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**REUNERT**  
REUNERT LIMITED

Preliminary Reviewed Condensed  
Consolidated **Financial Statements**  
and cash dividend declaration for the year ended  
30 September 2022

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## Group profile

Reunert comprises a diversified portfolio of businesses in the fields of Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics.

The Group was established in 1888, by Theodore Reunert and Otto Lenz, and has contributed to the South African economy in numerous ways. Reunert was listed on the JSE in 1948 and is included in the industrial goods and services (electronic and electrical equipment) sector of the JSE. Reunert's primary operations are in South Africa with a permanent presence in Australia, Lesotho, Mauritius, the USA and Zambia.

Reunert accesses several export markets in Europe and Asia through distributors.

Reunert's Head Office is in Woodmead, Johannesburg, South Africa.

# Commentary

## Overview

### Continued upward trajectory in financial performance

Reunert's 2022 financial performance continued on the positive upward trajectory of the last two years. The Group delivered a 16% increase in segment operating profit, which the Group considers to be the best metric by which to measure sustainable profit, with growth realised in all three segments. There were strong improvements in both the Electrical Engineering and Applied Electronics Segments and another steady performance from the ICT Segment. These performances delivered increased earnings metrics for the Group and a strong improvement in the quality of earnings, measured by the return on capital employed (ROCE). In addition, despite numerous challenges in the Group's supply chain, resulting in additional cash being invested into working capital, the Group retained its ability to reward shareholders through an 8% increase in dividends. The Group expects the impact of the electronic chip shortages and other global supply chain challenges, as outlined below, to steadily decline during the 2023 financial year, allowing for a gradual reduction in working capital.

### Electronic chips and supply chain challenges

The Group suffered from the global electronic chip supply shortages and complex supply chain dynamics. The situation deteriorated in the second half of 2022 and resulted in a loss of sales and operating profit at Nanoteq, the Group's Encryption business, Omnigo, the Group's manufacturer of printed circuit boards (PCBs), and Nashua, due to Ricoh's inability to meet the demand for office automation products. The Group's cash position was negatively impacted by this, as additional investment had to be made into raw material stock holdings to mitigate stock shortages. This was compounded by work in progress and trade receivable balances increasing at year-end, as either sales were achieved later than planned or the underlying production commenced later in the year than anticipated. However, there are early signs of improvement in supply in the electronic component market and supply chains are showing signs of recovery.

## Group results

The Group's 2022 results reflect the positive impact of the ongoing financial recovery in both the Applied Electronics and Electrical Engineering Segments, coupled with an above-inflationary increase in the ICT Segment's performance. The Group increased revenue by 16% to R11 129 million (2021: R9 575 million). Segment operating profit increased by 16% to R1 140 million (2021: R986 million), which would have been higher but for the electronic component and stock shortages experienced in both the Applied Electronics and ICT Segments.

The Group's operating profit increased by 17% to R1 231 million (2021: R1 050 million), driven mainly by the growth in segment operating profit and the benefit of various fair value remeasurements totalling R85 million (2021: R65 million).

The Group's profit for the year increased by 10% to R844 million (2021: R767 million) after accounting for the R42 million share of loss in equity-accounted investees. The majority of this loss arose from a fair value remeasurement loss of R38 million (remeasurement gain 2021: R24 million) arising from the call option that Lumika, the Group's renewable energy joint venture, has to acquire the residual 72% that it does not own in Terra Firma Solutions (TFS). Lumika is in the early stage of its development, but already has a strong pipeline of renewable energy projects.

Headline earnings improved by 9%, increasing to 519 cents per share (2021: 478 cents per share). Basic earnings per share improved by 8% to 520 cents per share (2021: 483 cents per share).

	Measurement criteria	Year ended 30 September		
		2022	2021	% change
Revenue	Rm	<b>11 129</b>	9 575	16
Operating profit	Rm	<b>1 231</b>	1 050	17
Segment operating profit	Rm	<b>1 140</b>	986	16
Profit for the year	Rm	<b>844</b>	767	10
EPS	cents	<b>520</b>	483	8
HEPS	cents	<b>519</b>	478	9
Total cash dividend per share	cents	<b>299</b>	277	8

## Cash resources and liquidity

The global logistics and supply chain challenges described above together with higher sales in the last quarter of 2022, which resulted in higher trade receivable balances, led to the Group increasing its investment in working capital by a further R334 million (2021: R200 million). This increase resulted in the Group converting 80% of the Group's profit for the year into free cash flow (2021: 79%). As global supply chains improve, the Group expects to see the cash flow benefit of reducing working capital requirements.

Pleasingly, the Group ended the year with net cash resources of R359 million (2021: R291 million). This cash, together with the ongoing cash generation capability of the Group, maintains the ability of the Group to continue to honour both its commitment to appropriate dividend returns to shareholders, as well as its operational requirements. The Group has adequate headroom in its bank funding capacity to provide the financial resources to roll out the Group's strategic initiatives.

## Segmental review

### Electrical Engineering

The segment continued the strong growth in financial performance from the prior year, as both the Power Cable and Circuit Breaker businesses delivered good results. These strong performances, together with the continued pass-through of high commodity prices, resulted in segment revenue increasing by 13% to R6 266 million (2021: R5 551 million), while positive operating leverage increased segment operating profit by 17% to R436 million (2021: R373 million).

Power Cable production volumes improved moderately over the prior year. This coupled to an improved mix of products, the receipt and delivery of several large contracts, and a further improvement in operational efficiencies yielded a considerable increase in operating profit. The Zambian business environment remained stable and the cash position at Zamefa improved as the outstanding government receivables reduced to ZMW49 million (2021: ZMW103 million).

The Circuit Breaker factory continued its positive export performance as product volumes increased and the USA and Australia subsidiaries both posted record results. Local production volumes grew in line with GDP. During the year CBI: Energy was launched, which consolidates the energy management initiatives of the Group. This new line of business is expected to provide good impetus to the existing Circuit Breaker business.

### ICT

The South African economic conditions remained challenging for the ICT Segment as sustained loadshedding had a negative impact on the segment's core SME customer base. Importantly, despite the challenging environment, the segment grew revenue by 4% to R2 599 million (2021: R2 490 million) and delivered a segment operating profit increase of 6% to R644 million (2021: R608 million).

The segment's Business Communications cluster suffered most from the challenging conditions as loadshedding had a negative impact on its core customers as the loss of electricity resulted in a loss of voice minutes. Consequently, despite the continued increase in the customer base, growth in the sales of its complementary product sets and the positive results from last mile broadband connectivity, the cluster delivered lower profitability compared to the prior year.

The Total Workspace Provider (Nashua) was again negatively impacted by the supply chain challenges, but the company's new dual brand initiatives assisted during these periods and, together with further improvements in their complementary revenues, delivered growth in operating profit.

+OneX continued to expand its service offering during the year. A strong performance in its Unified Communications business and the rapid growth of the new-age ICT offering resulted in a significant increase in both revenue and operating profit for the year.

The Finance cluster delivered a consistent financial performance. The quality of the book and the collections improved through the year. The book remains adequately de-risked as the allowance for expected credit losses remains appropriate and were released at a slower rate than in the prior year, due to the forward-looking credit conditions being forecasted to tighten.

## Applied Electronics

The Applied Electronics Segment recovered strongly as the large defence export order book enabled a much-improved level of sales and the demand for renewable energy continued to increase. The global electronic chip shortages were a major challenge throughout the year and, although it dampened performance, the segment still grew strongly as revenue increased by 27% to R2 361 million (2021: R1 854 million) and segment operating profit grew by 64% to R164 million (2021: R100 million).

The Fuze business was operating at full capacity in the second half of 2022 and accordingly delivered a strong financial performance. The demand for their products remains high and the company's manufacturing capacity will be fully utilised in 2023.

The Logistics business delivered another year of growth on the back of healthy local and export orders. The export pipeline, specifically, remains strong as demand for their products from new geographies continues to grow.

The Radar business delivered a strong improvement in operating profit compared to the prior year. The demand for mining radars remains positive and the newly released Berm Monitoring System yielded good first-year sales that will boost this market vertical of the business' sales into the future.

The Secure Communications businesses had a very challenging year. The local radio order was not placed by the South African National Defence Force in the current year and export orders were insufficient to cover the gap. This business restructured its cost base and the cost of doing so was fully accounted for in the financial year. The encryption business and printed circuit board manufacturer struggled to meet demand due to the global electronic chip shortages which adversely impacted their revenue.

The outlook for the year ahead for the Defence businesses is much more promising, given improved order books across the segment.

The ongoing liberalisation of the electricity generation market in South Africa accelerated in 2022. The cap on embedded generation was lifted to 100MW and the tenders for the Renewable Independent Power Producer Programme Window 5 and 6 were issued. TFS benefited from the increase in embedded generation and their build rate and revenue increased. They continued to invest in build-own-operate assets (BOOs) and their asset ownership now exceeds 30MW.

The Battery business invested heavily in systems and human resources to enable scale production, which resulted in record revenue and operating profit for the year.

## Strategy

The Group's strategy execution progressed well in 2022. The Group retains its key strategic focus on the fast-growing market of renewable energy and the expansion of the ICT Segment.

### ICT

During the year, +OneX expanded its service offering through the acquisition of application and software development and end-user computing (EUC) capability. This increased service offering enabled increased engagement with the business' enterprise customer base. Pleasingly, their new-age ICT offering has continued to provide value and there has been a positive increase in the number of clients serviced by +OneX.

The increase in service offerings and client base led to growth in both revenue and profitability for the year. +OneX's revenue now constitutes 16% of the ICT Segment (2021: 13%), a 37% increase year-on-year, reflecting the competitive relevance of its value offering in assisting its clients with their digital transformation.

The Group retains its focus on the continued expansion of the ICT Segment's new-age ICT offerings in the Solutions and Systems Integration cluster, primarily through further acquisitions.

### Renewable energy

The renewable energy market in South Africa continued to liberalise, as the lifting of the embedded generation cap to 100MW continues to drive the strong growth trajectory for our businesses.

Reunert's renewable energy ecosystem now includes:

- i. A leading Engineering, Procurement and Construction solar energy service provider in South Africa in TFS
- ii. A growing set of renewable energy solar assets with attractive internal rates of return
- iii. A leading renewable storage solution provider in Blue Nova Energy
- iv. A modern "Internet of Things" (IoT) driven energy management capability in CBI: Energy
- v. The ability to wheel energy across the Eskom grid to Commercial and Industrial customers through the development of Apollo Energy

This ecosystem enables Reunert to participate in multiple value areas across the renewable energy environment and presents a compelling value offering to both customers and investors.

## Etion Create

Subsequent to year-end, the Group acquired 100% of the issued share capital of Etion Create from Etion Limited (Etion) for a purchase consideration of R202 million.

Etion Create is an original design manufacturer with a product portfolio that covers the industrial, defence and rail sectors. The company has a significant local and Middle East market presence, with opportunities in South East Asia.

The acquisition will also result in synergies with other businesses in the Applied Electronics Segment, specifically due to Etion Create's enhanced design and manufacturing capabilities. Etion Create will also increase the span of the segment product portfolio and improve the segment's access to key export markets.

## Quince

The Group continues to make good progress in assessing alternate funding mechanisms for Quince, to release the Group's current loan funding of the book to redeploy these funds, over time, into the Group's higher yielding strategic investments.

## Appreciation

Our companies continued to face many external challenges in 2022. Despite the complex operating environments, we have delivered a pleasing set of results that is reflective of the commitment and resilience of our employees across the Group. We thank them for their efforts and look forward to their continued commitment. Our customers remain the vital lifeblood of our businesses. We thank you for your valued business and commit to continue to add value in the years ahead. We value the support of our suppliers and other stakeholders that we have experienced throughout the past year.

## Directorate

After reaching the prescribed retirement age for non-executive directors, as set out in the Board charter, Mr AB Darko will retire from the board of directors immediately following the conclusion of Reunert's 2023 annual general meeting.

## Prospects

After a positive financial performance in 2022, the Group finds itself in a better position than 12 months ago. In general, the Group's order books are fuller, there are early signs of relief from the electronic chip and supply chain challenges, and the Group's strategic initiatives continue to deliver growth.

The Group is positioned to deliver an improved performance in 2023, driven by:

- > Expected strong growth in the Applied Electronics Segment underpinned by the export order books
- > Expected further improvement in the Electrical Engineering Segment as both the Circuit Breaker and Power Cable businesses continue to improve their performance
- > Strong market growth in renewable energy

Whilst global recessionary pressures and South African socio-economic challenges pose threats to growth, the Group is well positioned to continue its trajectory of financial performance.



## Cash dividend

While cognisant of the economic uncertainty going forward, the Group's free cash flow generating capacity remains intact. Notice is hereby given that a gross final cash dividend No. 193 of 224,0 cents per ordinary share (2021: 207,0 cents per ordinary share) has been declared by the directors for the year ended 30 September 2022.

The dividend has been declared from retained earnings.

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

Accordingly, for those shareholders subject to withholding tax, the net dividend amounts to 179,20000 cents per ordinary share (2021: 165,60000 cents per ordinary share).

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

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

Last date to trade ( <i>cum</i> dividend)	Tuesday, 17 January 2023
First date of trading ( <i>ex</i> dividend)	Wednesday, 18 January 2023
Record date	Friday, 20 January 2023
Payment date	Monday, 23 January 2023

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 18 January 2023 and Friday, 20 January 2023, both days inclusive.

On behalf of the Board of directors



**Mohamed Husain**  
Chair



**Alan Dickson**  
Chief Executive Officer



**Nick Thomson**  
Chief Financial Officer

Sandton, 24 November 2022

# Condensed consolidated statement of profit or loss

for the year ended 30 September 2022

Rm	Notes	2022 Reviewed	2021 Audited	% Change
<b>Revenue</b>	2	<b>11 129</b>	9 575	16
<b>Operating expenses<sup>1</sup></b>		<b>(9 903)</b>	(8 524)	16
<b>Operating profit before impairment of financial assets:</b>		<b>1 226</b>	1 051	17
Reversal of impairment/(impairment)		<b>5</b>	(1)	
Credit write-off	3, 6	<b>(13)</b>	(20)	
Expected credit losses	3, 6	<b>18</b>	19	
<b>Operating profit</b>	3	<b>1 231</b>	1 050	17
Interest and dividend income	4	<b>32</b>	28	
Interest expense	5	<b>(84)</b>	(70)	
<b>Profit before tax</b>		<b>1 179</b>	1 008	17
Tax		<b>(293)</b>	(265)	11
<b>Profit after tax</b>		<b>886</b>	743	19
Share of (loss)/profit in equity-accounted investees		<b>(42)</b>	24	
(Loss)/profit net of tax		<b>(39)</b>	24	
Impairment of investment		<b>(3)</b>	–	
<b>Profit for the year</b>		<b>844</b>	767	10
<b>Profit/(loss) for the year attributable to:</b>				
Non-controlling interests		<b>17</b>	(10)	
Equity holders of Reunert		<b>827</b>	777	
<b>Earnings per share (cents)</b>				
Basic	11	<b>520</b>	483	8
Diluted	11	<b>517</b>	481	8

<sup>1</sup> Operating expenses is a net amount disclosed for the purpose of reconciling from revenue to operating profit before impairment of financial assets on the statement of profit or loss. The detail of this amount has been disclosed in note 3, Operating profit, where income and expenses are disclosed separately.

# Condensed consolidated statement of other comprehensive income

for the year ended 30 September 2022

Rm	2022 Reviewed	2021 Audited
<b>Profit for the year</b>	<b>844</b>	767
<b>Other comprehensive income, net of tax:</b>		
Items that may be reclassified subsequently to profit or loss	<b>50</b>	2
Translation differences of foreign businesses	<b>50</b>	1
Fair value remeasurement of financial asset	–	1
Items that may not be reclassified subsequently to the statement of profit or loss	<b>(48)</b>	–
Fair value remeasurement of financial asset <sup>1</sup>	<b>(48)</b>	–
<b>Total comprehensive income</b>	<b>846</b>	769
<b>Total comprehensive income attributable to:</b>		
Non-controlling interests	<b>25</b>	(6)
- Share of profit/(loss) for the year	<b>17</b>	(10)
- Share of other comprehensive income	<b>8</b>	4
Equity holders of Reunert	<b>821</b>	775
- Share of profit for the year	<b>827</b>	777
- Share of other comprehensive income	<b>(6)</b>	(2)

<sup>1</sup> This relates to the fair value remeasurement of the Group's investment in CBI-Electric Telecom Cables (Pty) Ltd, which was recognised as an investment at fair value through other comprehensive income during the current financial year.  
Refer to note 8 for more details.

# Condensed consolidated statement of financial position

as at 30 September 2022

Rm	Notes	2022 Reviewed	2021 Audited
<b>Non-current assets</b>			
Property, plant and equipment		888	858
Investment property		25	23
Right-of-use assets		130	146
Intangible assets		495	444
Goodwill	7	960	934
Investments in joint ventures and associates		9	99
Investment at fair value through profit or loss	9	53	76
Derivative financial asset	10	57	41
Lease receivables		370	410
Loan receivables		1 209	1 393
Other investments and loans		64	65
Deferred tax assets		151	145
		<b>4 411</b>	4 634
<b>Current assets</b>			
Tax receivable		107	115
Inventory		2 079	1 743
Lease receivables		236	273
Loan receivables		456	400
Trade and other receivables		2 674	2 097
Derivative financial assets		12	7
Cash and cash equivalents		957	1 068
		<b>6 521</b>	5 703
<b>Total assets</b>		<b>10 932</b>	10 337
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital		389	389
Share-based payment reserves		216	219
Empowerment shares		(554)	(276)
Treasury shares		(169)	(447)
Equity transactions/put option with non-controlling interests		(20)	(72)
Other reserves <sup>1</sup>		(169)	(163)
Retained earnings		7 364	7 045
Equity attributable to equity holders of Reunert		<b>7 057</b>	6 695
Non-controlling interests		133	87
<b>Total equity<sup>2</sup></b>		<b>7 190</b>	6 782

Rm	Notes	2022 Reviewed	2021 Audited
<b>Non-current liabilities</b>			
Deferred tax liabilities		200	158
Equity forward contract		28	48
Long-term loans		71	44
Lease liabilities		77	100
Derivative financial liability	10	33	92
Share-based payment liability		7	–
Contingent consideration	13	25	10
		<b>441</b>	452
<b>Current liabilities</b>			
Put option liability	14	–	25
Equity forward contract		20	18
Current portion of long-term loans		7	39
Lease liabilities		89	85
Derivative financial liabilities		15	17
Provisions		62	81
Tax liabilities		41	21
Contract liabilities		260	264
Trade and other payables		2 209	1 776
Bank overdrafts and other short-term facilities		598	777
		<b>3 301</b>	3 103
<b>Total equity and liabilities</b>		<b>10 932</b>	10 337

- <sup>1</sup> Other reserves consist of:
- Equity forward contract
  - Foreign currency translation reserve
  - Translation loss on net investment in foreign subsidiary
  - Fair value reserves

- <sup>2</sup> Refer to the statement of changes in equity for the composition of all components of equity.

# Condensed consolidated statement of cash flows

for the year ended 30 September 2022

Rm	Notes	2022 Reviewed	2021 Audited
<b>Cash flows from operating activities</b>			
Cash generated from operations before working capital changes	A	1 328	1 158
Increase in net working capital		(334)	(200)
Cash generated from operations		994	958
Cash interest received		31	26
Dividends received		1	2
Cash interest paid		(81)	(66)
Tax paid		(234)	(272)
Net cash inflow from operating activities before dividends		711	648
Dividends paid (including to non-controlling interests in subsidiaries)		(454)	(428)
<b>Net cash inflow from operating activities</b>		<b>257</b>	<b>220</b>
<b>Cash flows from investing activities</b>			
Cash received from loan receivables		766	966
Cash invested in loan receivables		(793)	(893)
Proceeds from sale of loan receivables		162	–
Investments and loans granted		(31)	(8)
Dividends received from joint venture		4	6
Replacement of property, plant and equipment and intangible assets		(40)	(42)
Proceeds from disposal of property, plant and equipment and intangible assets		47	37
Expansion of property, plant and equipment and intangible assets		(192)	(196)
Acquisition of businesses		(16)	(8)
Contingent consideration settled		(9)	–
Proceeds from disposal of investment, subsidiary and associate		29	37
<b>Net cash outflow from investing activities</b>		<b>(73)</b>	<b>(101)</b>

Rm	Notes	2022 Reviewed	2021 Audited
<b>Cash flows from financing activities</b>			
Shares acquired for equity settled Conditional Share Plan (CSP)		(6)	(11)
Proceeds from share subscription by non-controlling interests		11	68
Investment in treasury shares		–	(105)
Shares acquired from non-controlling interests		(21)	(31)
Repurchase of shares from BBEE party		(10)	–
Put option liability settled		(24)	–
Long-term loans raised		31	47
Long-term loans settled		(3)	(9)
Contingent consideration settled		(2)	(7)
Equity forward contract liability settled		(15)	(15)
Lease liabilities settled		(84)	(73)
<b>Net cash outflow from financing activities</b>		<b>(123)</b>	<b>(136)</b>
<b>Net increase/(decrease) in net cash and cash equivalents</b>		<b>61</b>	<b>(17)</b>
<b>Net cash and cash equivalents at the beginning of the year as reported in the Statement of Financial Position</b>		<b>291</b>	<b>323</b>
<b>Net cash and cash equivalents at the end of the year before translation adjustments</b>		<b>352</b>	<b>306</b>
<b>Foreign exchange translation adjustments on:</b>			
Cash and cash equivalents		21	(6)
Bank overdrafts and other short-term facilities		(14)	(9)
<b>Net cash and cash equivalents at the end of the year as reported in the Statement of Financial Position</b>		<b>359</b>	<b>291</b>
<b>Made up of:</b>			
Cash and cash equivalents		957	1 068
Bank overdrafts and other short-term facilities		(598)	(777)
Bank overdrafts		(67)	(137)
Other short-term facilities		(531)	(640)

# Notes to the condensed consolidated statement of cash flows

for the year ended 30 September 2022

Rm	2022 Reviewed	2021 Audited
<b>A. Reconciliation of profit before tax to cash generated from operations before working capital changes</b>		
<b>Profit before tax</b>	<b>1 179</b>	1 008
<b>Adjusted for:</b>		
Cash interest received	(31)	(26)
Dividend received	(1)	(2)
Cash interest paid	81	66
Unwinding of present value discount	3	4
Depreciation of property, plant and equipment and right-of-use assets	201	192
Amortisation of intangible assets	52	61
Profit on disposal of property, plant and equipment and intangible assets	(1)	(12)
Profit on disposal of associate	–	(1)
Fair value remeasurements		
Gain on investment at fair value through profit or loss	(6)	(103)
Gain on contingent consideration	(3)	(13)
Gain on option contract	(16)	(41)
(Gain)/loss on option contract	(59)	92
Gain on put option liability	(1)	–
Loss on disposal of subsidiary	–	1
Impairment of non-financial assets	–	1
Expenses arising from share-based payment transactions	6	7
Share-based payment expense in respect of the Group's CSP	16	16
Share-based payment expense in respect of the Group's Deferred Bonus Plan	–	1
Share-based payment expense in respect of the Group's cash settled employee share ownership plan	7	–
Cash paid to settle the Group's Deferred Bonus Plan	–	(6)
Net unrealised forex (gains)/losses	(31)	16
Lease modification	(48)	(49)
(Reversal of impairment)/impairment of financial assets		
Credit write-off	13	20
Expected credit losses	(18)	(19)
Provisions movements	(21)	(57)
Financial guarantee cost	4	–
Other non-cash movements	2	2
<b>Cash generated from operations before working capital changes</b>	<b>1 328</b>	1 158



# Condensed consolidated statement of changes in equity

for the year ended 30 September 2022

Rm	2022 Reviewed	2021 Audited
Share capital	389	389
Share-based payment reserves	216	219
Balance at the beginning of the year	219	217
In respect of CSP <sup>1</sup>	17	18
Shares acquired to settle CSP	(6)	(11)
Expenses arising from share-based payment transactions <sup>2</sup>	(3)	7
Transfer to retained earnings	(11)	(12)
Equity transactions/put option with non-controlling interests	(20)	(72)
Balance at the beginning of the year	(72)	–
Shares acquired from non-controlling shareholders	(10)	(33)
Subscription for shares by non-controlling shareholders	(7)	(14)
Put option raised	–	(25)
Transfer from retained earnings	69	–
Empowerment shares <sup>3</sup>	(554)	(276)
Balance at the beginning of the year	(276)	(276)
Transfer from treasury shares	(278)	–
Treasury shares <sup>4</sup>	(169)	(447)
Balance at the beginning of the year	(447)	(342)
Shares bought back	–	(105)
Transfer to empowerment shares	278	–
Equity forward contract <sup>5</sup>	(75)	(75)
Foreign currency translation reserves	55	13
Balance at the beginning of the year	13	16
Other comprehensive income	42	(3)
Translation loss on net investment in foreign subsidiary	(109)	(109)
Fair value reserves	(40)	8
Balance at the beginning of the year	8	7
Other comprehensive income	(48)	1

# Condensed consolidated statement of changes in equity (continued)

for the year ended 30 September 2022

Rm	2022 Reviewed	2021 Audited
Retained earnings	7 364	7 045
Balance at the beginning of the year	7 045	6 678
Profit for the year attributable to equity holders of Reunert	827	777
Cash dividends paid	(450)	(422)
Transfer (to)/from other reserves	(58)	12
<b>Equity attributable to equity holders of Reunert</b>	<b>7 057</b>	<b>6 695</b>
Non-controlling interests	133	87
Balance at the beginning of the year	87	38
Profit/(loss) for the year	17	(10)
Other comprehensive income	8	4
Cash dividends paid	(4)	(6)
Subscription for shares by non-controlling shareholders	36	62
Disposal of subsidiary	–	(4)
Shares acquired from non-controlling shareholders	(11)	3
<b>Total equity at the end of the year</b>	<b>7 190</b>	<b>6 782</b>

<sup>1</sup> The amount in respect of the CSP of R17 million (2021: R18 million) consists of a R16 million charge (2021: R17 million charge) in the statement of profit or loss and R1 million (2021: R1 million) to deferred tax.

<sup>2</sup> The minority shareholders' shares in Bargenel Investments (Pty) Ltd (Bargenel) (the Group's empowerment vehicle) were repurchased for a total consideration of R9,6 million. Of this, R3,3 million was charged to equity and R6,3 million was included as a charge to profit or loss. (2021: an empowerment charge in the ICT Segment of R6 million and in the AE Segment of R1 million).

<sup>3</sup> This is the cost of Reunert Limited shares held by Bargenel, the Group's primary empowerment structure. The underlying structure is considered to be controlled by Reunert Limited for accounting purposes and is thus consolidated.

<sup>4</sup> Ordinary Reunert shares bought back in the open market and held by a subsidiary: 1 483 748 shares (2021: 7 032 824 shares). No shares were bought back during the current financial year. (In the current financial year, 5 549 076 shares were transferred to the Group's empowerment partner, Bargenel, in order to establish the employee share ownership plan as approved by the shareholders at the February 2022 AGM). During the 2021 financial year 2 035 126 shares were bought back at an average price of R51,33 per share.

<sup>5</sup> At the end of the 2020 financial year, the Group, on behalf of the CSP entered into a forward contract to acquire 2 346 930 ordinary Reunert shares from an independent third party, for purposes of hedging the Group's potential future obligation to deliver Reunert ordinary shares to CSP participants.

# Notes

for the year ended 30 September 2022

## 1. Basis of preparation

These preliminary reviewed condensed consolidated financial statements (condensed financial statements) have been prepared in accordance with the:

- > Requirements of IAS 34 Interim Financial Reporting
- > Framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in effect for the Group at 1 October 2021
- > South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee
- > Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council
- > Listings Requirements of the JSE Limited; and
- > The requirements of the Companies Act, No. 71 of 2008, of South Africa

The condensed financial statements were compiled under the supervision of NA Thomson CA(SA), the Group's Chief Financial Officer and authorised for issue on 24 November 2022.

The Group's accounting policies applied for the year ended 30 September 2022 are consistent with those applied in the prior year's audited consolidated Annual Financial Statements. These accounting policies comply with IFRS.

These condensed financial statements for the year ended 30 September 2022 have been reviewed by Deloitte & Touche who have expressed an unmodified review conclusion.

The review report on these condensed financial statements is available for inspection at the registered offices of the company together with the condensed financial statements.

## 2. Revenue

Rm	2022 Reviewed	2021 Audited
<b>Revenue from contracts with customers:</b>		
<b>Category of revenue</b>		
Products	9 262	7 632
Services	1 504	1 575
	<b>10 766</b>	9 207
<b>Timing of revenue recognition:</b>		
Revenue recognised at a point in time	9 333	7 911
Revenue recognised over time	1 433	1 296
<b>Total revenue from contracts with customers</b>	<b>10 766</b>	9 207
<b>Other revenue:</b>		
Interest received on lease and loan receivables	332	340
Rental revenue	31	28
<b>Total</b>	<b>11 129</b>	9 575

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

# Notes (continued)

for the year ended 30 September 2022

## 3. Operating profit

Rm	2022 Reviewed	2021 Audited
<b>Operating profit is arrived at as follows:</b>		
<b>Revenue</b>	<b>11 129</b>	9 575
<b>Items included in operating profit</b>		
Changes in inventory	<b>(7 147)</b>	(5 852)
Employee costs	<b>(2 061)</b>	(1 984)
Salaries and wages	<b>(1 816)</b>	(1 776)
Pension and provident fund contributions <sup>1</sup>	<b>(126)</b>	(126)
Other staff costs <sup>2</sup>	<b>(96)</b>	(65)
Employee related share-based payment expense <sup>3</sup>	<b>(23)</b>	(17)
Fair value remeasurements	<b>85</b>	65
Gain on investment at fair value through profit or loss	<b>6</b>	103
Gain on contingent consideration	<b>3</b>	13
Gain on option contract	<b>16</b>	41
Gain/(loss) on option contract	<b>59</b>	(92)
Gain on put option liability	<b>1</b>	–
Auditors remuneration	<b>(29)</b>	(28)
Audit fees	<b>(28)</b>	(27)
Other fees	<b>(1)</b>	(1)
Reversal of impairment/(impairment) of financial assets	<b>5</b>	(1)
Credit write-off	<b>(13)</b>	(20)
Expected credit losses	<b>18</b>	19
Net forex gains	<b>63</b>	24
Net realised forex gains <sup>4</sup>	<b>32</b>	40
Net unrealised forex gains/(losses) <sup>4</sup>	<b>31</b>	(16)

### 3. Operating profit (continued)

Rm	2022 Reviewed	2021 Audited
Other income	74	47
Lease modification	48	49
Profit on disposal of property, plant and equipment and intangible assets	1	12
Interest incurred to finance the lease and loan receivables	(9)	(24)
Operating lease charges	(29)	(27)
Research and development	(137)	(150)
Financial guarantee	(4)	–
Other operating expenses <sup>5</sup>	(499)	(395)
<b>EBITDA<sup>6</sup></b>	<b>1 490</b>	<b>1 311</b>
<b>The following additional disclosable items have been included in arriving at operating profit:</b>		
Depreciation and amortisation	(253)	(253)
Impairment of non-financial assets		
Impairment of property, plant and equipment	–	(1)
Profit on disposal of associate	–	1
Loss on disposal of subsidiary	–	(1)
Expenses arising from share-based payment transactions <sup>7</sup>	(6)	(7)
<b>Operating profit as per the statement of profit or loss</b>	<b>1 231</b>	<b>1 050</b>

<sup>1</sup> Payments to defined contribution retirement plans are charged as an expense as they fall due.

<sup>2</sup> Includes staff training, staff welfare, skills development levy, commissions and incentives and other staff related costs.

<sup>3</sup> The following items are included in the employee related share-based payment expense:  
 - a charge of R7 million (2021: Rnil) relating to the employee share ownership plan implemented in the current financial year. This is classified as a cash-settled share-based payment with the equivalent amount included in liabilities.  
 - a charge of R16 million (2021: R17 million) relating to the CSP share scheme.

<sup>4</sup> Transactions denominated in a foreign currency are initially recognised at the ruling rates of exchange at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated to the exchange rates prevailing at that date. Exchange differences on monetary items are recognised in the statement of 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 remeasured to fair value at each reporting date. The resulting gains or losses are recognised in the statement of profit or loss.

<sup>5</sup> There is no income which offset expenses included in this amount.

<sup>6</sup> Earnings before net interest, tax, depreciation and amortisation, impairment of property, plant and equipment, profit on disposal of associate, loss on disposal of subsidiary and expenses arising from share-based payment transactions. EBITDA includes interest income received on lease and loan receivables in the ICT Segment.

<sup>7</sup> The minority shareholders' shares in Bargenel (the Group's empowerment vehicle) were repurchased for a total consideration of R9,6 million. Of this, R3,3 million was charged to equity and R6,3 million was included as a charge to profit or loss. (2021: an empowerment charge in the ICT Segment of R6 million and in the AE Segment of R1 million).

# Notes (continued)

for the year ended 30 September 2022

## 4. Interest and dividend income

Rm	2022 Reviewed	2021 Audited
Dividend income	1	2
Interest earned on financial assets analysed by category of asset:		
Bank deposits	19	16
Other assets	12	10
<b>Interest and dividend income as per the statement of profit or loss</b>	<b>32</b>	<b>28</b>
Interest earned on lease and loan receivables included in revenue	332	340
<b>Total interest and dividend income</b>	<b>364</b>	<b>368</b>

## 5. Interest expense

Loans, bank overdrafts and other short-term facilities	(66)	(47)
Lease liabilities	(15)	(19)
<b>Interest expense as per the statement of cash flows</b>	<b>(81)</b>	<b>(66)</b>
Unwinding of present value discount	(3)	(4)
<b>Interest expense as per the statement of profit or loss</b>	<b>(84)</b>	<b>(70)</b>
Interest incurred to finance the lease and loan receivables (included in Group operating expenses as this relates to the Group's finance business)	(9)	(24)
<b>Total interest expense</b>	<b>(93)</b>	<b>(94)</b>

## 6. Impairment of financial assets

Credit write-off	13	20
Expected credit losses (ECL)	(18)	(19)
	(5)	1

## 6. Impairment of financial assets (continued)

### Analysis of movement in the ECL

Rm 30 September 2022	Carrying amount as at the beginning of the year	(Released)/ raised during the year through the statement of profit or loss	Utilised	Disposal of subsidiary	Foreign exchange movement	Carrying amount as at the end of the year
Lease and loan receivables	152	(11)	(40)	–	–	101
Trade and other receivables	167	(7)	(6)	–	11	165
Credit write-off for trade and other receivables		13				
<b>Reversal of impairment of financial assets per the statement of profit or loss</b>		<b>(5)</b>				

#### 30 September 2021

Lease and loan receivables	210	(29)	(29)	–	–	152
Trade and other receivables	192	10	(39)	(2)	6	167
Credit write-off for trade and other receivables		20				
<b>Impairment of financial assets per the statement of profit or loss</b>		<b>1</b>				

### Impact of COVID-19 and the Russia-Ukraine conflict

Economic activity has started to recover subsequent to the outbreak of the COVID-19 pandemic in early 2020 and the resulting societal restrictions put in place to curb its impact. The credit environment has correspondingly improved.

The Group has also assessed the potential impact of the Russia-Ukraine conflict and the impact of this is expected to be mainly on input costs, rising inflation and interest rates and economic forecasts indicate a high probability of global recession in 2023.

The Group has considered the residual impact of COVID-19 and the ongoing impact of the Russia-Ukraine conflict as well as the consequent probability of the economic recession in their assessment of the ECL.

# Notes (continued)

for the year ended 30 September 2022

## 6. Impairment of financial assets (continued)

### Lease and loan receivables

The Group applies the IFRS 9 Financial Instruments general approach to measuring the ECL required in respect of lease and loan receivables.

This is first calculated by applying a historical loss ratio to the lease and loan receivables at each reporting date. The loss ratio for the lease and loan receivables is calculated according to the ageing/payment profile, as at the reporting date, by applying historic write-offs to the profile of the population as at that date.

The ECL resulting from the historic loss ratio is then adjusted for forward-looking information to determine the required ECL at the reporting date.

In assessing whether the credit risk of a lease and loan receivable has increased significantly since initial recognition, the Group compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition. In making this assessment, the Group considers quantitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In assessing the stage categorisation, receivables that include balances which are 30 days overdue are classified as stage 2 and receivables that include balances that are 90 days overdue are classified as stage 3.

### Key assumptions

The Group has considered these factors above and also used the following key assumptions in estimating the ECL as at 30 September 2022:

Rm	<b>2022 Reviewed</b>	2021 Audited
Probability of default (PD)	<b>3,6%</b>	5,6%
Loss given default (LGD)	<b>63,2%</b>	63,0%
Exposure at default (EAD)	<b>Exposure of receivables at 30 September 2022</b>	Exposure of receivables at 30 September 2021

Management previously applied both Moody's PD and their experience as to which industry segments of the book were experiencing, or likely to experience, credit stress. In the current year, management, instead of simply applying the Moody's Global PD, has used forward-looking information derived from a detailed assessment of the book undertaken in conjunction with a South African credit bureau, Experian. This exercise determined the industry classification of each rental customer and which industries were considered to be likely to experience future adverse credit risk. This enhanced approach to determining the PD was adopted in the current year as the Group now has three years of actual data and experience of the impact of COVID-19 on the credit risk in its rental base. This contrasts with when the Moody's Global PD was adopted at the start of the Pandemic, when the group had no relevant experience and therefore used the best source of external information available to it to assess the potential impact of the pandemic on customer credit risk.



## 6. Impairment of financial assets (continued)

The LGD rate used was obtained from the quoted recovery rate of the World Bank for South African debt of 37%. This remains the best independent and credible information available to estimate the expected LGD and results in an LGD of 63,2%.

### Categorisation of stages

Rm	Carrying amount before ECL	Expected credit losses			Net carrying amount after ECL
		Stage 1	Stage 2	Stage 3	
30 September 2022	2 372	(20)	(24)	(57)	2 271
Lease receivables	625	(6)	(6)	(7)	606
Loan receivables	1 747	(14)	(18)	(50)	1 665
30 September 2021	2 628	(41)	(13)	(98)	2 476
Lease receivables	707	(9)	(6)	(9)	683
Loan receivables	1 921	(32)	(7)	(89)	1 793

### Trade and other receivables

The Group has consistently applied the IFRS 9 Financial Instruments simplified approach to measuring ECL for trade receivables which uses a lifetime expected loss model. ECLs are calculated by using a provision matrix and applying a loss ratio to the age analysis of trade receivables and contract assets of each entity in the Group. These have been aggregated into groupings that represent, to a large degree, major risk types and how the Group manages its receivables and contract assets. This also illustrates the spread of credit risk at each reporting date.

The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

# Notes (continued)

for the year ended 30 September 2022

## 7. Goodwill

### Impairment of goodwill and cash generating units

The Group assessed for impairment all business units with goodwill balances. In addition, the Group considered and evaluated whether there were any indicators of impairment for its cash generating units (CGU) at 30 September 2022.

No impairments were required resulting from the Group's impairment assessment of goodwill.

Both internal and external factors, including local and global economic conditions, such as the residual impacts of the COVID-19 pandemic, the ongoing Russia-Ukraine conflict and the expectations of a global recession in 2023 were considered to determine whether there were indicators of impairment.

### Discount rates

Pre-tax discount rates ranging from 18,2% to 23,9% and a terminal value growth rate of 4% were used in these assessments.

### Sensitivities

In accordance with IAS 36 Impairment of Assets, management conducted a sensitivity analysis, which included the potential impact of a 5% reduction in forecast revenue on the cash flow forecasts without factoring in any management actions required from the decrease in revenue. The results of this sensitivity analysis were that impairments would be required for Reutech Communications (R2 million), Reutech Radar (R21 million), Omnigo (R16 million) and Skywire (R70 million) if revenue forecasts are not met by 5% i.e. a 95% achievement.

A 1% increase in pre-tax discount rates would result in an impairment of goodwill in Skywire of R7 million and in Omnigo of R0,5 million.

Rm	2022 Reviewed	2021 Audited
Carrying amount at the beginning of the year	934	924
Disposal of subsidiary	–	(4)
Acquisition of businesses	26	14
<b>Carrying amount at the end of the year</b>	<b>960</b>	<b>934</b>

## 8. Investment at fair value through other comprehensive income

### CBi-Electric Telecom Cables (Pty) Ltd (CBi Telecoms)

Due to reduced factory throughput leading to under recoveries of fixed costs and reduced cash flow as a consequence of lower sales, as well as the impact of an over stocked position on cash flow, CBi Telecoms was placed into business rescue on 2 March 2022. Consequently, the Group has lost joint control over its investment in CBi Telecoms and has therefore changed the classification of the investment from equity accounting under IAS 28 Investments in Associates to a financial asset under IFRS 9 Financial Instruments. In addition to the equity investment, the Group has made both a fully recoverable post business rescue funding loan and other operating loans to CBi Telecoms which continue to be recognised as receivables measured at the amounts expected to be recovered under the terms of the business rescue plan (55c:Rand).

The Group has made an election to recognise any subsequent changes in fair value of the investment under IFRS 9 Financial Instruments through other comprehensive income. At 30 September 2022, CBi Telecoms remained in business rescue. Based on the latest available information received from the business rescue practitioner, including the expected realisation of assets and settlement of liabilities, the Group has remeasured the investment in CBi Telecoms to R1 at 30 September 2022, being the expected equity recovery arising from the two provisional offers for the business, which are under consideration by the business rescue practitioner.

Due to the nature of the inputs used to determine the fair value of CBi Telecoms, no sensitivity analysis was required.

<b>Rm</b>	<b>2022 Reviewed</b>
Carrying amount at the beginning of the year (Investment in joint venture)	56
Share of joint venture's loss (up to date of business rescue and loss of joint control)	(8)
Transfer to investment at fair value through other comprehensive income	(48)
<b>Carrying amount at the end of the year (Investment in joint venture)</b>	–
Carrying amount at the beginning of the year (Investment at fair value through other comprehensive income)	–
Transfer from investment in joint venture	48
Fair value remeasurement	(48)
<b>Carrying amount at the end of the year (Investment at fair value through other comprehensive income)<sup>1</sup></b>	–

<sup>1</sup> The carrying amount at the end of the year has been included in other investments and loans on the statement of financial position.

# Notes (continued)

for the year ended 30 September 2022

## 9. Investment at fair value through profit or loss

In terms of IAS 28 Investments in Associates, Reunert is presumed to have significant influence over CAFCA Limited (CAFCA) as it owns more than 20% of CAFCA's share capital. However, as it has less than 20% representation on its board of directors and does not have the ability to appoint additional directors, the Group does not equity account its investment in CAFCA as it does not, in fact, have significant influence over CAFCA. Therefore, the Group's interest is measured at fair value through profit or loss. Although CAFCA is listed on the Zimbabwean Stock Exchange, there is limited trading in the share.

During the current financial year, the Group sold a further 5 200 245 CAFCA shares for R29 million and subsequent to this sale the Group holds a residual interest in CAFCA of 28,65%. During the prior financial year, the Group received and accepted two unsolicited offers for a portion of its investment in CAFCA for R27 million. The fair value was remeasured by applying a weighted probability of fair values including a fair value derived using an appropriate price/net asset value multiple and a fair value using the latest transaction price. Accordingly, the Group recognised a gain of R6 million in the current year (2021: gain of R103 million).

In the prior year, the fair value was derived by using the price/net asset value multiple basis. The change to the weighted probability basis in the current year takes into consideration the significant movement in the Zimbabwean Dollar to US Dollar official exchange rate over the past 12 months. This new probability basis provided management with a more appropriate estimation of the fair value of CAFCA.

This is a level 3 instrument in the fair value hierarchy.

### Sensitivities

If the price/net asset value had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2022 would increase by R1 million (2021: R1 million). If the historical net asset value per share in US\$ had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2022 would increase by R1 million (2021: R1 million).

Accordingly, the Group recognised a gain as follows:

Rm	2022 Reviewed	2021 Audited
<b>Reconciliation of the carrying amount</b>		
Fair value of investment through profit or loss		
Carrying amount at the beginning of the year	76	–
Fair value remeasurement of investment in CAFCA	6	103
- Realised gain on remeasurement of investment	–	27
- Unrealised gain on remeasurement of investment	6	76
Disposals	(29)	(27)
<b>Carrying amount at the end of the year</b>	<b>53</b>	<b>76</b>

## 10. Non-current derivative financial asset and liability

Rm	2022 Reviewed	2021 Audited
Put option derivative financial asset	57	41
Call option derivative financial liability	33	92
<b>Net carrying amount at the end of the year</b>	<b>24</b>	<b>(51)</b>
<b>Reconciliation of the carrying amount</b>		
Net carrying amount at the beginning of the year	(51)	–
<b>Fair value remeasurement</b>		
Gain on option contract	16	41
Gain/(loss) on option contract	59	(92)
<b>Net carrying amount at the end of the year</b>	<b>24</b>	<b>(51)</b>

# Notes (continued)

for the year ended 30 September 2022

## 10. Non-current derivative financial asset and liability (continued)

In the 2021 financial year the Group concluded an agreement with AP Moller Capital through AIF I Africa C&I Renewable Energy LLP (AIF I) to establish a joint venture, Lumika Renewables (Pty) Ltd (Lumika). The Group subscribed for a 50,1% interest in Lumika. Although the Group holds a 50,1% interest, due to the contractual arrangement with AP Moller Capital, the Group exercises joint control over the venture.

In 2021, the Group sold an effective 25% interest in Terra Firma Solutions (Pty) Ltd (TFS) (the Group's Solar PV business) to Lumika and concluded a put and a call option for the sale of its residual 72,2% interest in TFS (the residual interest increased by a further 7,2% from the prior financial year due to the Group acquiring the shares from the non-controlling shareholders in TFS). The put option is exercisable from 1 April 2023 until 30 June 2023 and the call option is exercisable from 1 July 2023 until 30 September 2023, however, the effective date of the transaction will be 1 October 2023.

In terms of these arrangements, the Group has the right to put its remaining interest in TFS to Lumika in exchange for a strike price in US dollars (US\$) and Lumika has the right to call the remaining interest in TFS from the Group at the same price. The put and call options have both been recognised as a non-current derivative asset and liability respectively at their fair values through profit or loss. The put and call are considered to be derivatives as, although they are for a fixed number of shares, they are for a variable Rand consideration as the consideration is priced in US\$.

### Valuation technique

The equity value of TFS was determined at the reporting date. This equity value, the strike price in US dollars and other inputs (see below) were then input into a Black Scholes valuation model to determine the value of the put and the call.

The following significant unobservable inputs were used in the determination of the value of the put and the call and the resulting fair value gain:

- > US\$13,3 million strike price translated to Rand at 30 September 2022 using a forward exchange rate of 18,65 (2021: 16,58).
- > Average revenue growth rate 10,0% (2021: 16,0%).
- > Post-tax discount rate 14,8% (2021: 15,5%).

The put and call options are both considered to be a level 3 instrument in the fair value hierarchy.

## 10. Non-current derivative financial asset and liability (continued)

### Sensitivities

The following details the Group's sensitivity to a change in the strike price, average revenue growth rate, and post-tax discount rate against the current derivatives.

If the forward exchange rate had been 10% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2022 would increase/decrease by R24 million respectively (2021: increase/decrease by R20 million respectively). If the average revenue growth rate in TFS had been 5% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2022 would decrease by R65 million and increase by R69 million respectively (2021: decrease/increase by R53 million respectively). If the post-tax discount rate had been 1% higher or lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2022 would increase by R36 million and decrease by R40 million respectively (2021: increase by R26 million and decrease by R29 million respectively).

## 11. Number of shares used to calculate earnings per share

Rm	2022 Reviewed	2021 Audited
Weighted average number of shares in issue, net of empowerment and treasury shares <sup>1</sup> , for basic earnings and headline earnings per share (millions of shares)	159 <sup>2</sup>	161 <sup>2</sup>
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	1	–
<b>Weighted average number of shares for diluted basic and diluted headline earnings per share (millions of shares)</b>	<b>160</b>	161
Profit for the year attributable to equity holders of Reunert (earnings used to determine earnings per ordinary share and diluted earnings per share)	827	777

<sup>1</sup> The empowerment shares relate to Reunert Limited shares held by Bargenel. The treasury shares relate to shares held by the Group's treasury company Julopro (Pty) Ltd. These entities are consolidated by the Group.

<sup>2</sup> The Group has elected to treat the shares under the equity forward contract as issued shares, not treasury shares, for the purposes of calculating the earnings per share. This amounts to 2 346 930 shares (2021: 2 346 930).

# Notes (continued)

for the year ended 30 September 2022

## 12. Headline earnings

<b>Rm</b>	<b>2022 Reviewed</b>	2021 Audited
Profit attributable to equity holders of Reunert	<b>827</b>	777
Headline earnings are determined by eliminating the effect of the following items from attributable earnings:		
Impairment of non-financial assets in a joint venture (2021: after a tax credit of Rnil)	–	1
Net loss on disposal of subsidiary and associate (2021: after a tax charge of R1 million)	–	1
Profit on disposal of property, plant and equipment and intangible assets (after a tax charge of Rnil million and NCI portion of Rnil) (2021: after a tax charge of R3 million and NCI portion of Rnil)	<b>(1)</b>	(11)
<b>Headline earnings</b>	<b>826</b>	768
Headline earnings per share (cents)	<b>519</b>	478
Diluted headline earnings per share (cents)	<b>516</b>	476



### 13. Contingent consideration

Rm	2022 Reviewed	2021 Audited
Carrying amount at the beginning of the year	28	24
Raised on acquisitions at fair value	28	18
Raised on acquisition of NCI <sup>1</sup>	–	6
Fair value remeasurement <sup>2,3</sup>	(3)	(13)
Settlement	(11)	(7)
<b>Carrying amount at the end of the year</b>	<b>42</b>	<b>28</b>
Less: current portion (included in trade and other payables)	17	18
<b>Non-current portion</b>	<b>25</b>	<b>10</b>

<sup>1</sup> Contingent consideration that arose during the prior financial year on the acquisition of the non-controlling interest in Kopano Solutions Company (Pty) Ltd.

<sup>2</sup> Remeasurement gain of R3 million for Dopptech (Pty) Ltd in the current financial year arising from the related targets not being achieved.

<sup>3</sup> Includes a remeasurement gain of R11 million for Blue Nova Energy (Pty) Ltd in the prior financial year arising from the related targets not being achieved.

The contingent consideration for the acquisition made in the current financial year was recognised at a fair value of R28 million, which will be settled in five annual tranches based on the achievement of pre-defined future profit targets.

The contingent consideration was calculated using the discounted cash flow method. The following unobservable inputs were used to calculate the contingent consideration:

> Revenue growth average of 20%

The fair value of the contingent consideration as at 30 September 2022 amounts to R28 million.

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

#### Sensitivities

The sensitivity analysis has been determined based on the Group's exposure to change in revenue targets achieved and the subsequent impact on the contingent consideration payable at the statement of financial position date.

If the revenue growth rate had been 1% lower and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2022 would decrease by R1 million. If the revenue growth rate had been 1% higher and all other variables remained constant, the Group's profit after tax for the year ended 30 September 2022 would increase by R1 million.

# Notes (continued)

for the year ended 30 September 2022

## 14. Put option liability

As part of the original acquisition of TFS in 2017, the Group granted and settled options in favour of the non-controlling shareholders. The final elements of these put options were exercised and settled in the current financial year.

Rm	2022 Reviewed	2021 Audited
Carrying amount at the beginning of the year	25	–
Raised	–	25
Fair value remeasurement	(1)	–
Settlement	(24)	–
<b>Carrying amount at the end of the year</b>	<b>–</b>	<b>25</b>

The obligation was classified as a level 3 instrument in the fair value hierarchy.

## 15. Acquisition of business

### 2022

#### 1. The Code Maven Group of companies (MAVEN)

With effect from 1 October 2021, the Group, through +OneX, acquired 100% of the business and related net assets of "MAVEN". MAVEN comprises of two companies, Moov Innovation (Pty) Ltd and Maven Agency (Pty) Ltd, focused on the development of bespoke software and applications.

The existing workforce is appropriately skilled to enable them to service their existing client base as well as future client gains arising from its incorporation into the Reunert ICT Segment.

The acquisition of MAVEN complements the ICT Segment's expansion strategy and increases the geographical presence of +OneX.

Rm	2022 Reviewed
Cash paid	16
Contingent considerations	28
Working capital offset against the purchase price	(4)
<b>Total purchase consideration</b>	<b>40</b>
<b>Represented by:</b>	
Property, plant and equipment	1
Goodwill	26
Intangible assets	24
Deferred tax liabilities	(7)
Trade and other payables	(4)
<b>Net assets acquired (fair value at acquisition date)</b>	<b>40</b>
Revenue since acquisition – effective 1 October 2021	103
Profit after tax since acquisition – effective 1 October 2021	8

## 16. Litigation

There is no material litigation against the Group.

# Notes (continued)

for the year ended 30 September 2022

## 17. Events after reporting date

Subsequent to the reporting date, the following transactions have taken place:

### **+OneX Solutions**

During September 2022, +OneX Solutions entered into a sale of business agreement with EUC Africa (Pty) Ltd (EUC) to acquire 100% of the business and related assets. EUC is a leading provider of desktop-as-a-service and desktop virtualisation.

The acquisition strengthens +OneX's capabilities in end-user computing.

EUC has attained both Citrix Platinum Solution Advisor Status as well as Microsoft Gold Cloud Competency certification. The company has helped leading retail, finance, public sector and technology clients to use the combination of Citrix technology running on the Azure cloud to optimise costs, security and performance across their end-user computing environments.

### **Etion Create**

On 1 October 2022 all conditions precedent in the sale of shares agreement between Reunert Limited and Etion Limited (Etion) were met. As a result, Reunert Applied Electronics Holdings Proprietary Limited (RAEH), has acquired 100% of the issued share capital of Etion Create from Etion for a purchase consideration of R202 million, being the agreed value of Etion Create, on the effective date.

Etion Create is an original design manufacturer with a product portfolio that covers industrial, defence and the rail sectors. The company has a significant local and Middle East market presence with opportunities in South East Asia, a strong order book which should result in future growth in revenues and profitability.

The acquisition will result in synergies with other companies in the Applied Electronics Segment specifically in enhanced design and manufacturing capabilities, as well as increasing the span of the segment product portfolio and improving access to key export markets.

At the reporting date the valuation of the acquired intangible assets is still in progress and accordingly the final purchase price allocation has not been finalised.

### **Quince sale of book**

Subsequent to year-end, the Group sold a further R49 million from its lease and loan book to a third party financial institution.

The Group continues to make good progress in assessing alternate funding mechanisms for Quince to release the Group's current loan funding of the book to redeploy these funds, over time, into the Group's higher yielding strategic investments.

### **ICT acquisitions**

The Group retains its focus on the continued expansion of the ICT Segment's new-age ICT offerings in the Solutions and Systems Integration cluster, primarily through further acquisitions.

## 18. Going concern

The directors have reviewed the Group's financial position, existing credit facilities and available cash resources and are satisfied that the Group will continue as a going concern for at least the next 12 months from the date of the approval of these annual financial statements.

## 19. External auditor's review opinion

Deloitte & Touche has issued an unmodified review report on the reviewed condensed consolidated financial statements for the year ended 30 September 2022. The review was concluded in accordance with ISRE 2410 – Review of Interim Financial Information performed by the independent auditor of the entity. A copy of their unmodified review report is available for inspection at Reunert's registered office.

The auditor's review report does not necessarily report on all information contained in this announcement. Investors are, therefore, advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report from Reunert's registered office.

Any reference to future performance included in this announcement has not been reviewed or reported on by the auditors.

# Condensed segmental analysis

for the year ended 30 September 2022

Rm	2022 Reviewed				
	Total	EE	ICT	AE	Other
<b>Revenue<sup>1</sup></b>					
<b>Segment revenue</b>	11 237	6 266	2 599	2 361	11
Adjusted for revenue from equity-accounted joint ventures and associates	(108)	(94)	–	(7)	(7)
Revenue	11 129	6 172	2 599	2 354	4
<b>Revenue as reported in the statement of profit or loss</b>	11 129				
Segment revenue – % of total	100	56	23	21	–
Segment revenue – % change over prior year		13	4	27	10
<b>Analysis of revenue</b>					
<b>Category of revenue</b>					
Products	9 262	6 026	1 478	1 758	–
Services	1 504	146	789	569	–
	10 766	6 172	2 267	2 327	–
<b>Timing of revenue recognition</b>					
Revenue recognised at a point in time	9 333	6 135	1 612	1 586	–
Revenue recognised over time	1 433	37	655	741	–
	10 766	6 172	2 267	2 327	–
<b>Other revenue</b>					
Interest recognised on lease and loan receivables	332	–	332	–	–
Rental revenue	31	–	–	27	4
Total revenue	11 129	6 172	2 599	2 354	4
<b>Revenue by geography</b>					
South Africa	7 810	4 011	2 451	1 344	4
Rest of Africa (excluding South Africa)	1 814	1 584	99	131	–
Asia	650	51	–	599	–
Australia	241	204	–	37	–
Europe	385	129	48	208	–
America	229	193	1	35	–
Total revenue	11 129	6 172	2 599	2 354	4

<sup>1</sup> Inter-segment revenue has been eliminated, however, it is immaterial and has not been separately disclosed.

Total	EE	2021 Audited ICT	AE	Other	% change in total
9 905	5 551	2 490	1 854	10	13
(330)	(294)	(25)	(5)	(6)	
9 575	5 257	2 465	1 849	4	
9 575					16
100	56	25	19	–	
7 632	5 138	1 340	1 154	–	
1 575	119	785	671	–	
9 207	5 257	2 125	1 825	–	
7 911	5 189	1 574	1 148	–	
1 296	68	551	677	–	
9 207	5 257	2 125	1 825	–	
340	–	340	–	–	
28	–	–	24	4	
9 575	5 257	2 465	1 849	4	
6 942	3 447	2 365	1 126	4	
1 468	1 310	100	58	–	
477	58	–	419	–	
218	189	–	29	–	
276	95	–	181	–	
194	158	–	36	–	
9 575	5 257	2 465	1 849	4	

# Condensed segmental analysis (continued)

for the year ended 30 September 2022

Rm	Note	2022 Reviewed				
		Total	EE	ICT	AE	Other
<b>Operating profit</b>						
<b>Segment operating profit/(loss)<sup>1</sup></b>		<b>1 140</b>	<b>436</b>	<b>644</b>	<b>164</b>	<b>(104)</b>
Adjusted for operating loss/(profit) from equity-accounted joint ventures and associates		<b>10</b>	<b>11</b>	<b>–</b>	<b>5</b>	<b>(6)</b>
Profit on disposal of property, plant and equipment and intangible assets	3	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>
Impairment of non-financial assets						
Impairment of property, plant and equipment	3	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Fair value remeasurements						
Gain on investment at fair value through profit or loss	3	<b>6</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>
Gain on contingent consideration	3	<b>3</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>
Gain on option contract	3	<b>16</b>	<b>–</b>	<b>–</b>	<b>16</b>	<b>–</b>
Gain/(loss) on option contract	3	<b>59</b>	<b>–</b>	<b>–</b>	<b>59</b>	<b>–</b>
Gain on put option liability	3	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>
Financial guarantee cost	3	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4)</b>
Profit on disposal of associate	3	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Loss on disposal of subsidiary	3	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Expenses arising from share-based payment transactions	3	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(6)</b>
Operating profit/(loss) before impairment of financial assets		<b>1 226</b>	<b>453</b>	<b>644</b>	<b>249</b>	<b>(120)</b>
Reversal of Impairment/ (impairment) of financial assets						
Credit write-off	3	<b>(13)</b>	<b>(3)</b>	<b>(9)</b>	<b>(1)</b>	<b>–</b>
Expected credit losses	3	<b>18</b>	<b>24</b>	<b>9</b>	<b>(12)</b>	<b>(3)</b>
Operating profit/(loss)		<b>1 231</b>	<b>474</b>	<b>644</b>	<b>236</b>	<b>(123)</b>
<b>Operating profit as reported in the statement of profit or loss</b>		<b>1 231</b>				
Segment operating profit/(loss) – % of total		<b>100</b>	<b>39</b>	<b>56</b>	<b>14</b>	<b>(9)</b>
Segment operating profit/(loss) – % change over prior year			<b>17</b>	<b>6</b>	<b>64</b>	<b>9</b>

<sup>1</sup> The net interest charged on Group funding provided to the Group's in-house finance operation has been eliminated in line with IFRS 10 – Consolidated Financial Statements. The interest eliminated amounted to R137 million (2021: Rnil). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.



Total	EE	2021 Audited ICT	AE	Other	% change in total
986	373	608	100	(95)	16
(4)	5	(2)	(1)	(6)	
12	3	–	3	6	
(1)	–	–	(1)	–	
103	103	–	–	–	
13	–	–	13	–	
41	–	–	41	–	
(92)	–	–	(92)	–	
–	–	–	–	–	
–	–	–	–	–	
1	–	1	–	–	
(1)	–	(1)	–	–	
(7)	–	(6)	(1)	–	
1 051	484	600	62	(95)	
(20)	(8)	(9)	(3)	–	
19	(23)	29	13	–	
1 050	453	620	72	(95)	
1 050					17
100	38	62	10	(10)	

# Condensed segmental analysis (continued)

for the year ended 30 September 2022

Rm	2022		2021	
	Reviewed	% of total	Audited	% of total
<b>Total assets</b>				
EE	2 893	26	2 708	26
ICT	4 277	39	4 334	42
AE	3 284	31	2 755	27
Other	478	4	540	5
<b>Total assets as reported in the statement of financial position<sup>1</sup></b>	<b>10 932</b>	<b>100</b>	10 337	100
<b>Total liabilities</b>				
EE	1 362	36	1 246	35
ICT	769	21	834	23
AE	991	26	839	24
Other	620	17	636	18
<b>Total liabilities as reported in the statement of financial position<sup>1</sup></b>	<b>3 742</b>	<b>100</b>	3 555	100

<sup>1</sup> Intercompany receivables, payables and loans have been eliminated in line with the consolidation principles of IFRS.

# Additional information

<b>Rm (unless otherwise stated)</b>	<b>2022</b>	2021
Net number of ordinary shares in issue (million)	<b>159</b>	159
Number of ordinary shares in issue (million)	<b>185</b>	185
Less: Empowerment shares (million)	<b>(25)</b>	(19)
Less: Treasury shares (million)	<b>(1)</b>	(7)
Capital expenditure	<b>232</b>	238
- expansion	<b>192</b>	196
- replacement	<b>40</b>	42
Capital commitments in respect of property, plant and equipment	<b>91</b>	44
- contracted	<b>17</b>	33
- authorised not yet contracted	<b>74</b>	11
Total cash dividend per share for the year (cents)	<b>299</b>	277
Current ratio (:1)	<b>2,0</b>	1,8
Quick ratio (:1) <sup>1</sup>	<b>1,3</b>	1,3
Dividend yield (%) <sup>2</sup>	<b>6,9</b>	5,8
Return on capital employed (%)	<b>16,1</b>	14,5

<sup>1</sup> Calculated as current assets excluding inventory divided by current liabilities.

<sup>2</sup> Calculated as the total dividend (2022 interim 75 cents per share and 2022 final 224 cents per share) (2021: interim 70 cents per share and final 207 cents per share) divided by a Reunert share price of 4 330 cents (2021: 4 751 cents), being the closing market price on 30 September 2022.

# Administration

## REUNERT LIMITED

Incorporated in the Republic of South Africa  
 Reg. No 1913/004355/06  
 Ordinary share Code: RLO ISIN code: ZAE000057428  
 ("Reunert", "the Group" or "the Company")

PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 and cash dividend declaration for the year ended 30 September 2022

Directors: MJ Husain (Chair)\*, T Abdool-Samad\*, AB Darko (retiring from the board of directors immediately following the conclusion of Reunert's 2023 annual general meeting)\*, AE Dickson (Chief Executive Officer), LP Fourie (Chair of the Audit Committee)\*, JP Hulley\*, TNM Eboka\* (Appointed 1 March 2022), RJ Boettger\* (Appointed 1 March 2022), S Martin\*, Dr MT Matshoba-Ramuedzisi\*, M Moodley, Adv NDB Orleyn\*\* (Resigned 30 June 2022), NA Thomson (Chief Financial Officer)

\* *Independent non-executive*; \*\* *Non-executive*

## Registered office

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 Woodmead North Office Park  
 54 Maxwell Drive  
 Woodmead, Sandton, 2191  
 PO Box 784391  
 Sandton, 2146  
 Telephone +27 11 517 9000

## Income tax reference number

9100/101/71/7P

## Transfer secretaries

Computershare Investor Services Proprietary Limited  
 Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196  
 PO Box 61051, Marshalltown, 2107

## Sponsor

One Capital Sponsor Services Proprietary Limited

## Registered Auditors

Deloitte & Touche

## Secretaries' certification

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I, Karen Louw, duly authorised on behalf of the Group Company Secretary, Reunert Management Services (Pty) Ltd (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 2022 all such returns and notices as are required in terms of the aforesaid Companies Act and that all such returns and notices are true and correct.

Karen Louw  
 for Reunert Management Services Proprietary Limited  
*Group Company Secretary*

## Investor enquiries

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 For additional information log on to the Reunert website at [www.reunert.com](http://www.reunert.com)  
 24 November 2022 (publication date)

**REUNERT LIMITED**





[reunert.com](https://reunert.com)