 2018	**88**	105
Share of IFRS 9 and IFRS 15 transitional adjustments	**(9)**	–
Balance at the beginning of the year	**79**	105
Share of total comprehensive income	**16**	(9)
Dividends declared and paid	**(14)**	(9)
Subscription for shares by non-controlling shareholder	**43**	
Net changes in non-controlling interests	**(5)**	1
Total equity at the end of the year	**7 431**	7 526

[1] *This is the cost of Reunert Limited shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to its empowerment partner in 2007. Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the Group as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.*

[2] *Reunert shares bought back in the market and held by a subsidiary: 4 997 698 shares (2018: 4 997 698 shares).*

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

R million	Notes	Audited 2019	Audited 2018
EBITDA		**1 526**	1 699
Non-cash items		**(66)**	(79)
Cash generated from operations before working capital changes		**1 460**	1 620
Decrease/(increase) in net working capital		**318**	(498)
Cash generated from operations		**1 778**	1 122
Net cash interest (expense)/income		**(6)**	20
Taxation paid		**(403)**	(445)
Dividends paid (including to non-controlling interests)		**(817)**	(781)
Net cash inflow/(outflow) from operating activities		**552**	(84)
Net outflow from investing activities		**(418)**	(597)
Capital expenditure		**(158)**	(162)
Cash flows on acquisition of businesses	11	**(32)**	(228)
Cash flows on disposal of business	12	**15**	–
Increase in finance leases and loans receivable		**(252)**	(375)
Net other investments made and loans advanced		**(1)**	(3)
Dividend received from joint venture		**3**	–
Proceeds from disposal of property, plant and equipment and realisation of investments[1]		**7**	171
Net outflow from financing activities		**(92)**	(85)
Shares issued		**14**	15
Investment in treasury shares		**–**	(115)
Net long-term loans raised		**2**	20
Shares acquired in terms of the CSP		**(74)**	(2)
Contingent consideration paid		**(16)**	–
Net transactions with non-controlling interests		**(18)**	(2)
Exercise of Ryonic put option		**–**	(1)
Increase/(decrease) in net cash and cash equivalents		**42**	(766)
Net cash and cash equivalents at the beginning of the year as reported in the Statement of Financial Position		**572**	1 325
Net cash and cash equivalents at the end of the year before translation adjustments		**614**	559
Cash and cash equivalents		**939**	765
Bank overdrafts and short-term facilities		**(323)**	(193)
Bank overdrafts		**(154)**	(126)
Short-term facilities		**(169)**	(67)
Net cash and cash equivalents at the end of the year as reported in the Statement of Financial Position		**616**	572
Net exchange translation adjustments to net cash and cash equivalents		**(2)**	(13)
Net cash and cash equivalents at the end of the year before translation adjustments		**614**	559

[1] *In the prior year, this includes R130 million withdrawal from investments in long-dated money market instruments.*

SUMMARISED SEGMENTAL ANALYSIS

AS AT 30 SEPTEMBER 2019

R million	Audited 2019	% of total	Audited 2018	% of total	% change
Revenue[1]					
Electrical Engineering (EE)	**5 457**	**50**	5 139	48	6
Information Communication and Technology (ICT)	**3 236**	**29**	3 443	32	(6)
Applied Electronics (AE)	**2 346**	**21**	2 198	20	7
Other	**16**	**–**	15	–	7
Total segment revenue	**11 055**	**100**	10 795	100	2
Equity-accounted joint venture in EE segment	**(307)**		(271)		–
Equity-accounted associate in ICT segment	**(29)**		(29)		
Equity-accounted joint venture in Other segment	**(5)**		(3)		
Revenue as reported	**10 714**		10 492		2
Operating profit					
EE	**323**	**24**	440	29	(27)
ICT[2]	**748**	**55**	792	51	(6)
AE	**358**	**26**	380	25	(6)
Other	**(71)**	**(5)**	(73)	(5)	3
Total segment operating profit	**1 358**	**100**	1 539	100	(12)
Operating loss from equity-accounted joint venture in EE segment	**11**		9		
Operating profit from equity-accounted associate in ICT segment	**(4)**		(3)		
Operating profit from equity-accounted joint venture in Other segment	**(4)**		(3)		
Operating profit as reported	**1 361**		1 542		(12)

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

[2] *The net interest charged on Group funding provided to the Group's in-house finance operation has been eliminated in line with IFRS 10 – Consolidated Financial Statements. The interest eliminated amounted to R170 million (2018: R146 million). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.*

SUMMARISED SEGMENTAL ANALYSIS (CONTINUED)

AT 30 SEPTEMBER 2019

R million	Audited 2019	% of total	Audited 2018	% of total
Total assets				
EE	**2 820**	**27**	2 978	28
ICT	**4 678**	**45**	4 662	45
AE	**2 322**	**23**	2 443	23
Other[1]	**484**	**5**	370	4
Total assets as reported[2]	**10 304**	**100**	10 453	100
Total liabilities				
EE	**1 131**	**39**	1 105	38
ICT	**748**	**26**	845	29
AE	**789**	**28**	807	27
Other	**205**	**7**	170	6
Total liabilities as reported[2]	**2 873**	**100**	2 927	100

[1] *This comprises mainly properties and Group treasury cash balances.*
[2] *Inter-company receivables, payables and loans have been eliminated in line with the consolidation principles of IFRS.*

NOTES

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

These preliminary 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 2019;
> South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
> Financial Reporting pronouncements as issued by the Financial Reporting Standards Council;
> Listings Requirements of the JSE Limited; and
> the requirements of the Companies Act, 71 of 2008.

These summarised consolidated financial statements contain the minimum information as required by IAS 34 – *Interim Financial Reporting*. 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 2019 were consistent with those applied in the prior year's audited consolidated annual financial statements, except for the impact of the first time adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers, the impact of which is set out in note 16. These accounting policies comply with IFRS.

R million	**Audited 2019**	Audited 2018
2. REVENUE		
Revenue from contracts with customers:		
Products	**8 703**	8 243
Services	**1 482**	1 488
Other:		
Interest received on lease receivables	**425**	379
Rental and other revenue	**104**	382
Total	**10 714**	10 492

The EE segment earned the majority of its revenue in the sale of goods and services categories.

The ICT segment earned revenue in each of the above categories.

The AE segment earned revenue in each category except for interest.

Refer to the segmental analysis for a disaggregation of the revenue contribution by each segment.

On adoption of IFRS 15 – Revenue from Contracts with Customers, the policy for revenue recognition has changed. Refer to note 16.

R million	Audited 2019	Audited 2018
3. OPERATING PROFIT		
Operating profit includes:		
– Cost of sales (excluding depreciation and amortisation)	**7 399**	6 999
– Other expenses (excluding depreciation and amortisation)	**1 873**	1 976
– Other income	**80**	82
– Fair value gain on contingent consideration	**4**	100*
– Depreciation and amortisation	**165****	157**
Included in other expenses above are:		
– Realised foreign exchange losses	**(66)**	(99)
– Unrealised foreign exchange gains	**92**	21
– Impairment of non-derivative financial assets (trade receivables and finance leases and loans receivable)	**22**	28
– Auditors' remuneration	**27**	25
– Profit on disposal of property, plant and equipment	**2**	28

* *In the prior year, this included routine remeasurements of R23 million and a once-off remeasurement of R77 million arising from SkyWire.*

** *Depreciation and amortisation allocated to cost of sales in gross margin calculations is R58 million (2018: R51 million). Depreciation and amortisation allocated to other expenses is R107 million (2018: R106 million).*

R million	Audited 2019	Audited 2018
4. NET INTEREST (EXPENSE)/INCOME		
Interest income	**44**	60
Interest expense	**(50)**	(40)
Interest on unwinding of put option liability	**(9)**	(9)
Total	**(15)**	11
5. EMPOWERMENT TRANSACTIONS		
IFRS 2 share based payment cost of B-BBEE transactions	**3**	32
Professional costs related to B-BBEE transactions	**–**	10
Taxation thereon	**–**	–
Net empowerment transactions after taxation	**3**	42
6. NUMBER OF SHARES AND EARNINGS USED TO CALCULATE EARNINGS PER SHARE[1]		
Weighted average number of shares in issue, net of empowerment and treasury shares, for basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	**161**	161
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**2**	3
Weighted average number of shares for diluted basic, headline and normalised headline earnings per share (millions of shares)	**163**	164

[1] *The earnings used to determine earnings per share and diluted earnings per share is the profit for the year attributable to equity holders of Reunert of R790 million (2018: R1 158 million).*

R million	Audited 2019	Audited 2018
7. HEADLINE EARNINGS		
7.1 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF REUNERT	**790**	1 158
Headline earnings are determined by eliminating the effect of the following items from attributable earnings:		
Loss on disposal of subsidiary (after a tax charge of Rnil and non-controlling interest (NCI) portion of Rnil) (2018: Rnil)	**44**	–
Goodwill impairment (after a tax credit of Rnil and NCI portion of Rnil) (2018: Rnil)	**67**	–
Impairment of property, plant and equipment (after a tax credit of R6 million and NCI portion of R8 million) (2018: Rnil)	**26**	–
Net gain on disposal of assets (after a tax charge of R1 million and NCI of Rnil) (2018: tax charge of R5 million and NCI of Rnil)	**(3)**	(23)
Headline earnings	**924**	1 135
7.2 NORMALISED HEADLINE EARNINGS#		
Headline earnings	**924**	1 135
Normalised headline earnings are determined by eliminating the effect of the following items from headline earnings:		
Empowerment transactions	**2**	42
Recurring IFRS 2 – Share-based Payment cost of B-BBEE transactions (tax of Rnil and NCI of R1 million) (2018: tax and NCI of Rnil)	**2**	–
Once-off IFRS 2 – Share-based Payment cost of B-BBEE transactions (tax of Rnil and NCI of R1 million) (2018: tax and NCI of Rnil)	**–**	32
Once-off professional fees for B-BBEE transactions (tax and NCI of Rnil) (2018: tax and NCI of Rnil)	**–**	10
Acquisition transactions	**6**	(68)
Recurring professional fees for acquisitions (tax and NCI of Rnil) (2018: tax and NCI of Rnil)	**6**	9
Once-off contingent consideration fair value remeasurement (tax and NCI of Rnil) (2018: tax and NCI of Rnil)	**–**	(77)
Normalised headline earnings	**932**	1 109

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 operations, 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 2019, 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 and have compiled the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

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

R million	Audited 2019	Audited 2018
8. GOODWILL		
Carrying amount at the beginning of the year	**1 053**	921
Impairment of goodwill[1]	**(67)**	–
Acquisition of businesses[2] (Note 11)	**76**	146
Disposal of business (Note 12)	**(62)**	–
Exchange differences on consolidation of foreign subsidiaries	**(1)**	(14)
Carrying amount at the end of the year	**999**	1 053

[1] *During the current financial year, the Group impaired goodwill which arose on acquisition of two of its subsidiaries: Metal fabricators of Zambia Plc (Zamefa) R57 million) and Polybox Proprietary Limited (R10 million). In addition, a further impairment of R40 million was charged against of the property, plant and equipment in Zamefa.*

[2] *At 30 September 2019, the purchase price allocation of the acquisitions made in 2019 have not been finalised and therefore the amounts reported are provisional and subject to change.*

9. PUT OPTION LIABILITY

As part of the Terra Firma and Ryonic acquisitions in 2017, the Group granted put options in favour of the non-controlling shareholders for 25% of the issued share capital. During the 2018 financial year the Ryonic put obligation was renegotiated and settled. The Terra Firma put option is exercisable between 2019 and 2023.

A reconciliation of the closing balance is as below:

	Audited 2019	Audited 2018
Balance at the beginning of the year	**120**	121
Fair value remeasurements	**(9)**	(9)
Payment to option holder (Ryonic)	**–**	(1)
Unwinding of discount	**9**	9
Balance at the end of the year	**120**	120
Less: current portion	**120**	–
Non-current portion	**–**	120

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

The Terra Firma obligation represents the fair value of the put option liability which has been determined using a discounted cash flow valuation technique 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 8,0%, being the average cost of borrowings.

If the key unobservable inputs to the valuation model being estimated were 1% higher/lower while all the other variables were held constant, the carrying amount of the put option liabilities would decrease/increase by R1 million respectively.

R million	Audited 2019	Audited 2018
10. LONG-TERM LOANS		
Total long-term loans (including finance leases)	**60**	100
Less: current portion (including finance leases)	**(3)**	(18)
	57	82

R million	Audited 2019
11. ACQUISITION OF BUSINESSES AND RELATED INTANGIBLE ASSETS	
During the current period the Group made the following acquisitions:	
> OculusIP Proprietary Limited: With effect from 1 June 2019, the Group, through SkyWire Proprietary Limited, acquired 100% of the business and related net assets of OculusIP. As part of the acquisition, an intangible asset of R7 million was recognised. This was attributable to the customer base in key geographic regions. Goodwill of R23 million was recognised as the Company had a well-established brand that will assist with product development within the ICT segment. The agreement contains a contingent consideration up to an amount of R12 million based on the achievement of a targeted annuity gross profit for wireless line and voice rentals over a 12-month period from acquisition. The fair value of the contingent consideration at acquisition was R12 million.	
The acquisition of OculusIP complements the ICT segment's expansion strategy and increases the geographical presence of SkyWire. The acquisition also provides the opportunity to expand the suite of connectivity service offerings to a broader customer base.	
Cash paid	**18**
> Blue Nova Energy Proprietary Limited: With effect from 1 August 2019, the Group, through Blue Nova Energy Proprietary Limited (previously RC&C Manufacturing Company Proprietary Limited) (BNE) acquired 100% of the business and related net assets of BNE. BNE issued R43 million of new shares at fair value to the previous owner of BNE as part of the purchase consideration. This represents 49% of the issued capital of BNE, calculated as a proportion of the net asset value of the combined business immediately after the transaction. BNE specialises in energy storage solutions, mainly through the development and assembly of lithium iron batteries together with a battery management system. An intangible asset of R30 million was recognised on acquisition based on the brand, customer base and unpatented technology that exists with the entity. R53 million goodwill arose from the acquisition, which is attributable to the expected value to be achieved from the key products that BNE sells. A contingent consideration payable up to an amount of R12 million is based on the achievement of a financial hurdle and key performance indicators stipulated within the purchase agreement. The fair value of the contingent consideration at acquisition was R12 million. The acquisition of BNE, an early life cycle business, expands the Group's interests in the renewable energy and associated markets. Synergies have been identified from the vertical integration with some of the Group's other businesses in the Applied Electronic segment.	
Cash paid	**9**

R million	Audited 2019
11. ACQUISITION OF BUSINESSES AND RELATED INTANGIBLE ASSETS (CONTINUED)	
Acquisition of intangible assets:	
> The Group purchased a customer base from a mining company in Australia. The purpose of the acquisition was to create a footprint in Australia by enhancing relationships with key mining clients and thereby positioning the Group for further growth in the mining radar market. An intangible asset of R5 million was raised on acquisition.	
Cash paid	5
Direct cash cost	32
Contingent considerations (OculusIP and BNE)	24
Shares issued as part of consideration transferred in the BNE acquisition (disclosed in NCI)	43
Offset receivable in acquiring company against payable in acquired business (BNE acquisition)	23
Total purchase consideration	122
Represented by:	
Property, plant and equipment	2
Intangible assets	42
Inventory	20
Payables	(11)
Deferred taxation	(7)
Goodwill	76
Net assets acquired (fair value at acquisition date)	**122**
Revenue since acquisition	31
Profit after taxation since acquisition	–
Revenue for the 12 months ended 30 September 2019 as though the acquisition dates had been 1 October 2018	186
Profit after taxation for the 12 months ended 30 September 2019 as though the acquisition dates had been 1 October 2018	19
2018	
Refer to 2018 published results	

R million	Audited 2019
12. DISPOSAL OF BUSINESS	
During the current period the Group made the following disposal:	
> **Prodoc Svenska AB**: With effect from 26 March 2019 the net assets and business of Prodoc Svenska AB, were sold at the fair value less cost to sell of R37 million.	
Net assets disposed in Prodoc Svenska AB:	
Property, plant and equipment and intangible assets	**4**
Goodwill	**62**
Finance leases and loans receivable	**26**
Inventory	**32**
Deferred taxation	**2**
Trade and sundry receivables	**79**
Trade and sundry payables	**(102)**
Foreign currency translation reserve	**10**
Non-controlling interests	**(13)**
Long-term loans	**(26)**
Current portion of long-term loans	**(15)**
Net book value of net assets disposed	**59**
Less: consideration received:	**(15)**
Cash received on sale	**(37)**
Less: cash on hand	**22**
Loss on sale of subsidiary (net of taxation of Rnil)	**44**
2018	
The Group made no disposals in the prior year.	

13. UNCONSOLIDATED ENTITY

The financial results of Cafca Limited (Cafca), an entity incorporated in Zimbabwe, have not been consolidated into the Group results as the Group does not exercise control because it does not have the ability to affect its variable returns through its holding in Cafca.

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

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

At 30 September 2019, Cafca's share capital and reserves amounted to ZWL$105 million* (2018: ZWL$74 million)*.

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

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

The Public Accountants and Auditors Board issued a pronouncement that financial statements for Zimbabwean companies prepared after 1 July 2019 be prepared in terms of IAS 29 – Financial Reporting in Hyperinflationary Economies.

The results presented above therefore contain appropriate adjustments and reclassifications in conforming with IAS 29.

14. RELATED-PARTY TRANSACTIONS

Counterparty R million	Relationship	Sales	Purchases	Lease payments	Treasury shares	Amounts owed to related parties	Amounts owed by related parties	Dividends received
September 2019								
CBI-electric Telecom Cables Proprietary Limited	Joint venture	**–**	**74**	**–**	**–**	**29**	**–**	**–**
Oxirostax Proprietary Limited (Nashua Winelands)	Associate	**20**	**2**	**–**	**–**	**–**	**–**	**–**
Bargenel Investments Proprietary Limited	Empowerment partner owning 18,5m Reunert shares	**–**	**–**	**–**	**276**	**–**	**–**	**–**
Lexshell 661 Investment Proprietary Limited	Joint venture	**–**	**–**	**4**	**–**	**4**	**–**	**3**
September 2018								
CBI-electric Telecom Cables Proprietary Limited	Joint venture	2	5	–	–	1	–	–
Oxirostax Proprietary Limited (Nashua Winelands)	Associate	16	2	–	–	–	2	–
Bargenel Investments Proprietary Limited	Empowerment partner owning 18,5m Reunert shares	–	–	–	276	–	–	–
Lexshell 661 Investment Proprietary Limited	Joint venture	–	–	5	–	4	–	–

	Audited 2019	Audited 2018
15. CONTINGENT CONSIDERATIONS		
Balance at the beginning of the year	**37**	–
Transfer from provisions	**–**	27
Raised at acquisition at fair value	**24**	110
Settlement of contingent consideration	**(16)**	–
Fair value remeasurements	**(4)**	(100)
Balance at the end of the year[1]	**41**	37

[1] *The balance of the contingent consideration has been included in 'Trade and other payables, provisions and taxation' on the balance sheet. The balance of the contingent consideration relates to R17,5 million for DoppTech, R12 million for Blue Nova Energy and R12 million for OculusIP.*

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

Contingent considerations settled:

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

The contingent 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%), as per the purchase agreement.

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%), as per the purchase agreement. The SkyWire contingent consideration was settled in the current year for R16 million.

Contingent considerations still in effect:

DoppTech: the contingent consideration is stipulated within the purchase agreement based on the achievement of specific key performance indicators.

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

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

16. CHANGES IN ACCOUNTING POLICIES

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

On application of IFRS 15, the following material changes and considerations have been made:

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

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

16. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and contracts to buy or sell certain non-financial items.

This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets

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

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The Group has four types of financial assets that are subject to the new ECL model:

> trade receivables; and
> finance leases and loans receivable
> investments and loans
> cash and cash equivalents

The Group revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings is disclosed below.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss model for all trade receivables. ECLs are calculated by applying a loss ratio to the age analysis of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population.

Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting date.

Finance leases and loans receivable

The Group applies the IFRS 9 general approach to measuring ECLs, which uses a 12-month expected loss allowance. This is calculated by applying a loss ratio to the balance at each reporting date.

The loss ratio for the rental and finance lease receivables is calculated according to the ageing/payment profile by applying historic write-offs to the payment profile of the population.

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

Other loans and investments

The Group has provided loans to associates and joint ventures of the Group to satisfy operational and other requirements. These associates and joint ventures are located in South Africa. The Group manages credit risk on this portfolio of loans by following strict protocols for the approval.

They are considered to have low credit risk, and the identified impairment loss was immaterial.

Cash and cash equivalents

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

Accounting judgements and assumptions

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting date.

16. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 15 and IFRS 9 transition

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

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

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

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

	IFRS 9 adjustments	IFRS 15 adjustments	Total
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Finance leases and loans receivable[1]	(19)	–	(19)
Deferred taxation	9	13	22
Current assets			
Trade and other receivables and taxation[2]	(20)	(20)	(40)
Equity			
Retained earnings	(27)	(29)	(56)
Non-controlling interests	(3)	(6)	(9)
Current liabilities			
Trade and other payables, provisions and taxation[3]	–	28	28

[1] *The reduction in finance leases and loans receivable is due to an increase in the impairment required by IFRS 9.*

[2] *The reduction in trade and other receivables is due to an increase in the provision for impairment required by IFRS 9 and due to the revenue that was recognised but is required to be deferred based on IFRS 15.*

[3] *The increase in trade and other payables is due to revenue being deferred based on the IFRS 15 assessment above.*

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

17. IMPACT OF STANDARDS NOT YET EFFECTIVE

IFRS 16 – *Leases* introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all operating leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lessee accounting for finance leases will be similar under IFRS 16 to the existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to the existing IAS 17 accounting and is not expected to be material for the Group. The Group expects that the most significant impact of the new standard will result from its current property and network site operating leases. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). The Group's current estimate of the primary financial impact of these changes on the consolidated statement of financial position on adoption is the recognition of an additional lease liability at 1 October 2019 of between R195 million and R235 million The right-of-use asset recognised at 1 October 2019 will be between R190 million and R230 million. All lease straight-lining balances relating to IAS 17 operating leases will be released to right-of-use assets on 1 October 2019. On adoption of IFRS 16, the operating expense (rental) will be replaced with interest and depreciation. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be negative, before being positive in later periods.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

18. 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 of which it is aware.

19. EVENTS AFTER REPORTING DATE

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

20. AUDIT OPINION

These summarised consolidated financial statements, set out on pages 6 to 26, 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 2019 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 2019	Audited 2018
Net number of ordinary shares in issue (million)	**161**	161
Number of ordinary shares in issue (million)	**185**	185
Less: Empowerment shares (million)	**(19)**	(19)
Less: Treasury shares (million)	**(5)**	(5)
Capital expenditure	**158**	162
– expansion	**102**	106
– replacement	**56**	56
Capital commitments in respect of property, plant and equipment	**60**	83
– contracted	**30**	35
– authorised not yet contracted	**30**	48
Commitments in respect of operating leases	**249**	252
Contingent liabilities	**–**	–

	Unaudited 2019	Unaudited 2018
Current ratio (:1)	**2,1**	2,3
Quick ratio (:1)	**1,6**	1,7
Dividend yield (%)*	**7,4**	6,5
Return on capital employed (%)	**17,8**	19,5

* *Calculated as the total dividend out of 2019 profits (interim 130,0 cents per share and final 383,0 cents per share) (2018: 125,0 cents per share and 368,0 cents respectively) divided by a Reunert share price of 6 900 cents (2018: 7 600 cents), being the closing market price on 30 September 2019.*

Definitions of ratios and other financial terms are incorporated in the Integrated Report, which are consistent with the definitions disclosed in the 2018 Integrated Report.

ADMINISTRATION

REUNERT LIMITED

Incorporated in the Republic of South Africa
Registration number 1913/004355/06
Ordinary share code: RLO ISIN code: ZAE000057428
("Reunert", "the Group" or "the Company")

Directors: TS Munday (Chair)*, T Abdool-Samad*, AB Darko*, AE Dickson (Chief Executive Officer), LP Fourie*, JP Hulley*, SD Jagoe*, S Martin*, MT Matshoba-Ramuedzisi*, M Moodley, Adv NDB Orleyn**, SG Pretorius*, NA Thomson (Chief Financial Officer), R Van Rooyen*

* *Independent non-executive*
** *Non-executive*

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INCOME TAXATION REFERENCE NUMBER

9100/101/71/7P

TRANSFER SECRETARIES

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Rosebank Towers
15 Biermann Avenue
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PO Box 61051
Marshalltown, 2107

SPONSOR

One Capital Sponsor Services Proprietary 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 Group Company Secretary, Reunert Management Services Proprietary Limited (Registration number 1980/007949/07) certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 September 2019 all such returns and notices as are required in terms of the aforesaid Companies Act and that all such returns and notices are true and correct.

Karen Louw
for Reunert Management Services Proprietary Limited
Group Company Secretary

INVESTOR ENQUIRIES

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For additional information log on to the Reunert website at www.reunert.com.

19 November 2019 (publication date)

NOTES

WWW.REUNERT.COM