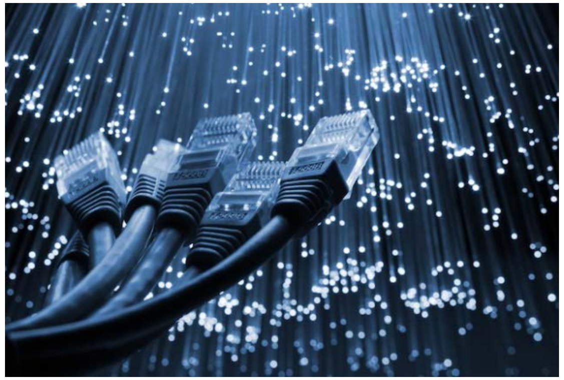
REUNERT

REUNERT LIMITED

UNAUDITED INTERIM FINANCIAL STATEMENTS

AND CASH DIVIDEND DECLARATION



For the six months ended 31 March 2020

CONTENTS

GROUP PROFILE

Reunert comprises 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. 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, Mauritius, the USA, Zambia and Zimbabwe. Reunert's offices are located in Woodmead, Johannesburg, South Africa.

COMMENTARY

OVERVIEW

Reunert experienced challenging trading conditions in the six months ended 31 March 2020 (H1FY20).

Despite these conditions, the Information, Communication and Technology (ICT) segment delivered real growth in operating profit while the Applied Electronics (AE) segment performed in line with expectations. However, the Electrical Engineering (EE) segment suffered material underperformance primarily as a result of a seven-week labour disruption at African Cables, significant foreign exchange losses at Zamefa in Zambia, and weak cable infrastructure investment demand across our key Southern African markets. The EE segment's performance over-shadowed and negatively affected the overall performance of the Group.

The Group's financial results were also adversely affected by impairments, arising from the predicted impact of the COVID-19 pandemic and the resulting highly uncertain future economic conditions. These impairments were raised in terms of the forward-looking requirements encapsulated in International Financial Reporting Standards (IFRS). The Group also suffered an abnormal item in the form of an external fraud.

Pleasingly, the generation of free cash flow during the period under review was in line with the Group's historic conversion ratios and R355 million was generated notwithstanding the difficult trading environment.

The National State of Disaster and the accompanying national lockdown, that commenced on 27 March, resulted in lost sales and adversely affected the interim operating profit. The rapid depreciation in the Rand as investors moved to the US$ and other safe-haven assets, also caused mark-to-market losses.

Before the COVID-19 impairments made in response to the forward-looking requirements of IFRS and the impact of the abnormal item (incurred credit loss) (see below and note 7), adjusted basic earnings per share (EPS) of 161 cents were 94 cents (37%) lower than the comparable six months of the previous financial year and adjusted headline earnings per share (HEPS) of 161 cents were 92 cents (36%) lower (see table below).

Extract from statement of profit or loss	**Rm**	**Six months to 31 March 2020**	Six months to 31 March 2019	% Change
(Loss)/profit attributable to equity holders of Reunert as reported		**(277)**	366	(176)
Add: Expected credit losses[1]		**529**	–	
Add: Impairment of goodwill and property, plant and equipment		**79**	–	
Add: Loss on remeasurement of subsidiary held for sale		**22**	–	
Add: Impairment of joint venture property, plant and equipment[2]		**68**	–	
Add: Loss on disposal of subsidiary		**–**	44	
Taxation impact of adjustments		**(161)**	–	
Adjusted profit attributable to equity holders of Reunert		**260**	410	(37)
Adjusted basic earnings per share (cents)		**161**	255	(37)
Adjusted headline earnings per share (cents)		**160**	253	(37)

[1] *Includes abnormal item – incurred credit loss of R298 million (see note 7).*
[2] *Included in share of joint ventures' and associate's (loss)/profit.*

This *pro forma* financial information in the table above is provided for illustrative purposes to show the intrinsic performance of the Group prior to including the COVID-19 related items and the impact of an abnormal item. Because of its illustrative nature, this information is not intended to comply with the requirements of IFRS although it has been prepared in accordance with the Group's established accounting principles. The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

In compliance with the forward-looking requirements of IFRS, Reunert has considered the potential impact of the COVID-19 pandemic on its businesses. Our assumptions were developed after referring to the views of leading economists and other expert opinions and also incorporate our views of markets served by our reporting segments. We believe our forecasts are realistic based on these assumptions, and perhaps are conservative in some instances.

Any forecast financial information is the responsibility of the directors and has not been reviewed or reported on by the Group's auditors.

Economic predictions indicate that debt defaults are expected to materially increase as the economic impact of the lockdown weakens growth prospects. In addition, the forecast of Gross Domestic Fixed Investment growth has reduced.

COMMENTARY (CONTINUED)

The economic conditions outlined in these predictions are expected to have a direct impact, notably on the future collection of rentals in the Quince Capital finance book and on the future operating performance of our cable businesses. As a result, a significant increase in the impairment allowance for expected credit loss at Quince Capital and impairments at the cable businesses, are required. The increase in the impairment allowance for expected credit losses amounted to R231 million before taxation (R166 million after taxation) and impairments to property, plant, equipment and goodwill amounted to R147 million before taxation (R134 million after taxation) of which R68 million before taxation and R55 million after taxation relate to the equity accounted joint venture company.

The abnormal item, being an incurred credit loss (see note 7), arose from an external whistle blower's report on alleged fraudulent activity perpetrated against Quince Capital. This caused Reunert to immediately initiate an investigation into an external, independent customer (which is unrelated to the Reunert Group of companies) of Quince Capital. However, due to the lockdown and the prohibition on cross-provincial border travel, the investigation was stalled and resumed in early May. Thus far, the investigation has revealed *prima facie* evidence that the external party has defrauded Quince Capital. A comprehensive external forensic audit is in process. However, from the evidence extracted to date, an incurred credit loss impairment of R298 million before taxation (R215 million after taxation) has been raised.

FINANCIAL RESULTS

Financial performance group results and key earnings metrics	Units	**Six months to 31 March 2020**	Six months to 31 March 2019	% Change
Revenue	Rm	**4 144**	5 288	(22)
Operating profit		**374**	615	(39)
Less:				
Net interest expense		**(19)**	(4)	375
Expected credit losses[1]		**(529)**	–	
Impairment of goodwill and property, plant and equipment		**(79)**	–	
Loss on remeasurement of subsidiary held for sale		**(22)**	–	
Loss on disposal of subsidiary		**–**	(44)	
(Loss)/profit before taxation		**(275)**	567	(149)
Taxation		**31**	(195)	(116)
(Loss)/profit after taxation		**(244)**	372	(166)
Share of joint ventures' and associate's (loss)/profit[2]		**(82)**	5	(1 740)
(Loss)/profit for the period		**(326)**	377	(186)
Non-controlling interests		**49**	(11)	545
(Loss)/profit attributable to equity holders of Reunert		**(277)**	366	(176)
Operating margin	%	**9**	12	(25)
Basic (loss)/earnings per share	Cents	**(172)**	227	(176)
Headline (loss)/earnings per share	Cents	**(76)**	253	(130)

1 *Includes the abnormal item – incurred credit loss of R298 million.*

2 *March 2020 includes an impairment loss on property, plant and equipment of R55 million (after a tax credit of R13 million) (March and September 2019: Rnil) in respect of CBI-Electric Telecom Cables (Pty) Ltd, a joint venture.*

SEGMENTAL RESULTS

Electrical Engineering

The segment faced significant challenges during the reporting period as cable infrastructure demand remained weak across the region, the liquidity challenges in Zambia continued, and our South African power cable company experienced a seven-week labour disruption. This resulted in the segment's revenue decreasing by 37% to R1 738 million (H1FY19: R2 775 million) and an operating loss of R42 million (H1FY19: profit of R225 million).

In Zambia the liquidity position remained constrained. The Government removed input value added tax (VAT) on copper cathode with effect from 1 January 2020, resulting in Government receivables no longer increasing. The repayment of the outstanding Zambian Government receivables to Zamefa remained slow and only ZMW34 million was received during the period. This resulted in the external, hard currency, borrowings of the company remaining at inflated levels and the company suffered material foreign exchange losses as the exchange rate weakened from ZMW13:1US$ to ZMW18:1US$, over the reporting period. These foreign exchange losses reduced the segment's operating results by R82 million.

The weak infrastructure cable demand in South Africa negatively impacted both the power and telecoms cable plants as production volumes decreased to below the levels required to fully recover fixed costs.

The circuit breaker factory continued its positive performance as export volumes continued to grow despite weaker volumes in the local market. The performance in Australia was excellent and the export development efforts over the past few years have yielded sustainable growth opportunities. On a like-for-like trading weeks basis, the company exceeded the performance of the prior reporting period.

ICT segment

The ICT segment's strong operational performance continued in H1FY20, despite the challenging macro-economic environment in South Africa. The segment's operating profit rose by 6% to R371 million (H1FY19: R351 million) despite revenue decreasing by 13% to R1 494 million (H1FY19: R1 722 million).

The Office Automation cluster secured strong hardware sales as the company improved its market share. The Total Workspace Provider strategy continues to accelerate with the addition of Energy Solutions and PC-a-a-S revenues for the first time, which augmented existing revenue streams and resulted in an increase of 22% in complementary revenues over the corresponding period.

The Communications Cluster delivered a positive performance. New fixed line voice sales continued to grow strongly with record new sales concluded in H1FY20. ECN's diversified revenue streams of the cloud based Virtual PBX (VBX) and last mile broadband connectivity sales both continued to accelerate and augment the company's core fixed-line voice income. Skywire's last mile broadband connectivity sales continued to grow strongly as the investment into the network extended to 19 new urban geographies.

The finance cluster's rental book grew to R3 062 million (H1FY19: R2 766 million) on the back of the improved hardware and complementary product sales in the Office Automation channel but was impacted by the abnormal item being the incurred credit loss of R298 million and the increased impairment allowance for expected credit losses of R219 million.

The segment has decided to sell PanSolutions, our legacy consumer electronics business. This business no longer meets the strategic requirements of the segment and has made an immaterial financial contribution to the segment for several years. A remeasurement loss of R22 million has resulted from this decision.

Applied Electronics segment

The AE segment performed in line with expectations as revenue increased by 4% to R1 038 million (H1FY19: R999 million) while profit decreased by 9% to R77 million (H1FY19: R85 million).

The segment was negatively impacted due to large export orders being unable to be delivered from both Reutech Communications and Reutech Radar Systems before the reporting date as a result of the lockdown. In addition, the rapid weakening of the Rand negatively impacted the foreign exchange hedges we applied to protect the cash flows of our export contracts and resulted in other foreign exchange losses. These two items resulted in a reduction of R26 million in the segment's operating profit.

Reutech Communications and Reutech Radar Systems both delivered an excellent year-on-year improvement in their financial performances, despite being impacted by the lockdown, as they continue to execute their strong export order books. Fuchs performance reduced, as expected, due to the large export order that did not repeat in the period under review. Terra Firma had a slower than anticipated first half as the expected awards of solar projects only materialised too late to be completed during the reporting period.

COMMENTARY (CONTINUED)

Further post-COVID-19 commentary

The potential effect of COVID-19 on the future of the financial performance of the Group directly impacted the interim results in two key aspects:

1) the increase in the impairment allowance for expected credit losses on the Quince Capital book, due to the predicted weakness in the economic activity of our customer base; and
2) the impairments raised in the cable businesses in the Electrical Engineering segment. The joint venture telecoms business impaired the full value of its property, plant and equipment (R68 million before tax; R55 million after tax) due to the expected structural decline in investment into the country's copper telecoms infrastructure. The power cable business impaired R61 million of goodwill due to the predicted weakening of power cable infrastructure investment caused by the reallocation of state budgets, the constrained Government balance sheet, and weak private business confidence.

The full impact of COVID-19 on the South African economy and our key international export geographies remains uncertain but Reunert recognises that long term socio-economic shifts to economies are likely. Reunert has pro-actively strengthened its resilience in the post COVID-19 economy by increasing its committed debt facilities to R1,0 billion and total debt capacity to R2,1 billion. This has been coupled with a comprehensive review of our operations and cost structures across the Group to ensure that our response to these uncertain market conditions is sustainable.

Reunert's businesses resumed operations on 1 May 2020, in strict compliance with the South African Government (Government) regulations, and significant effort has been expended to ensure the health and safety of our employees. Our operations are steadily returning to full capacity. Pleasingly, key stakeholders (banks, customers, employees and unions) have all responded positively to our efforts and we remain aligned on the actions required in the present uncertainty.

Post COVID-19, the Group's infrastructure companies are likely to continue to face volume pressures as:

> Government's budgets are re-allocated to fight the effect of the virus;
> the timing and scale of funding for the Government's infrastructure plans are still to be determined; and
> private industry remains cautious with their investment plans.

The rest of the Group's businesses have robust business models and are serving markets that are anticipated to offer good structural growth and opportunities. They include:

> Our renewable energy businesses;
> Our strong exports businesses in the Applied Electronics segment and at CBI-Electric: Low Voltage; and
> Our ICT businesses, specifically the Communications Cluster, the Total Workspace Provider offerings, and our 4th Cluster, all of which focus on the provision of business-to-business solutions that support the future of work in our country.

The Group will continue to focus on, and fund, the execution of our strategic initiatives, specifically targeting the businesses with the greatest potential to emerge strongly from the current COVID-19 crisis.

CASH DIVIDEND

While cognisant of the economic uncertainty going forward, the Group's free cash flow generating capacity remains intact. The actions taken by the Company to increase its resilience enabled Reunert to declare an interim dividend, albeit at a reduced level.

Therefore, notice is hereby given that a gross interim cash dividend No. 188 of 65,0 cents per ordinary share (2019: 130,0 cents per ordinary share) has been declared by the directors for the period ended 31 March 2020.

The dividend has been declared from retained earnings.

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 52,0 cents per ordinary share (March 2019: 104,0 cents per ordinary share).

The issued share capital at the declaration date is 184 969 196 ordinary shares.

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

Last date to trade (*cum* dividend)	Tuesday, 7 July 2020
First date of trading (*ex* dividend)	Wednesday, 8 July 2020
Record date	Friday, 10 July 2020
Payment date	Monday, 13 July 2020

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 8 July 2020 and Friday, 10 July 2020, both days inclusive.

On behalf of the Board

Trevor Munday
Chair

Alan Dickson
Chief Executive Officer

Nick Thomson
Chief Financial Officer

Sandton
17 June 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

Rm	Notes	Six months ended 31 March 2020 Unaudited	2019 Unaudited	% change	Year ended 30 September 2019 Audited
Revenue	2	**4 144**	5 288	(22)	10 714
EBITDA*		**493**	698	(29)	1 526
Depreciation and amortisation		**(119)**	(83)	43	(165)
Operating profit	3	**374**	615	(39)	1 361
Net interest expense	4	**(19)**	(4)	375	(15)
Impairment of financial assets					
Expected credit losses	7	**(529)**	–	–	–
Impairment of non-financial assets					
Impairment of goodwill and property, plant and equipment	8	**(79)**	–	–	(107)
Loss on remeasurement of subsidiary held for sale	9	**(22)**	–	–	–
Loss on disposal of subsidiary		**–**	(44)	–	(44)
Empowerment transactions		**–**	–	–	(3)
(Loss)/profit before taxation		**(275)**	567	(149)	1 192
Taxation		**31**	(195)	(116)	(387)
(Loss)/profit after taxation		**(244)**	372	(166)	805
Share of joint ventures' and associate's (loss)/profit	8	**(82)**	5		(1)
(Loss)/profit for the period		**(326)**	377	(186)	804
(Loss)/profit attributable to:					
Non-controlling interests		**(49)**	11	(545)	14
Equity holders of Reunert		**(277)**	366	(176)	790
(Loss)/earnings per share (cents)					
Basic	5, 6	**(172)**	227	(176)	490
Diluted	5, 6	**(169)**	223	(176)	484

* *Earnings before net interest, taxation, depreciation and amortisation, impairment of goodwill and property, plant and equipment, expected credit losses, loss on remeasurement of subsidiary held for sale, loss on disposal of subsidiary and empowerment transactions.*

Other measures of (loss)/earnings per share (cents)	Notes	Six months ended 31 March 2020 Unaudited	2019 Unaudited	% change	Year ended 30 September 2019 Audited
Headline	5, 6	**(76)**	253	(130)	573
Diluted headline	5, 6	**(75)**	248	(130)	566
Interim/total cash dividend per share (cents)		**65**	130	(50)	513

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2020

Rm	Six months ended 31 March 2020 Unaudited	Six months ended 31 March 2019 Unaudited	Year ended 30 September 2019 Audited
(Loss)/profit for the period	**(326)**	377	804
Other comprehensive income, net of taxation:			
Items that may be reclassified subsequently to profit or loss	**(33)**	5	5
Translation differences of foreign businesses	**33**	12	12
Recycled to the statement of profit or loss on disposal of foreign subsidiary	**–**	(10)	(10)
Translation (loss)/gain on net investment in subsidiary*	**(66)**	3	(5)
Changes in fair value of financial asset	**–**	–	8
Total comprehensive income	**(359)**	382	809
Total comprehensive income attributable to:			
Non-controlling interests	**(44)**	11	16
– Share of (loss)/profit for the period	**(49)**	11	14
– Share of other comprehensive income	**5**	–	2
Equity holders of Reunert	**(315)**	371	793
– Share of (loss)/profit for the period	**(277)**	366	790
– Share of other comprehensive income	**(38)**	5	3

* *Translation (loss)/gain arising on the loan component of the Group's net investment in a foreign subsidiary.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

Rm	Notes	As at 31 March 2020 Unaudited	As at 31 March 2019 Unaudited	As at 30 September 2019 Audited
Non-current assets				
Property, plant and equipment and investment property		**830**	909	862
Intangible assets		**426**	361	430
Right-of-use assets	14	**200**	–	–
Goodwill	8	**924**	991	999
Investments and loans		**65**	55	60
Investments in joint ventures and associate		**69**	169	154
Finance leases and loans receivable		**1 766**	1 995	2 082
Deferred taxation		**242**	137	143
		4 522	4 617	4 730
Current assets				
Inventory		**1 643**	1 567	1 376
Finance leases and loans receivable		**850**	854	893
Trade and other receivables and taxation		**2 306**	2 401	2 356
Derivative assets		**16**	4	10
Cash and cash equivalents		**793**	894	939
		5 608	5 720	5 574
Total assets		**10 130**	10 337	10 304
Equity attributable to equity holders of Reunert		**6 349**	7 125	7 312
Non-controlling interests		**73**	75	119
Total equity		**6 422**	7 200	7 431
Non-current liabilities				
Deferred taxation		**101**	141	138
Put option liability	10	**–**	125	–
Long-term loans	11	**40**	66	57
Lease liabilities	14	**169**	–	–
Share-based payment liability		**–**	11	14
		310	343	209
Current liabilities				
Put option liability	10	**125**	–	120
Current portion of long-term loans	11	**–**	1	3
Lease liabilities	14	**55**	–	–
Share-based payment liability		**9**	–	18
Derivative liabilities		**38**	11	16
Trade and other payables, provisions and taxation		**2 450**	2 314	2 184
Bank overdrafts and short-term facilities		**721**	468	323
		3 398	2 794	2 664
Total equity and liabilities		**10 130**	10 337	10 304

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2020

Rm	Six months ended 31 March 2020 Unaudited	Six months ended 31 March 2019 Unaudited	Year ended 30 September 2019 Audited
Share capital	**389**	375	388
Balance at the beginning of the period	**388**	374	374
Issue of shares	**1**	1	14
Share-based payment reserves	**223**	243	229
Balance at the beginning of the period	**229**	256	256
In terms of Conditional Share Plan (CSP)	**14**	30	1
Shares acquired to settle CSP	**(53)**	(74)	(74)
In terms of the empowerment transaction	**–**	–	3
Transfer from retained earnings	**33**	31	43
Equity transactions/put option with non-controlling shareholders	**(109)**	(110)	(108)
Balance at the beginning of the period	**(108)**	(108)	(108)
Net changes in non-controlling interests	**(1)**	(2)	(27)
Transfer from retained earnings	**–**	–	27
Empowerment shares[1]	**(276)**	(276)	(276)
Treasury shares[2]	**(342)**	(342)	(342)
Foreign currency translation reserves	**17**	(11)	(11)
Balance at the beginning of the period	**(11)**	(23)	(23)
Other comprehensive income	**28**	2	2
Recycled to the statement of profit or loss on disposal of foreign subsidiary	**–**	10	10
Translation loss on net investment in foreign subsidiary	**(113)**	(39)	(47)
Balance at the beginning of the period	**(47)**	(42)	(42)
Other comprehensive income	**(66)**	3	(5)
Gain on fair value movement of investment in financial asset	**6**	–	6
Balance at the beginning of the period	**6**	–	–
Other comprehensive income	**–**	–	6
Retained earnings	**6 554**	7 285	7 473
Balance at 30 September 2018	**7 473**	7 599	7 599
IFRS 9 and 15 transitional adjustments	**–**	(56)	(56)
Balance at the beginning of the period	**7 473**	7 543	7 543
(Loss)/profit for the period attributable to equity holders of Reunert	**(277)**	366	790
Cash dividends paid	**(618)**	(593)	(803)
Tax deduction in terms of CSP	**9**	–	13
Transfer to reserves	**(33)**	(31)	(70)
Equity attributable to equity holders of Reunert	**6 349**	7 125	7 312
Non-controlling interests	**73**	75	119
Balance at 30 September 2018	**119**	88	88
IFRS 9 and 15 transitional adjustments	**–**	(9)	(9)
Balance at the beginning of the period	**119**	79	79
Share of total comprehensive income	**(44)**	11	16
Cash dividends paid	**(2)**	(13)	(14)
Subscription for shares by non-controlling shareholder	**–**	–	43
Net changes in non-controlling interests	**–**	(2)	(5)
Total equity at the end of the period	**6 422**	7 200	7 431

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

Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the Group.

[2] *Ordinary Reunert shares bought back in the open market and not yet cancelled: 4 997 698 shares (March and September 2019: 4 997 698 shares).*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

Rm	Six months ended 31 March 2020 Unaudited	Six months ended 31 March 2019 Unaudited	Year ended 30 September 2019 Audited
EBITDA	**493**	698	1 526
Payment to participants in the Group's Deferred Bonus plan	**(22)**	–	–
Non-cash items	**100**	55	(66)
Cash generated from operations before working capital changes	**571**	753	1 460
(Increase)/decrease in net working capital	**(74)**	93	318
Cash generated from operations	**497**	846	1 778
Net interest (paid)/received	**(14)**	1	(6)
Taxation paid	**(118)**	(205)	(403)
Dividends paid (including to non-controlling interests)	**(620)**	(606)	(817)
Net cash (outflow)/inflow from operating activities	**(255)**	36	552
Net cash outflow from investing activities	**(231)**	(131)	(418)
Capital expenditure	**(66)**	(59)	(158)
Acquisition of businesses	**–**	–	(32)
Disposal of business	**–**	15	15
Increase in finance leases and loans receivable	**(169)**	(82)	(252)
Net other investments made and loans advanced	**(6)**	1	(1)
Dividend received from joint venture	**3**	–	3
Proceeds from disposal of property, plant and equipment and realisation of investments	**7**	(6)	7
Net cash outflow from financing activities	**(79)**	(52)	(92)
Shares issued	**1**	1	14
Net long-term loans raised	**4**	9	2
Shares acquired to settle maturing CSP	**(54)**	(74)	(74)
Contingent consideration paid	**(3)**	–	(16)
Net transactions with non-controlling interests	**(1)**	12	(18)
Settlement of lease liabilities	**(26)**	–	–
(Decrease)/increase in net cash and cash equivalents	**(565)**	(147)	42
Net cash and cash equivalents at the beginning of the period as reported in the statement of financial position	**616**	572	572
Net cash and cash equivalents at the end of the period before translation adjustments	**51**	425	614
Cash and cash equivalents	**793**	894	939
Bank overdrafts and short-term facilities	**(721)**	(468)	(323)
Bank overdrafts	**(266)**	(175)	(154)
Short-term facilities	**(455)**	(293)	(169)
Net cash and cash equivalents at the end of the period as reported in the statement of financial position	**72**	426	616
Net exchange translation adjustments to net cash and cash equivalents	**(21)**	(1)	(2)
Net cash and cash equivalents at the end of the period after translation adjustments	**51**	425	614

CONDENSED SEGMENTAL ANALYSIS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

Rm	2020 Unaudited	% of total	2019 Unaudited	% of total	% change	Year ended 30 September 2019 Audited	% of total
	Six months ended 31 March						
Revenue[1]							
Electrical Engineering (EE)	**1 738**	**41**	2 775	51	(37)	5 457	50
Information, Communication and Technology (ICT)	**1 494**	**35**	1 722	31	(13)	3 236	29
Applied Electronics (AE)	**1 038**	**24**	999	18	4	2 346	21
Other	**(15)**	**–**	(21)	–		16	–
Total segment revenue	**4 255**	**100**	5 475	100	(22)	11 055	100
Equity-accounted joint venture in EE segment	**(92)**		(170)			(307)	
Equity-accounted associate in ICT segment	**(16)**		(14)			(29)	
Equity-accounted joint venture in Other segment	**(3)**		(3)			(5)	
Revenue as reported	**4 144**		5 288		(22)	10 714	
Operating profit							
EE	**(42)**	**(12)**	225	36	(119)	323	24
ICT[2]	**371**	**104**	351	56	6	748	55
AE	**77**	**22**	85	14	(9)	358	26
Other	**(50)**	**(14)**	(38)	(6)	(32)	(71)	(5)
Total segment operating profit	**356**	**100**	623	100	(43)	1 358	100
Operating loss/(profit) from equity-accounted joint venture in EE segment	**21**		(4)			11	
Operating profit from equity-accounted associate in ICT segment	**(1)**		(2)			(4)	
Operating profit from equity-accounted joint venture in Other segment	**(2)**		(2)			(4)	
Operating profit as reported	**374**		615		(39)	1 361	

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 R84 million (March 2019: R82 million) (September 2019: R170 million).*

Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.

CONDENSED SEGMENTAL ANALYSIS (CONTINUED)

AS AT 31 MARCH 2020

	As at 31 March					
Rm	**2020 Unaudited**	**% of total**	2019 Unaudited	% of total	Year ended 30 September 2019 Audited	% of total
Total assets						
EE	**2 560**	**25**	3 340	32	2 820	27
ICT	**4 680**	**46**	4 592	45	4 678	45
AE	**2 590**	**26**	2 054	20	2 322	23
Other	**300**	**3**	351	3	484	5
Total assets as reported[1]	**10 130**	**100**	10 337	100	10 304	100
Total liabilities						
EE	**1 149**	**31**	1 292	41	1 131	39
ICT	**1 224**	**33**	767	24	748	26
AE	**1 072**	**29**	840	27	789	28
Other	**263**	**7**	238	8	205	7
Total liabilities as reported[1]	**3 708**	**100**	3 137	100	2 873	100

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

NOTES

1 BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with and containing the information required by:

> Framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in effect for the Group at 1 October 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
> Requirements of the Companies Act, 71 of 2008

This interim financial report has been prepared in accordance with and contains the minimum information required by IAS34 – Interim Financial Reporting.

This interim financial report was compiled under the supervision of NA Thomson CA(SA) (Chief Financial Officer).

The Group's accounting policies applied for the period ended 31 March 2020 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 16 Leases, the impact of which is set out in note 14. These accounting policies comply with IFRS.

	Six months ended 31 March		
Rm	**2020 Unaudited**	2019 Unaudited	Year ended 30 September 2019 Audited
2 REVENUE			
Revenue from contracts with customers:			
Category of revenue			
Products	**3 392**	4 571	8 703
Services	**446**	465	1 482
Timing of revenue recognition:			
Revenue recognised at a point in time	**3 115**	4 459	8 732
Revenue recognised over time	**723**	577	1 453
Total revenue from contracts with customers	**3 838**	5 036	10 185
Other revenue:			
Interest received on lease receivables	**227**	209	425
Rental and other revenue	**79**	43	104
Total revenue	**4 144**	5 288	10 714

The EE segment earned the majority of its revenue in the sale of products 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 total revenue contribution by each segment.

NOTES (CONTINUED)

Rm	Six months ended 31 March **2020** **Unaudited**	 2019 Unaudited	Year ended 30 September 2019 Audited
3 OPERATING PROFIT			
Operating profit includes:			
– Cost of sales (excluding depreciation and amortisation)	**2 696**	3 653	7 399
– Other expenses (excluding depreciation and amortisation)	**979**	963	1 873
– Other income	**22**	26	80
– Fair value gain on contingent consideration	**2**	–	4
– Depreciation and amortisation*	**119**	83	165
Included in other expenses above are:			
– Realised foreign exchange losses	**(23)**	(11)	(66)
– Unrealised foreign exchange (losses)/gains	**(67)**	23	92
– Impairment of non-derivative financial assets (trade receivables and finance leases and loans receivable) before considering the impact of COVID-19	**22**	–	22
– Auditors' remuneration	**13**	14	27
– Profit on disposal of property, plant and equipment	**4**	3	2

* *Depreciation and amortisation of property, plant and equipment and intangible assets considered to be part of cost of sales is R22 million (March 2019: R30 million) (September 2019: R58 million).*

Depreciation and amortisation of property, plant and equipment and intangible assets allocated to other expenses is R60 million (March 2019: R53 million) (September 2019: R107 million).

Depreciation of right-of-use assets considered to be part of cost of sales is R4 million (March and September 2019: not applicable).

Depreciation of right-of-use assets allocated to other expenses is R33 million (March and September 2019: not applicable).

Rm	Six months ended 31 March **2020 Unaudited**	 2019 Unaudited	Year ended 30 September 2019 Audited
4 NET INTEREST EXPENSE			
Interest income	**26**	23	44
Interest expense on loans, bank overdrafts and other short-term facilities	**(28)**	(22)	(50)
Interest expense on lease liabilities	**(12)**	–	–
Interest on unwinding of put option liability	**(5)**	(5)	(9)
Total	**(19)**	(4)	(15)
5 NUMBER OF SHARES USED TO CALCULATE (LOSS)/EARNINGS PER SHARE[1]			
Weighted average number of shares in issue, net of empowerment and treasury shares, for basic earnings and headline earnings per share (millions of shares)	**161**	161	161
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**3**	3	2
Weighted average number of shares for diluted basic and headline earnings per share (millions of shares)	**164**	164	163

[1] *The (loss)/earnings used to determine (loss)/earnings per share and diluted (loss)/earnings per share is the (loss)/profit for the period attributable to equity holders of Reunert of (R277) million (March 2019: R366 million) (September 2019: R790 million).*

Rm	Six months ended 31 March 2020 Unaudited	 2019 Unaudited	Year ended 30 September 2019 Audited
6 HEADLINE (LOSS)/EARNINGS			
HEADLINE (LOSS)/EARNINGS			
(Loss)/profit attributable to equity holders of Reunert	**(277)**	366	790
Headline (loss)/earnings are determined by eliminating the effect of the following items from attributable (loss)/earnings:			
Goodwill impairment	**75**	–	67
Impairment of investment in a joint venture (after a tax credit of R13 million)	**55**	–	–
Loss on remeasurement of subsidiary held for sale	**22**	–	–
Impairment of property, plant and equipment (September 2019: after a tax credit of R6 million and non-controlling interests (NCI) portion of R8 million)	**4**	–	26
Loss on disposal of subsidiary	**–**	44	44
Net gain on disposal of assets (after a tax charge of R1 million and NCI portion of R1 million) (March 2019: after a tax charge of R1 million and NCI portion of Rnil) (September 2019: after a tax charge of R1 million and NCI portion of Rnil)	**(2)**	(2)	(3)
Headline (loss)/earnings	**(123)**	408	924

Rm	2020 Unaudited	2019 Unaudited	Year ended 30 September 2019 Audited
	Six months ended 31 March		
7 EXPECTED CREDIT LOSSES*			
Abnormal item – incurred credit loss	**298**	–	–
Expected credit losses	**231**	–	–
	529	–	–

* *As a result of COVID-19 pandemic and the abnormal item (see commentary).*

FINANCE LEASES AND LOANS RECEIVABLE

The gross finance leases receivable relates to the present value of discounted rental agreements entered into between Group-owned office automation franchises and customers, which are repayable over varying periods up to a maximum of five years from the date of the statement of financial position.

The loans receivable are loans to non-owned Office Automation franchises and dealers to fund rentals between the franchise and the customer. Ownership of the underlying rentals and equipment is transferred to Quince, however, as the franchise retains the credit risk through the recourse arrangements for accounting purposes, the overall arrangement is classified as a loan.

The Group applies the IFRS 9 general approach to measuring the expected credit loss (ECL) for finance leases and loans receivable. This is calculated by applying a loss ratio to the balance at each reporting date. Historically the loss ratio for the rentals and loans receivable was calculated according to the ageing/payment profile by applying historic write-offs to the payment profile of the population.

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

The forward looking information includes variables such as:

> Gross domestic product (GDP) per capita
> Government budget/GDP
> Government debt/GDP
> Current account/GDP
> Unemployment rate
> Inflation rate (CPI)

IMPACT OF COVID-19

Historical levels of credit impairment are not considered representative of what is expected in terms of future defaults due to the COVID-19 pandemic. The impact of the lockdown and the related significant reduction in economic activity and consequential predicted increase in business failures have made the estimation of future credit losses extremely complex. Accordingly, the Group undertook an extensive consultative process with various financial institutions and noted the following key and common themes.

Historical methods used in the past need to be substantially modified due to changes in the macro-economic conditions and the changing direction of relationships. For example, in the past when interest rates declined this would have been expected to have resulted in fewer defaults occurring. However, under COVID-19, defaults are expected to significantly increase despite the substantial drop in interest rates over the last few months.

Financial institutions are experiencing very significant numbers of customer requests to restructure their payments or for credit holidays. This is in line with the information contained in the various SENS releases issued by some of the major banks in the past few weeks.

There is a general expectation that there may be a spike in defaults commencing in July 2020, after the three-month payment holidays, which started in April 2020, have come to an end.

Credit losses which rose by a factor of 2 post the 2008 financial crisis are expected to increase by a multiple of at least 4 under the consequences of COVID-19. Under COVID-19 a substantial amount of economic activity has ceased, the impact of which is predicted to result in a far more severe economic contraction and what is likely to be a longer and slower recovery compared to the financial crisis. This impact is predicted to be particularly severe for smaller and medium-sized enterprises, which comprise a material portion of Quince's rental book.

7 EXPECTED CREDIT LOSSES (CONTINUED)

Security underpinning loans is likely to be less valuable and take longer to realise as more assets will become available into an environment of both weak demand and stretched balance sheets.

The Group has considered these factors above and also used the following key assumptions in estimating the ECL as at 31 March 2020:

Probability of default (PD)	11,5%
Loss given default (LGD)	63%
Exposure at default (EAD)	Exposure of receivables at 31 March 2020

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

> The Moody's expected rate of credit defaults which has increased from 3,5% pre-COVID-19 to 11,5% post-COVID-19

> This rate was tested for reasonableness and appropriateness with various financial institutions and credit rating agencies

> The general consensus from the financial institutions and credit rating agencies we consulted, is that the expected rates of default have increased significantly and that the Moody's estimate is within range

> Due to the short period of time between the commencement of the economic impacts of COVID-19 and the date of interim reporting there are no historical data points and accordingly, the assessment is made through estimates which, by their nature, contain a high degree of uncertainty. Economists have forecasted different scenarios in terms of the extent and period of recovery over the short and medium term. These recoveries range from what is termed as V-shaped (best scenario), U-shaped (base scenario) and L-shaped (worst scenario). The Group has used the U-shaped scenario (base scenario) as its best estimate of the extent and period of recovery for its various operations and consequently for its customers

The PD estimate of 11,5% is further corroborated by the following:

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

> A Stats SA survey, which expects 10% of smaller businesses not to reopen post-lockdown

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

> The level of job losses expected in the economy of circa 1,7 million jobs or more depending on the source (Investec, Reserve Bank forecasts)

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

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

The EAD was taken as being the exposure to the customer as reflected in the book as at the reporting date. This was because customers did not have the option to restructure their rental obligations, as no programme to provide relief to the customers was in place as at 31 March 2020, the reporting date.

In order to corroborate and support the results of applying the assumptions above, the Group performed a reasonableness test as follows:

The entire book was broken down into industry codes and the probability of loss per industry was ascribed to each grouping.

The input for this reasonableness test was:

> Economic forecasts from banks and economists

> The expected lockdown duration per industry sector under level 5 and 4 and the immediate impact this would have on affected businesses

> A company by company evaluation of the top 100 customers

> A risk framework analysis of the various customers within segments

The above analysis corroborated the expected credit loss impairment.

7 EXPECTED CREDIT LOSSES (CONTINUED)

SIGNIFICANT INCREASE IN CREDIT RISK

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

Carrying amounts by credit risk exposure

		Expected credit loss			
Rm	**Gross carrying amount**	**Stage 1**	**Stage 2**	**Stage 3**	**Net carrying amount**
March 2020					
Abnormal item*	298	–	–	(298)	**–**
Residual rental and loan book	2 878	(95)	(149)	(18)	**2 616**
Carrying amount	**3 176**	**(95)**	**(149)**	**(316)**	**2 616**
March 2019	2 893	(44)	–	–	**2 849**
September 2019	3 016	(41)	–	–	**2 975**
Total stages 1 to 3 ECLs required at March 2020					560
Less: Pre-COVID-19 ECL					(43)
Post-COVID-19 ECL in respect of rentals and loans receivable under the general approach					517
Post-COVID-19 ECL in respect of trade receivables under the simplified approach					12
Expected credit loss					**529**

* *As noted in the commentary, an incurred credit loss arose from a fraud perpetrated against Quince Capital of R298 million before taxation (R215 million after taxation). Further details have been outlined in the commentary.*

8 IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

	Group		
Rm	**March 2020**	March 2019	September 2019
Carrying amount at the beginning of the period	**999**	1 053	1 053
Impairment of goodwill	**(75)**	–	(67)
Disposal of business	**–**	(62)	(62)
Acquisition of businesses	**–**	–	76
Exchange rate difference on consolidation of foreign subsidiaries	**–**	–	(1)
Carrying amount at the end of the period	**924**	991	999

IMPACT OF COVID-19

The COVID-19 pandemic and the resulting national lockdown occurred before the closing of the interim half year reporting period. The nature and magnitude of this event and the likely impact this could have on the Group, provided an indicator of impairment that required all significant asset balances at 31 March 2020 to be tested for impairment in terms of IAS 36 Impairment of Assets. Our forecasts for this assessment were developed using consensus economic forecasts on the impact of the COVID-19 pandemic on the South African economy modified for our business units' knowledge and understanding of expected customer requirements and their capacity to continue to transact.

IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

The Group impaired the goodwill which arose on acquisition of two of its subsidiaries: African Cables (R61 million) and Dynateq International (R14 million) and R4 million of property, plant and equipment in Polybox. In 2019, the Group impaired goodwill which arose on acquisition of two of its subsidiaries: Metal Fabricators of Zambia Plc (Zamefa) (R57 million) and Polybox (R10 million) and R40 million of property, plant and equipment in Zamefa.

NOTES (CONTINUED)

8 IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.1 GOODWILL

African Cables

African Cables continued to deliver a subdued performance for the first half of the 2020 financial year, primarily due to the following:

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

Although the outlook remains positive beyond 2020 due to the securing of framework tenders at Eskom and various municipalities, the reprioritisation of Government spend on infrastructure due to the impact of COVID-19 remains uncertain. Management is of the view that this business is likely to experience pressure on its volumes over the medium term and have therefore used forecasts taking into consideration this uncertainty.

Dynateq

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

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

				Group	
	Measurement currency	Discount rate (pre-tax) %	Terminal growth rate %	**March 2020 Rm**	September 2019 Rm
SIGNIFICANT CGUs					
EE					
African Cables	ZAR	20,57	4,00	**–**	61
Zamefa	ZMW	32,91	4,00	**–**	–
ICT					
Nashua Office Automation	ZAR	20,30	4,00	**203**	203
Quince	ZAR	11,35	4,00	**124**	124
ECN	ZAR	20,57	4,00	**140**	140
SkyWire Technologies	ZAR	18,85	4,00	**170**	170
AE					
Omnigo	ZAR	22,09	4,00	**40**	40
Terra Firma Solutions	ZAR	21,03	4,00	**88**	88
Nanoteq	ZAR	22,71	4,00	**69**	69
Dynateq	ZAR	20,70	4,00	**–**	14
Blue Nova Energy	ZAR	22,61	4,00	**53**	53
				887	962
Other[1]	ZAR	18,85 – 22,71	4,00	**37**	37
Net carrying amount				**924**	999
Gross goodwill carrying amount				**1 066**	1 066
Less: accumulated impairment loss				**(142)**	(67)

[1] *This consists of the aggregate of individual immaterial goodwill balances across all segments above.*

8 IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.1 GOODWILL (CONTINUED)

The following additional assumptions were used in the impairment tests at 31 March 2020.

The basis for the value-in-use calculations are the management-approved forecasts for 2020 and 2021 prepared specifically for this assessment incorporating management's best estimate of the likely impact of the economic downturn resulting from the COVID-19 pandemic. Management was guided in its forecasts by the views of leading South African economists.

The discount rate used is calculated as the weighted average cost of the different components of capital, being debt and equity (WACC) taking into consideration the latest available market information relating to risk free rates and market equity premiums.

This is consistent with international best practice and covers the different industries in which the Reunert Group operates.

The terminal growth rate is in line with the long-term nominal GDP and thereafter adjusted for various risk factors.

This is used to extrapolate the cash flow projections beyond the period covered of five years. Terminal growth rate of 4% has been applied across all the entities.

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

The results of the sensitivity analysis were that no impairment would be required except in the case of Skywire (R43 million), Reutech Radar (R54 million), Reutech Communications (R27 million), Nanoteq (R7 million), and Nashua Communications (R31 million). If the terminal growth rates were decreased by 1%, no impairment would be required.

If the discount rates were decreased by 1%, no impairment will be required except for Reutech Radar (R9 million).

8.2 INVESTMENT IN JOINT VENTURE

The outlook for CBI Telecoms remains uncertain, with an unsecured order book, significant margin degradation and declining volumes all contributing to weak cash flow forecasts over the short to medium term. These factors together with the substantial loss to date have resulted in the management of CBI Telecoms impairing the carrying amount of its property, plant and equipment by R135 million. The impact of the impairment is included in equity-accounted earnings from joint ventures for the period to 31 March 2020 at R55 million (after tax). A discount rate of 17% and a terminal value of 4% was used in the value-in-use calculation.

Rm	Six months ended 31 March **2020 Unaudited**	 2019 Unaudited	Year ended 30 September 2019 Audited
9 LOSS ON REMEASUREMENT OF SUBSIDIARY HELD FOR SALE			
Remeasurement loss on recognising a subsidiary's net assets at fair value less costs to sell	**(22)**	–	–

PanSolutions Holdings Proprietary Limited has met the requirements to be classified as a disposal group in terms of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The carrying amount of the subsidiary, after the remeasurement of subsidiary held for sale, is Rnil.

Rm	2020 Unaudited	2019 Unaudited	2019 Audited
10 PUT OPTION LIABILITY			
As part of the Terra Firma acquisition in 2017, the Group granted put options in favour of the non-controlling shareholders for 25% of the issued share capital.			
The Terra Firma put option is exercisable between 2019 and 2023.			
A reconciliation of the closing balance is as below:			
Balance at the beginning of the period	**120**	120	120
Fair value remeasurements	**–**	–	(9)
Unwinding of discount	**5**	5	9
Balance at the end of the period	**125**	125	120
Less: current portion	**(125)**	–	(120)
Non-current portion	**–**	125	–

NOTES (CONTINUED)

10 PUT OPTION LIABILITY (CONTINUED)

The obligation was classified as a level 3 instrument 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 borrowing

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

	Six months ended 31 March		Year ended 30 September
Rm	**2020 Unaudited**	2019 Unaudited	2019 Audited
11 LONG-TERM LOANS			
Total long-term loans (including finance leases)	**40**	67	60
Less: current portion (including finance leases)	**–**	(1)	(3)
Non-current long-term loans	**40**	66	57

12 RELATED-PARTY TRANSACTIONS

Counterparty Rm	Relationship	Sales	Purchases	Lease payments	Treasury shares	Amount owed to related parties	Dividends received
March 2020							
CBI-Electric Telecom Cables Proprietary Limited	Joint venture	**1**	**–**	**–**	**–**	**–**	**–**
Oxirostax Proprietary Limited (Nashua Winelands)	Associate	**1**	**1**	**–**	**–**	**–**	**–**
Bargenel Investments Proprietary Limited	Empowerment partner owning 18,5 million Reunert shares	**–**	**–**	**–**	**276**	**–**	**–**
Lexshell 661 Investment Proprietary Limited	Joint venture	**–**	**–**	**6**	**–**	**–**	**3**
March 2019							
CBi-Electric Telecom Cables Proprietary Limited	Joint venture	1	30	–	–	7	–
Oxirostax Proprietary Limited (Nashua Winelands)	Associate	8	–	–	–	1	–
Bargenel Investments Proprietary Limited	Empowerment partner owning 18,5 million Reunert shares	–	–	–	276	–	–
Lexshell 661 Investment Proprietary Limited	Joint venture	–	–	5	–	7	–
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 18,5 million Reunert shares	–	–	–	276	–	–
Lexshell 661 Investment Proprietary Limited	Joint venture	–	–	4	–	4	3

Rm	Six months ended 31 March 2020 Unaudited	2019 Unaudited	Year ended 30 September 2019 Audited
13 CONTINGENT CONSIDERATIONS			
Balance at the beginning of the period	**41**	37	37
Raised at acquisition at fair value	**–**	–	24
Settlement of contingent consideration	**(3)**	–	(16)
Remeasurements	**(2)**	(2)	(4)
Balance at the end of the period[1]	**36**	35	41

[1] *The balance of the contingent consideration has been included in 'Trade and other payables, provisions and taxation' on the statement of financial position.*

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

Contingent considerations still in effect

DoppTech: the remaining contingent consideration of R12 million is stipulated in 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 the 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.

14 CHANGE IN ACCOUNTING POLICY

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

Accordingly, lessee accounting for finance leases is similar under IFRS 16 to that under the previous standard, IAS 17. Lessor accounting under IFRS 16 is also similar to IAS 17.

The Group adopted IFRS 16 on 1 October 2019 using the cumulative catch-up approach and therefore comparative information has not been restated.

The most significant impact for the Group of the adoption of the new standard has arisen from the various properties the Group leases and from its network site operating leases.

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

For most contracts there is limited judgement needed to determine whether an agreement contains a lease. However, where the Group has contracts for the use of fibre and other fixed telecommunications lines, judgement has been applied to determine whether the Group controls the line and therefore has a lease.

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

> The present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group applies its incremental borrowing rate

> Any initial direct costs incurred

Judgements and assumptions made by management in applying the related accounting policies for IFRS 16
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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

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

Right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Lease modifications are defined as a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease.

14 CHANGE IN ACCOUNTING POLICY (CONTINUED)

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

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

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

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

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

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- The accounting for operating leases of low-value assets (assets with a cost of R100 000 or lower) when new on 1 October 2019
- The use of current knowledge and plans to determine the lease term where the contract contains options to extend or terminate the lease

Adjustment recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, and if this rate cannot be readily determined, lessee's incremental borrowing rate as of 1 October 2019. The weighted average rate applied is 10%.

14 CHANGE IN ACCOUNTING POLICY (CONTINUED)

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

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

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

Rm	31 March 2020	1 October 2019
Properties	173	185
Plant	24	26
Motor vehicles	3	4
Total carrying amount of right-of-use assets	200	215

Rm	1 October 2019	IFRS 16 impact	30 September 2019
The change in accounting policy affected the following items in the balance sheet on 1 October 2019:			
Right-of-use assets	215	215	–
Deferred taxation assets*	143	–	143
Trade and other payables, provisions and taxation	(2 177)	7	(2 184)
Lease liabilities	(222)	(222)	–
Deferred taxation liabilities*	(138)	–	(138)
Total	(2 179)	–	(2 179)

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

NOTES (CONTINUED)

15 LITIGATION

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

16 EVENTS AFTER REPORTING DATE

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

17 GOING CONCERN

As a result of the COVID-19 pandemic, the Group's focus is to preserve liquidity and cash flow. It has accordingly implemented various cost saving measures. The directors have reviewed the Group's financial position, existing credit facilities and available cash resources and are satisfied that the Group will continue as a going concern for at least the next 12 months from the date of this report.

ADDITIONAL INFORMATION

Rm (unless otherwise stated)	Six months ended 31 March **2020** **Unaudited**	 2019 Unaudited	Year ended 30 September 2019 Audited
Net number of ordinary shares in issue (million)	**161**	161	161
Number of ordinary shares in issue (million)	**185**	185	185
Less: empowerment shares (million)	**(19)**	(19)	(19)
Less: treasury shares (million)	**(5)**	(5)	(5)
Capital expenditure	**66**	59	158
– expansion	**56**	36	102
– replacement	**10**	23	56
Capital commitments in respect of property, plant and equipment	**53**	75	60
– contracted	**28**	42	30
– authorised, not yet contracted	**25**	33	30
Commitments in respect of leases	*****	214	249
Contingent liabilities	**–**	–	–
Current ratio (:1)	**1,7**	2,0	2,1
Quick ratio (:1)	**1,2**	1,5	1,6
Dividend yield (%)**	**10,3**	7,0	7,4
Return on capital employed (%)	**11,1**	16,3	17,8

* *With effect from 1 October 2019 and the initial application of IFRS 16 Leases, all material lease commitments are disclosed as current or non-current liabilities in the statement of financial position. Commitments in respect of the remaining leases not accounted for in terms of IFRS 16 are not material.*

** *Calculated as the total dividend (interim 65 cents per share and prior year final 383 cents per share) (March 2019: interim 130 cents per share and prior year final 368 cents per share) (September 2019: 130 cents and 383 cents per share) divided by a Reunert share price of 4 334 cents (March 2019: 7 100 cents) (September 2019: 6 900 cents), being the closing market price on 31 March 2020.*

Definitions of ratios and other financial terms are the same as those incorporated in the 2019 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 (Chair of the Audit Committee)*, JP Hulley*, SD Jagoe*, S Martin*, MT Matshoba-Ramuedzisi*, M Moodley, Adv NDB Orleyn**, (SG Pretorius* (retired: 10 February 2020)), NA Thomson (Chief Financial Officer), (R Van Rooyen* (retired: 10 February 2020))

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

REGISTERED OFFICE

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Sandton, 2146
Telephone +27 11 517 9000

INCOME TAXATION REFERENCE NUMBER

9100/101/71/7P

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
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 six months ended 31 March 2020 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

Karen Smith: +27 11 517 9000 or email invest@reunert.co.za.
For additional information log on to the Reunert website at www.reunert.com

18 June 2020 (publication date)

REUNERT
REUNERT LIMITED

Q&A

- Please type your questions on the webcast portal
- Kindly email Karen Smith at investor@reunert.co.za should you wish to have a one-on-one call with the management team

KEY UPCOMING DATES

Financial year end	30 September
Full year results	24 November
Integrated Report	17 December