REUNERT

REUNERT LIMITED

GROUP AUDITED ANNUAL FINANCIAL STATEMENTS 2018

CONTENTS

DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors are responsible for the preparation and fair presentation, in conformity with International Reporting Standards and the Companies Act of South Africa, 71 of 2008 ("Companies Act") of the consolidated and separate annual financial statements of Reunert Limited ("annual financial statements") comprising the statements of financial position at 30 September 2018; the statements of comprehensive income; statements of changes in equity and statements of cash flows for the year then ended and notes to the financial statements including the summary of significant accounting policies.

To discharge this responsibility, the Board ensures, through the review of information supplied by management and the reports of both the internal and external auditors, that the group (comprising the company, its subsidiaries, its joint ventures and associate) has instituted and applied appropriate internal controls and has operated a control environment that:

- Ensures (within appropriate cost benefit parameters) the safeguarding of the group's assets;
- Transactions are undertaken in accordance with the group's policies and procedures and within the group's delegation of authority limits; and
- There is reasonable assurance as to the reliability of the group's financial information.

The Board also ensures that the group has instituted a risk management system which provides reasonable assurance that risks are:

- Identified;
- Assessed;
- Managed to acceptable levels; or
- Transferred.

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

The Board has considered both the ability of the company and group to continue as going concerns for at least the next twelve months and the liquidity and solvency of the company before and after approving the final dividend for the 2018 financial year.

The company's external auditors, Deloitte & Touche, are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act. They have issued an unmodified audit opinion in this regard which is set out on pages 2 to 6.

On the recommendation of the Audit Committee, the financial statements set out on pages 7 to 83 were approved by the Board on the 19th of November 2018 and are signed on its behalf by:

Trevor Munday
Chairman

Alan Dickson
Chief Executive Officer

Nick Thomson
Chief Financial Officer

COMPANY SECRETARY'S CERTIFICATION

FOR THE YEAR ENDED 30 SEPTEMBER 2018

In terms of section 88(2)(e) of the Companies Act 71 of 2008, I, Karen Louw, duly authorised on behalf of the company secretary, Reunert Management Services Proprietary Limited (registration number 1980/007949/07), certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 30 September 2018, all such returns and notices as are required in terms of the aforesaid Act and that all such returns and notices are true, correct and up to date.

Karen Louw
on behalf of Reunert Management Services Proprietary Limited
Group Company Secretary
19 November 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Reunert Limited
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Reunert Limited (the Group) set out on pages 13 to 80, which comprise the statements of financial position as at 30 September 2018, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 September 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our audit report with regard to the separate financial statements for the year ended 30 September 2018.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue Recognition	
Revenue recognition is presumed to be a significant risk in terms of ISA 240 – *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* ("ISA 240"). Based on our risk assessment there is a risk regarding inappropriate revenue recognition at the Group's subsidiaries, specifically relating to the occurrence of revenue recognised.	The following procedures were performed in assessing the validity of revenue in the current year: > Understanding the revenue recognition process in respect of these transactions to assess compliance with IFRS both from the recognition and measurement perspective as well as in terms of the presentation and disclosure requirements of IFRS; > Assessed the adequacy of the design and implementation of identified controls over the revenue processes; > Performed operating effectiveness assessments on the relevant controls of select components; > Inspected a sample of supporting evidence for the underlying transactions and assessed the accounting treatment to ensure it is in terms of IAS 18 – *Revenue*; and > Inspected the annual financial statements to determine whether the disclosure is appropriate in terms of IAS – *Revenue*. Our overall conclusion is that management has appropriately recognised revenue in terms of International Financial Reporting Standards ("IFRS").
Acquisition Accounting	
Reunert Limited continued with synergistic corporate actions in the current year which included the purchase offer for the complete shareholding in SkyWire (Pty) Ltd and DoppTech (Pty) Ltd. IFRS 3 – *Business Combinations* ("IFRS 3") applies to the accounting for these acquisitions. The determination of the effective date of control, the acquisition date fair values of the identifiable assets acquired and the liabilities assumed, as well as other accounting treatments per IFRS 3 have been assessed, however the valuation of the fair value of the intangible assets of SkyWire (Pty) Ltd requires judgement and therefore has been identified as the significant risk area.	The following procedures were performed in assessing the fair value of the intangible assets of SkyWire (Pty) Ltd for the current year: > Assessment of the design and implementation of the controls that management has in place around the acquisitions function; > Obtained an understanding of the underlying agreements; and > Assessed the reasonability of management's valuation of the fair value of the intangible assets of SkyWire (Pty) Ltd acquired. We concur with management's accounting for the purchase price allocation of the acquisition of SkyWire (Pty) Ltd, specifically the recognition of the fair value of the intangible assets. Overall, we have not identified any material misstatements relating to the accounting for the SkyWire acquisition in the current year.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
IFRS 2 BBBEE share based-payment expense	
Reunert has implemented changes in its ownership structure of certain subsidiaries to facilitate increased Broad Based Black ownership. IFRS 2 – share-based payment applies to the accounting for BBBEE transactions where the value of cash and other assets received is less than the fair value of equity instruments granted to the BBBEE partner, i.e. for the provision of BBBEE equity credentials. Judgement is required in determining the valuation of the IFRS 2 share-based payment expenses relating to the measurement of the fair value of the shares acquired by the BBBEE participants. Given the judgment exercised by the Directors we have identified the charge as a key audit matter. The Group's IFRS 2 charge and Share-based payments are disclosed in note 5 and note 19.	In assessing the IFRS 2 share-based payment expenses recognised by Directors, we performed the following procedures: > Obtained an understanding of the underlying agreements; > Inspected the Investment Committee and Remuneration Committee approvals for these transactions respectively; > Obtained the Directors' valuation of the IFRS 2 expenses as calculated by their external expert; and > Assessed the recognition of the associated accounting treatment and disclosures. From the evidence obtained, the valuation and recognition of the share-based payment expenses appear reasonable. Furthermore, we find the disclosures to be appropriate.
Goodwill Impairment	
As disclosed in note 12, the carrying value of goodwill recognised by the Group amounts to R1 053 billion. Judgement is required by the Directors in assessing the impairment of this goodwill, which is determined with reference to its value in use, based on cash flow forecasts for each affected cash generating unit. Accordingly, we identified the impairment of goodwill as representing a key audit matter. The assumptions with the most significant impact on the value in use calculations were: > The growth rates applied which is a highly subjective area of the forecasts, since they are based on the Directors' experience and expectations rather than observable market data; and > The discount rates, which are derived from the weighted average cost of capital incorporating risk factors specific to the operational cash flow being assessed. The calculation of the discount rate is complex and judgemental.	In evaluating the goodwill for potential impairment, we reviewed the value in use calculations prepared by the Directors, with a particular focus on the estimated growth rates and discount rates. We performed various procedures, including: > Testing the entity's controls relating to the preparation of the cash flow forecasts; > Testing the inputs into the cash flow forecast against historical performance in respect of each cash generating unit; > Assessing the growth rates used against historical and external data regarding economic growth rates for the regions included in the cash generating units; > Involving our valuation specialist to assist with the testing of the discount rate of certain components. The specialist's procedures included evaluating the Group's current funding rates, funding structures and risk profile against relevant market data; > Re-computing of the value in use of each cash generating unit; > Performing sensitivity analyses on the growth rates and discount rates to evaluate the impact on the value in use; and > Assessed the appropriateness of the Group's disclosures. The growth rates used in the calculation of the values in use were found to be appropriate. The discount rates applied in respect of some of the affected cash generating units, which are supported by management's empirical research, were found to be lower than our rates, however this did not indicate any impairment of the goodwill.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee Report and the Company Secretary's certification as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Reunert Limited for 33 years.

Deloitte + Touche

Deloitte & Touche
Registered Auditor

Per: James Welch
Partner
19 November 2018

AUDIT COMMITTEE REPORT

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

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

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

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

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

Composition and meetings

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

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

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

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

Statutory duties

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

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

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

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

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

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

> reviewed and reconfirmed the policy with regards to non-audit services which is that the cost of non-audit services provided by the external auditors may not, other than in exceptional circumstances, exceed 20% of the external audit fee and the nature of such non-audit services should not impair the external auditors independence.

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

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

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

> in making this recommendation it:

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

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

> satisfied itself as to the appropriateness of the expertise and experience of the chief financial officer, and the expertise, resources and experience of the finance function.

Other responsibilities

The committee has performed its duties and responsibilities as follows:

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

> guided the integrated reporting process, having regard to all factors and risks that may impact on the integrity of the integrated report;

> assessed and recommended to the Board, the company's and group's ability to continue as going concerns for at least the next 12 months and accordingly confirmed that the interim and annual financial statements were appropriately prepared on the going concern basis;

> reviewed the interim and annual financial statements and other financial information made public, for recommendation to the Board, and satisfied itself that they fairly present the results of operations, cash flows and the financial position of both Reunert Limited and the group;

> considered the accounting treatment for significant or unusual transactions and all material accounting judgements;

> considered the appropriateness of the group's accounting policies and any changes made thereto;

> reviewed any significant legal and tax matters and considered any concerns identified therein that could have a material impact on the annual financial statements;

> reviewed the solvency and liquidity tests undertaken prior to relevant transactions and dividend declarations;

> considered and made recommendations to the Board on the proposal for interim and final dividends; and

> met separately with management, Deloitte and internal audit to assess reporting controls and matters pertaining to the annual financial statements.

External audit function:

> reviewed and evaluated Deloitte's audit process and concluded it to be satisfactory;

> determined whether any reporting irregularities were identified and reported by Deloitte – no such irregularities were identified;

> reviewed Deloitte's reports and obtained their assurance that adequate accounting records are being maintained; and

> reviewed the findings and recommendations of Deloitte and confirmed that no unresolved issues of concern exist between the group and Deloitte.

Key audit matters:

> The committee noted the key audit matters set out in the independent external auditor's report, namely:
  – revenue recognition;
  – acquisition accounting;
  – goodwill impairment; and
  – IFRS 2 – Share-based payment.

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

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

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

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

The committee also:

> reviewed and approved internal audit terms of reference, the annual internal audit plan and evaluated the independence, effectiveness and performance of the chief audit executive and the internal audit function and found it to be satisfactory;
> considered the reports of the internal auditors (including written assurance) on the group's systems of internal control including financial and disclosure controls, financial risk management, information technology and maintenance of effective internal control systems and concluded that there were no material breakdowns in internal control;
> reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto; and
> received written assurance as to the effectiveness of the group's systems of internal control including financial and disclosure controls and financial risk management from internal audit.

Legal and regulatory compliance:

> reviewed legal matters that could have a material impact on the group and none were identified;
> considered reports provided by management, internal audit and Deloitte regarding compliance with legal and regulatory requirements;
> monitored the resolution of items received through the group's independent, confidential whistle blowing service; and
> evaluated the feedback presented by the company secretary of the annual compliance certification undertaken by the managing director of each of the group's business units.

Sustainability information:

> monitored the process of sustainability reporting;
> received the necessary assurance from internal audit and various third party assurance providers that material disclosures are reliable and do not conflict with the financial information.

Conclusion

The committee was satisfied that it has complied with all its statutory and other responsibilities and having had regard to all material risks and factors that may impact on the integrity of the integrated report and the annual financial statements, following its review and having concluded on its findings the Audit Committee recommended the integrated report and the annual financial statements of Reunert Limited for the year ended 30 September 2018 for approval by the Board.

Rynhardt van Rooyen
Chair
Sandton

19 November 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

Authorised and issued capital

The authorised capital of the company remained unchanged.

During the current financial year, 261 000 (2017: 318 600) shares were issued in terms of the 2006 share scheme at issue prices ranging from R39,30 to R59,55 (2017: R39,30 to R59,55) per share at a total consideration of R15 million.

As part of our capital allocation and demonstrating the confidence we have in Reunert's future, we commenced a share buyback programme in September 2016, under general shareholder authority permitting us to purchase up to nine million shares. During the current financial year we repurchased 1 605 276 (2017: 3 005 606) shares at an average price of R71,87 (2017: R67,39) per share, inclusive of transaction costs and a total consideration of R115,4 million (2017: R202,5 million). These are held as treasury shares. By year end we had repurchased a cumulative 5 054 213 shares at an average price of R68,40 of which 56 515 shares were applied to the conditional share plan in 2017.

Review of operations and results

The growth in the group's revenue, operating profit and earnings are presented in the table below:

Measure	Units	2018	2017	%
Revenue	R million	10 492	9 773	7
Operating Profit	R million	1 542	1 497	3
Basic Earnings per share	cents	717	680	5
Headline Earnings per share	cents	703	679	4
Normalised Headline Earnings per share	cents	687	697	(1)

Overview

Reunert achieved positive growth in the 2018 financial year with group revenue increasing by 7% to R10 492 million (2017: R9 773 million). Pleasingly, in a volatile Rand environment, operating profit grew by 3% from R1 497 million to R1 542 million. This was achieved despite a sharp decline in Electrical Engineering's profitability, driven by improved earnings in both the ICT and Applied Electronics segments.

Electrical Engineering's decline in profitability resulted from the recessionary pressures in the key infrastructure markets serviced, presenting as reduced demand from key state institutions, and the poor results of Zamefa (the Zambian power cable manufacturer). Zamefa was adversely impacted by Zambia's liquidity constraints and the 27% devaluation in the Zambian currency to the US Dollar.

The ICT and Applied Electronics segments performed well, particularly in the second half of the year. The ICT segment improved sales in high category multi-functional printers and had good growth in new total workspace solution sets. Applied Electronics growth was driven by record export sales, the benefit of a weakening Rand in the second half and the rapid expansion of the renewable energy business.

This improvement in profitability, combined with the reduction in the number of shares in issue (due to the continuation of the share buyback programme) resulted in headline earnings per share growing by 4%.

Electrical Engineering

Following a record financial year in 2017, Electrical Engineering encountered strong headwinds in the year under review. The segment's revenue was down 2% at R5 139 million. Operating profit decreased by 37% to R440 million.

The local cable factories experienced a significant reduction in demand from Eskom, municipalities and Telkom. The power cable factory secured alternative orders, but the change in product mix led to reduced margins. The reduction in Telkom volumes led to a reduction in capacity utilization at the CBi Telecoms joint venture which returned a loss for the year.

Zamefa experienced serious challenges as liquidity in Zambia came under further pressure. Key state institutions materially extended the time to settle amounts due to Zamefa which put its available credit facilities under pressure. The Zamefa Board accordingly took a decision to reduce throughput to address this working capital burden. This reduction in activity, together with foreign exchange losses due to the rapid 27% devaluation of the Zambian Kwacha against the US Dollar caused a substantial loss at this business unit.

We are pleased to note that the Zambian government will replace value added tax (VAT) with general sales tax (GST) on 1 April 2019. This should allow Zamefa to substantially increase its throughput, returning the company to profitability once the new GST legislation is enacted.

ICT

The ICT segment had another pleasing year as it continues to implement its strategy. Revenue increased by 4% to R3 443 million and operating profit increased by 25% to R792 million, including a fair value gain of R77 million as a result of the remeasurement of the SkyWire contingent purchase consideration. Excluding the fair value remeasurement, the operating profit increased by 13% to R715 million. The remeasurement arose from the finalisation of the probable achievement of the earn-out threshold in the SkyWire purchase agreement.

The office automation cluster continued to produce strong product sales. Revenue from products and services grew by 7% and this year generated 13% (2017: 13%) of total revenue. The franchise channel performed strongly and the adoption rate of the new total workspace products and services continues to increase.

The communications cluster performed well as ECN's increased voice traffic translated into improved operating profit.

The group's finance book increased in line with the improved sales of office automation equipment. The loan book closed at R2 811 million (2017: R2 428 million) and delivered another good performance as bad debt remained at low levels.

Applied Electronics

Revenue in Applied Electronics increased 28% to R2 198 million while operating profit increased by 38% to R380 million, inclusive of the capital profit of R28 million generated on the sale of a property no longer required by the segment. Excluding this capital profit, the segment's operating profit grew by 28% to R352 million.

Full year revenue and operating profit increased considerably at the export orientated fuze factory and at our renewable energy solution provider. The balance of the business units in this segment generally had results in line with the prior year.

Prospects

The recent government commitments to increase infrastructure investment bode well for a recovery in the Electrical Engineering segment although uncertainty as to timing and extent prevails.

The Applied Electronics segment has solid order books in most business units and we continue to anticipate good growth in our renewable energy business. However, the fuze factory's profitability will reduce in the coming financial year due to the product mix in its export contracts. The ICT segment is anticipated to continue to deliver a good performance as its strategy execution continues and the SkyWire acquisition bolsters the growth of the segment.

Subject to no significant changes in local socio-economic conditions, the implementation of GST, as planned, in Zambia and moderate currency volatility, the group should deliver another solid performance in the 2019 financial year.

Cash dividend

An interim ordinary cash dividend No 184 of 125 cents (2017: No 182 of 120 cents) per share was declared on 25 May 2018 and a final ordinary cash dividend No 185 of 368 cents (2017: No 183 of 354 cents) per share was declared on 19 November 2018, bringing the total distribution out of the 2018 profit for the year to 493 cents (2017: 474 cents).

Subsidiary companies

Annexure A sets out the principal subsidiaries of the company.

Note 30 sets out the acquisitions concluded during the year.

Directorate and secretariat

Directors are subject to retirement by rotation at least once every three years in terms of the Memorandum of Incorporation (MOI) and, if available, may be re-elected by the shareholders at the succeeding annual general meeting (AGM). Appointments are not for a fixed term. T Abdool-Samad, SD Jagoe, TS Munday, S Martin and MAR Taylor retire by rotation at the upcoming AGM. The Nomination and Governance Committee, at its meeting on 19 November 2018, recommended that they be re-elected having made themselves available for re-election. MT Matshoba-Ramuedzisi and JP Hulley were appointed to the Board as independent non-executive directors on 1 April 2018 and 1 July 2018 respectively and as such are required to retire at the upcoming AGM, and being eligible, offer themselves for re-election. TJ Motsohi retired from the Board on 12 February 2018 having reached mandatory retirement age.

Interests of directors

At the reporting date, fully paid ordinary Reunert shares were held directly and indirectly by the directors as indicated in the table below:

	Direct beneficial		Indirect beneficial		Held by associates		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
AE Dickson	**105 876**	83 275	**–**	–	**–**	–	**105 876**	83 275
M Moodley	**50 840**	27 932	**–**	–	**–**	–	**50 840**	27 932
NDB Orleyn[1]	**–**	–	**–**	–	**1 554 000**	1 554 000	**1 554 000**	1 554 000
MAR Taylor	**56 473**	23 869	**–**	–	**–**	–	**56 473**	23 869
NA Thomson	**89 981**	56 178	**–**	–	**–**	–	**89 981**	56 178
	303 170	191 254	**–**	–	**1 554 000**	1 554 000	**1 857 170**	1 745 254

[1] *These shares are held indirectly through Bargenel's investment in Reunert, which relates to the empowerment transaction concluded in 2007.*

The directors' holdings have remained unchanged from 30 September 2018 to 19 November 2018.

The directors have no financial interest in contracts entered into by the group during the year. For further information on directors' share options, refer to note 26 of the annual financial statements.

Attributable interest

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

Rm	2018	2017
Net income	1 199	1 086
Net losses	(133)	(39)
	1 066	1 047

Going concern

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

Subsequent events

The directors are not aware of any matters or circumstances arising between the end of the financial year and the date of these financial statements, which materially affect the financial position or results of the company or group.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 SEPTEMBER 2018

The annual financial statements comprising Reunert (referred to as "the company"), its subsidiaries, joint ventures and associate (altogether referred to as "the group"), incorporate the following principal accounting policies, set out below. In these accounting policies "the group" refers to both the group and company.

Statement of compliance

The annual financial statements have been prepared in accordance with:

> International Financial Reporting Standards (IFRS) including the interpretations adopted by the International Accounting Standards Board (IASB) which were in issue and effective for the group at 30 September 2018;
> the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
> JSE Listings Requirements;
> the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
> the requirements of the South African Companies Act.

Basis of preparation

In line with the disclosure initiative amendments to IAS 1: Presentation of Financial Statements, which provided improved presentation and disclosure guidelines, the accounting policies disclosed have been reduced to reflect only those policies which are material to the understanding and interpretation of the annual financial statements. Certain accounting policies have been included as part of the notes to the annual financial statements.

The annual financial statements have been prepared on the going concern and historical-cost basis, except for financial instruments that are measured at fair values, as explained in note 29.

The accounting policies set out below have been applied, in all material respects, consistently in all periods presented in these annual financial statements.

The group's business interests are diverse, with its various subsidiaries operating in a wide range of activities. The main streams of business activity are organised into the following three segments namely Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics. Our main operations are located in South Africa, with others in Australia, Lesotho, Mauritius, Sweden, USA and Zambia.

The annual financial statements were compiled under the supervision of NA Thomson CA(SA) (chief financial officer).

Functional and presentation currency

The Reunert group's functional and presentation currency is the South African Rand and all amounts, unless otherwise stated, are stated in millions of Rand (Rm). The following exchange rates were used when preparing these annual financial statements:

2018	**1 USD**	**1 SEK**	**1 ZMW**	**1 AUD**
Year-end rate:	**R14,18**	**R1,59**	**R1,16**	**R10,24**
Annual average rate:	**R13,10**	**R1,53**	**R1,30**	**R9,92**

2017	1 USD	1 SEK	1 ZMW	1 AUD
Year-end rate:	R13,49	R1,65	R1,39	R10,58
Annual average rate:	R13,36	R1,53	R1,40	R10,18

Critical judgements and estimates

The preparation of the annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of these assumptions form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of intangible assets

Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero. The basis for determining the useful lives for the various categories of intangible assets is as follows:

Computer software, customer list, restraint of trade and order book

Computer software and related products

The useful lives of unique software products controlled by the group is based on historical experience with similar assets as well as anticipation of future events such as technological changes and anticipated replacement periods. Judgement is therefore applied to determine the extent to which future events and technological changes will have on the useful lives of unique computer software products.

Customer lists
The value and useful lives of customer lists comprises of both contractual and non-contractual customer relationships. In determining the value and related useful lives of customer lists, the group considered various factors including existing customer contracts, historical customer information and the length of time the customer is in existence with the group. Judgement was applied in estimating the following significant factors in determining the value and useful lives of customer lists:

> expected willingness of customer to remain with the group;
> expected action by competitors or potential competitors;
> the impact that technological advances may have on customer relationships; and
> estimated cash flows from customers over a period of time.

Models, designs and prototypes
Useful lives of intangible assets are either based on the expected contract periods for the industrialised product or are based on the expected pattern of consumption of the future economic benefits of the asset. An accelerated pattern of consumption has been applied for acquired intangible assets in Ryonic due to the nature of the technology and expected future changes to models and prototypes.

Refer to note 11 and to note 30.

Acquisitions
Two acquisitions were made in the current financial year namely: SkyWire and DoppTech. The group achieved control over SkyWire by acquiring 100% of the business and related assets and control over DoppTech by the purchase of 100% of the equity shares. Control is further achieved through the group's ability to use its majority equity interest to affect the variable returns from these businesses. Consequently, these acquisitions and the purchase price allocations (PPA) were evaluated as an acquisition of a business and treated as a business combination in terms of IFRS 3 – Business Combinations. The PPA was determined after estimating the value of both tangible assets (network and plant) and intangible assets (customer lists, brands and trademarks) at acquisition date. For SkyWire and DoppTech, independent valuation experts (BDO Corporate Finance) were used to value the intangible assets. The significant portion of the intangible assets relate to customer lists (refer to useful lives above).The network assets in SkyWire were valued using independent knowledgeable experts in the fields of telecommunications.

Refer to note 30.

Contingent considerations
Contingent consideration was included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes in the fair value of contingent arrangements are recognised in profit or loss. The fair value of the contingent consideration for both SkyWire and Omnigo was determined using a discounted cash flow valuation technique and was based on earnings multiples stipulated in the purchase agreement.

Judgement was required in assessing both SkyWire's expected profit after tax (PAT) at 31 March 2019 at an agreed earnings multiple and its ability to meet a defined business plan according to which the company has to achieve certain predefined strategic objectives. Judgement was required in assessing Omnigo's forecasted 2019 profit before interest and tax (PBIT) and the hurdle of a 25% pre-tax return on the average capital (total assets less current liabilities) employed in the business. The amount is assessed on an annual basis using forecasted average capital employed and PBIT.

DoppTech's contingent consideration is fixed and stipulated within the purchase agreement. The total value of the fixed amount at acquisition was R17 million.

Impairment of goodwill
The recoverable amounts of the cash generating units (CGUs) to which goodwill is attributable are determined as the higher of their fair value less costs to sell or value-in-use. Value-in-use is determined using discounted cash flow calculations covering a discrete five-year period and then incorporating a terminal value for the underlying business. Management is confident that projections covering periods up to five years are appropriate based on the long term nature of the group's infrastructure and operating model. The group prepared cash flow forecasts derived from the most recent financial budgets and forecasts prepared by management and approved by the Board which are extrapolated for the subsequent years using the relevant growth rates. The key assumptions for the discounted cash flows are those regarding the discount rates and growth rates and are compiled based on management's past experience and on published estimates such as GDP growth rates, quoted interest rates, etc.

Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates used were consistent with the long term average growth rates for each of the markets in which the respective CGU operated. CGU's have been determined at the actual business unit level.

Refer to note 12.

Services delivered over time
Various assumptions are applied in arriving at the profit or loss recognised for services delivered over time, the most significant of which relate to the estimation of total costs, which assist in determining the percentages of completion and the revenue to be recognised over the terms of the contract. The estimate and judgement applied in determining the percentage of completion derived is made by regular analysis of detailed contract accounts and involvement of contract managers with an intimate knowledge of contracts and the industry.

Share-based payments

Empowerment transactions

In 2018 the group concluded an empowerment transaction in the Electrical Engineering segment. Judgement is required to determine the charge to the statement of profit or loss based on the difference between the fair value of the shares granted to the empowerment partners and the consideration received from them. The charge was determined using an independent valuation expert knowledgeable in the fields of financial modelling and valuation methodologies. Key inputs to the valuation include a risk free rate, dividend yield and volatility using the Reunert historical volatility. The valuation was determined using a Monte Carlo simulation technique.

Refer to Note 5.

Conditional Share Plan

Judgement is required in assessing the factors that affect the annual cost of share based payments to be charged to profit and loss. This judgement is exercised by determining the probability of units vesting in terms of the executive conditional share option schemes in as far as the attainment of the normalised headline earnings per share (NHEPS) and total shareholder return (TSR) targets are concerned. The judgements include assessing the expected forecasted share price, dividend-yield, risk-free interest rate, consumer price index (CPI) and the list of constituents used in the index for the measurement of TSR. Volatility was estimated using the daily closing share price and the dividend yield was estimated by using the average dividend yield over the year prior to the valuation date. For on market conditions (TSR) the number of units expected to vest is assessed at inception of the arrangement, as is the initial unit valuation in order to determine the expected annual cost of the units granted over their vesting period. The probability of vesting of units linked to non-market conditions (NHEPS growth) is re-assessed annually by an independent valuation expert in order to determine the number of units still expected to vest. The number so determined is applied to the initial unit valuation in order to true up the cost to be charged to profit or loss over the vesting period.

Refer to note 19.

Classification of leases

The majority of leases in the group are contained in the ICT segment and are initiated through the Nashua channel. Nashua franchises purchase equipment from Nashua, and rent the equipment to customers. A Nashua franchise enters into a rental agreement with a customer (i.e. the lessee) to rent equipment for a period of time and a contract is signed between the Nashua franchise and the customer. These are normally classified as finance leases between the customer and Nashua franchise. The critical judgements that the group considered with respect to the classification of the lease transactions were:

- whether the lease terms are for the major part of the economic life of the assets; and
- whether at inception of the leases, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the assets.

Refer to note 14.

Put Option liability

The group has granted put options in favour of the non-controlling shareholders of Terra Firma for 25% of that company's issued share capital.

The fair value of the Terra Firma put option liability is determined annually using a discounted cash flow model based on the estimated exercise price on the date the option is likely to be exercised. The exercise price is based on management's best estimate of Terra Firma's forecast revenue and net profit for the twelve months ended 30 September 2020.

Judgement is required to determine the expected date of exercising of a put option by the Terra Firma non-controlling interests. In terms of the sale agreement, the non-controlling interests have the right to exercise the put option in September 2019 or September 2020. The exercise date has been estimated at 30 September 2020, as this is likely to result in a more favourable outcome to the non-controlling interests.

Refer to note 29.

New accounting standards

The new accounting standards listed below will become effective in future reporting periods and have not been applied by the group in these financial statements. The new standards will be implemented on their effective dates for the group in accordance with the requirements of the new standards. There are no other standards and interpretations in issue but not yet adopted that will have a material impact on the group.

IFRS 9 'Financial Instruments' (Effective for financial years commencing after 1 January 2018)

IFRS 9 was issued in July 2014 and replaces IAS 39, Financial Instruments. The group will adopt IFRS 9 in the period commencing 1 October 2018. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, including a new impairment model which will result in earlier recognition of losses and new rules for hedge accounting. Under IFRS 9, the group's financial assets will be classified as measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income. Whilst financial assets will be reclassified into the categories required by IFRS 9, other than as set out below, the group has not identified any significant impact on the measurement of its financial assets and financial liabilities as a result of the classification and measurement requirements of the new standard. For financial liabilities, the existing classification and measurement requirements of IAS 39 will remain the same.

Hedge accounting requirements for Quince's interest rate movements on the fair value of fixed rate loans have been simplified and are more closely aligned to its risk management strategy. The risk management objective is to contain the impact of interest rate movements on the fair value of fixed rate loans within an acceptable risk profile and therefore reduce the volatility in the statement of profit or loss associated with variability in the fair value of the hedged item due to movements in the interest rates. A delta-neutral hedging strategy will be applied where the quantity of the loans will be adjusted constantly through the de-designation and designation of various loans at each measurement date to ensure the desired hedge ratio is maintained.

The financial asset impairment requirements of IFRS 9 introduce a forward-looking expected credit loss model that results in earlier recognition of credit losses than the incurred loss model of IAS 39. Given the short-term nature of the majority of financial assets and the group's active management of credit risk, the group does not expect a significant impact on adoption of IFRS 9's impairment requirements. The group estimates the IFRS 9 impact to be less than R 25 million on the opening equity in 2019. The group will adopt the new standard by using the modified retrospective approach with effect from 1 October 2018, applying the practical methods permitted under the standard. Comparative amounts for the 2018 reporting period will not be restated. The adjustment to the 2019 opening statement of financial position, which will reduce both the carrying amounts of financial assets and retained earnings will not be material.

IFRS 15 'Revenue from Contracts with Customers' (Effective for financial years commencing after 1 January 2018)
IFRS 15 was issued in May 2014 and replaces IAS 18, Revenue and certain other standards and interpretations. The group will adopt IFRS 15 in the financial reporting period commencing 1 October 2018. IFRS 15 requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. Management has assessed the potential impact of IFRS 15 on the financial statements of the group and the expected impact on the group's reporting of revenue is as follows:

Deliverables in contracts with customers that qualify as separate 'performance obligations' will be identified and the contractual transaction price receivable from customers will be allocated to the performance obligations on a relative standalone selling price basis. The performance obligations identified will depend on the nature of individual customer contracts. Revenue will be recognised at either a point in time or over time when the respective performance obligations in a contract are delivered to the customer.

The group estimates the IFRS 15 impact to be less than R 75 million on the opening equity in 2019. The adoption will not have a significant impact on the timing or amount of the group's revenue recognition, however the following areas would require consideration on a contract by contract basis based on the requirements of IFRS 15:

> Commissions paid to obtain a contract (capitalised and amortised over the period of the contract);
> Revenue from installation of equipment (recognised over the contract period);
> Contracts involving the supply and installation of goods (assessing whether single or multiple performance obligations exist);
> Variability in transaction price as it relates to minimum quantities stipulated in certain contracts; and
> Parts and manufacture (assessing whether single or multiple performance obligations exist).

Management has elected to apply the "modified retrospective" approach to implementation. Comparative amounts for 2018 will not be restated.

IFRS 16 'Leases' (Effective for financial years commencing after 1 January 2019)
IFRS 16 introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all 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.

The group expects an increase in the recognised assets and liabilities. The group expects a likely increase in the depreciation expense and an increase in cash flows from operating activities as the lease payments will be disclosed as financing outflows in our cash flow statement.

Information on the group's leases currently classified as operating leases, which are not recognised on the statement of financial position, is presented in note 24 and provides an indication of the magnitude of assets and liabilities that will be recognised on the statement of financial position from 2020. However, the information provided in note 24 is on an undiscounted basis whereas the amounts recognised under the new standard will be on a discounted basis. The discount rates to be used on transition will be the incremental borrowing rate appropriate to each lease.

The group is continuing to assess the impact of the accounting changes that will arise under IFRS 16 and cannot yet reasonably quantify the impact. The standard will be adopted on 1 October 2019.

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 SEPTEMBER 2018

		GROUP		COMPANY	
Rm	Notes	2018	2017	2018	2017 Restated[1]
Revenue	1	**10 492**	9 773	**1 479**	1 415
EBITDA[2]		**1 699**	1 635	**1 403**	406
Depreciation and amortisation		**(157)**	(138)	**(6)**	(9)
Operating profit before net interest and dividends	2	**1 542**	1 497	**1 397**	397
Interest income and dividends	3	**60**	113	**–**	–
Interest expense	4	**(49)**	(48)	**(1)**	(2)
Profit before empowerment transactions		**1 553**	1 562	**1 396**	395
Empowerment transactions	5	**(42)**	(20)	**(10)**	–
Profit before taxation		**1 511**	1 542	**1 386**	395
Taxation	6	**(358)**	(437)	**7**	(19)
Profit after taxation		**1 153**	1 105	**1 393**	376
Share of joint ventures' and associate's (loss)/profits	27	**(1)**	37		
Profit for the year		**1 152**	1 142	**1 393**	376
Profit for the year attributable to:					
Non-controlling interests		**(6)**	30		
Equity holders of Reunert		**1 158**	1 112	**1 393**	376
Basic earnings per share (cents)	7 and 9	**717**	680		
Diluted earnings per share (cents)	7 and 9	**705**	670		

[1] *The company changed its accounting policy in regard to revenue classification in the current year. Refer to note 34.*
[2] *Earnings before interest income and dividends; interest expense; taxation; depreciation and amortisation; and empowerment transactions.*

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Profit for the year:	**1 152**	1 142	**1 393**	376
Other comprehensive income, net of taxation:				
Items that may be reclassified subsequently to profit or loss:	**(65)**	8		
(Losses)/gains arising from translating the financial results of foreign subsidiaries	**(23)**	8		
Translation loss on net investment in foreign subsidiary[1]	**(42)**	–		
Total comprehensive income for the year	**1 087**	1 150	**1 393**	376
Total comprehensive income attributable to:				
Non-controlling interests	**(9)**	34		
– Share of profit for the year	**(6)**	30		
– Share of other comprehensive income	**(3)**	4		
Equity holders of Reunert	**1 096**	1 116	**1 393**	376
– Share of profit for the year	**1 158**	1 112		
– Share of other comprehensive income	**(62)**	4		

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

STATEMENTS OF FINANCIAL POSITION AT 30 SEPTEMBER 2018

		GROUP		COMPANY	
Rm	Notes	**2018**	2017	**2018**	2017
Assets					
Non-current assets					
Property, plant and equipment	10	**890**	862	**5**	6
Investment properties	10	**37**	28	**177**	160
Intangible assets	11	**370**	205	**–**	–
Goodwill	12	**1 053**	921	**–**	–
Interest in subsidiaries	13			**2 509**	2 095
Other investments and loans		**56**	55	**2**	2
Investments in joint ventures and associate	27	**158**	159		
Amounts owing by subsidiaries	13			**6 222**	6 257
Rental and finance lease receivables	14	**1 990**	1 682	**–**	–
Deferred taxation assets	16	**151**	105	**17**	4
		4 705	4 017	**8 932**	8 524
Current assets					
Inventory	17	**1 461**	1 439	**–**	24
Rental and finance lease receivables	14	**821**	747	**–**	–
Accounts receivable	15	**2 657**	2 200	**54**	22
Taxation		**37**	22	**–**	–
Derivative assets		**7**	12	**–**	–
Money market instruments	18	**–**	130	**–**	–
Cash and cash equivalents	18	**765**	1 522	**2**	7
		5 748	6 072	**56**	53
Total assets		**10 453**	10 089	**8 988**	8 577
Equity and liabilities					
Capital and reserves					
Share capital	19	**374**	359	**374**	359
Share-based payment reserves	19	**256**	176	**–**	–
Empowerment shares	19	**(276)**	(276)		
Treasury shares	19	**(342)**	(227)		
Put option		**(108)**	(116)	**–**	–
Translation loss on net investment in foreign subsidiary		**(42)**	–		
Foreign currency translation reserve		**(23)**	(3)		
Retained earnings		**7 599**	7 225	**8 492**	7 982
Equity attributable to equity holders of Reunert		**7 438**	7 138	**8 866**	8 341
Non-controlling interests		**88**	105		
Total equity		**7 526**	7 243	**8 866**	8 341
Non-current liabilities					
Deferred taxation liabilities	16	**156**	112	**–**	–
Long-term borrowings	20	**82**	73	**–**	–
Put option liability	29	**120**	121	**–**	–
Share-based payment liability	21	**23**	–	**–**	–
		381	306	**–**	–
Current liabilities					
Provisions	22	**150**	177	**82**	80
Trade and other payables	23	**2 117**	2 080	**29**	71
Taxation		**3**	47	**2**	3
Derivative liabilities		**65**	28	**–**	–
Amounts owing to subsidiaries	13			**9**	77
Bank overdrafts and short-term loans	18	**193**	197	**–**	–
Current portion of long-term borrowings	20	**18**	11	**–**	5
		2 546	2 540	**122**	236
Total equity and liabilities		**10 453**	10 089	**8 988**	8 577

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

		GROUP		COMPANY	
Rm	Notes	2018	2017	2018	2017 Restated[1]
Cash flows from operating activities					
Cash generated from operations before working capital changes	A	**1 620**	1 695	**1 420**	796
Increase in net working capital	B	**(498)**	(225)	**(61)**	(2)
Cash generated from operations		**1 122**	1 470	**1 359**	794
Cash interest received		**60**	113	**–**	–
Cash interest paid		**(40)**	(43)	**(1)**	(2)
Taxation paid	C	**(445)**	(375)	**(7)**	(38)
Net cash inflow from operating activities available to pay dividends		**697**	1 165	**1 351**	754
Dividends paid (including to outside shareholders in subsidiaries)	D	**(781)**	(745)	**(883)**	(822)
Net cash (outflow)/inflow from operating activities		**(84)**	420	**468**	(68)
Cash flows from investing activities					
Investments to maintain operating capacity		**(263)**	303	**35**	56
Increase in total rental and finance lease receivables		**(375)**	(231)	**–**	–
Repayment of other investments and loans		**10**	6	**–**	–
Other investments and loans granted		**(13)**	(8)	**–**	–
Dividend received from joint venture		**–**	30	**–**	–
Change in amounts with subsidiaries				**35**	59
Replacement of property, plant and equipment and intangible assets		**(56)**	(45)	**–**	(3)
Investments made and other capital proceeds[2]		**171**	551	**–**	–
Investments to increase operating capacity		**(334)**	(324)	**(27)**	–
Expansion of property, plant and equipment and intangible assets		**(106)**	(98)	**(23)**	(3)
Acquisition of subsidiaries and businesses	E	**(228)**	(241)	**–**	–
Disposal of subsidiaries and businesses	F	**–**	15	**(4)**	3
Net cash (outflow)/inflow from investing activities		**(597)**	(21)	**8**	56
Cash flows from financing activities					
Funds provided by equity holders of Reunert		**15**	16	**15**	16
Investment in treasury shares		**(115)**	(203)	**–**	–
Investments in subsidiaries				**(439)**	–
Shares acquired to settle retention units		**(2)**	–		
Subscription for subsidiaries' shares by non-controlling shareholders		**2**	–		
Transactions with non-controlling shareholders		**(4)**	–		
Put option liability settled		**(1)**	–		
Long-term borrowings raised		**31**	37	**–**	–
Long-term borrowings repaid		**(11)**	(236)	**(5)**	(10)
Change in amounts with subsidiaries				**(52)**	(7)
Net cash outflow from financing activities		**(85)**	(386)	**(481)**	(1)
Net (decrease)/increase in cash and cash equivalents		**(766)**	13	**(5)**	(13)
Net cash and cash equivalents at the beginning of the year		**1 325**	1 312	**7**	20
Net cash and cash equivalents at the end of the year		**559**	1 325	**2**	7

Rm	Notes	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017 Restated[1]
Made up of:					
Cash and cash equivalents	18	**765**	1 522	**2**	7
Foreign exchange translation adjustments on cash and cash equivalents[3]		**11**			
Bank overdrafts	18	**(126)**	(138)	**–**	–
Foreign exchange translation adjustments on bank overdrafts[3]		**(24)**			
Short-term borrowings	18	**(67)**	(59)	**–**	–
Net cash and cash equivalents		**559**	1 325	**2**	7
Net cash flows from operating activities before dividends paid		**697**	1 165		
Operating cash flow before dividends paid per share (cents)		**432**	717		

[1] *The company changed its accounting policy in regard to revenue classification in the current year. Refer to note 34.*

[2] *This includes R130 million withdrawal from investments in long-dated money market instruments (2017: investments withdrawn R540 million).*

[3] *In the prior year these effects were insignificant.*

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

		GROUP		COMPANY	
	Rm	2018	2017	2018	2017
A.	**Reconciliation of profit before taxation to**				
	Cash generated from operations before working capital changes				
	Profit before taxation	1 511	1 542	1 386	395
	Adjusted for:				
	Interest received	(60)	(113)	–	–
	Interest paid – cash	40	43	1	2
	Interest paid – unwind of present value discount	9	5	–	–
	Dividends received – in specie	–	–	–	(375)
	Depreciation of property, plant and equipment	110	110	6	9
	Amortisation of intangible assets	47	28	–	–
	Net gain on disposal of property, plant and equipment and intangible assets	(28)	(1)	–	–
	Net loss on derecognition of investments and investments in subsidiaries			–	829
	Provision against investment in subsidiaries			25	(130)
	Share-based payment expense in respect of empowerment transactions	32	20	–	–
	Share-based payment expense in respect of the group's share option schemes	37	22	–	–
	Share-based payment expense in respect of the group's deferred bonus plan	15	8	–	–
	Contingent purchase consideration no longer required	(100)	–	–	–
	Put option liability fair value remeasurement	(9)	–	–	–
	Provisions and other non-cash movements	16	31	2	66
	Cash generated from operations before working capital changes	1 620	1 695	1 420	796
B.	**Working capital changes**				
	Inventory and work in progress	(48)	(144)	–	(8)
	Accounts receivable and derivative assets	(538)	(284)	(59)	8
	Trade and other payables, provisions and derivative liabilities	88	203	(2)	(2)
	Working capital changes	(498)	(225)	(61)	(2)
C.	**Reconciliation of taxation paid to the amounts disclosed in the statement of profit or loss as follows:**				
	Net amounts outstanding at beginning of year	(25)	28	(3)	(4)
	Taxation per the statement of profit or loss	(358)	(437)	7	(19)
	Less: deferred tax (credit)/expense	(28)	11	(13)	(18)
	Taxation provisions via acquisitions	–	(2)	–	–
	Net amounts outstanding at end of year	(34)	25	2	3
	Cash amounts paid	(445)	(375)	(7)	(38)
D.	**Reconciliation of cash dividends paid to the amounts disclosed in the statements of changes in equity as follows:**				
	Dividends per the statement of changes in equity	(772)	(730)	(883)	(822)
	Dividends paid to non-controlling interests	(9)	(15)		
	Cash amounts paid	(781)	(745)	(883)	(822)

	GROUP		COMPANY	
Rm	2018	2017	2018	2017
E. Analysis of acquisition of subsidiaries and businesses:				
Property, plant and equipment	71	5	–	–
Intangible assets	164	77	–	–
Non-current receivables	–	2	–	–
Inventory	2	4	–	–
Accounts receivable and taxation	2	69	–	–
Non-controlling interest	–	(14)		
Deferred taxation	(46)	(10)	–	–
Accounts payable, provisions and taxation	(111)	(56)	–	–
Short-term borrowings	–	(7)	–	–
Net borrowings on hand at the time of acquisition	(3)	(23)	–	–
Fair value of assets and liabilities acquired	79	47	–	–
Purchase consideration	(225)	(218)	–	–
Goodwill arising on acquisition	(146)	(171)	–	–
Purchase consideration	(225)	(218)	–	–
Net borrowings acquired at acquisition	(3)	(23)	–	–
Gross cash flow on acquisition of subsidiaries and businesses	(228)	(241)	–	–
F. Analysis of disposal of subsidiaries and businesses:				
Property, plant and equipment	–	2	1	2
Intangible assets	–	–	–	1
Existing goodwill	–	21	–	9
Inventory	–	7	24	117
Accounts receivable	–	11	27	86
Cash on hand at time of disposal	–	2	4	14
Trade and other payables and provisions	–	(26)	(40)	(178)
Net amount due to group companies	–	–	(16)	(34)
Proceeds on disposal	–	17	–	17
Cash on hand at time of disposal	–	(2)	(4)	(14)
Net cash flow on disposal of subsidiaries and businesses	–	15	(4)	3

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

		GROUP		
Rm	Notes	**Share capital**	**Share-based payment reserves**	**Empowerment shares**[2]
Balance at 30 September 2016		343	136	(276)
Comprehensive income for the year				
Other comprehensive income for the year				
Total comprehensive income for the year				
Issue of shares	19	16		
Share-based payment expenses				
– in terms of the Conditional Share Plan (CSP)	19		24	
– shares issued in terms of the CSP	19		(4)	
– in terms of the empowerment transaction	19		20	
Shares bought back				
– shares acquired				
– shares used for CSP				
Put option	29			
Dividends declared and paid	8			
Acquisition of businesses	30			
Adjustment to non-controlling interests on finalisation of an acquisition made in the prior year				
Balance at 30 September 2017		**359**	**176**	**(276)**
Comprehensive income for the year				
Other comprehensive income for the year				
Total comprehensive income for the year				
Issue of shares	19	**15**		
Share-based payment expenses				
– in terms of the Conditional Share Plan (CSP)	19		**49**	
– shares issued in terms of the CSP	19		**(2)**	
– in terms of the empowerment transaction	19		**32**	
Shares bought back				
Dividends declared and paid	8			
Acquisition of businesses	30			
Subscription for shares by non-controlling shareholder				
Transfer to retained earnings[1]			**1**	
Balance at 30 September 2018		**374**	**256**	**(276)**

[1] *R3 million of the transfer to retained earnings relates to the Terra Firma acquisition and R8 million relates to the finalisation of the put option in Ryonic Robotics.*

[2] *18 500 000 Reunert shares are held by Bargenel, a company sold by Reunert to its empowerment partner in 2007. In terms of IFRS, until the amount owing by the empowerment partner is repaid to Reunert, Bargenel will be consolidated by the group, as the significant risks and rewards of ownership in the underlying equity have not passed to the empowerment partner.*

[3] *These are Reunert shares bought back in the market and held by a subsidiary. During 2018: 1 605 276 (2017: 3 005 606) shares were bought back. At 30 September 2018: 4 997 698 shares were held as treasury shares (2017: 3 392 422)*

GROUP							
Treasury shares[3]	Equity transactions/ put option with non-controlling shareholders	Translation loss on investment in foreign subsidiary	Foreign currency translation reserves	Retained earnings	Attributable to equity holders of Reunert Limited	Non-controlling interests	Total equity
(28)	–	–	(7)	6 843	7 011	81	7 092
				1 112	1 112	30	1 142
			4		4	4	8
			4	1 112	1 116	34	1 150
					16		16
					24		24
					(4)		(4)
					20		20
(203)					(203)		(203)
4					4		4
	(116)				(116)		(116)
				(730)	(730)	(15)	(745)
					–	14	14
						(9)	(9)
(227)	**(116)**	**–**	**(3)**	**7 225**	**7 138**	**105**	**7 243**
				1 158	**1 158**	**(6)**	**1 152**
		(42)	**(20)**		**(62)**	**(3)**	**(65)**
		(42)	**(20)**	**1 158**	**1 096**	**(9)**	**1 087**
					15		**15**
					49		**49**
					(2)		**(2)**
					32		**32**
(115)					**(115)**		**(115)**
				(772)	**(772)**	**(9)**	**(781)**
	(3)				**(3)**	**(1)**	**(4)**
						2	**2**
	11			**(12)**	**–**	**–**	**–**
(342)	**(108)**	**(42)**	**(23)**	**7 599**	**7 438**	**88**	**7 526**

Statements of changes in equity continued
FOR THE YEAR ENDED 30 SEPTEMBER 2018

		COMPANY		
Rm	Notes	**Share capital**	**Retained earnings**	**Total equity**
Balance at 30 September 2016		343	8 428	8 771
Comprehensive income for the year			376	376
Other comprehensive income for the year			–	–
Total comprehensive income for the year			376	376
Dividends declared and paid	8		(822)	(822)
Issue of shares	19	16		16
Balance at 30 September 2017		**359**	**7 982**	**8 341**
Comprehensive income for the year			**1 393**	**1 393**
Other comprehensive income for the year			**–**	**–**
Total comprehensive income for the year			**1 393**	**1 393**
Dividends declared and paid	8		**(883)**	**(883)**
Issue of shares	19	**15**		**15**
Balance at 30 September 2018		**374**	**8 492**	**8 866**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. Revenue

Revenue comprises net invoiced sales to customers, revenue from the rendering of services, rental from leasing fixed and moveable assets, interest earned from the group's financing operations and dividends and interest received and excludes value added tax (VAT).

Revenue is measured at the fair value of the consideration received or receivable and is reduced by an allowance for customer returns, rebates and other items of a similar nature.

Invoiced sales and contract revenue

Revenue is derived from the sale of cables; electrical distribution; protection and control equipment; multi-function printers/copiers; radars; fuzes and communication products. Revenue is recognised either when an entity has delivered products (risks and rewards transferred) to the customer or if the entity only retains insignificant risks of ownership. It is considered that at the point of delivery that the following criteria have been met:

> there is no continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,

> the amount of revenue can be measured reliably,

> it is probable that the economic benefits associated with the transaction will flow to the group, and

> the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Contract revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by reference to the costs incurred to date as a percentage of total estimated costs to be incurred.

Services

The key components of service revenue are:

> Print, document solutions and communication products and services
Revenue for the rendering of these services is recognised on a fixed unit rate based on volumes consumed by customers. Revenue from the rendering of these services is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits will flow to the group. Costs associated with rendering of services including consumables is charged in proportion to the work performed.

> Engineering contract solution services
Contract revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by reference to the costs of services incurred to date as a percentage of total estimated costs of services to be incurred.

> Interest received on lease receivables
The group recognises interest earned on lease receivables on a time-proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity using the effective interest method.

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017 Restated[1]
Revenue				
Gross invoiced sales and contract revenue	**8 243**	7 771	**–**	146
Services	**1 488**	1 634	**–**	42
Interest received on lease receivables	**379**	335	**–**	–
Dividends and interest income			**1 415**	1 162
Rental and other revenue	**382**	33	**64**	65
	10 492	9 773	**1 479**	1 415
Revenue by geography:				
South Africa	**7 351**	7 003	**1 479**	1 405
Africa (excluding South Africa)	**1 063**	1 100	**–**	10
Asia[2]	**951**	569	**–**	–
Australia	**140**	183	**–**	–
Europe	**754**	642	**–**	–
America	**233**	276	**–**	–
	10 492	9 773	**1 479**	1 415

[1] *The company changed its accounting policy in regard to revenue classification in the current year. Refer to note 34.*

[2] *Includes revenue earned from India.*

Notes to the annual financial statements continued
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	GROUP		COMPANY	
Rm	2018	2017	2018	2017
2. Operating profit before interest and dividends				
Cost of sales	**7 050**	6 366	**–**	114
Less: depreciation and amortisation included in cost of sales	**(51)**	(57)	**–**	–
Cost of sales excluding depreciation and amortisation	**6 999**	6 309	**–**	114
Other income	**82**	30	**9**	3
Fair value gain on contingent consideration[1]	**100**	–		
Total operating expenses	**2 082**	1 940	**91**	78
Less: depreciation and amortisation included in operating expenses	**(106)**	(81)	**(6)**	(9)
Total operating expenses excluding depreciation and amortisation	**1 976**	1 859	**85**	69
Loss on derecognition of investments	**–**	–	**–**	829
Included in cost of sales, other income or expenses:				
Auditors' remuneration:				
– Audit fees	**22**	20	**5**	5
– Other fees	**3**	4	**–**	–
	25	24	**5**	5
Realised forex losses on derivative instruments[2]	**99**	20	**–**	–
Unrealised forex gains on derivative instruments[2]	**(21)**	(1)	**–**	–
Net forex losses on derivative instruments and foreign exchange transactions	**78**	19	**–**	–
Research and development expenditure:				
Externally funded	**90**	93	**–**	–
Internally funded	**76**	70	**–**	–
	166	163	**–**	–
Staff costs (included in cost of sales and other operating expenses):				
Salaries and wages	**1 916**	1 820	**–**	–
Pension and provident fund contributions[3]	**182**	131	**–**	–
Other staff costs	**62**	161	**–**	–
	2 160	2 112	**–**	–
Share-based payment expense in respect of the group's share option schemes[4]	**52**	30	**–**	–
Write-down of inventory	**6**	6	**–**	–

[1] *Included in the fair value gain is an amount of R77 million relating to the remeasurement of the SkyWire contingent consideration. This arose due to the delay in the execution of a significant contract which was taken into account in the determination of the contractual purchase price. This delay resulted in the warranted profit not being achieved which reduced the final installment of the purchase price from R93 million to R16 million.*

[2] *Transactions denominated in a foreign currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.*

Derivative instruments are initially measured at fair value at the date the derivative contract is entered into and are subsequently stated at fair value at each reporting date. The resulting gains or losses are charged to the statement of profit or loss.

[3] *Payments to defined contribution retirement plans are charged as an expense as they fall due. In line with the group's policy to provide retirement benefits to its employees, 93% (2017: 81%) of the group's employees belong to various retirement schemes. The total contributions for the year to these funds amounted to R182 million (2017: R131 million).*

[4] *Included in share-based payment expenses is an amount of R15 million (2017: 8 million) relating to the deferred bonus plan. This is classified as a cash-settled share-based payment with the equivalent amount included in liabilities.*

3. Interest income and dividends

Dividends are recognised in profit or loss when the group's or company's right to receive payment is established.

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

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017 Restated[1]
Dividend income	**–**	–	**–**	–
Interest income:				
– Subsidiaries			**–**	–
– Bank deposits, loans and receivables	**60**	113	**–**	–
	60	113	**–**	–
Total interest income and dividends	**60**	113	**–**	–
Interest earned on financial assets analysed by category of asset:				
– Bank deposits	**51**	110	**–**	–
– Loans and receivables	**9**	3	**–**	–
	60	113	**–**	–

[1] *The company changed its accounting policy in regard to revenue classification in the current year. Refer to note 34.*

4. Interest expense

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

Long-term borrowings	**–**	3	**–**	–
Unwinding of present value discount	**9**	5	**–**	–
Short-term loans and bank overdrafts	**40**	40	**1**	2
	49	48	**1**	2
External interest expense in Quince (included in group cost of sales as Quince is a finance business)	**13**	18		

5. Empowerment transactions

To the extent that an entity grants shares as part of an empowerment transaction and the fair value of the cash or other assets received is less than the fair value of the shares granted, the difference is accounted for as a charge to the statement of profit or loss in the period in which the transaction is established.

Legal, tax and other consulting costs incurred in respect of empowerment transactions are accounted for as empowerment transactions in the period incurred.

During the current year the group concluded a further empowerment transaction in the Electrical Engineering segment, refer to note 19.

In 2017 the group concluded an empowerment transaction in the Applied Electronics segment.

IFRS 2 Share-based payment cost of BBBEE transaction	**32**	20	**–**	–
Professional costs related to BBBEE transactions	**10**	–	**10**	–
	42	20	**10**	–

There was no taxation on these transactions and no portion was allocated to non-controlling interests.

6. Taxation

Current taxation comprises tax payable on the taxable income for the year, using the tax rates enacted at the reporting period date, and any adjustment to tax payable in respect of previous years.

		GROUP		COMPANY	
Rm	Notes	**2018**	2017	**2018**	2017
South African current taxation:					
– Current year		**385**	412	**6**	36
– Prior year		**(5)**	4	**–**	1
South African deferred taxation:					
– Current year	16	**(4)**	(4)	**(13)**	(18)
– Prior year	16	**(3)**	1	**–**	–
		373	413	**(7)**	19
Foreign taxation:					
– Current		**6**	10		
– Deferred taxation	16	**(21)**	14		
Taxation charge per the statement of profit or loss		**358**	437	**(7)**	19
Tax rate reconciliation		**%**	%	**%**	%
South African normal tax rate		**28,0**	28,0	**28,0**	28,0
Movement in rate of taxation due to:					
– Dividends received and other exempt income		**–**	–	**(29,6)**	(74,0)
– Non-recurring non taxable income[1]		**(5,2)**	–	**–**	–
– Reorganisation cost		**–**	–	**–**	58,6
– Research and development allowance		**(0,5)**	(0,7)		
– Recurring disallowable expenses[2]		**1,2**	1,1	**1,1**	1,1
– Recurring non-taxable income[3]		**–**	–	**–**	(9,1)
– Empowerment transactions and merger and acquisitions costs		**0,8**	0,4		
– Other		**(0,6)**	(0,5)	**–**	0,2
Effective rate of taxation		**23,7**	28,3	**(0,5)**	4,8

[1] *Includes non taxable fair value movements on the SkyWire contingent purchase consideration, Terra Firma and Ryonic put options and the release of a tax provision on the favourable conclusion of the NSN income tax appeal.*

[2] *Includes disallowable expenses such as legal and consulting fees, share-based payments in respect of the group's share option schemes, depreciation on property, plant and equipment and intangible assets on which no tax allowances are available and provision for losses on investments.*

[3] *Relates to provision for losses on investments and loans.*

The group has total estimated tax losses available to be offset against future taxable income of R237 million (2017: assessed losses of R158 million), of which R186 million has been considered in the deferred tax asset of R43 million raised (2016: R30 million). Of the R237 million tax losses, R118 million relates to foreign subsidiaries. Judgement is applied in determining whether deferred tax assets are raised on tax losses. Deferred tax assets are raised only if there is convincing evidence that there will be sufficient taxable profits in future years to recover the assets. South African company tax losses do not expire, however foreign tax losses relating to Zamefa can be carried forward for a maximum period of 5 years. 2015 tax losses of R54 million will expire in 2020 and 2018's tax loss of R50 million will expire in 2023.

The group has no capital gains tax losses for 2018 (2017: R18,3 million) which can be offset against future capital gains.

	GROUP	
	2018	2017
7. Number of shares used to calculate earnings per share[1]		
Weighted average number of shares in issue, net of empowerment and treasury shares, used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	**161**	164
Adjusted by the dilutive effect of:		
– Unexercised share options granted (millions of shares)	**3**	2
Weighted average number of shares used to determine diluted, diluted headline and diluted normalised headline earnings per share (millions of shares)	**164**	166

[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 R1 158 million (2017: R1 112 million). (Refer to the statements of profit or loss).*

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
8. Cash dividends				
Ordinary dividends paid:				
– Final 2017 – 354 cents per share (2016: 326 cents per share)	**653**	600	**653**	600
– Interim 2018 – 125 cents per share (2017: 120 cents per share)	**230**	222	**230**	222
– Attributable to Reunert shares held by a special purpose entity	**(89)**	(83)		
– Attributable to Reunert shares held by a subsidiary	**(22)**	(9)		
	772	730	**883**	822
– Final ordinary cash dividend declared:				
– 368 cents per share (2017: 354 cents per share)	**679**	653	**679**	653
– Attributable to Reunert shares held by a special purpose entity	**(68)**	(65)		
– Attributable to Reunert shares held by a subsidiary	**(18)**	(12)		
	593	576	**679**	653

			GROUP	
		Notes	2018	2017
9.	**Headline earnings and normalised headline earnings**			
	Headline earnings per share (cents)	7 and 9.1	**703**	679
	Diluted headline earnings per share (cents)	7 and 9.1	**691**	670
	Normalised headline earnings per share (cents)	7 and 9.2	**687**	697
	Diluted normalised headline earnings per share (cents)	7 and 9.2	**675**	687
	Rm			
9.1	**Headline earnings**			
	Profit attributable to equity holders of Reunert		**1 158**	1 112
	Headline earnings are determined by eliminating the effect of the following items from attributable earnings:			
	– Net gain on disposal of assets (after a tax charge of R5 million and non-controlling interests (NCI) portion of R nil) (2017: tax and NCI R nil)		**(23)**	(1)
	Headline earnings		**1 135**	1 111
9.2	**Normalised headline earnings**[1]			
	Normalised headline earnings are determined by adjusting headline earnings for the effects of empowerment transactions and merger and acquisition costs.			
	Headline earnings	9.1	**1 135**	1 111
	Empowerment transactions		**42**	20
	– Once-off IFRS 2 charge on BBBEE transactions (tax and NCI R nil) (2017: tax and NCI R nil)		**32**	19
	– Professional fees in respect of BBBEE transactions (tax and NCI R nil) (2017: tax and NCI R nil)		**10**	–
	– Once-off donation to create an empowerment structure (tax and NCI R nil)		**–**	1
	Acquisition transactions		**(68)**	9
	– Recurring professional fees for acquisitions (tax and NCI R nil) (2017: tax and NCI R nil)		**9**	9
	– Once-off contingent consideration fair value remeasurement (tax and NCI R nil) (2017: tax and NCI R nil)[2]		**(77)**	–
	Normalised headline earnings		**1 109**	1 140

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

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

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

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

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

[2] *In respect of SkyWire (Pty) Ltd (refer to note 30). At year end the contingent purchase consideration was adjusted to R16 million resulting in a fair value remeasurement gain of R77 million.*

This is disclosed in EBITDA in the Statement of Profit or Loss.

10. Property, plant and equipment and investment property

Investment properties are held to earn rental income and for capital appreciation, whereas owner-occupied properties are held for use by the group, in the supply of goods, services or for administration purposes. In cases where a property has dual use, consideration is given annually to whether the use of the property for the production or supply of goods or services or for administrative purposes is insignificant to the overall use of that property. If it is, the property is classified as investment property, otherwise it is classified as owner-occupied. This determination is made by reference to the percentage of the building's floor space.

All property is initially recognised at cost. Where an item of property, plant and equipment is comprised of major components with different useful lives, these components are accounted for as separate items.

Subsequent expenditure relating to an item of property, plant and equipment and investment property is capitalised when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. All other subsequent expenditure (repairs and maintenance) is recognised as an expense when it is incurred.

Property, plant and equipment and investment property are derecognised on disposal or when no future economic benefit is expected from the continued use of the asset and the profit or loss on disposal is recognised in the Statement of Profit or Loss.

Land is not depreciated and is stated at cost less accumulated impairment losses. All other items of plant and equipment and investment property are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of assets commences when the assets are ready for their intended use.

Depreciation is provided on a straight-line basis over the estimated useful lives which represents the expected pattern of consumption of the future economic benefits of property, plant and equipment and investment properties in order to reduce the cost of the asset to its estimated residual value. The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually, with the effect of any changes in estimate accounted for on a prospective basis.

Where the group is a lessee in terms of a finance leasing arrangement and there is no reasonable certainty that ownership will be obtained by the end of the lease term, leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Profit or Loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

	GROUP					
Rm	Investment property total	Owner occupied freehold land and buildings	Owner occupied leasehold buildings	Plant and equipment and vehicles	Capital work in progress	Property plant and equipment total
10. Property, plant and equipment and investment property continued						
2018						
Cost	**41**	**239**	**158**	**1 513**	**25**	**1 935**
Accumulated depreciation and impairments	**13**	**38**	**54**	**981**	**–**	**1 073**
Net book value at the beginning of the year	**28**	**201**	**104**	**532**	**25**	**862**
Additions						
– Acquisition of businesses	**–**	**1**	**–**	**70**	**–**	**71**
– Other additions	**16**	**7**	**–**	**72**	**15**	**94**
Disposals						
– Other disposals	**–**	**(10)**	**–**	**(3)**	**–**	**(13)**
Transfers						
– Transfers from intangibles	**–**	**–**	**–**	**3**	**–**	**3**
– Transfers from/(to) inventory	**–**	**–**	**–**	**4**	**(2)**	**2**
– Transfers between categories	**(5)**	**–**	**–**	**14**	**(9)**	**5**
Depreciation	**(2)**	**(4)**	**(4)**	**(100)**	**–**	**(108)**
Exchange rate difference	**–**	**–**	**(15)**	**(11)**	**–**	**(26)**
Cost	**57**	**235**	**92**	**1 558**	**29**	**1 914**
Accumulated depreciation and impairments	**20**	**40**	**7**	**977**	**–**	**1 024**
Net book value at the end of the year	**37**	**195**	**85**	**581**	**29**	**890**
2017						
Cost	33	243	154	1 429	36	1 862
Accumulated depreciation and impairments	9	34	52	896	–	982
Net book value at the beginning of the year	24	209	102	533	36	880
Additions						
– Acquisition of businesses	–	–	1	4	–	5
– Other additions	2	1	–	84	14	99
Disposals						
– Disposal of businesses	–	–	–	(2)	–	(2)
– Other disposals	–	–	–	(10)	–	(10)
Transfers						
– Transfers from intangibles	–	–	–	2	–	2
– Transfers to inventory	–	–	–	(3)	–	(3)
– Transfers between categories	5	(5)	–	26	(26)	(5)
Depreciation	(3)	(4)	(2)	(101)	–	(107)
Exchange rate difference	–	–	3	(1)	1	3
Cost	41	239	158	1 513	25	1 935
Accumulated depreciation and impairments	13	38	54	981	–	1 073
Net book value at the end of the year	28	201	104	532	25	862

Rm	Investment property total	Owner occupied freehold land and buildings	Owner occupied leasehold buildings	Plant and equipment and vehicles	Capital work in progress	Property plant and equipment total
	COMPANY					
10. Property, plant and equipment and investment property continued						
2018						
Cost	**195**	**–**	**–**	**55**	**–**	**55**
Accumulated depreciation and impairments	**35**	**–**	**–**	**49**	**–**	**49**
Net book value at the beginning of the year	**160**	**–**	**–**	**6**	**–**	**6**
Additions	**21**	**–**	**–**	**–**	**2**	**2**
Disposals of businesses	**(1)**	**–**	**–**	**–**	**–**	**–**
Transfers						
– Transfers between categories	**–**	**–**	**2**	**(2)**	**–**	**–**
Depreciation	**(3)**	**–**	**(2)**	**(1)**	**–**	**(3)**
Cost	**213**	**–**	**–**	**5**	**2**	**7**
Accumulated depreciation and impairments	**36**	**–**	**–**	**2**	**–**	**2**
Net book value at the end of the year	**177**	**–**	**–**	**3**	**2**	**5**
2017						
Cost	192	–	50	25	–	75
Accumulated depreciation and impairments	31	–	44	21	–	65
Net book value at the beginning of the year	161	–	6	4	–	10
Additions	3	–	–	3	–	3
Disposals of businesses	–	–	–	(1)	–	(1)
Transfers						
– Transfers to group companies	–	–	–	(1)	–	(1)
– Transfers between categories	–	–	(6)	6	–	–
Depreciation	(4)	–	–	(5)	–	(5)
Cost	195	–	–	55	–	55
Accumulated depreciation and impairments	35	–	–	49	–	49
Net book value at the end of the year	160	–	–	6	–	6

10. Property, plant and equipment and investment property continued

Notes:

1. A register of group property may be inspected at the registered office of the company.
2. The fair value of the group's investment properties has been determined on the basis of valuations carried out at 30 September 2018 by Propval Property Valuation Services (Pty) Ltd, independent valuers who are not a related party to the group. Propval is a member of the SA Institute of Valuers having the appropriate qualifications and who have relevant experience in investment properties being valued.

   The open market value of freehold investment properties amounted to R51 million at 30 September 2018.

   The valuations, which conform to International Valuation Standards, were arrived at by using various methodologies, including the most commonly used discounted cash flow approach.

   The open market value of leasehold investment properties approximates their carrying value.
3. Useful lives used for the following categories:

Investment properties	12 to 50 years
Buildings	12 to 50 years
Plant, equipment and vehicles	3 to 33,3 years

4. A leasehold investment property with a book value of R11 million (2017: R14 million) serves as security for finance leases (refer to note 20).

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
5. Operating lease receivables				
Gross carrying amount of land and buildings leased under operating leases	**33**	34	**212**	191
Accumulated depreciation	**(14)**	(13)	**(38)**	(35)
	19	21	**174**	156
Land and buildings: group and company				
No purchase options exist. Renewal options are included in the leases for periods between 1 and 3 years and with escalations between CPI and 10%.				
No subleasing or additional building is allowed without Reunert's prior consent.				
Gross carrying amount of plant and equipment leased under operating leases	**22**	28	**–**	–
Accumulated depreciation	**(19)**	(24)	**–**	–
	3	4	**–**	–

Plant and equipment

These leases are largely for mining surveillance radars, which the customer may terminate at a month's notice. A purchase option, at a full margin exists.

The equipment may only be used within the customer's group.

6. The amounts included in the Statement of Profit or Loss for investment properties are as follows:

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Rental Income	**9**	8	**63**	62
Direct Operating Expenses	**5**	5	**28**	28

11. Intangible assets

The significant intangible assets arise mainly in the Applied Electronic and ICT segments.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives, other than for intangible assets relating to Ryonic, are amortised on a straight-line basis over their estimated useful lives which represents the expected pattern of consumption of the future economic benefits. The amortisation methods and estimated remaining useful lives are reviewed at least annually with the effect of any changes in estimate being accounted for in future periods. An accelerated pattern of consumption has been applied for acquired intangible assets in Ryonic due to the nature of the technology and the expected future changes to models and prototypes.

Internally-generated intangible assets – research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if the development phase criteria per IAS 38 are met.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation costs have been recognised under depreciation and amortisation in the Statement of Profit or Loss.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Based on a review of the recoverable amounts of the group's intangible assets for the year, no impairments were required. The recoverable amount of the relevant assets has been determined based on the value in use.

Useful lives of intangible assets

(Refer to the accounting policy for critical judgements and estimates.)

All intangible assets with definite lives are subject to amortisation in accordance with the useful lives below:

Computer software, customer list, restraint of trade and order book	1 – 15 years
Models, designs, prototypes and brand names	3 – 10 years

	GROUP		
Rm	**Computer software, customer list, restraint of trade and order book**	**Models, designs, prototypes and brand names**	**Total**
11. Intangible assets continued			
2018			
Cost	**262**[1]	**136**	**398**
Accumulated amortisation and impairments	**177**[1]	**16**	**193**
Net book value at the beginning of the year	**85**	**120**	**205**
Additions			
– Acquisition of businesses	**164**	**–**	**164**
– Other additions	**39**	**13**	**52**
Transfers to property, plant & equipment	**–**	**(3)**	**(3)**
Amortisation charge for the year	**(32)**	**(15)**	**(47)**
Exchange rate difference	**–**	**(1)**	**(1)**
Cost	**454**	**145**	**599**
Accumulated amortisation and impairments	**198**	**31**	**229**
Net book value at the end of the year	**256**	**114**	**370**
2017			
Cost	187	82	269
Accumulated amortisation and impairments	152	2	154
Net book value at the beginning of the year	35	80	115
Additions			
– Acquisition of businesses	57	20	77
– Other additions	7	35	42
Transfers to property, plant & equipment	–	(2)	(2)
Amortisation charge for the year	(14)	(14)	(28)
Exchange rate difference	–	1	1
Cost	251	136	387
Accumulated amortisation and impairments	166	16	182
Net book value at the end of the year	85	120	205

[1] *The group reclassified an amount of R11 million between opening cost and accumulated amortisation. The impact on opening net book value is nil.*

Rm	COMPANY Computer Software, customer list, restraint of trade and order book	Models, designs, prototypes and brand names	Total
11. Intangible assets continued			
2018			
Cost	–	–	–
Accumulated amortisation and impairments	–	–	–
Net book value at the beginning of the year	–	–	–
Transfers to group companies			
Amortisation charge for the year	–	–	–
Cost	–	–	–
Accumulated amortisation and impairments	–	–	–
Net book value at the end of the year	–	–	–
2017			
Cost	10	–	10
Accumulated amortisation and impairments	9	–	9
Net book value at the beginning of the year	1	–	1
Transfers to group companies	(1)	–	(1)
Amortisation charge for the year	–	–	–
Cost	–[1]	–	–[1]
Accumulated amortisation and impairments	–[1]	–	–[1]
Net book value at the end of the year	–[1]	–	–[1]

[1] *Nil due to rounding*

12. Goodwill

Goodwill represents amounts arising on business combinations and is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquirer, and the fair value of the acquirer's previously held equity interest in the acquiree, if any; less the net of the acquisition date value of the identifiable assets acquired, including any intangible assets net of any liabilities and contingent liabilities assumed.

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Carrying value at the beginning of the year	**921**	737	**–**	9
Acquisition of businesses and subsidiaries[1]	**146**	171	**–**	–
Adjustment to goodwill on finalisation of acquisition made in the prior year	**–**	33	**–**	–
Disposal of a controlling interest in a subsidiary	**–**	(12)	**–**	–
Disposal of businesses	**–**	(9)	**–**	(9)
Exchange rate differences on consolidation of foreign subsidiaries	**(14)**	1	**–**	–
Carrying value at the end of the year	**1 053**	921	**–**	–

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

Impairment of goodwill

The following information summarises the individual assumptions used to test for impairment of goodwill at a cash generating unit (CGU) level.

The following CGU's have significant carrying amounts of goodwill:

				GROUP	
Significant CGU's	Measurement currency	Discount rate (pre-tax)	Growth rate	**2018**	2017
Electrical Engineering:					
African Cables	ZAR	19,63%	4,00%	**61**	61
Zamefa	ZMW	22,26%	6,00%	**57**	69
ICT:					
Nashua Office Automation	ZAR	15,95%	4,00%	**203**	203
Quince	ZAR	18,54%	4,00%	**124**	124
ECN	ZAR	15,68%	4,00%	**140**	140
Prodoc	SEK	7,59%	1,00%	**64**	66
SkyWire Technologies	ZAR	16,71%	4,00%	**146**	–
Applied Electronics:					
Omnigo	ZAR	15,17%	4,00%	**40**	40
Terra Firma Solutions	ZAR	16,36%	4,00%	**88**	88
Nanoteq	ZAR	15,69%	4,00%	**69**	69
				992	860
Other[2]	ZAR	15,88% – 16,66%	3,60% – 4,00%	**61**	61
Carrying amount at end of the year				**1 053**	921

[2] *This consists of the aggregate of individual immaterial goodwill balances across all segments above.*
If the discount rates were increased by 1%, no impairment would be required.
If the growth rates were decreased by 1%, no impairment would be required.
Terminal values were estimated using growth rates ranging from 1% to 6%.
No impairments were made to goodwill in the current or prior year as discounted cash flows are expected to exceed the carrying value thereof.

13. Interest in subsidiaries

A subsidiary is an entity over which the group has control. Control is achieved when the company has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect these returns.

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

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The operating results of subsidiaries are included from the date that control commences to the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the group's accounting policies.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein (refer to note 30).

	COMPANY	
Rm	**2018**	2017
(Refer to annexure A)		
Shares at cost	**2 629**	2 190
Provision for impairment[1]	**(120)**	(95)
Balance at the beginning of the year	**(95)**	(225)
Additional provisions created during the year	**(38)**	(15)
Unutilised amounts reversed during the year	**13**	145
Interest in subsidiaries	**2 509**	2 095
Amounts owing by subsidiaries[2]	**6 222**	6 257
Amounts owing to subsidiaries[3]	**(9)**	(77)
	6 213	6 180

[1] *The provision for impairment has been determined on the basis that the carrying values of the investments exceed the recoverable amount of the underlying subsidiaries. The recoverable amount is determined by reference to the subsidiaries underlying net asset value, or the net present value of its expected future cash flows or it's fair value less cost to sell. Where the recoverable amounts of the underlying subsidiaries are lower than the carrying amounts, an impairment is recognised in the Statement of Profit or Loss.*

[2] *In the current financial year, these loans have no fixed terms of repayment and do not bear interest. In the 2017 financial year these loans had no fixed terms of repayment and did not bear interest except for the amounts owing by Reunert Finance Company (Pty) Ltd (RFCL), which was at interest rates approximating the overnight deposit/call rates and no security has been provided for them.*

[3] *The amounts owing to subsidiaries are repayable on demand and as such are short-term in nature and therefore their carrying values approximate fair value. These loans and amounts owing by subsidiaries and minor unlisted share investments are assumed to have a carrying value that approximates fair value.*

14. Rental, finance lease and other receivables

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases.

Finance income from leases is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

	GROUP	
Rm	**2018**	2017[1]
Gross finance lease receivables	**1 349**	1 273
Collectible within one year	**474**	461
Collectible after one year	**875**	812
Unearned finance income	**(266)**	(272)
Within one year	**(90)**	(92)
After one year	**(176)**	(180)
Net finance lease receivables	**1 083**	1 001
Collectible within one year	**384**	369
Collectible after one year	**699**	632
Rental, loans and other receivables	**1 747**	1 444
Collectible within one year	**443**	384
Collectible after one year	**1 304**	1 060
Provision for doubtful debts	**(19)**	(16)
Within one year	**(6)**	(6)
After one year	**(13)**	(10)
Net rental, finance lease and other receivables	**2 811**	2 429
Collectible within one year	**821**	747
Collectible after one year	**1 990**	1 682

The majority of gross receivables relate to the present value of discounted rental agreements, which are repayable over varying periods up to a maximum of five years from the balance sheet date.

There are no contingent rent payments, additional restrictions imposed or guaranteed residual values.

The average lease term is three to five years, however, the equipment may be upgraded thereafter and a new financing contract entered into.

The carrying amount of the rental and finance lease receivables approximate fair value because the rates inherent in the agreements are market related and are the same rates used to discount the total amount owing under the agreement back to their carrying values.

[1] *The prior year balances have not been restated, however, additional information has been provided for rental, loans and other receivables. In prior years, the balances were grouped together with finance leases. These balances have been separately disclosed to provide additional detailed disclosure.*

15. Accounts receivable

Trade receivables comprise amounts due from customers across all three segments of the group. Trade receivables are recognised initially at their fair value of goods sold or work performed on services and contracts, and are reduced by appropriate allowances for estimated irrecoverable amounts and cost of collection. Impairment is recognised when there is evidence that the group or company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is charged to the Statement of Profit or Loss. Subsequent recoveries of amounts previously written off are credited to the Statement of Profit or Loss.

Refer to note 29, financial instruments, for accounting policies relating to financial assets.

Unbilled contract revenue arises mainly in the Electrical Engineering and Applied Electronics segments based on long term contracts with customers for the manufacture of goods and provision of services and solutions specific to customer requirements.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as unbilled contract revenue.

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Trade receivables	**2 212**	1 931	**–**	29
Unbilled contract revenue	**107**	49	**–**	–
Claims, prepayments and other receivables	**470**	364	**15**	2
Dividends receivable	**–**	–	**42**	–
Provision for doubtful debts	**(132)**	(144)	**(3)**	(9)
	2 657	2 200	**54**	22

15. Accounts receivable continued

15.1 Movement in the allowance for doubtful debts classified into major risk types

	GROUP			
Rm	Insured debtors	Individuals/ contractors and small businesses	Mines/large businesses/ government – national and regional	Total
2018				
Balance at the beginning of the year	**(10)**	**(33)**	**(101)**	**(144)**
(Increase)/decrease in allowance	**(2)**	**(33)**	**20**	**(15)**
Amounts written off during the year (against provision)	**2**	**14**	**–**	**16**
Foreign exchange gain	**–**	**–**	**11**	**11**
Balance at the end of the year	**(10)**	**(52)**	**(70)**	**(132)**
An amount of R19 million (2017: R16 million) relating to the provision against doubtful rental, finance lease and other receivables (refer to note 14) is held in addition to the total provision of R132 million.				
2017				
Balance at the beginning of the year	(2)	(43)	(53)	(98)
(Increase)/decrease in allowance	(8)	5	(49)	(52)
Amounts written off during the year (against provision)	–	5	1	6
Balance at the end of the year	(10)	(33)	(101)	(144)
	COMPANY			
2018				
Balance at the beginning of the year	**–**	**(7)**	**(2)**	**(9)**
Decrease in allowance	**–**	**4**	**–**	**4**
Disposal of business	**–**	**–**	**2**	**2**
Balance at the end of the year	**–**	**(3)**	**–**	**(3)**
2017				
Balance at the beginning of the year	–	(2)	(3)	(5)
Increase in allowance	–	(5)	–	(5)
Disposal of businesses	–	–	1	1
Balance at the end of the year	–	(7)	(2)	(9)

15. **Accounts receivable** continued

15.2 Ageing of past due[1] but not impaired accounts receivable classified into major risk types

	GROUP			
Rm	**Insured debtors**	**Individuals/ contractors and small businesses**	**Mines/large businesses/ government – national and regional**	**Total**
2018				
1 – 30 days	**43**	**19**	**95**	**157**
31 – 60 days	**8**	**6**	**56**	**70**
61 – 90 days	**3**	**2**	**41**	**46**
90+ days	**32**	**2**	**123**	**157**
Total	**86**	**29**	**315**	**430**
2017				
1 – 30 days	10	19	71	100
31 – 60 days	5	12	17	34
61 – 90 days	1	2	65	68
90+ days	11	3	117	131
Total	27	36	270	333
	COMPANY			
2018				
1 – 30 days	**–**	**–**	**–**	**–**
31 – 60 days	**–**	**–**	**–**	**–**
61 – 90 days	**–**	**–**	**–**	**–**
90+ days	**–**	**–**	**–**	**–**
Total	**–**	**–**	**–**	**–**
2017				
1 – 30 days	3	3	–	6
31 – 60 days	2	5	1	8
61 – 90 days	–	–	–	–
90+ days	–	–	–	–
Total	5	8	1	14

[1] *This indicates the period after normal credit terms.*

Trade and other receivables consist of a large number of customers spread across diverse industries. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, excluding state owned enterprises, municipalities and government departments which are considered a low credit risk due to implicit sovereign support to these entities.

Before accepting any new customers, an assessment is made of the potential customer's credit quality and defines a credit limit specific to that customer.

The average credit period is 30 days.

In determining the recoverability of trade receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Where the recoverability of accounts receivable is considered doubtful, provision is made so that the carrying values reflect the estimated recoverable amount.

As a result of the credit vetting process which takes place before credit terms are agreed, we believe the credit quality of accounts receivable is good. Due to the inherent credit quality of our customers, they are generally not required to provide collateral.

The carrying amounts of Rand denominated receivables approximate fair value because of the short-term nature of these instruments.

The carrying amounts of foreign currency denominated receivables have been converted at the rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments.

16. Deferred taxation (liabilities)/assets

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxation is provided for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax is charged or credited in the Statement of Profit or Loss, except when it relates to items credited or charged to other comprehensive income, or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The effect on deferred tax of any changes in tax rates is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

		GROUP		COMPANY	
Rm	Note	**2018**	2017	**2018**	2017
Movement of deferred taxation					
Net balance at the beginning of the year		**(7)**	2	**4**	(14)
Current year charge	6	**25**	(10)	**13**	18
Deferred tax directly in equity		**12**	2	**–**	–
Deferred tax on other comprehensive income		**11**	–	**–**	–
Adjustments for prior years	6	**3**	(1)	**–**	–
Adjustment to deferred tax on finalisation of acquisition made in the prior year		**–**	11	**–**	–
Subsidiaries acquired		**(46)**	(10)	**–**	–
Exchange rate differences		**(3)**	(1)	**–**	–
Net balance at the end of the year		**(5)**	(7)	**17**	4
Represented by:					
Deferred taxation liabilities		**(156)**	(112)	**–**	–
Deferred taxation assets		**151**	105	**17**	4
		(5)	(7)	**17**	4

The deferred taxation assets arise mainly due to temporary differences. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is likely to be sufficient to recover these assets.

		GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Analysis of deferred taxation					
Capital allowances		**(221)**	(192)	**(7)**	(5)
Provisions and accruals		**144**	116	**24**	9
Advance income offset by allowed future expenditure		**(14)**	20	**–**	–
Effect of tax losses		**48**	30	**–**	–
Share-based payments		**35**	15	**–**	–
Other comprehensive income		**11**	–	**–**	–
Other (net)		**(8)**	4	**–**	–
Net balance at the end of the year		**(5)**	(7)	**17**	4

17. Inventory and work-in-progress

Inventory comprises of raw material and component parts used in the process of manufacture, and finished goods comprise of completed products including energy and telecom cables, low voltage products, office automation, radars, fuzes and communication systems.

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out, weighted average and standard cost bases. The latter are assessed on an ongoing basis and updated when required to approximate actual cost. Cost includes direct material costs together with appropriate allocations of labour and overheads based on normal operating capacity.

Obsolete, redundant and slow-moving inventory is identified on a regular basis and is written down to its estimated net realisable value. Consumables are written down with regard to their age, condition and utility.

Contracts in progress are valued at the lower of actual cost less progress invoicing and net realisable value. Cost comprises direct materials, labour, expenses and a proportion of overhead expenditure.

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Inventory and work-in-progress				
Raw materials, components and consumable stores	**426**	500	**–**	–
Finished goods	**334**	388	**–**	–
Merchandise	**174**	243	**–**	27
Work-in-progress	**659**	436	**–**	–
	1 593	1 567	**–**	27
Provision against slow moving and obsolete inventory	**(132)**	(128)	**–**	(3)
	1 461	1 439	**–**	24
The value of inventory has been determined on the following bases:				
First-in first-out	**201**	211	**–**	24
Weighted average cost	**543**	449	**–**	–
Net realisable value	**3**	13	**–**	–
Standard cost	**714**	766	**–**	–
	1 461	1 439	**–**	24

18. Money market instruments

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Investment in long dated money market instruments[1]	**–**	130	**–**	–
Cash and cash equivalents				
Bank balances and cash[2]	**765**	1 522	**2**	7
Bank overdrafts	**(126)**	(138)	**–**	–
Short-term borrowings	**(67)**	(59)	**–**	–
Bank overdrafts and short-term loans	**(193)**	(197)	**–**	–
	572	1 325	**2**	7

[1] *The group deposits excess cash in to money market instruments with local banks. The notice periods vary between 3 and 12 months.*

[2] *At 30 September 2018 the group had applied R2 283 million (2017: R2 002 million) of its cash resources to finance a portion of its rental receivable book, which does not form part of bank balances and cash.*

The carrying amounts approximate fair value because of the short-term nature of these instruments.

19. Share capital

Equity Instruments

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

Black economic empowerment transactions

Empowerment transactions involving the disposal of equity interests in subsidiaries or the issuance of equity instruments are recognised when the accounting recognition criteria have been met (refer to note 5).

Treasury shares

Treasury shares are equity instruments of the company that are held by a subsidiary of the company.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Authorised share capital

235 000 000 ordinary shares of no par value (2017: 235 000 000)

	Number of shares 2018	Number of shares 2017
Issued share capital		
Ordinary shares of no par value		
At the beginning of the year	**184 324 396**	184 005 796
Shares issued during the year in terms of the Reunert 2006 Option Scheme	**261 000**	318 600
At the end of the year	**184 585 396**	184 324 396

	GROUP		COMPANY	
Rm	2018	2017	2018	2017
Ordinary shares				
At the beginning of the year	**359**	343	**359**	343
Arising on the issue of ordinary shares	**15**	16	**15**	16
Total issued share capital at the end of the year	**374**	359	**374**	359
Share-based payment reserves				
As a result of IFRS 2 – Share-based Payment				
At the beginning of the year	**176**	136	**–**	–
Arising on empowerment transactions[1]	**32**	20	**–**	–
Net expense arising from share options	**47**	20	**–**	–
Transfer from retained earnings	**1**	–	**–**	–
At the end of the year	**256**	176	**–**	–
Empowerment shares[2]				
Reunert shares bought back and held by Bargenel 18 500 000 (2017: 18 500 000)	**(276)**	(276)		
Treasury shares[3]				
Reunert shares bought back and held by a subsidiary: 4 997 698 (2017: 3 392 422)	**(342)**	(227)		

[1] *The IFRS 2 charge was determined using a Monte Carlo simulation technique. The risk free rate used was 8,25%, a dividend yield of 5,97% and the volatility was determined using the Reunert historical volatility, estimated at 21,01%.*

[2] *18 500 000 Reunert shares are held by Bargenel, a company sold by Reunert to an accredited empowerment partner in 2007. In terms of IFRS, until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is to be consolidated by the group, as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.*

[3] *These are Reunert shares bought back and held by a subsidiary. During 2018, 1 605 276 (2017: 3 005 606) shares were bought back at an average share price of R71,87 (2017: R67,39) per share, including transaction costs. In 2017, 56 515 shares were utilised to issue to qualifying employees in terms of the CSP.*

	Number of shares 2018	Number of shares 2017
19. Share capital continued		
Unissued ordinary shares		
Total shares reserved to meet the requirements of the Reunert 2006 Option Scheme	**1 400 000**	1 450 000

The directors have general authority over these shares until the next annual general meeting.

The group issues equity-settled options to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest, with a corresponding increase in the equity-settled employee benefit reserve in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest relative to the non market conditions that determine vesting. When the number of options vest based on only market conditions, the initial estimate is not revised. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Executive Share Option Schemes

Options to take up Reunert ordinary shares were granted to executives in terms of the Reunert 1985 and 2006 Option Scheme.

The terms of both schemes allow the recipient of the options to exercise one third of their shares after three years and a further one third each in years four and five. Any options unexercised lapse after 10 years from the date of initial issue or the moment an option holder resigns from the group. Should the option price exceed the market price, option holders may decline to exercise their right to have Reunert shares issued to them. The total number of options exercisable at the end of the year is 935 500 (2017: 1 226 500). All options in terms of these schemes have fully vested and no expense has been raised in the current year in relation to these schemes. The remaining contractual life of these options range from one to three years.

The exercise prices for these options range from R39.30 to R60.80 per share.

Conditional Share Plan

Options to take up Reunert ordinary shares at a strike price of R nil are granted to executives in terms of the Conditional Share Plan (CSP) introduced in 2012. Two broad schemes exist, a performance scheme, granted only to selected senior executives and a retention scheme, granted to selected senior executives and specialist (key) employees. Senior executives were granted retention options for the first time in November 2014.

The measurement criteria for the performance scheme are an equal combination of real growth in normalised headline earnings per share (NHEPS) and total shareholder return. In respect of these performance options issued in November 2012 and 2013, 50% vest after three years from the date of issue and the remaining 50% after four years. Performance options issued from November 2014 onwards vest after four years.

No performance conditions are attached to the retention options. 50% of the retention options issued from November 2013 vest after four years from the date of issue and the remaining 50% after five years.

The fair value of retention shares granted to employees is measured by use of a log normal method and the fair value of the performance shares granted to senior executives is valued using a bespoke Monte Carlo simulation model.

	Fair value per unit on inception R	Number of units unvested at the beginning of the year Thousands	Units granted during the year Thousands	Units vested during the year Thousands	Units expired/ forfeited during the year[1] Thousands	Number of units unvested at the end of the year Thousands
19. Share capital continued						
2018						
Issued on 20 November 2013 (2013)						
Key – retention	**57,75**	**45**	**–**	**(23)**	**–**	**22**
Executive – performance	**24,72**	**373**	**–**	**–**	**(373)**	**–**
Issued on 17 November 2014 (2014)						
Key – retention	**46,17**	**86**	**–**	**–**	**(1)**	**85**
Executive – performance	**33,94**	**791**	**–**	**–**	**(10)**	**781**
Executive – retention	**46,17**	**92**	**–**	**–**	**(2)**	**90**
Issued on 20 November 2015 (2015)						
Key – retention	**55,38**	**71**	**–**	**–**	**(2)**	**69**
Executive – performance	**41,92**	**877**	**–**	**–**	**–**	**877**
Executive – retention	**55,38**	**108**	**–**	**–**	**–**	**108**
Issued on 21 November 2016 (2016)						
Key – retention	**49,57**	**105**	**–**	**–**	**(1)**	**104**
Executive – performance	**37,00**	**942**	**–**	**–**	**(3)**	**939**
Executive – retention	**49,57**	**105**	**–**	**–**	**(1)**	**104**
Issued on 20 November 2017 (2017)						
Key – retention	**47,21**	**–**	**125**	**–**	**(6)**	**119**
Executive – performance	**44,10**	**–**	**1 079**	**–**	**(4)**	**1 075**
		3 595	**1 204**	**(23)**	**(403)**	**4 373**
2017						
Issued on 19 November 2012 (2012)						
Key – retention	61,37	56	–	(56)	–	–
Executive – performance	14,99	320	–	–	(320)	–
Issued on 20 November 2013 (2013)						
Key – retention	57,75	50	–	–	(5)	45
Executive – performance	24,72	775	–	–	(402)	373
Issued on 17 November 2014 (2014)						
Key – retention	46,17	101	–	–	(15)	86
Executive – performance	33,94	791	–	–	–	791
Executive – retention	46,17	92	–	–	–	92
Issued on 20 November 2015 (2015)						
Key – retention	55,38	78	–	–	(7)	71
Executive – performance	41,92	893	–	–	(16)	877
Executive – retention	55,38	111	–	–	(3)	108
Issued on 21 November 2016 (2016)						
Key – retention	49,57	–	113	–	(8)	105
Executive – performance	37,00	–	952	–	(10)	942
Executive – retention	49,57	–	107	–	(2)	105
		3 267	1 172	(56)	(788)	3 595

[1] *During the year ended 30 September 2018 no CSP units vested based on performance conditions. Accordingly 50% of the 2013 performance units expired.*

19. **Share capital** continued

The valuations were performed by Financial Modelling Agency.

The fair values of the options other than those issued in terms of the CSP were calculated using a binomial option pricing model.

The fair value of the CSP for key employees and executives with retention options was calculated by assuming the share price movement follows a log-normal distribution over the vesting period. The value at vesting date was discounted back to the valuation date.

The fair value of the CSP for executive employees with performance options was calculated using a Monte Carlo simulation technique.

The volatility of the return on company share was estimated as the annualised standard deviation of daily log returns of the share price over the four years prior to the valuation date.

No forfeitures were used in the models.

The inputs into the models were as follows:

	Share price at issue R	Expected volatility %	Expected option life Years	Expected dividend yield %	Risk free interest rate %
Conditional share plan					
2013					
Retention	71,47	21,53	4/5	4,34	The risk free rate for the key and executive options varies from 5,32% (year 1) to 6,88% (year 5) and is based on the ZAR zero coupon swap curve produced by Standard Bank on 19 November 2013
Performance	71,47	21,53	3/4	4,34	
2014					
Retention	58,44	22,78	4/5	4,88	The risk free rate for the key and executive options varies from 6,29% (year 1) to 7,58% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 17 November 2014
Performance	58,44	22,78	4	4,88	
2015					
Retention	64,74	23,89	4/5	6,25	The risk free rate for the key and executive options varies from 5,98% (year 1) to 7,78% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 20 November 2015
Performance	64,74	23,89	4	6,25	
2016					
Retention	61,50	24,37	4/5	5,39	The risk free rate for the key and executive options varies from 7,45% (year 1) to 7,88% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 21 November 2016
Performance	61,50	24,37	4	5,39	
2017					
Retention	65,46	22,96	4/5	7,28	The risk free rate for the key and executive options varies from 7,22% (year 1) to 8,04% (year 5) and is based on the ZAR zero coupon swap curve produced by BESA on 20 November 2017
Performance	65,46	22,96	4	7,28	

20. Long-term borrowings

Long-term borrowings consists of finance leases and long-term loans.

The majority of the finance lease liability relates to property lease agreements.

Assets subject to finance lease agreements, where considered material and where the group or company assumes substantially all the risks and rewards of ownership, are capitalised as property, plant and equipment at the lower of fair value or the present value of minimum lease payments at inception of the lease and the corresponding liability is raised.

Lease payments are allocated using the rate implicit in the lease to determine the lease finance cost, which is charged to profit or loss over the term of the relevant lease, and the capital payment, which reduces the liability to the lessor.

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Secured – at amortised cost				
Finance leases	**20**	22	**–**	5
Less: Short-term portion	**(2)**	(2)	**–**	(5)
Total secured	**18**	20	**–**	–
Unsecured – at amortised cost				
Long-term loans[1]	**80**	62	**–**	–
Less: Short-term portion	**(16)**	(9)	**–**	–
Total unsecured	**64**	53	**–**	–
Long-term borrowings	**82**	73	**–**	–
Maturity analysis of unsecured loans				
– within one year	**16**	9	**–**	–
– between one year and five years	**64**	53	**–**	–
These loans bear interest at rates ranging between 2% and 15%.				
Amounts payable under finance leases				
Total minimum lease payments	**26**	30	**–**	5
< 1 year	**4**	4	**–**	5
1 – 5 years	**19**	18	**–**	–
> 5 years	**3**	8	**–**	–
Less: Future finance charges	**(6)**	(8)	**–**	–
< 1 year	**(2)**	(2)	**–**	–
1 – 5 years	**(4)**	(5)	**–**	–
> 5 years	**–**	(1)	**–**	–
Present value of minimum lease payments	**20**	22	**–**	5
< 1 year	**2**	2	**–**	5
1 – 5 years	**15**	13	**–**	–
> 5 years	**3**	7	**–**	–

Reunert Management Services (Pty) Ltd (RMS) entered into a lease agreement with C-Max Investments 151 Proprietary Limited whereby a building in Midrand is leased over a period of 12 years at an interest rate of 9,8% per annum. The book value of these assets is disclosed in note 10.

The other finance leases relate to minor equipment with average lease terms of three to five years. The group has options to purchase the equipment for nominal amounts at the conclusion of the lease agreement.

The group's obligations under finance leases are secured by the lessors' title to the leased assets.

The fair value of the lease liabilities are approximately equal to their carrying amounts because they have been determined by discounting the future cash flows of these liabilities back to present values using current market related interest rates.

[1] *In the prior year this included a liability relating to cash-settled share-based payments of R8 million. Due to the nature and amount of this liability in the current year it has been separately disclosed.*

21. Share-based payment liability

The group issues cash settled options to certain employees in terms of a deferred share incentive scheme.

In terms of the scheme employees are entitled, at their election, to receive their short term incentive as either cash or deferred shares or a combination thereof. Where the employees elect to receive shares the value of the shares that vest after three years will be matched in cash.

The value of these cash settled options is recognised and measured as a liability at the fair value of the deferred shares at the end of the reporting period. The corresponding expense is recognised in profit or loss based on the closing share price.

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Share-based payment liability	**23**	–[1]	**–**	–

[1] *Due to its immaterial value in the prior year, this amount was included in long-term borrowings.*

22. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

Description of nature of obligation Rm	**Carrying amounts at the beginning of the year**	**Transfer to trade and other payables**	**Additional provisions created during the year**	**Amounts utilised during the year**	**Unutilised amounts reversed during the year**	**Carrying amounts at the end of the year**
Group						
Warranty[1]	110	–	23	(6)	(28)	99
Contract completion	32	–	4	(2)	–	34
Performance and other[2]	35	(32)	25	(3)	(8)	17
	177	(32)	52	(11)	(36)	150
Company						
Warranty[1]	70	–	3	(1)	–	72
Other	10	–	–	–	–	10
	80	–	3	(1)	–	82

[1] *The provision for warranty claims represents management's best estimate of the future outflow of economic benefits that will be required under the group's/company's obligations in respect of the product warranties issued. The estimates have been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.*

[2] *A major portion of the performance obligation provision relates to Omnigo (Pty) Ltd in the contingent purchase consideration. The acquisition of SkyWire and DoppTech in 2018 resulted in additional contingent consideration for the current year. Refer to Note 30. Due to the materiality of the amounts on acquisition of these businesses all contingent considerations have been separately disclosed.*
Consequently in 2018 the Omnigo purchase consideration was transferred to the contingent consideration category under trade and other payables

23. Trade and other payables

Trade and other payables consist of a large number of suppliers spread across diverse industries.

Trade and other payables are classified as financial liabilities and are measured at amortised cost, refer to note 29 financial instruments, for accounting policy relating to financial liabilities.

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Trade payables	**1 310**	1 182	**–**	33
Advance payments received	**207**	238	**–**	–
Sundry creditors and accruals	**563**	660	**29**	38
Contingent Consideration	**37**	–	**–**	–
	2 117	2 080	**29**	71

Due to the long-term nature of certain research and development contracts within the Applied Electronics segment, advance payments are requested from customers in order to fund working capital requirements. The advance payments are secured by either parent company guarantees or bank guarantees.

The advance payments are only repayable if the customer cancels the contract. Should cancellation occur, the total costs incurred to date of cancellation may be offset against the advance payment received. The advance payment liabilities are reduced through the supply of goods against orders and/or against the achievement of contract milestones.

Before onboarding any new suppliers, an assessment is made of the potential supplier and a payment limit specific to that supplier is defined.

The average credit period on the purchase of goods is 30 days.

The carrying amounts of accounts payable denominated in Rand approximate fair value because of the short-term nature of these liabilities.

The carrying values of accounts payable denominated in foreign currencies have been converted at the rate of exchange ruling on the last day of the financial year. These amounts approximate fair value because of the short-term nature of these instruments.

Contingent consideration

	GROUP	
	2018	2017
Reconciliation of carrying value of contingent consideration financial liability		
Opening balance	**–**	–
Transfer from provisions[1]	**27**	–
Raised at acquisition at fair value	**110**	–
Fair value remeasurements and other (profit)/loss adjustments	**(100)**	–
Closing balance[2]	**37**	–

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

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

The amount is assessed on an annual basis using forecasted average capital employed and PBIT.

The discount rate used is 9,1% (Jibar plus 2%).

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

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

[1] *In 2018 the Omnigo purchase consideration was transferred to the contingent consideration category under trade and other payables. The acquisition of SkyWire and DoppTech in 2018 resulted in additional contingent consideration for the current year. Refer to Note 30. Due to the materiality of the amounts on acquisition of these businesses, all contingent considerations have been separately disclosed in the current year.*

[2] *The balance of the contingent purchase consideration relates to R17 million for DoppTech, R16 million for SkyWire and R4 million for Omnigo.*

Rm	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
24. Commitments				
Expenditure on property, plant and equipment				
– Contracted	**35**	20	**16**	7
– Authorised but not yet contracted	**48**	19	**–**	4
Total expenditure on property, plant and equipment	**83**	39	**16**	11
The above expenditure is expected to occur in 2019 and will be financed from existing group resources.				
Operating lease commitments in respect of land and buildings, vehicles and other assets				
< 1 year	**61**	44	**–**	1
1 – 5 years	**118**	82	**–**	2
> 5 years	**73**	–	**–**	–
Total operating lease commitments in respect of land and buildings, vehicles and other assets	**252**	126	**–**	3

The group leases offices and other equipment under operating leases that are cancellable on various short-term notice periods at the end of the lease by either party.

Operating lease costs are recognised on a straight-line basis over the term of the lease.

The lease agreements contain terms of renewal and escalation clauses but do not include purchase options.

The group has no contingent rentals in respect of operating leases.

25. Contingent liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity; or a present obligation that arises from past events but is not recognised because:

> it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
> the amount of the obligation cannot be measured with sufficient reliability.

Reunert Limited and its various subsidiaries have issued sureties and guarantees to the value of R1bn (2017: R760m). These sureties and guarantees relate mainly to security provided with respect to:

> advance payments received from customers;
> performance guarantees in favour of customers;
> payment guarantees to suppliers; and
> guarantees in support of banking facilities.

All liabilities expected to arise from the issuance of these sureties and guarantees have been reflected under trade and other payables and bank overdrafts.

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

A group company has undertaken to subordinate such portion of its US dollar loan account as may be required to maintain technical solvency of Zamefa for the next twelve months. In addition the company has issued various guarantees included in the amount listed above in respect of banking facilities and copper purchases.

26. Directors' remuneration and interests

Payable to the directors of the company by the company and its subsidiaries for services as directors:

Executive directors

R'000	Salary	Bonus and performance related payments	Travel allowances	Retirement contributions	Medical contributions	Sub total	Deferred shares[1]	Total	Fair value of CSP at grant date[2]
2018									
AE Dickson	**5 185**	**2 159**	**132**	**251**	**64**	**7 791**	**–**	**7 791**	**3 897**
M Moodley	**2 412**	**1 012**	**–**	**233**	**53**	**3 710**	**–**	**3 710**	**1 321**
MAR Taylor	**3 620**	**2 380**	**–**	**193**	**58**	**6 251**	**–**	**6 251**	**1 853**
NA Thomson	**4 139**	**1 229**	**–**	**218**	**112**	**5 698**	**–**	**5 698**	**2 386**
	15 356	**6 780**	**132**	**895**	**287**	**23 450**	**–**	**23 450**	**9 457**
2017									
AE Dickson	4 909	4 630	132	253	48	9 972	1 544	11 516	3 651
M Moodley	2 290	1 565	–	221	49	4 125	1 565	5 690	1 072
MAR Taylor	3 432	2 227	–	176	65	5 900	2 227	8 127	1 538
NA Thomson	3 944	2 309	–	193	103	6 549	2 309	8 858	1 937
	14 575	10 731	132	843	265	26 546	7 645	34 191	8 198

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

[2] *Conditional Share Plan (CSP). This has been determined using the fair value per unit and the expected vesting probability (23,34%) of the non-market conditions and the fair value of the market conditions (TSR) at grant date.*
For further details relating to the valuation methodologies and assumptions used, refer to note 19.

	COMPANY	
R'000	**2018**	2017
Non-executive directors		
Total paid for the year (all directors and committee fees)		
TS Munday	**1 519**	1 423
T Abdool-Samad	**715**	583
SD Jagoe	**440**	356
P Mahanyele	**26**	448
S Martin	**658**	608
TJ Motsohi	**137**	403
Adv. NDB Orleyn	**634**	585
SG Pretorius	**692**	595
R van Rooyen	**735**	652
J Hulley	**98**	–
T Matshoba-Ramuedzisi	**221**	–
	5 875	5 653

26. Directors' remuneration and interests continued

Share options

	Balance of unexercised options as at 1 October 2017	Number of options granted during the year	Number of options exercised during the year	Balance of unexercised options as at 30 September 2018	Option price R	Date of allocation	Date from which exercisable
Executive directors							
AE Dickson	33 400	–	–	**33 400**	39,30	18/6/2009	18/6/2012
	53 000	–	–	**53 000**	59,55	17/2/2011	17/2/2014
	86 400	–	–	**86 400**			

Conditional share plan

	Balance of unvested units as at 1 October 2017	Number of units granted during the year	Number of units expired during the year[1]	Balance of unvested units as at 30 September 2018	Share price at grant date R	Date of allocation	Date from which vesting begins
Executive directors							
AE Dickson	23 506	–	(23 506)	**–**	71,47	20/11/2013	20/11/2016
	147 844	–	–	**147 844**	58,44	17/11/2014	17/11/2018
	129 648	–	–	**129 648**	64,74	20/11/2015	20/11/2019
	153 463	–	–	**153 463**	61,50	21/11/2016	21/11/2020
	–	153 644	–	**153 644**	65,46	20/11/2017	20/11/2021
M Moodley[2]	23 881	–	–	**23 881**	58,44	17/11/2014	17/11/2018
	47 332	–	–	**47 332**	64,74	20/11/2015	20/11/2019
	54 378	–	–	**54 378**	61,50	21/11/2016	21/11/2020
	–	52 083	–	**52 083**	65,46	20/11/2017	20/11/2021
MAR Taylor	21 827	–	(21 827)	**–**	71,47	20/11/2013	20/11/2016
	59 292	–	–	**59 292**	58,44	17/11/2014	17/11/2018
	59 422	–	–	**59 422**	64,74	20/11/2015	20/11/2019
	78 020	–	–	**78 020**	61,50	21/11/2016	21/11/2020
	–	73 042	–	**73 042**	65,46	20/11/2017	20/11/2021
NA Thomson	85 523	–	–	**85 523**	64,74	20/11/2015	20/11/2019
	98 256	–	–	**98 256**	61,50	21/11/2016	21/11/2020
	–	94 049	–	**94 049**	65,46	20/11/2017	20/11/2021
	982 392	372 818	(45 333)	**1 309 877**			

[1] *During the year ended 30 September 2018 all of the 2013 performance units expired as the performance conditions were not met.*

[2] *28 859 units were granted to M Moodley on 20/11/2013, when the share price was R71,47, which was before she was appointed as an executive director. Vesting of these units began on 20/11/2016. 5 772 of these units were retention units, 50% of which vested in November 2017 and 50% of which vest in November 2018. The remaining 23 087 units are performance units, 11 544 of which expired in November 2016 and 11 543 expired in November 2017.*

The executive directors' service contracts expressly provide for a six month notice period.

27. Summarised financial information of joint ventures and associate

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The equity method of accounting for joint ventures is adopted in the annual financial statements. The consolidated financial statements include the group's share of profit or loss and other comprehensive income of the associate and joint ventures from the date significant influence commences until the date significant influence ceases.

Dividends received from joint ventures and the associate are deducted from the carrying value of the investment.

	JOINT VENTURES AND ASSOCIATE			
	2018		2017	
Rm	**Total**	**Reunert share**	Total	Reunert share
Statement of comprehensive income				
Revenue	**608**	**303**	1 037	518
Depreciation and amortisation	**9**	**5**	11	5
Interest income	**2**	**1**	4	2
Interest expense	**1**	**–**	2	1
Other expenses	**126**	**63**	122	61
Taxation (credit)/charge	**(2)**	**(1)**	28	14
(Loss)/profit after taxation	**(3)**	**(1)**	74	37
Statement of financial position				
Non-current assets	**152**	**76**	201	100
Current assets (excluding cash)	**293**	**146**	317	158
Cash and cash equivalents	**41**	**21**	84	42
Non-current financial liabilities	**(8)**	**(4)**	(56)	(28)
Other non-current liabilities	**(13)**	**(7)**	(18)	(9)
Current financial liabilities	**(97)**	**(48)**	(140)	(70)
Other current liabilities	**(18)**	**(9)**	(35)	(17)
Equity	**(350)**	**(175)**	(353)	(176)

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

	2018	2017
Group's interest in net assets of joint ventures and associate at the beginning of the year	**176**	169
Total comprehensive income attributable to Reunert	**(1)**	37
Dividends received during the year	**–**	(30)
Group's interest in net assets of joint ventures and associate at end of the year	**175**	176
Reversal of revaluation of PPE on creation of joint venture, net of depreciation	**(17)**	(17)
Carrying amount of interest in joint ventures and associate at the end of the year	**158**	159

			JOINT VENTURES AND ASSOCIATE	
			Interest %	
	Nature of activity	**Place of business**	**2018**	2017
Lexshell 661 Investments Proprietary Limited	Property holding	Woodmead, Gauteng	**50**	50
CBI-electric Telecom Cables Proprietary Limited	Manufacturer of telecommunication cables	Brits, North West	**50**	50
Oxirostax Proprietary Limited	Office automation	Somerset West, Western Cape	**49**	49

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

The related party transactions at group level are eliminated.

COMPANY

Annexure A contains the details of the company's;
– shareholding in
– loans with
– interest income from
– dividends received from
– dividends paid to
its subsidiaries, joint ventures, associate and special purpose entity

Counterparty	Sales	Purchases	Lease payments made	Lease payments received	Net admini-stration fees paid	Interest paid	Trade re-ceivables	Trade payables
2018								
Subsidiaries of Reunert	**–**	**–**	**–**	**57**	**5**	**–**	**–**	**–**
2017								
Subsidiaries of Reunert	1	5	6	58	57	–	1	1

Directors' remuneration is disclosed in note 26.

29. Financial instruments

Financial instruments recorded in the statement of financial position include cash and cash equivalents, investments, receivables, trade payables, borrowings and derivative instruments. Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method used to calculate the amortised cost of a financial instrument and to allocate interest income or expense over the relevant financial period.

Financial Assets

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Where the term of the receivable is less than one year, the receivable is not present valued at the effective interest rate but recognised at its face value.

Impairment of loans and receivables

At each reporting period date, loans and receivables are assessed for indicators of impairment and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investment have been negatively impacted. These include change in market conditions or risk factors affecting the financial asset and specific counterparty conditions that provide evidence that future cash flows may be negatively impacted.

Derecognition of loans and receivables

The group derecognises a loan and receivable only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments issued by the group

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual terms of the arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received net of any direct issue costs.

Equity is not subsequently remeasured.

Treasury Shares

Treasury shares are equity instruments of the company that are held by a subsidiary of the company.

Repurchases of the company's own equity instruments are recognised at their cost and deducted directly from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

Financial liabilities are either classified as:

> financial liabilities at FVTPL; or

> other financial liabilities at amortised cost.

Financial liabilities include interest-bearing bank loans and overdrafts, trade and other payables and financial liabilities that arise from put options.

29. Financial instruments continued

Financial liabilities at FVTPL

Non-controlling Interests that have written put options to sell their interest in the subsidiary to the group are initially recognised in equity at fair value with a corresponding financial liability. Fair value is the present value of the future cash flows expected to settle the put obligation discounted at the average cost of borrowing. Any subsequent movement in the fair value of the written put option is recognised in profit or loss. The unwinding of the present value is recognised within interest expense in profit or loss using the effective interest method.

The contingent purchase consideration arising on acquisition is included in the cost of the business combination as at the date of acquisition. Subsequent re-measurements of the fair value of the contingent arrangements are recognised in profit or loss in the period they arise.

Financial liabilities at amortised cost

Trade and other payables are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

Financial liabilities are derecognised when the liability is extinguished, meaning that the obligation specified in the contract is discharged, cancelled or expires.

Hedge accounting

Quince Capital designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of interest rate risk as fair value hedges.

At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents and then assesses whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Recognised fair value measurements

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are categorised as a level 1 instrument.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is categorised as a level 2 instrument.

Level 3: If one or more of the significant inputs on which the valuation is undertaken is not based on observable market data, the instrument is categorised as a level 3 instrument.

Information on the fair value of financial instruments is included in the respective notes.

	GROUP		COMPANY	
	2018	2017	**2018**	2017
29. Financial instruments continued				
Significant categories of financial instruments				
Financial assets				
Loans and receivables (included in other investments and loans, amounts owing by subsidiaries, rental and finance lease receivables, accounts receivable, money market instruments and cash and cash equivalents)	**6 056**	6 062	**6 280**	6 286
Financial liabilities				
Amortised cost (included in long-term and current portion of long term borrowings, trade and other payables, amounts owing to subsidiaries and bank overdrafts and short-term loans)	**(1 922)**	(1 914)	**(38)**	(153)
FVTPL – Put option and contingent consideration[1]	**(157)**	(121)	**–**	–

There were no reclassifications of financial assets and liabilities during the year. There were no financial assets or liabilities settled or extinguished which did not meet the derecognition requirements.

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

	GROUP		COMPANY	
Fair value measurements	**2018 Level 3**	2017 Level 3	**2018 Level 3**	2017 Level 3
Reconciliation of carrying value of level 3 financial assets and liabilities				
Financial liabilities – Put option				
Opening Balance	**121**	–	**–**	–
Raised at acquisition at fair value	**–**	116	**–**	–
Fair value remeasurements and other (profit)/loss adjustments	**(9)**	–	**–**	–
Payment to option holder (Ryonic)	**(1)**	–	**–**	–
Time value of money adjustments/unwinding of interest expense	**9**	5	**–**	–
Closing balance	**120**	121	**–**	–

Put option liabilities

The year end balance is in respect of a put option arising as part of the Terra Firma acquisition which took place in the prior year.

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

> The 2020 forecast revenue and net profit after tax (NPAT). These forecasts are based on management's best estimate of the revenue and NPAT likely to be achieved in 2020.

> The earnings multiples which are as stipulated in the sales and purchase agreement giving rise to the put.

> The discount rate applied to present value the put liability was 8%, being the average cost of borrowing.

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

The put option for Ryonic was renegotiated and settled during the current year.

29. **Financial instruments** continued

Risk management

The Reunert group is exposed to liquidity, credit, foreign currency, interest rate and commodity price risks arising from its financial instruments.

The risk management processes and financial management of assets and liabilities are consistent with those of the previous financial year.

The risk management relating to each of these risks is discussed under the headings below. The group's objective in using derivative instruments for hedging purposes is to reduce the uncertainty over future cash flows arising from foreign currency, interest rate and commodity price risk exposures.

Liquidity risk

Liquidity risk is the risk that an entity in the group will be unable to meet its obligations in respect of financial liabilities when they become due.

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows.

Senior management across the group is responsible for the management of liquidity risk.

The overnight call market is mainly used for short-term borrowings, with three to six-month duration facilities used when deemed appropriate. Excess cash is only deposited with reputable banks and is spread over more than one bank to reduce the default risk.

The following table details the group's remaining contractual maturity for its financial liabilities. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the group is required to pay. The table includes both interest and principal cash flows.

	GROUP			
Rm	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
2018				
Financial liabilities included in trade and other payables	**(1 644)**	**–**	**–**	**(1 644)**
Bank overdrafts and current portion of long-term borrowings	**(211)**	**–**	**–**	**(211)**
Long-term borrowings	**–**	**(105)**	**(3)**	**(108)**
Put option liability	**–**	**(125)**	**–**	**(125)**
	(1 855)	**(230)**	**(3)**	**(2 088)**
2017				
Financial liabilities included in trade and other payables	(1 633)	–	–	(1 633)
Bank overdrafts and current portion of long-term borrowings	(208)	–	–	(208)
Long-term borrowings	–	(63)	(17)	(80)
Put option liability	–	(137)	–	(137)
	(1 841)	(200)	(17)	(2 058)

	COMPANY			
Rm	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
2018				
Financial liabilities included in trade and other payables	**(29)**	**–**	**–**	**(29)**
Bank overdrafts and current portion of long-term borrowings	**–**	**–**	**–**	**–**
Amounts owing to subsidiaries	**(9)**	**–**	**–**	**(9)**
	(38)	**–**	**–**	**(38)**
2017				
Financial liabilities included in trade and other payables	(71)	–	–	(71)
Bank overdrafts and current portion of long-term borrowings	(5)	–	–	(5)
Amounts owing to subsidiaries	(77)	–	–	(77)
	(153)	–	–	(153)

The current portion of the group's financial assets and available credit lines is sufficient to pay the financial liabilities expected to fall due within the next 12 months.

29. **Financial instruments** continued

Borrowing capacity

In terms of the company's Memorandum of Incorporation (MOI) the directors may borrow funds as they deem fit, subject to the company satisfying the solvency and liquidity test, as contemplated in section 4 of the Companies Act.

The group has significant unutilised borrowing facilities and has substantial capacity to borrow funds if required.

Capital management

The group has minimal debt levels at present. There are accordingly no significant debt covenants imposed on the group and no breaches or defaults on the terms of any borrowings have taken place during the year. Cash reserves and unutilised borrowing facilities are available to fund future acquisitions as part of the group's growth strategy as well as to fund any replacement or expansionary capital requirements.

Capital allocation is evaluated against expected returns using appropriate weighted average cost of capital (WACC) rates and risk profiles.

Credit risk

Credit risk refers to the risk of financial loss due to counterparties to financial instruments, including debtors, not meeting their contractual obligations. This risk is managed through ongoing credit evaluations of the financial condition of all customers. The granting of credit is controlled by application and credit vetting procedures which are updated and reviewed on an ongoing basis.

The credit risk on funds included in cash and cash equivalents and money market instruments is limited because the counterparties are banks with high credit ratings.

Below is the maximum exposure to credit risk of financial assets included in trade and other receivables, rental and finance lease receivables and in other investments and loans, before any impairment losses or credit enhancements and excluding any collateral held, classified into major risk types:

	GROUP		COMPANY	
Rm	**2018**	2017	**2018**	2017
Insured debtors	**553**	499	**–**	11
Contractors	**77**	95	**–**	–
Individuals/small businesses	**1 428**	1 214	**16**	19
Mines/large businesses/government and parastatals	**3 071**	2 284	**–**	1
Municipalities	**296**	495	**–**	–
	5 425	4 587	**16**	31

29. **Financial instruments** continued

Foreign currency risk

Certain transactions within the group are denominated in foreign currencies, mainly US Dollars and Euros. This exposes the group to the risk of exchange rate fluctuations for these currencies.

The group manages these risks within parameters defined by operational management. Forward exchange contracts and other relevant financial instruments are used where considered appropriate to hedge foreign currency exposure to US Dollars and Euros.

Forward exchange contracts are classified as "level 2" in the fair value measurement hierarchy.

Forward exchange contracts for the group are summarised below:

	GROUP			
	Foreign amount Million	**Market value Rm**	**Contract value Rm**	**Unrealised (losses)/ gains Rm**
2018				
Imports – trade				
USD	**(9)**	**(126)**	**(128)**	**(2)**
Euro	**(12)**	**(199)**	**(198)**	**1**
Exports – trade				
USD	**45**	**639**	**590**	**(49)**
Euro	**11**	**173**	**178**	**5**
Accounts payable in foreign currencies				**641**
Of which covered by forward exchange contracts				**315**
Loans payable in foreign currencies				**–**
Of which covered by forward exchange contracts				**–**
Accounts receivable in foreign currencies				**827**
Of which covered by forward exchange contracts or zero-cost collars				**494**
Loans receivable in foreign currencies				**–**
Of which covered by forward exchange contracts				**–**

	GROUP			
	Foreign amount Million	Market value Rm	Contract value Rm	Unrealised (losses)/ gains Rm
2017				
Imports – trade				
USD	(9)	(120)	(115)	5
Euro	(12)	(191)	(186)	5
Exports – trade				
USD	27	367	363	(4)
Euro	2	31	31	–
Accounts payable in foreign currencies				650
Of which covered by forward exchange contracts				296
Loans payable in foreign currencies				73
Of which covered by forward exchange contracts				–
Accounts receivable in foreign currencies				590
Of which covered by forward exchange contracts				180
Loans receivable in foreign currencies				58
Of which covered by forward exchange contracts				–

COMPANY

There were no FEC's for the company as at 30/09/2018.

29. Financial instruments continued

Foreign currency sensitivity analysis

The following details the group's sensitivity to a 20% weakening (2017: 20% weakening) in the Rand against the relevant foreign currencies. A 20% (2017: 20%) decrease represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary item, FEC's and zero-cost collars and adjusts their translation at the year end for a 20% change in foreign currency rates.

Profit after tax for the year ended 30 September 2018 would have decreased by R90 million (2017: increase of R5 million) had the Rand closed 20% weaker against the relevant foreign currency.

Had the Rand appreciated by 20%, the profit after tax for the same period would have increased by R24 million (2017: decrease of R5 million).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Quince, the group's asset-backed finance company, has originated fixed rate customer loans and is therefore exposed to changes in their fair value as market interest rates change over the term of these fixed rate customer loans. Quince has elected to mitigate this risk by entering into interest rate swap agreements to mitigate the exposure to the fair value arising from interest rate risk.

The interest rate swaps were designated as fair value hedging instruments. The aim of this hedge is to transform the fixed-rate loan assets into variable-rate loans, to mitigate the risk arising from interest rate risk, thus hedging the fair value of the financial asset.

The fair value of the interest rate swaps is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract. The fair value was determined to be a R0,8 million liability (2017: R8,6 million liability).

The effectiveness of the hedging relationship is assessed prospectively and retrospectively at each reporting date using statistical methods in the form of a "Dollar-Offset" analysis. The hedge effective testing concluded that the hedging relationships were ineffective and consequently, hedge accounting was not achieved in the prior year. The hedge was effective in 2018 and did not result in a profit or loss (2017: loss of R12 million).

Details of the interest rate hedging instruments are:

	GROUP			
	Contracts expiring in:			
Rm	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
2018				
Quince				
Contract value	**–**	**675**	**–**	**675**
Average fixed interest rate	**–**	**7,5%**	**–**	**7,5%**
2017				
Quince				
Contract value	–	750	–	750
Average fixed interest rate	–	7,5%	–	7,5%

The interest rate swaps reset on a quarterly basis. The floating rate is based on the three month JIBAR rate.

The interest rate hedges settle on a monthly basis. The floating rate on the interest rate hedge is the monthly JIBAR. The group will settle the difference between the fixed and floating interest rate on a net basis. The company has not entered into any interest rate hedging instruments.

Interest rate swaps contracts are classified as "level 2" in the fair value measurement hierarchy.

Interest rate swap sensitivity analysis

If the interest rate had been 1% lower and all other variables remained constant, the groups profit after tax for the year ended 30 September 2018 would have decreased by R2,7 million (2017: R2,3 million). This is mainly due to the exposure to fixed rate funding cost and the linked rate customer terms originated, this is termed the open position. Management regularly reviews the open position as new information becomes available and enters into interest rate swap agreements to mitigate the company's risk exposure to interest rate risk.

29. **Financial instruments** continued

Interest rate analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

	GROUP				
Rm	**Weighted average effective interest rate %**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
2018					
Assets					
Cash and cash equivalents	**6,0**	**676**	**35**	**54**	**765**
Financial assets included in current accounts receivable and rental and finance lease receivables	**14,0**	**898**	**563**	**1 788**	**3 249**
Other investments and loans	**7,3**	**36**	**17**	**3**	**56**
Non-current rental and finance lease receivables	**15,8**	**1 834**	**156**	**–**	**1 990**
		3 444	**771**	**1 845**	**6 060**
Liabilities					
Financial liabilities included in trade and other payables	**2,3**	**(178)**	**(410)**	**(1 056)**	**(1 644)**
Bank overdrafts and current portion of long-term borrowings	**6,6**	**(156)**	**(18)**	**(37)**	**(211)**
Long-term borrowings, put option liability and share based payment liability	**7,1**	**–**	**(176)**	**(49)**	**(225)**
		(334)	**(604)**	**(1 142)**	**(2 080)**
Net financial assets		**3 110**	**167**	**703**	**3 980**
2017					
Assets					
Cash and cash equivalents and money market instruments	7,7	1 350	130	172	1 652
Financial assets included in current accounts receivable and rental and finance lease receivables	13,8	446	357	1 887	2 690
Other investments and loans	8,0	29	19	7	55
Non-current rental and finance lease receivables	14,9	723	959	–	1 682
		2 548	1 465	2 066	6 079
Liabilities					
Financial liabilities included in trade and other payables	2,2	(199)	–	(1 434)	(1 633)
Bank overdrafts and current portion of long-term borrowings	7,8	(166)	(5)	(37)	(208)
Long-term borrowings and put option liability	7,5	–	(175)	(19)	(194)
		(365)	(180)	(1 490)	(2 035)
Net financial assets		2 183	1 285	576	4 044

29. **Financial instruments** continued

Interest rate sensitivity analysis

The analyses are prepared assuming the amount of net assets outstanding at the balance sheet date was outstanding for the whole year. A 2% increase is used for both the current year and prior year and represents management's assessment of a reasonable maximum change in interest rates over the next 12 months.

A 2% decrease would have the opposite effect on net profit after tax.

If the group's interest rates had been 2% higher and all other variables remained constant, the group's profit after tax for the year ended 30 September 2018 would increase by R45 million (2017: increase by R31 million). This is mainly attributable to the group's exposure to interest rates on its floating rate deposits.

Interest rate analysis

The company's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are:

	COMPANY				
Rm	**Weighted average effective interest rate %**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
2018					
Assets					
Cash and cash equivalents	**5,5**	**2**	**–**	**–**	**2**
Financial assets included in accounts receivable	**–**	**–**	**–**	**54**	**54**
Other investments and loans	**7,5**	**2**	**–**	**–**	**2**
Amounts owing by subsidiaries	**–**	**–**	**–**	**6 222**	**6 222**
		4	**–**	**6 276**	**6 280**
Liabilities					
Financial liabilities included in trade and other payables	**–**	**–**	**–**	**(29)**	**(29)**
Bank overdrafts and current portion of long-term borrowings	**–**	**–**	**–**	**–**	**–**
Amounts owing to subsidiaries	**–**	**–**	**–**	**(9)**	**(9)**
		–	**–**	**(38)**	**(38)**
Net financial assets/(liabilities)		**4**	**–**	**6 238**	**6 242**
2017					
Assets					
Cash and cash equivalents	3,7	7	–	–	7
Financial assets included in accounts receivable	–	–	–	20	20
Other investments and loans	8,0	2	–	–	2
Amounts owing by subsidiaries	7,0	2 109	–	4 148	6 257
		2 118	–	4 168	6 286
Liabilities					
Financial liabilities included in trade and other payables	–	–	–	(71)	(71)
Bank overdrafts and current portion of long-term borrowings	7,0	–	(5)	–	(5)
Amounts owing to subsidiaries	–	–	–	(77)	(77)
		–	(5)	(148)	(153)
Net financial assets/(liabilities)		2 118	(5)	4 020	6 133

Interest rate sensitivity analysis

If the company's interest rates had been 2% higher and all other variables remained constant, the company's profit after tax for the year ended 30 September 2018 would increase by R0,1 million (2017: increase by R30 million). This is mainly attributable to the company's exposure to interest rates on its floating rate deposits.

	GROUP
	2018
30. Acquisitions/transfers of businesses	
All business combinations are accounted for by applying the acquisition method. All acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services received. For the goodwill accounting policy, refer to note 12.	
If the initial accounting for business combinations is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets and liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, which if known, would have affected the amounts recognised at that time.	
Non-controlling interests (NCI) in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. NCI consists of the amount of those interests at the date of the original business combination and the NCI's share of changes in equity since the date of the combination. Losses applicable to the NCI in excess of the NCI's share of changes in equity are allocated against the interests of the group except to the extent that the NCI has a binding obligation and is able to make an additional investment to cover the losses.	
1. SkyWire Proprietary Limited:	
With effect from 1 March 2018, the group acquired 100% of the business and related assets of SkyWire Proprietary Limited, a provider of broad band connectivity, in an asset transaction. The R146 million in goodwill arising from the acquisition is attributable to the expected high growth in this business and the ability to harvest synergies with the ICT segment's distribution network. As the ICT segment in the Reunert group is seeking to diversify its product offerings and its existing services rely on reliable high-speed data connections, SkyWire data-access products provide a natural extension of the service offering. Synergies are also obtained from the vertical integration with the group's other businesses in the ICT segment. A contingent purchase consideration amounting to R93 million was raised on acquisition[1], this was based on profit after tax (PAT) price earning multiple applied against the 2019 PAT and a % based on sustainability metrics and a defined business plan which includes objectives to be obtained within a 13 month period defined as per the purchase agreement.[2]	**205**
2. DoppTech Proprietary Limited:	
With effect from 1 March 2018, the group acquired 100% of the share capital of DoppTech Proprietary Limited. An intangible asset of R52 million was valued on acquisition attributable mainly to the customer relationships in key geographic regions not accessible to the group as well as patents currently in use. The company has a well-developed R&D capability in electro-mechanical engineering that will assist with product development within the Applied Electronics segment. A contingent purchase consideration amounting to R17 million was raised on acquisition, this was based on future milestones that the business has to achieve as per the purchase agreement.[2]	**20**
3. Other transactions:	
During the current year the group increased its holding in Terra Firma Solutions Proprietary Limited from 51% to 54,38%.	**4**
The group purchased the remaining 25,1% of Ryonic Robotics Proprietary Limited from the existing non-controlling shareholder.	**1**

	GROUP
	2018
30. Acquisitions/transfers of businesses continued	
Direct cash cost	**230**
Net borrowings at time of acquisition	**3**
Net cash flows on acquisition of business[2]	**233**
Contingent purchase consideration	**110**
Total purchase consideration	**343**
Represented by:	
Property, plant and equipment and intangible assets	**235**
Inventory	**2**
Receivables	**2**
Payables	**(1)**
Deferred taxation	**(46)**
Goodwill	**146**
Non-controlling interests	**1**
Transactions with non-controlling interests	**3**
Put option liability paid	**1**
Net assets acquired	**343**
Revenue since acquisition	**71**
Profit after taxation since acquisition[3]	**1**
Revenue for the 12 months ended 30 September 2018 as though the acquisition dates had been 1 October 2017	**119**
Profit after taxation for the 12 months ended 30 September 2018 as though the acquisition dates had been 1 October 2017[4]	**2**

The value of uncollectible accounts receivable at acquisition was negligible

[1] *This contingent purchase consideration was finalised and remeasured to R16 million at the financial year end, refer to note 9.*

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

– Acquisition of subsidiaries and businesses	*228*
– Transactions with non-controlling shareholders	*4*
– Exercise of Ryonics put option	*1*

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

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

COMPANY

During the year Reunert (the company) subscribed for additional shares in the group's segment holding companies, either as part of the group restructuring programme commenced in 2017 or to enable the segment holding companies to increase their investments in existing subsidiaries or to make new acquisitions. In addition the company subscribed for additional shares in Julopro Proprietary Limited, which is the company that is being used to buy-back and hold Reunert Ltd shares. The total value of shares taken up is R439 million.

2017

Refer to the 2017 published results.

31. Disposal and transfer of businesses

2018

Transactions under common control

During the year the group undertook various reorganisation activities that resulted in transactions between the holding company and certain subsidiaries. These transactions were accounted for as transactions under common control which is excluded from IFRS 3 – Business Combinations as it involves the combination of businesses that are ultimately controlled by the same company before and after the transaction. Such business combinations are accounted for at the net asset value of the business transferred and therefore no goodwill arises on these business combinations. No effect of the transactions is recorded at a group level as the transactions eliminate on consolidation. In the separate financial statements of the company and its subsidiaries the net assets acquired or disposed of were accounted for using their historical carrying values. Any differences between the proceeds and the net assets disposed were recognised in profit or loss of the relevant entity.

Material transactions that affected the company are as follows:

Transfer of the Pansolutions division

With effect from 1 October 2017 the net assets and business of Pansolutions, a division of Reunert Ltd, were transferred to Pansolutions Holdings Proprietary Limited, another group company, at the net book value of Rnil.

Rm	Pansolutions
Net assets transferred	
Property, plant and equipment and intangible assets	**(1)**
Inventory	**(24)**
Trade and sundry receivables	**(27)**
Cash on hand at time of transfer	**(4)**
Trade and sundry payables and provisions	**40**
Net amounts due to group companies	**16**
Amount received	**–**

2017

Refer to the 2017 published results.

32. Subsequent events

No events have arisen between the end of the financial year and the date of these financial statements, which materially affect the financial position or results of the company or group.

33. Litigation

There is no material litigation being undertaken against or by the group. The group has made adequate provision against any cases where it 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 at year end.

34. Change in accounting policy

During the three year period from 1 October 2014 to 1 October 2017 the company commenced and completed a reorganisation which resulted in the company's nature changing from being an active trading company to an investment holding company.

This reorganisation was completed on 1 October 2017 when the last trading division of the company was transferred to another group company.

Prior to 1 October 2017 revenue comprised active trading revenue, with passive investment income being included in other operating income. As a consequence of the reorganisation being completed, the company no longer earns trading income from 1 October 2017. Its income now comprises only of passive investment income in the form of dividends, interest and rentals received. In line with the nature of the company being an investment holding company, the directors have elected to change the accounting policy for the classification of revenue to include dividends, interest and rentals received.

This change in policy has been applied retrospectively to the start of the 2017 financial year in line with the requirements of IAS 8: accounting policies, changes in accounting estimates and errors.

The effects on the company's annual financial statements are as follows:

Rm	As reported	Restated
Extract from statements of profit or loss – 2017		
Revenue	253	1 415
Operating profit before net interest and dividends		
Interest income and dividends	1 162	–
Extract from statements of cash flows – 2017		
Cash flow from operating activities		
Cash generated from operations before working capital changes	9	796
Cash interest received	118	–
Dividends received	669	–

There is no impact on the statements of other comprehensive income or statements of financial position of the company as at 30 September 2017.

SEGMENTAL ANALYSIS

Business segments

A segment is a distinguishable component of the group that is engaged in activities from which it may earn revenue and incur expenses, including revenues and expenses relating to transactions with other components of the group, whose operating results are regularly reviewed by the chief decision-maker and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision-maker. The chief decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Reunert Limited's Board of directors.

The business segments identified are Electrical Engineering, Information Communication Technologies (ICT), Applied Electronics and Other. The segments have been identified based on products, technology, services, markets and customer segmentation.

Electrical Engineering encompasses the design, manufacture, installation and maintenance of a complete range of power cables, the manufacture and supply of copper and optical fibre telecommunication cable, the manufacture and supply of low voltage distribution, protection and control equipment and the supply of high and medium-voltage switchgear and transformers.

This segment's market includes municipalities, parastatals, utilities, the mining and building industries.

ICT is a provider of data and voice communication and network services and solutions; a distributor of business systems with products focusing mainly on office automation and telecommunications; and asset-based rental solutions.

The market comprises corporate and retail customers, small to medium-sized enterprises (SMEs), government and state-owned entities.

Applied Electronics specialises in tactical very high frequency/ultra high frequency/high frequency (VHF/UHF/HF) communication systems; designs and manufactures fuzes and related defence products for artillery, mortar, naval and aircraft weapon systems; develops and manufactures ground and naval search and tracking radar systems; designs and manufactures mining radar sensor systems used in open-cast mining; manufactures electronic components and printed circuit boards (PCBs); provides renewable energy engineering solutions; develops and designs robotics; and develops cryptographic products and solutions to meet cybersecurity requirements.

In addition, this segment manufactures and supplies remote-controlled weapon platforms and supplies system engineering and logistic support services in telecommunications, radar, satellite, mining, fare management and transportation fields. Markets here are local and international defence forces, mining houses, municipalities and corporates.

The other segment is made up of the group's administration, finance and property portfolio.

The majority of the group's operations are situated in South Africa with operations in Australia, Lesotho, Mauritius, Sweden, the United States of America and Zambia.

The revenue and profits derived from production and sales initiated outside South Africa are currently not material, and accordingly it would not be meaningful to provide geographical segmental information.

Reunert does not have a single customer or grouping of customers which meets the requirements to be separately disclosed in terms of IFRS 8 – Operating Segments.

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

Segmental analysis continued

	2018		2017		
	Rm	%	Rm	%	% change
Revenue					
Electrical Engineering	**5 139**	**48**	5 247	51	(2)
ICT	**3 443**	**32**	3 307	32	4
Applied Electronics	**2 198**	**20**	1 720	17	28
Other	**15**	**–**	14	–	7
Total operations	**10 795**	**100**	10 288	100	5
Revenue from equity-accounted joint venture (Electrical Engineering)	**(271)**		(489)		
Revenue from equity-accounted associate (ICT)	**(29)**		(26)		
Revenue from equity-accounted joint venture (Other)	**(3)**		–		
Revenue as reported in the statement of profit or loss	**10 492**		9 773		7
Intersegment revenue is immaterial and has not been disclosed.					
The geographical analysis of revenue is detailed in Note 1.					
The analysis of revenue between products and services is not provided as the cost to collate the information would be excessive.					
Operating profit before interest and dividends					
Electrical Engineering	**440**	**29**	696	45	(37)
ICT[1]	**792**	**51**	635	41	25
Applied Electronics	**380**	**25**	276	18	38
Other	**(73)**	**(5)**	(59)	(4)	(24)
Total operations	**1 539**	**100**	1 548	100	(1)
Operating profit from equity-accounted joint venture (Electrical Engineering)	**9**		(48)		
Operating profit from equity-accounted associate (ICT)	**(3)**		(3)		
Revenue from equity-accounted joint venture (Other)	**(3)**		–		
Operating profit as reported in the statement of profit or loss	**1 542**		1 497		3

[1] *Net interest charged to our in-house finance company (Quince) through the group treasury function has been eliminated in line with the consolidation principles of IFRS. This amounted to R146 million (2017: R125 million).*

Rm	**2018**	2017
Empowerment transactions		
Electrical Engineering	**32**	–
ICT	**–**	–
Applied Electronics	**–**	20
Other	**10**	–
Total empowerment transactions as reported in the statement of profit or loss	**42**	20

Rm	2018	2017
Total assets		
Electrical Engineering	**2 978**	3 115
ICT	**4 662**	3 952
Applied Electronics	**2 443**	1 854
Other[1]	**370**	1 168
Total assets as reported in the statement of financial position	**10 453**	10 089
[1] *Other includes bank balances of R0 billion (2017: R0,9 billion) because it manages the group's treasury function.*		
Inventory and contracts in progress		
Electrical Engineering	**662**	700
ICT	**189**	244
Applied Electronics	**610**	495
Other	**–**	–
Total inventory and contracts in progress as reported in the statement of financial position	**1 461**	1 439
Accounts receivable and rental and finance lease receivables – current		
Electrical Engineering	**1 178**	1 167
ICT	**1 351**	1 195
Applied Electronics	**929**	571
Other	**20**	14
Total accounts receivable and rental and finance lease receivables as reported in the statement of financial position	**3 478**	2 947
Total liabilities		
Electrical Engineering	**1 105**	1 153
ICT	**845**	740
Applied Electronics	**807**	744
Other	**170**	209
Total liabilities as reported in the statement of financial position	**2 927**	2 846
Trade and other payables, derivative liabilities and provisions		
Electrical Engineering	**935**	947
ICT	**684**	608
Applied Electronics	**612**	650
Other	**101**	80
Trade and other payables, derivative liabilities and provisions as reported in the statement of financial position	**2 332**	2 285
Capital expenditure		
Electrical Engineering	**31**	30
ICT	**22**	27
Applied Electronics	**74**	82
Other	**35**	4
Capital expenditure as reported	**162**	143
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		
Electrical Engineering	**46**	56
ICT	**45**	31
Applied Electronics	**58**	42
Other	**8**	9
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets as reported in the statement of profit and loss	**157**	138
Number of employees		
Electrical Engineering	**2 863**	2 952
ICT	**1 704**	1 707
Applied Electronics	**2 027**	1 873
Other	**62**	77
Number of employees as reported	**6 656**	6 609

PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATE AND SPECIAL PURPOSE ENTITY – ANNEXURE A

	Share capital R (unless otherwise stated)	Effective percentage holding 2018 %	2017 %
Refer to the Segmental Analysis for a description of the business activities and markets.			
Electrical engineering			
Reunert Electrical Engineering Holdings Proprietary Limited	8 000 047	**100**	100
Afcab Holdings Proprietary Limited	1 000	**88**	–
CBI Electric Mzansi (RF) Proprietary Limited[2]	10 000 000	**65,12**	80
CBI Electric: African Cables			
Reunert Investment Company No 1 Proprietary Limited	4 000	**100**	100
ATC Proprietary Limited[2]	1 500 000	**65,12**	80
Zambia			
Metal Fabricators of Zambia PLC[1]	270 901 ZMW	**75,0**	75,0
CBI Electric: Low and Medium Voltage			
Circuit Breaker Industries GmbH (incorporated in Germany)	Euro 25 565	**100**	100
Circuit Breaker Industries Inc. (incorporated in USA)	USD 50 000	**100**	100
Circuit Breaker Industries Lesotho Proprietary Limited (incorporated in Lesotho)	LS 1 000	**100**	100
Circuit Breaker Industries Proprietary Limited	46	**100**	100
Heineman Electric (incorporated in Australia)	AUD 2	**100**	100
Reunert Investment Company No 3 Proprietary Limited	5 028 000	**100**	100
Polybox Proprietary Limited[3]	5 000 100	**51,22**	51,22
CBI-electric Telecom Cables Proprietary Limited[2] (joint venture)	246 312 400	**32,56**	40
ICT			
Reunert ICT Holdings Proprietary Limited	403 525 222	**100**	100
Pansolutions			
NPC (Air conditioning) Proprietary Limited[4]	–	**100**	100
NPC (Electronics) Proprietary Limited	–	**100**	100
Pansolutions Proprietary Limited	1 000	**100**	100
Pansolutions Holdings Proprietary Limited	5 536 940	**100**	100
Reunert Connect Proprietary Limited	1 000	**100**	100
Nashua Office Automation[5]			
Nashua Proprietary Limited	947 794	**100**	100
Kopano Solutions Company Proprietary Limited	2 000 000	**74**	74
Acuo Technologies Proprietary Limited[4]	4 000	**100**	100
Nashua Holdings Proprietary Limited[1]	2	**100**	100
Algoa Office Automation Proprietary Limited	200	**70**	70
Circular Drive Property Proprietary Limited	200	**51**	51
Classic Number Trading 80 Proprietary Limited	200	**100**	100
Zevoli 151 Proprietary Limited	190	**85**	85
Bridoon Trade and Invest 197 Proprietary Limited	20 140 100	**80**	80
Paarl and West Coast Office Automation Proprietary Limited	100	**51**	51
Just Jasmine Investments 201 Proprietary Limited	120	**51**	51
Main Street 1052 Proprietary Limited	400	**75**	75
Main Street 1051 Proprietary Limited	100	**100**	100
Oxirostax Proprietary Limited (associate)	120	**49**	49
Prodoc Svenska AB	240 000 SEK	**60**	60
Quince			
Quince Capital Holdings Proprietary Limited[4]	–	**100**	100
Quince Capital Proprietary Limited[1]	75 268 322	**100**	100
Nashua Communications Proprietary Limited	100	**100**	100
Electronic Communications Network Proprietary Limited	100	**100**	100
SkyWire Proprietary Limited	100	**100**	–

Interest of holding company				Interest and distributions made to/(received from) the holding company	
Shares		Indebtedness			
2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
38	38	–	–	411	8
–	–	–	–	–	–
–	–	–	–	–	–
68	68	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
16	16	–	–	36	–
–	–	–	–	–	–
–	–	–	–	–	–
708	662	–	–	687	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	4
–	45	–	(68)	–	–
–	–	21	21	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	8
–	–	348	348	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	906
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	9	–	–
–	–	–	–	–	–

Principal subsidiaries, joint ventures, associate and special purpose entity – Annexure A continued

	Share capital R (unless otherwise stated)	Effective percentage holding 2018 %	2017 %
Applied electronics			
Reunert Applied Electronics Holdings Proprietary Limited	162 100 604	**100**	100
Reutech Mzansi (RF) Proprietary Limited[6]	10 000 000	**80**	80
Reutech Proprietary Limited	39 023 797	**80**	80
Omnigo Proprietary Limited	1 000	**80**	80
Nanoteq Proprietary Limited	100	**80**	80
Zisaforce Cyber Enterprise Proprietary Limited[7]	100	**60**	–
Ryonic Robotics Proprietary Limited[8]	100	**100**	74,9
Fuchs Electronics Proprietary Limited	50 000	**100**	100
Reunert Investment Company No 2 Proprietary Limited	2 000	**100**	100
Terra Firma Solutions Proprietary Limited[9]	5 675 200	**54,38**	51,0
DoppTech (Pty) Ltd	100 000	**100**	–
RC&C Manufacturing			
RC&C (Parow Factory) Properties Proprietary Limited	2	**100**	100
RC&C Manufacturing Company Proprietary Limited[1]	100	**100**	100
Reunert International Holdings Proprietary Limited	100	**100**	–
Investments and services			
Reunert Finance Company Proprietary Limited	4 000 000	**100**	100
Reunert Management Services Proprietary Limited	4 000	**100**	100
Julopro Proprietary Limited	121	**100**	100
Reunert International Investments (Mauritius) Ltd[10]	USD 10 000 086	**100**	100
Sundry companies (net)[1 & 4]			
Investment in terms of a broad-based share-based payment transaction encompassing group employees[11]			
Special purpose entity			
Bargenel Investments Proprietary Limited[12]			
Provision for impairment			
Interest in subsidiaries			
Amounts owing by subsidiaries to Reunert Company in total (refer to note 13)			
Amounts owing to subsidiaries (refer to note 13)			

[1] Reunert Limited has provided financial support to these companies, either in the form of a parent company guarantee or a letter of support to these subsidiaries for a period of one year from the signature date of the annual financial statements or to enable these entities to continue trading and settle their obligations as they fall due.

[2] Reunert Limited owns 100% of Reunert Electrical Engineering Holdings Proprietary Limited, which owns 88% of Afcab Holdings Proprietary Limited, which owns 74% of CBI Electric Mzansi (RF) Proprietary Limited (CBI Electric Mzansi) resulting in an indirect interest of 65,12%. CBI Electric Mzansi owns 100% of ATC Proprietary Limited, which owns 50% of CBI Electric Telecom Cables Proprietary Limited.

[3] Reunert Limited owns 100% of CBI Proprietary Limited, which owns 51,22% of Polybox Proprietary Limited, resulting in an indirect investment of 51,22%.

[4] These companies are in the process of being either deregistered or liquidated or have been deregistered or liquidated.

[5] In terms of IFRS 12 – Disclosure of Interests in Other Entities, none of the non-controlling interests are individually material to the Reunert group results.

[6] Reunert Limited owns 100% of Reunert Applied Electronics Holdings (RAEH), which owns 70% of Reutech Mzansi (RF) Proprietary Limited (Reutech Mzansi) and 100% of Bantel Investments Proprietary Limited, which owns 10% of Reutech Mzansi, which results in RAEH holding an 80% indirect investment in Reutech Mzansi. Reutech Mzansi owns 100% of Reutech Proprietary Limited, which owns 100% of Omnigo Proprietary Limited, 100% of Nanoteq Proprietary Limited and 60% of Zizaforce Cyber Enterprise Proprietary Limited.

[7] Reutech Proprietary Limited acquired 60% of Zizaforce Cyber Enterprise Proprietary Limited during 2018.

[8] Reunert Applied Electronics Holdings purchased 74,9% of Ryonic Robotics Proprietary Limited during 2017 and acquired the remaining 25,1% during 2018.

[9] Reunert Investment Company No 2 Proprietary Limited acquired 51% of Terra Firma Solutions Proprietary Limited during 2017 and acquired a further 3,38% during 2018.

[10] Reunert Limited owns 100% of Reunert International Investments (Mauritius) Ltd, which owns 75,0% of Metal Fabricators of Zambia PLC, resulting in a 75,0% indirect investment.

Interest of holding company				Interest and distributions made to/(received from) the holding company	
Shares		Indebtedness			
2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
189	46	**–**	–	**151**	14
–	–	**–**	–	**–**	–
–	–	**95**	–	**–**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
–	15	**–**	102	**–**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
1	1	**–**	–	**20**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
4	4	**5 758**	5 559	**–**	116
–	–	**–**	–	**7**	–
312	–	**–**	219	**–**	–
154	154	**–**	–	**–**	–
–	–	**(9)**	(10)	**13**	21
27	29	**–**	–	**–**	–
1 112	1 112	**–**	–	**–**	–
2 629	2 190	**6 213**	6 180	**1 325**	1 077
(120)	(95)				
2 509	2 095	**6 213**	6 180	**1 325**	1 077
6 222	6 257				
(9)	(77)				
6 213	6 180				

[11] *In terms of IFRS 2 – Share-based Payment, the share premium of R83,80 per share on the 520 100 shares issued has been allocated to Reunert's investment in subsidiaries. During the prior year the process to deregister or liquidate four of the subsidiaries commenced and as a result, the investments in these subsidiaries, totaling R10 676 000, were fully impaired. During 2018, Reunert transferred the investment in one of these subsidiaries to another group company.*

[12] *Reunert sold its investment in Bargenel's ordinary shares in 2007 as part of a BBBEE ownership transaction whereby the 9% of Reunert's issued share capital held by Bargenel was effectively sold to Reunert's empowerment partners. This transaction was funded by Reunert taking up preference share capital in Bargenel to fund the market value of the Reunert shares held by Bargenel. As a result of this transaction, Reunert owns Bargenel's entire issued cumulative "A" preference shares (1 112 405 shares of R0.01 each, issued at a premium of R999.99 per share). Reunert has not recognised the cumulative arrear preference dividend of R231 million (2017: R237 million) it is entitled to as at 30 September 2018, as Bargenel is not in the financial position to meet this obligation. In addition Reunert has indemnified Bargenel to the extent of R33 million, being a portion of the potential capital gains tax (CGT) that would arise on the sale by Bargenel of the Reunert shares. This indemnity represents the capital gains tax on the difference between the market price of the Reunert shares at the effective date of the transaction and their base cost in Bargenel, limited to that proportion of the Bargenel shares not held directly or indirectly by the Rebatona Educational Trust. The Board has undertaken to seek shareholder approval to alter the quantum of the CGT indemnity at the maturity of the scheme should the R33 million not be sufficient to cover the actual capital taxes accruing. Such shareholder approval has not yet been sought.*

During 2018 Reunert Ltd paid ordinary dividends totaling R89 million to Bargenel (2017: R83 million) and Bargenel paid preference dividends totaling R89 million to Reunert Ltd (2017: R83 million).

UNCONSOLIDATED SUBSIDIARY – ANNEXURE B FOR THE YEAR ENDED 30 SEPTEMBER 2018

CAFCA

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

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

> The difficult economic circumstances in Zimbabwe have resulted in ongoing liquidity constraint which impairs Reunert's ability to repatriate the economic benefits from Cafca (eg dividends) such that it does not have the ability to affect its variable returns through its powers over Cafca.

	%
Reunert Electrical Engineering's holding	70
	Rm
Shares at cost	7.3
Less: Amount written off	(7.3)
Carrying value of investment	–

	30 September 2018 US $000	30 September 2017 US $000
Income statement		
Revenue	**30 382**	19 042*
Operating profit	**5 233**	1 087
Net finance income	**1**	–
Profit before taxation	**5 234**	1 087
Taxation charge	**(1 375)**	(465)*
Profit after taxation	**3 859**	622
Other comprehensive income	**–**	–
Total comprehensive income	**3 859**	622
Balance sheet		
Assets		
Non-current assets	**2 991**	3 282
Current assets		
Inventory	**8 624**	8 257
Accounts receivable	**2 042**	2 408
Cash	**8 854**	4 168
	19 520	14 833
Total assets	**22 511**	18 115
Equity and liabilities		
Share capital and reserves	**16 097**	15 459
Non-current liabilities	**657**	788
Current liabilities		
Dividend payable	**3 471**	–
Other current liabilities	**2 286**	1 868
	5 757	1 868
Total equity and liabilities	**22 511**	18 115

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

* *This includes late adjustments processed by Cafca in the 2016 financial year.*

SHAREHOLDINGS IN EXCESS OF 5% – ANNEXURE C AS AT 30 SEPTEMBER 2018

Beneficial shareholders holding 5% or more	Number of shares (millions)	%
Government Employees' Pension Fund	**23**	**12,6**
Bargenel Investments Proprietary Limited[1]	**19**	**10,0**

	2018		2017	
	Number of shares (millions)	**%**	Number of shares (millions)	%
Major holdings through fund managers in excess of 5%				
Public Investment Corporation Limited	**21**	**11,3**	21	11,3
Old Mutual Investment Group (South Africa) Proprietary Limited	**12**	**6,2**	11	6,0
Pzena Investment Management, LLC	**10**	**5,6**	*	*
Morgan Stanley Investment Management Inc. (US)	**10**	**5,2**	*	*
Allan Gray Proprietary Limited	*	*	11	6,2
Investec Asset Management Proprietary Limited	*	*	9	5,0

[1] *Empowerment shares.*
* *Holdings were below 5%.*

ABBREVIATIONS AND ACRONYMS

Abbreviation	Full name
AFS	Annual Financial Statements
AGM	Annual General Meeting
ATC	ATC (Pty) Ltd
Bargenel	Bargenel Investments (Pty) Ltd
bn	Billion
Cafca	Cafca Limited
CSP	Conditional Share Plan
DoppTech	DoppTech (Pty) Ltd
EBITDA	Earnings before net interest income, taxation, depreciation and amortisation and empowerment transactions
ECN	Electronic Communications Network (Pty) Ltd
FECs	Forward Exchange Contracts
Fuchs	Fuchs Electronics (Pty) Ltd
FVTPL	Fair value through profit and loss
IAS	International Accounting Standards
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
JSE	JSE Limited
m	Million
MOI	Memorandum of Incorporation
Nanoteq	Nanoteq (Pty) Ltd
NCI	Non-controlling interest
Omnigo	Omnigo (Pty) Ltd
Polybox	Polybox (Pty) Ltd
Quince	Quince Capital (Pty) Ltd
Reunert	Reunert Limited
RFCL	Reunert Finance Company (Pty) Ltd
RMS	Reunert Management Services (Pty) Ltd
Ryonic	Ryonic Robotics (Pty) Ltd
SkyWire	SkyWire (Pty) Ltd
SPE	Special Purpose Entity
Telecom Cables	CBI-Electric Telecom Cables (Pty) Ltd
Terra Firma	Terra Firma Solutions (Pty) Ltd
Zamefa	Metal Fabricators of Zambia Plc

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CORPORATE INFORMATION AND ADMINISTRATION

Reunert Limited
(Incorporated in the Republic of South Africa)
ISIN: ZAE000057428
Short name: REUNERT
JSE code: RLO
Currency: ZAR
Registration number: 1913/004355/06
Founded: 1888
Listed: 1948
Sector: Electronic & electrical equipment

Business address and registered office
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Woodmead 2191
Sandton
South Africa

Postal address
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Sandton 2146
South Africa

Group secretary and administration
Reunert Management Services Proprietary Limited
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Sponsor
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Principal bankers
Nedbank
Standard Bank
Investec

GREYMATTER & FINCH # 12387