REUNERT

REUNERT LIMITED

Group Audited Annual Financial Statements

2023

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Directors' responsibility for and approval of Reunert Limited Group consolidated annual financial statements

For the year ended 30 September 2023

The Reunert Limited Group consolidated financial statements for the year ended 30 September 2023 (herein after referred to as "financial statements"), comprise the consolidated:

> Statement of profit or loss;
> Statement of other comprehensive income;
> Statement of financial position;
> Statement of cash flows and notes thereto;
> Statement of changes in equity;
> Notes to the financial statements including the accounting policies;
> Segmental analysis; and
> Principal subsidiaries, joint ventures, associates and special purpose entities – Annexure A
> Share ownership analysis – Annexure B

These financial statements include amounts based on judgements and estimates made by management.

The annual financial statements presented is that of the Group. Reunert Limited's (referred to as the "Company" or "Reunert") standalone Company annual financial statements will be released separately and on a later date.

The Board of directors (the Board) is responsible for the preparation, integrity and fair presentation of the annual financial statements, in conformity with:

> The requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) in effect for the Group at 1 October 2022;
> The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
> The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
> The Listings Requirements of the JSE Limited; and
> The requirements of the Companies Act of South Africa, No. 71 of 2008 (Companies Act).

To discharge this responsibility, the Board ensures, through the review of information supplied by management and the reports of the internal auditors, that the Group (comprising the Company, its subsidiaries, its joint ventures, and associates) 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; and
> There is reasonable assurance as to the reliability of the Group's financial information.

The Board is also responsible for preparing the directors' report.

The Board, together with the Risk and Audit Committees, 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, where appropriate.

The Board is not aware of any material breakdown in either internal controls or risk management practices that occurred during the year under review that would impact on the fair presentation of the annual financial statements.

The Board has positively concluded on the ability of the Group to continue as a going concern for the next twelve months.

The Group's external auditors, Deloitte & Touche, are responsible for reporting on whether the financial statements are fairly presented in accordance with IFRS and the requirements of the Companies Act. They have issued an unmodified audit opinion in this regard which is set out on pages 3 to 6.

On the recommendation of the Audit Committee, the annual financial statements set out on pages 7 to 102 were approved by the Board and are signed on its behalf by:

Mohamed Husain
Chair

Alan Dickson
Chief Executive Officer

Nick Thomson
Chief Financial Officer

21 November 2023

CEO and CFO responsibility statement

For the year ended 30 September 2023

In compliance with paragraphs 3.84(k) of the JSE Limited Listings Requirements, we – the Group CEO and Group CFO, after due, careful and proper consideration hereby confirm that:

(a) The annual financial statements set out on pages 7 to 102, fairly present in all material respects the financial position, financial performance and cash flows of the Reunert Group in terms of IFRS;
(b) To the best of our knowledge and belief, no facts have been omitted or untrue statements made, that would make the annual financial statements false or misleading;
(c) Internal financial controls have been put in place to ensure that material information relating to Reunert and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements;
(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
(e) Where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
(f) We are not aware of any fraud involving directors.

Alan Dickson
Group CEO

Nick Thomson
Group CFO

21 November 2023

Company secretary's certification

For the year ended 30 September 2023

In terms of section 88(2)(e) of the Companies Act, No.71 of 2008 (Companies Act), 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 2023, 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 (Pty) Ltd

Group Company Secretary

21 November 2023

Independent auditor's report

To the Shareholders of Reunert Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited Reunert Limited Group financial statements set out on pages 14 to 102, which comprise the consolidated statement of financial position as at 30 September 2023, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Reunert Limited and its subsidiaries as at 30 September 2023, and its consolidated financial performance and consolidated 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 Financial Statements section of our report. We are independent of the Group and Company 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Impairment of goodwill (Group)	
As disclosed in Note 11, the carrying amount of goodwill recognised by the Group amounts to R1 186 million (2022: R960 million). In line with IAS 36 – *Impairment of Assets,* the directors are required to assess annually whether goodwill is impaired. Judgement is required by the directors in assessing the impairment of this goodwill. For each affected cash generating unit (CGU) assumptions are made about the expected cash flows, and appropriate discount rate. The assumptions with the most significant impact on the value-in-use calculations were: > The revenue growth rates applied for certain CGUs; and > The pre-tax discount rates, which are derived from the weighted average cost of capital incorporating risk factors specific to the cash flow being assessed, for certain CGUs. Due to the significant judgement applied by the directors in determining the values assigned to these assumptions, the impairment assessment of goodwill with a particular focus on the above assumptions and CGUs was considered a key audit matter.	In evaluating the impairment of goodwill, we performed the following procedures: > Assessed the design of the relevant controls relating to assumptions in the cash flows and discount rate determination; > For selected cash generating units, we assessed the reasonableness of the revenue growth rates against historic performance, approved budgets, and expected future performance based on industry and entity-specific factors; > A corporate finance specialist performed an independent assessment of the discount rate for selected cash generating units; > Compared EBITDA multiple(s) used by management in their enterprise value assessments to peer based market EBITDA multiple(s) computed by a corporate finance specialist for selected cash generating units; > Tested the mathematical accuracy of the valuation models; > Performed sensitivity analyses for each cash generating units on the growth rates and discount rates to evaluate the impact on the value-in-use and headroom; and > Assessed the disclosures against the requirements of IAS 36. Based on the procedures performed, the measurement of the impairment losses is considered appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Reunert Limited Group Audited Annual Financial Statements", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated 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 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 Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 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 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 to cease to continue as a going concern.

> Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Independent auditor's report (continued)

We communicate with the Audit Committee 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 Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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 38 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor

Per: Nita Ranchod
Partner

5 Magwa Crescent
Waterfall City

21 November 2023

Audit Committee report

Introduction

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, the King IV Report on Corporate Governance for South Africa, 2016 (King IV) and the JSE Limited Listings Requirements (JSE Listings Requirements), as it considers appropriate. These duties are summarised in the Audit Committee Terms of Reference which is reviewed annually by the Audit Committee and then formally approved by the Board.

The composition and effectiveness of the Audit Committee were also evaluated by the Nomination and Governance Committee as part of its annual review of the Board's Committees.

Composition and attendance of meetings

Members: LP Fourie (Chair), T Abdool-Samad, S Martin and MT Matshoba-Ramuedzisi.

The Audit Committee comprises of independent non-executive directors all of whom are financially skilled and have extensive audit committee experience.

The Chair of the Board attended all meetings. The Chief Executive Officer, Chief Financial Officer, External Auditors, Head of Internal Audit, Head of Internal Financial Controls and Risk Management, and key financial executives attend Audit Committee meetings by request.

	Appointed to Committee	16 May 2023	24 August 2023	14 November 2023
LP Fourie	1 October 2019	✓	✓	✓
T Abdool-Samad	1 July 2014	✓	✓	✓
S Martin	1 December 2013	✓	✓	✓
MT Matshoba-Ramuedzisi	1 April 2018	✓	✓	✓

Statutory duties

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

- Confirmed the appointment of both Deloitte & Touche (Deloitte) as the independent external auditors and Ms Ranchod as the designated audit partner for the 2023 financial year;
- Considered the information required in terms of the JSE Listings Requirements in assessing the suitability of both Deloitte and the designated audit partner for appointment, including accreditation by the JSE;
- Approved Deloitte's engagement letter, their audit plan and their audit fees;
- Evaluated a statement from Deloitte confirming that its independence was not impaired;
- Reviewed and reconfirmed the policy with regards to non-audit services, which is:
  - 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 auditor's independence;
- Considered the nature and extent of the other services prior to the engagements being approved and confirmed that in the Audit Committee's opinion, they would not impact on the external auditor's 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 R33,2 million (2022: R30,1 million) of which the Group's external audit fee amounted to R29,0 million (2022: R26,9 million);
  - The fees for other services amounted to R4,2 million (2022: R3,2 million) which is lower than the maximum cap for non-audit services of 20% of the external audit fee;
- Recommended to the shareholders at the February 2023 AGM, the appointment of KPMG Inc. (KPMG) as external auditors for the year ending 30 September 2024;
- Recommends to the shareholders, for consideration at the next AGM, the confirmation of the appointment of KPMG and the designated audit partner, as external auditors for the year ending 30 September 2024 and confirms that such appointment will be presented and included as a resolution at the next AGM pursuant to section 61(8) of the Companies Act;
- In making this recommendation:
  - Considered the information listed in paragraph 22.15(h) as required by paragraph 3.84(g)(iii) of the JSE Listings Requirements;
  - Concluded that, based on the outcome of the most recent inspection by IRBA of KPMG, no matters were raised that negatively impacted the suitability of KPMG for appointment as external auditors;
  - Considered the legal or disciplinary proceedings and the summary of concluded legal or disciplinary actions and concluded on the suitability of KPMG for appointment as Reunert's external auditor;
  - Considered KPMG's independence, scope of work to be performed and value for money based on fees proposed;

- > Considered as required by paragraph 3.84(g)(i) of the JSE Listings Requirements 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; and
- > As required by paragraph 3.84(g)(ii) of the JSE Listings Requirements, considered and satisfied itself that the Group has appropriate financial reporting procedures and that those procedures are operating and that all entities included in the annual financial statements have been considered to ensure that it has access to all the financial information of the Group to enable the effective preparation of and reporting on the annual financial statements.

Other responsibilities

The Audit Committee has performed its duties and responsibilities as follows:

Integrated reporting, interim reporting and annual financial statements for the year ended 30 September 2023

- > Guided the integrated reporting process, having regard to all factors and risks that may impact on the integrity of the Integrated Report;
- > Positively assessed and recommended accordingly to the Board, the Group's ability to continue as a going concern 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 solvency and liquidity tests undertaken prior to relevant transactions and dividend declarations;
- > Reviewed the interim financial statements 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, changes in equity, cash flows and the financial position of the Group;
- > Considered the accounting treatment for significant or unusual transactions and all material accounting judgements and estimates applied by management;
- > Considered the appropriateness of the Group's accounting policies and any changes made thereto;
- > Reviewed any significant legal and tax matters and considered any matters identified therein that could have a material impact on the annual financial statements;
- > Considered and made recommendations to the Board on the proposal for interim and final dividends;
- > Met separately with management, external audit and internal audit to assess reporting controls and matters pertaining to the annual financial statements; and
- > Considered risk matters reported by the Risk Committee.

External audit

- > Reviewed and evaluated Deloitte's audit plan for the year ended 30 September 2023 and concluded it to be satisfactory;
- > Considered the significant audit risks identified by Deloitte;
- > Considered Deloitte's view on other qualitative aspects of the Group's accounting practices;
- > Considered statutory matters reported to the committee;
- > Noted the key audit matter set out in the independent external auditor's report, namely:
  - o Impairment of goodwill; and
- > Considered the summary of corrected and uncorrected misstatements.

The Audit Committee is satisfied that the key audit matter has been adequately addressed and appropriate disclosures have been made in the financial statements.

Audit firm rotation

Subject to shareholder confirmation at the February 2024 AGM, KPMG will commence as the Group's external auditors with effect from 1 October 2023.

The Audit Committee provided oversight of the process undertaken by the Group during the 2022 financial year to select KPMG as the incoming auditors. This was done by:

- > Establishing a subcommittee to actively participate in the process, the subcommittee comprised LP Fourie, T Abdool-Samad and MT Matshoba-Ramuedzisi;
- > The subcommittee gave input into the request for proposal for audit services circulated to various selected firms of auditors;
- > The subcommittee met with each audit firm invited to propose;
- > The subcommittee, together with management evaluated the written proposals from the participating external audit firms;
- > The subcommittee made a recommendation to the Audit Committee who supported the recommendation that KPMG should be appointed as the Group's external auditors; and
- > The Audit Committee considered input from the Board who concurred with the Audit Committee's selection.

Significant accounting matters

The Audit Committee considered the impact of regulatory and macro-economic changes on the financial statements, focusing on the uncertainties created and the impact on estimates, judgements and related disclosures.

The Audit Committee concluded that both the impact of the above and its own areas of special focus had been appropriately addressed in the financial statements. The areas of special focus were:

> Impairment testing of goodwill and other non-financial asset balances at year-end;
> The measurement of Expected Credit Losses (ECL) as it relates to lease and loan receivables;
> The appropriateness of methodologies used and estimates, and judgements applied to the determination of fair values for financial assets and financial liabilities recognised at fair value through profit or loss and through other comprehensive income;
> The review and consideration of the appropriateness of key estimates and judgements; and
> The accounting and related disclosures for corporate transactions, including acquisitions and disposals of subsidiaries.

The Audit Committee has deliberated on these matters based on information provided to the Committee by management and is satisfied that they have been appropriately addressed by external audit, and work undertaken by management including the use of specialists where considered necessary.

The Audit Committee considered the JSE's proactive monitoring report furnished to all listed entities and confirmed with management and external audit that they had considered this report, the relevance of any matters raised to Reunert and the auditors confirmed the appropriateness of management's responses in their audit of the financial statements.

Internal financial reporting controls

Audit Committee review

The Committee considered and reviewed the effectiveness of the CEO/CFO certification process as required by paragraph 3.84(k) of the JSE Listings Requirements.

Deficiencies

Certain internal financial reporting control deficiencies were reported to the Audit Committee during the year and have been remediated by management and/or are covered by compensating controls.

No significant control deficiencies were reported to the Audit Committee during the year or at year-end, by management, external audit or internal audit, that would impact the fair presentation of the annual financial statements.

Internal audit

> Reviewed and approved the internal audit charter and the annual internal audit plan;
> Evaluated the independence, effectiveness and performance of the Head of Internal Audit and the internal audit function and found it to be satisfactory;
> Considered the reports of the internal auditors (including written assurances) 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 the Group has adequate financial reporting procedures to ensure the timely and accurate preparation of financial statements; and
> Considered matters raised by internal audit and the adequacy of corrective action taken by management in response thereto.

Combined assurance

The Group's combined assurance framework is set out in the Integrated Report.

The Committee considered the feedback from management on the results of combined assurance findings on financial matters and the findings of both external and internal audit and on the progress of remediation of control deficiencies.

The Committee reviewed the co-operation between the assurance providers and confirmed that nothing has been identified through the combined assurance process that indicates any unmitigated reporting risks.

Legal and regulatory compliance relating to the annual financial statements

> Reviewed legal matters that could have a material impact on the annual financial statements 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; and

> 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.

Focus area for 2024

> Oversight of the audit firm transition to KPMG with effect from the 2024 financial year.

Conclusion

The Audit Committee is 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 the integrity of the annual financial statements, following its review and having concluded on its findings the Audit Committee recommended the annual financial statements of Reunert Limited for the year ended 30 September 2023 for approval to the Board. The Board approved the annual financial statements.

On behalf of the Audit Committee:

LP Fourie
Chair

Sandton

21 November 2023

Directors' report

For the year ended 30 September 2023

The Board takes pleasure in presenting the annual financial statements for the year ended 30 September 2023.

Authorised and issued share capital

The authorised and issued share capital of the Group remained unchanged during the year under review.

Review of operations and results

Measure	Units	2023	2022	% change
Revenue	Rm	**13 781**	11 129	24
Segment operating profit	Rm	**1 462**	1 140	28
Operating profit	Rm	**1 431**	1 231	16
Profit for the year	Rm	**959**	844	14
Basic earnings per share	cents	**578**	520	11
Headline earnings per share	cents	**602**	519	16
Total cash dividend per share for the year	cents	**332**	299	11

In the current financial year, the Group took up a secondary listing on the A2X alternative exchange, the requirements for listing are the same as those required by the JSE Listings Requirements.

Group results

The increase in the Group's 2023 earnings was driven by the strong financial performances of both the Applied Electronics and Electrical Engineering Segments. The Group's revenue increased by 24% to R13 781 million (2022: R11 129 million). Improved operating leverage was delivered by the Group as segment operating profit increased by 28% to R1 462 million (2022: R1 140 million).

The Group's profit for the year increased by 14% to R959 million (2022: R844 million), after an interest charge of R120 million (2022: R52 million), primarily due to the increased interest rates applicable to the Group's borrowings and the higher borrowings used for acquisitions, investment into property, plant and equipment and into working capital where, for the majority of the year, the Group held higher levels of working capital which was released in the last quarter of the financial year.

Headline earnings per share increased by 16% to 602 cents per share (cps) (2022: 519 cps) and basic earnings per share increased by 11% to 578 cps (2022: 520 cps).

Cash resources and liquidity

As global supply chains eased and commodity and electronic component prices stabilised, the Group was able to reduce working capital by the 2023 financial year end, despite the substantial increase in the Group's revenue.

This reduction took place in the second half of the financial year and the Group released R317 million from working capital resulting in the full year's net investment into working capital amounting to R7 million (2022: R334 million).

The substantial cash generated from operations and the conversion of the Group's overdraft facilities into longer-term debt (as set out under "Enhanced financial capacity" below), has resulted in the Group having a net cash position of R1 171 million at the 2023 financial year end. This, together with the Group's undrawn banking facilities.

Enhanced financial capacity

The Group has successfully completed its programme to convert a substantial portion of its short-term uncommitted banking facilities into longer-term committed facilities.

This programme was undertaken in two distinct parts:

i. Secured longer-term facilities that are available to be used to meet the financing needs of all the Group's local subsidiaries, excluding Quince Capital (Pty) Ltd (Quince); and

ii. To externally finance the Group's rental loan and receivables book owned by Quince. This allows for the redeployment of the Group's internal funding, which currently funds the majority of this book.

This process has ensured that the Group has adequate capital to deploy to the Group's strategic initiatives and to meet the Group's operational requirements, including both replacement and expansionary capital expenditure and the investment into intangible assets. It also achieved the strategic objective of releasing lower earning funding from the Quince loan book for redeployment into opportunities that yield higher returns.

Segmental review

Electrical Engineering Segment

The segment delivered another year of financial growth as the Power Cable and Circuit Breaker businesses delivered solid results. These performances increased the segment revenue by 14% to R7 159 million (2022: R6 266 million) and the segment operating profit by 27% to R552 million (2022: R436 million).

ICT

The ICT Segment had a challenging year as the segment's key Small and Medium Enterprise (SME) customer base came under increased pressure due to the weakening South African macro-economic conditions. Segment revenue increased by 18% to R3 064 million (2022: R2 599 million) whilst segment operating profit increased by 2% to R660 million (2022: R644 million) as several key matters negatively impacted the segment.

The financial performance of the segment was negatively affected by record levels of loadshedding, which reduced the minutes sold by Electronic Communications Network (Pty) Ltd (ECN) by 17%, the prior year sale of R201 million and the subsequent sale of a further R49 million in October 2022 of the Quince book to fund the acquisition of Etion Create, and the reduction in business volume, due to the South African Post Office (SAPO) being placed under business rescue, all of which resulted in a reduction in segment operating profit. Plus 1X Solutions (Pty) Ltd (+OneX) accelerated its digital integration revenues and SkyWire (Pty) Ltd (SkyWire) leveraged its national broadband connectivity network to deliver a notable year-on-year operating profit performances.

The tightening credit conditions resulted in an increase in the allowance for expected credit losses as measured in accordance with IFRS 9 – Financial Instruments.

Applied Electronics

The Applied Electronics Segment had an excellent year as defence revenue reached a multi-year high and the demand for the segment's renewable energy products and solutions remained positive. These dynamics resulted in segment revenue increasing by 51% to R3 559 million (2022: R2 361 million) and delivered a very pleasing segment operating profit increase of 163% to R432 million (2022: R164 million).

Directorate

With effect from 1 October 2023, Mr Gavin Dalgleish was appointed to the Board as an independent non-executive director. There have been no other changes to the composition of the Board, since the date of the Group's last report.

Prospects

The 2023 financial year yielded a positive growth in the financial performance of Reunert and delivered increased value for shareholders. Reunert will continue to face the risks and challenges associated with the general South African macro-economic environment, which we do not expect to improve in the first half of 2024 and which will continue to place pressure on our key customer segments. Despite this the Group is well placed to deliver growth in financial performance in 2024. The timing of defence export deliveries and large cable contracts bias growth towards the second half of the 2024 financial year.

The Group's expected performance is underpinned by:

i. the Electrical Engineering Segment on the back of solid Power Cable order books, on-going private investment into renewable energy and the strengthening export demand for Circuit Breakers;
ii. the incorporation of IQ Business into the ICT Segment;
iii. the continued growth of our renewable energy businesses; and
iv. the record defence order book.

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	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
AE Dickson	**52 938**	49 088	**–**	–	**–**	–	**52 938**	49 088
M Moodley	**55 541**	54 314	**–**	–	**–**	–	**55 541**	54 314
NA Thomson	**94 133**	91 918	**–**	–	**–**	–	**94 133**	91 918
	202 612	195 320	**–**	–	**–**	–	**202 612**	195 320

Subsequent to year-end, AE Dickson, M Moodley and NA Thomson's direct interests increased by 69 991, 21 799 and 40 273 Reunert shares, respectively, as a result of the partial vesting of units allocated in February 2020 in accordance with the performance conditions of the Conditional Share Plan 2019.

The directors have no financial interest in contracts entered into by the Group during the financial year. For further information on directors' share options, refer to note 24, Directors' remuneration and interests, of the financial statements.

Attributable interest

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

Rm	2023	2022
Net profits	**948**	886
Net losses	**(53)**	(25)

Going concern

The directors have positively assessed that the Group has sufficient expected future cash flows and adequate financial resources to continue as a going concern for at least the next twelve months from the date of the approval of these annual financial statements.

Cash dividend

The directors have declared a final cash dividend of 249,0 cents per ordinary share (2022: 224,0 cents per ordinary share) for the year ended 30 September 2023, before the deduction of dividend withholding tax. The dividend has been declared from retained earnings.

This brings the total dividend declared for the year to 332,0 cents per ordinary share (2022: 299,0 cents per ordinary share) before dividend withholding tax.

Subsequent events

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

Quince funding

Quince secured external funding from lenders under a Common Terms Agreement (CTA). The facilities under the CTA consist of two term facilities totaling R550 million with tenors of between 2 and 3 years, a revolving credit facility of R200 million for a one-year period and a general banking facility of R100 million. The facilities will have no recourse to the Reunert Group and further supports the Group's strategic growth objectives and facilitates the redeployment of capital into higher yielding assets.

Guarantees

Reunert Limited issued guarantees subsequent to the financial year end to the value of R118 million.

Appreciation

Our businesses continued to face many challenges in 2023. Despite the complex operating environments, we have delivered a 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 and we thank them for their valued business and commit to continue to add value to them in the years ahead. We also thank suppliers and other stakeholders for their support throughout the past year.

Statement of profit or loss

For the year ended 30 September 2023

Rm	Notes	2023	2022
Revenue	1	**13 781**	11 129
Operating expenses[1]		**(12 259)**	(9 903)
Operating profit before impairment of financial assets		**1 522**	1 226
(Impairment)/reversal of impairment		**(91)**	5
Credit write-off		**(21)**	(13)
Expected credit losses	12,13	**(70)**	18
Operating profit	2	**1 431**	1 231
Interest and dividend income	3	**51**	32
Interest expense	4	**(171)**	(84)
Profit before tax and equity-accounted investees		**1 311**	1 179
Tax	5	**(359)**	(293)
Profit after tax, before equity-accounted investees		**952**	886
Equity-accounted investees		**7**	(42)
Share of profit/(loss) net of tax	25	**7**	(39)
Impairment of investment		**–**	(3)
Profit for the year		**959**	844
Profit for the year attributable to:			
Non-controlling interests		**40**	17
Equity holders of Reunert		**919**	827
Earnings per share (cents)			
Basic	6	**578**	520
Diluted	6	**571**	517

[1] *Operating expenses are disclosed as a net amount to reconcile revenue to operating profit before impairment of financial assets. The items of income and expenditure making up the net amount are separately disclosed in note 2, Operating profit.*

Statement of other comprehensive income

For the year ended 30 September 2023

Rm	Notes	2023	2022
Profit for the year		**959**	844
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to the statement of profit or loss		**(26)**	50
Translation differences of foreign businesses		**(25)**	50
Fair value remeasurement of financial asset		**(1)**	–
Items that may not be reclassified subsequently to the statement of profit or loss		**–**	(48)
Fair value remeasurement of financial asset	27	**–**	(48)
Total comprehensive income		**933**	846
Total comprehensive income attributable to:			
Non-controlling interests		**32**	25
– Share of profit for the year		**40**	17
– Share of other comprehensive income		**(8)**	8
Equity holders of Reunert		**901**	821
– Share of profit for the year		**919**	827
– Share of other comprehensive income		**(18)**	(6)

Statement of financial position

As at 30 September 2023

Rm	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	9	**795**	888
Investment property	9	**16**	25
Right-of-use assets	9	**263**	130
Intangible assets	10	**887**	495
Goodwill	11	**1 186**	960
Investments in joint ventures and associates	25	**–**	9
Investment at fair value through profit or loss	27	**54**	53
Derivative financial asset	27	**6**	57
Lease receivables	12	**408**	370
Loan receivables	12	**1 280**	1 209
Other investments and loans		**38**	64
Loan to joint venture	26	**139**	–
Deferred tax assets	14	**202**	151
		5 274	4 411
Current assets			
Tax receivables		**98**	107
Inventory	15	**2 238**	2 079
Lease receivables	12	**222**	236
Loan receivables	12	**452**	456
Trade and other receivables	13	**3 034**	2 674
Derivative financial assets	27	**16**	12
Cash and cash equivalents	16	**1 298**	957
		7 358	6 521
Total assets		**12 632**	10 932

Rm	Notes	2023	2022
Equity and liabilities			
Capital and reserves			
Share capital	17	**389**	389
Share-based payment reserves	17	**233**	216
Empowerment shares	17	**(554)**	(554)
Treasury shares	17	**(169)**	(169)
Equity transactions		**(19)**	(20)
Other reserves[1]		**(165)**	(169)
Retained earnings		**7 741**	7 364
Equity attributable to equity holders of Reunert		**7 456**	7 057
Non-controlling interests		**174**	133
Total equity[2]		**7 630**	7 190
Non-current liabilities			
Deferred tax liabilities	14	**272**	200
Equity forward contract	27	**6**	28
Borrowings	18	**1 146**	71
Lease liabilities	18	**200**	77
Derivative financial liability	27	**–**	33
Put option liability	27	**23**	–
Contract liabilities	21	**6**	–
Share-based payment liabilities	19	**54**	7
Contingent consideration	21	**32**	25
		1 739	441
Current liabilities			
Equity forward contract	27	**22**	20
Borrowings	18	**–**	7
Lease liabilities	18	**129**	89
Derivative financial liabilities	27	**7**	15
Provisions	20	**74**	62
Tax liabilities		**51**	41
Contract liabilities	21	**392**	260
Trade and other payables	21	**2 461**	2 209
Bank overdrafts and other short-term borrowings	16	**127**	598
		3 263	3 301
Total equity and liabilities		**12 632**	10 932

[1] *Other reserves consist of:*
> Equity forward contract
> Foreign currency translation reserve
> Translation loss on net investment in foreign subsidiary
> Fair value reserves
> Put option reserve

[2] *Refer to the statement of changes in equity for the composition of all components of equity.*

Statement of cash flows

For the year ended 30 September 2023

Rm	Notes	2023	2022
Cash flows from operating activities			
Cash generated from operations before working capital changes	A	**1 892**	1 328
Increase in net working capital	B	**(7)**	(334)
Cash generated from operations		**1 885**	994
Interest received	3	**47**	31
Dividends received	3	**4**	1
Interest paid	4	**(169)**	(81)
Tax paid	C	**(394)**	(234)
Net cash inflow from operating activities before dividends		**1 373**	711
Dividends paid (including to non-controlling interests in subsidiaries)	D	**(505)**	(454)
Net cash inflow from operating activities		**868**	257
Cash flows from investing activities			
Cash received from loan receivables	12	**660**	766
Cash invested in loan receivables	12	**(815)**	(793)
Proceeds from sale of loan receivables	12	**42**	162
Investments and loans granted		**(154)**	(31)
Investments and loans repaid		**21**	–
Dividends received from joint ventures	25	**5**	4
Replacement of property, plant and equipment and intangible assets	9,10	**(118)**	(40)
Expansion of property, plant and equipment and intangible assets	9,10	**(237)**	(192)
Proceeds from disposal of property, plant and equipment and intangible assets		**32**	47
Acquisition of businesses	28	**(656)**	(16)
Contingent consideration settled on acquisition of businesses	21	**(14)**	(9)
(Cash outflow)/proceeds from disposal of subsidiary and investment	27, 29	**(28)**	29
Net cash outflow from investing activities		**(1 262)**	(73)
Cash flows from financing activities			
Shares acquired for equity settled Conditional Share Plan (CSP)		**(4)**	(6)
Proceeds from share subscription by non-controlling interests	30	**–**	11
Shares acquired from non-controlling interests	30	**(10)**	(21)
Repurchase of shares from BBBEE party		**–**	(10)
Put option liability settled	27	**(31)**	(24)
Borrowings raised	18	**2 028**	31
Borrowings settled	18	**(652)**	(3)
Contingent consideration settled to non-controlling interests	21	**–**	(2)
Equity forward contract liability settled		**(15)**	(15)
Lease liabilities settled	18	**(97)**	(84)
Net cash inflow/(outflow) from financing activities		**1 219**	(123)
Net increase in net cash and cash equivalents		**825**	61
Net cash and cash equivalents at the beginning of the year as reported in the statement of financial position		**359**	291
Net cash and cash equivalents at the end of the year before translation adjustments		**1 184**	352
Foreign exchange translation adjustments on:			
Cash and cash equivalents		**(21)**	21
Bank overdrafts and other short-term borrowings		**8**	(14)
Net cash and cash equivalents at the end of the year as reported in the statement of financial position		**1 171**	359
Made up of:			
Cash and cash equivalents	16	**1 298**	957
Bank overdrafts and other short-term borrowings		**(127)**	(598)
Bank overdrafts	16	**–**	(67)
Other short-term borrowings	16	**(127)**	(531)

Notes to the statement of cash flows

For the year ended 30 September 2023

	Rm	Notes	2023	2022
A.	**Reconciliation of profit before tax to cash generated from operations before working capital changes**			
	Profit before tax		**1 311**	1 179
	Adjusted for:			
	Interest received	3	**(47)**	(31)
	Dividend received	3	**(4)**	(1)
	Interest expense	4	**169**	81
	Unwinding of present value discount	4	**2**	3
	Depreciation of property, plant and equipment and right-of-use assets	9	**228**	201
	Amortisation of intangible assets	10	**97**	52
	Profit on disposal of property, plant and equipment and intangible assets	2	**(5)**	(1)
	Fair value remeasurements			
	Gain on investment at fair value through profit or loss	2	**(1)**	(6)
	Loss/(gain) on contingent consideration	2	**3**	(3)
	Gain on put option derivative asset	2	**(25)**	(16)
	Gain on call option derivative liability	2	**(33)**	(59)
	Gain on put option liability	2	**–**	(1)
	Gain on reclassification from other comprehensive income	2	**(8)**	–
	Loss on disposal of subsidiary	2, 29	**33**	–
	Impairment of intangible assets	2, 10	**9**	–
	Expenses arising from share-based payment transactions		**–**	6
	Share-based payment expense in respect of the Group's CSP	2	**24**	16
	Share-based payment expense in respect of the Group's Retention Plan	2	**29**	–
	Share-based payment expense in respect of the Group's cash settled Employee Share Ownership Plan	2	**21**	7
	Net unrealised forex gains	2	**–**	(31)
	Lease modification	2	**(47)**	(48)
	Impairment/(reversal of impairment) of financial assets			
	Credit write-off	2	**21**	13
	Expected credit losses	12,13	**70**	(18)
	Provisions movements		**54**	(21)
	Financial guarantee	2	**–**	4
	Other non-cash movements		**(9)**	2
	Cash generated from operations before working capital changes		**1 892**	1 328
B.	**Working capital changes**			
	Inventory		**(223)**	(291)
	Trade and other receivables and derivative financial assets		**(165)**	(344)
	Trade and other payables, contract liabilities and derivative financial liabilities		**381**	301
	Increase in net working capital		**(7)**	(334)
C.	**Reconciliation of tax paid to the amounts disclosed in the statement of profit or loss as follows:**			
	Net amounts outstanding as at 1 October		**66**	94
	Tax per the statement of profit or loss	5	**(359)**	(293)
	Acquisition of businesses	28	**3**	–
	Less: deferred tax	14	**(57)**	31
	Net amounts outstanding as at 30 September		**(47)**	(66)
	Cash amounts paid		**(394)**	(234)
D.	**Reconciliation of dividends paid to the amounts disclosed in the statement of changes in equity as follows:**			
	Dividends paid per the statement of changes in equity		**(489)**	(450)
	Dividends paid to non-controlling interests		**(16)**	(4)
	Cash amounts paid		**(505)**	(454)

Statement of changes in equity

For the year ended 30 September 2023

Rm	Notes	Share capital	Share-based payment reserves	Empower-ment shares[2]	Treasury shares[3]	Equity transactions
Balance as at 1 October 2021		389	219	(276)	(447)	(72)
Profit for the year		–	–	–	–	–
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–
Share-based payments						
– In respect of CSP[1]	17	–	17	–	–	–
– Shares acquired to settle CSP	17	–	(6)	–	–	–
– Expenses arising from share-based payment transactions	17	–	(3)	–	–	–
Shares transferred from treasury company to empowerment partner		–	–	(278)	278	–
Cash dividends paid	7	–	–	–	–	–
Settlement of put option	27	–	–	–	–	–
Shares acquired from non-controlling interests	30	–	–	–	–	(10)
Subscription for shares by non-controlling interests	30	–	–	–	–	(7)
Transfer to retained earnings		–	(11)	–	–	69
Balance as at 30 September 2022		**389**	**216**	**(554)**	**(169)**	**(20)**
Profit for the year		**–**	**–**	**–**	**–**	**–**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**
Share-based payments						
– In respect of CSP[1]	17	**–**	**36**	**–**	**–**	**–**
– Shares acquired to settle CSP	17	**–**	**(4)**	**–**	**–**	**–**
Cash dividends paid	7	**–**	**–**	**–**	**–**	**–**
Put option raised	27	**–**	**–**	**–**	**–**	**–**
Acquisition of businesses	28	**–**	**–**	**–**	**–**	**–**
Disposal of subsidiary	29	**–**	**–**	**–**	**–**	**–**
Share acquired from non-controlling interests	30	**–**	**–**	**–**	**–**	**(19)**
Reclassification to the statement of profit or loss		**–**	**–**	**–**	**–**	**–**
Transfer to retained earnings		**–**	**(15)**	**–**	**–**	**20**
Balance as at 30 September 2023		**389**	**233**	**(554)**	**(169)**	**(19)**

1 The amount in the statement of changes in equity of R36 million (2022: R17 million) consists of R24 million charge (2022: R16 million charge) in the statement of profit or loss and R12 million (2022: R1 million) related to deferred tax.

2 This is the cost of Reunert Limited shares held by Bargenel Investments (Pty) Ltd (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.

3 No ordinary Reunert shares were bought back in the open market and held by a subsidiary during the 2023 financial year. 1 483 748 shares are held by the Group's treasury company. In 2022, 5 549 076 shares were transferred to Bargenel in order to establish the Employee Share Ownership Plan as approved by the shareholders at the February 2022 AGM.

4 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. Refer to note 27, Financial instruments, for further details.

Equity forward contract[4]	Put option reserve	Fair value reserves	Translation loss on net investment in foreign subsidiary	Foreign currency translation reserve	Retained earnings	Equity attributable to equity holders of Reunert	Non-controlling interests	Total equity
(75)	–	8	(109)	13	7 045	6 695	87	6 782
–	–	–	–		827	827	17	844
–	–	(48)	–	42	–	(6)	8	2
–	–	(48)	–	42	827	821	25	846
–	–	–	–	–	–	17	–	17
–	–	–	–	–	–	(6)	–	(6)
–	–	–	–	–	–	(3)	–	(3)
–	–	–	–	–	–	–		–
–	–	–	–	–	(450)	(450)	(4)	(454)
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	(10)	(11)	(21)
–	–	–	–	–	–	(7)	36	29
–	–	–	–	–	(58)	–	–	–
(75)	**–**	**(40)**	**(109)**	**55**	**7 364**	**7 057**	**133**	**7 190**
–	**–**	**–**	**–**		**919**	**919**	**40**	**959**
–	**–**	**(1)**	**–**	**(17)**	**–**	**(18)**	**(8)**	**(26)**
–	**–**	**(1)**	**–**	**(17)**	**919**	**901**	**32**	**933**
–	**–**	**–**	**–**	**–**	**–**	**36**	**–**	**36**
–	**–**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
–	**–**	**–**	**–**	**–**	**(489)**	**(489)**	**(16)**	**(505)**
–	**(37)**	**–**	**–**	**–**	**–**	**(37)**	**–**	**(37)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**92**	**92**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**(51)**
–	**19**	**–**	**–**	**–**	**–**	**–**	**(16)**	**(16)**
–	**–**	**(7)**	**–**	**(1)**	**–**	**(8)**	**–**	**(8)**
–	**–**	**48**	**–**	**–**	**(53)**	**–**	**–**	**–**
(75)	**(18)**	**–**	**(109)**	**37**	**7 741**	**7 456**	**174**	**7 630**

Notes to the financial statements

For the year ended 30 September 2023

Basis of preparation

The Reunert Limited Group consolidated financial statements have been prepared in accordance with:

> The requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) in effect for the Group at 1 October 2022;
> The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
> The Listings Requirements of the JSE Limited;
> The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
> The requirements of the Companies Act of South Africa, No. 71 of 2008 (Companies Act).

In line with the presentation and disclosure guidelines to IAS 1 – Presentation of Financial Statements, the accounting policies only include those policies which are material to the understanding and interpretation of the financial statements. Accounting policies have been included as part of the notes to the financial statements, where this facilitates an easier and more complete understanding for users of those matters being presented in the note.

The financial statements have been prepared on the going concern basis and on the historical cost basis, except where otherwise indicated in the relevant accounting policy. Examples where historical cost has not been applied include:

> Certain financial instruments including derivatives and non-derivatives measured at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI);
> Cash-settled share-based payments; and
> Business combinations.

The accounting policies, including those incorporated in the notes to the financial statements have been consistently applied, in all material respects, with those applied in the previous year.

The Group's business interests are diverse, with its various subsidiaries providing a broad range of products and services to a wide set of markets. The Group's businesses are organised into the following three segments, Electrical Engineering (EE), Information Communication Technologies (ICT), Applied Electronics (AE). The Other Segment comprises the Group's corporate and treasury functions and property portfolio. The majority of the Group's operations are physically located in South Africa, with other operations in Australia, India, Lesotho, Mauritius, USA and Zambia.

The financial statements were compiled under the supervision of NA Thomson CA (SA) Chief Financial Officer.

Functional and presentation currency

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

	USD1	ZMW1	AUD1
2023			
Year-end rate:	**R18,83**	**R0,90**	**R12,17**
Annual average rate:	**R18,17**	**R0,97**	**R12,09**
2022			
Year-end rate:	R17,98	R1,14	R11,57
Annual average rate:	R15,82	R0,93	R11,25

Judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported carrying 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 amounts of assets and liabilities that are not readily apparent from other sources.

These 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.

The significant judgements and estimates applied are disclosed in note 11, Goodwill and note 12, Lease and loan receivables.

New and amended accounting standards and interpretations

The Group has applied for the first-time certain standards and amendments, which are effective for annual periods beginning after 01 January 2022.

New pronouncement	Effective date*	Impact on the Group
Conceptual Framework for Financial Reporting – Amendments to IFRS3: The amendment adds an exception to the recognition principle of IFRS 3 and updates a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022	No material impact on the Group.
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37: The amendments specify which costs should be included in an entity's assessment of whether a contract will be loss-making.	01 January 2022	No material impact on the Group.
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when applying the '10 per cent' test for the assessment of derecognising financial liabilities.	01 January 2022	No material impact on the Group.
International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12: The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.	Note 1	As the Group falls out of scope of these requirements, there is no impact on the Group.

** Effective for annual periods beginning on or after the effective date.*
Note 1: The amendments are effective immediately upon issuance.

New and amended accounting standards and interpretations issued but not yet effective

The following standards have been issued but not yet effective for the year ended 30 September 2023. These standards have not been early adopted by the Group.

New pronouncement	Effective date*	Impact on the Group
IFRS 17 Insurance Contracts: The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including financial guarantees. It also provides requirements for presentation and disclosure items to enhance comparability between entities. The standard will replace IFRS 4: Insurance Contracts and adopts a comprehensive model which is more useful and consistent for insurers.	01 January 2023	Financial guarantees that meet the definition of an insurance contract, as per IFRS 17, will be assessed on a contract-by-contract basis as to either apply IFRS 17 or IFRS 9. Performance guarantees that meet the definition of insurance contracts, as per IFRS 17, will be assessed on a contract-by-contract basis.
Definition of Accounting Estimates – Amendments to IAS 8: The amendments clarify how to distinguish changes in accounting policies from changes in accounting estimates by replacing the definition of accounting estimates. The requirements for recognising the effect of change in accounting remain unchanged.	01 January 2023	No material impact on the Group.
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2: The amendments require disclosure of material accounting policy information rather than significant accounting policies. Additional guidance is also given with examples of when accounting policy information is likely to be material.	01 January 2023	The Group will revisit its accounting policy information disclosures to ensure consistency with the amended requirements.
Deferred Tax related to assets and liabilities arising from a Single Transaction – Amendments to IAS 12: The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.	01 January 2023	No material impact on the Group.

* *Effective for annual periods beginning on or after the effective date.*

New and amended accounting standards and interpretations issued but not yet effective (continued)

New pronouncement	Effective date*	Impact on the Group
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1: The Board issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: > What is meant by a right to defer settlement; > That a right to defer settlement must exist at the end of the reporting period; > That classification is unaffected by the likelihood that an entity will exercise its deferral right; > That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and > Required disclosures.	01 January 2024	No material impact on the Group.
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16: The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain/loss that relates to the right of use it retains.	01 January 2024	No material impact on the Group.
Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.	01 January 2024	Certain subsidiaries within the Group do have supplier finance arrangements, the required disclosure in this regard has been made in note 21, Trade and other payables.

* *Effective for annual periods beginning on or after the effective date.*

1. Revenue

Revenue from contracts with customers

Revenue from contracts with customers is derived from both the sale of products and rendering of services.

Products and services

Revenue recognised at a point in time

Revenue meeting this classification is derived from:

> The sale of, *inter alia,* cables, electrical distribution, protection and control equipment, digital multi-function printers and cloud services, radars, fuzes, communication products and navigation equipment;

> The provision of ICT consulting and managed services.

Revenue recognised over time

Revenue meeting this classification includes service revenue such as print and document solutions; communication products and ICT services and engineering contracts; and solution services.

When the Group enters into a contract with a customer, the goods and services deliverable under the contract are identified as distinct separate performance obligations.

Revenue is recognised when the Group satisfies the performance obligation for the related product or service for the customer. These recognitions can be:

> Over time for products, mainly in the AE Segment, where the Group's performance obligation results in an asset for a customer without an alternative use and the Group has an enforceable right to payment for the performance completed to date;

> Over time for services, mainly relating to print solutions, consulting, digital solutions, managed and cloud services in the ICT Segment when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Print solutions revenue is recognised based on volumes consumed by the customer as this best represents the obligations provided to the customer in terms of the contract.

Where the requirements for revenue to be satisfied over time are not met, the Group recognises revenue at a point in time when the customer obtains control of a product or service. For product sales, control is generally transferred at the point when the Group transfers ownership to the customer.

Judgements applied in the recognition and measurement of revenue from contracts with customers

For certain contracts with customers, revenue is recognised over time by assessing whether the Group has an enforceable right to payment from the customer for the performance completed to date and the Group's actions do not create an asset with an alternative use. Various judgements are applied in arriving at the revenue recognised for goods and services delivered over time. The most significant of these relate to the estimation of total costs, which assist in determining the inputs used towards completion of a performance obligation and the measure of progress for revenue recognised over time. This assessment is done at inception of the contract using a cost plus reasonable margin approach. In determining this assessment and estimate, reference is made to the contract terms, agreed payment milestones, estimated future costs likely to be incurred and the history of profitability for past and similar contracts. The judgements and resulting estimates applied in determining each input is made by regular analysis of detailed contract accounts and involvement of contract managers with knowledge of both its contracts and the industry. This method of revenue recognition and measurement is primarily applicable when there are defence contracts and turnkey solutions. Revenue raised on this basis gives rise to a contract asset until such stage as the customer is invoiced.

Certain contracts with customers allow customers discounts if contractual thresholds in those contracts are achieved. Judgement is required in determining whether and to what extent these discounts will be utilised. Consideration is given to the customer payment and settlement history, the extent of credit granted and the economic circumstances of the customers industry and geographic location.

Contract assets and liabilities

Contract assets and liabilities result from agreements entered into with customers that contain both products and services as deliverables. When revenue recognised in respect of a customer contract exceeds the amounts received or receivable from a customer, a contract asset is recognised. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

A financing component may exist in contracts for which contract assets or liabilities are recognised. If the contract exceeds 12 months, the customer obligation is considered to include a financing component. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant customer's credit risk. Typically however, the timing of receipt of payment is generally less than 12 months after the satisfaction of the performance obligation. All contract assets are subject to an impairment test under IFRS 9 – Financial Instruments (IFRS 9).

1. **Revenue** (continued)

Contract assets and liabilities (continued)

Under certain service contracts, the Group receives consideration from customers for installation services delivered at the inception of the contract. No separate performance obligation exists for the installation services provided at inception and accordingly, the consideration received is recognised as a contract liability and recognised in revenue over the period of the service contract. For example, where customers enter into a service contract for the provision of connectivity and pay for the equipment installed to provide the connectivity up front.

Assets and liabilities related to contracts with customers have been recognised and disclosed in note 13, Trade and other receivables and note 21, Trade and other payables, contingent consideration and contract liabilities.

Other revenue

Interest received on lease receivables

The Group recognises interest earned on lease receivables using the implicit interest rate of the lease.

Rental revenue

Rental revenue from operating leases is recognised on a straight-line basis over the lease term.

Revenue by segment

EE Segment

Entities generate revenue through various contractual arrangements, the majority of which are from the sale of products, as set out below:

Revenue source	Application
Sale of products:	
> Energy, power and telecommunication product sales are from the design, manufacture and sale of a comprehensive range of electrical conductors, cables and accessories, low voltage electrical distribution, protection and control equipment.	The sale of energy, power and telecommunication products are considered as one performance obligation and accounted for as a product sale. Revenue is recognised when the products are delivered to the customer. The Group considers itself the principal in these sales and recognises revenue on the gross basis. Revenue on the sale of these goods is measured at the effective selling price of the items sold net of value-added tax (VAT) after subtracting discounts and rebates granted to customers. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.
Service revenue:	
> The provision of turnkey installation, testing and maintenance of medium and high-voltage cable systems.	The delivery of a turnkey solution is considered a single performance obligation. The input cost incurred method is used to assess the performance obligation which is met over time. The project completion is measured using the current cost incurred compared to the total estimated cost per the contract. Revenue is recognised over time based on the input cost incurred method. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligation to the customer based on the committed contractual amounts, net of VAT, discounts, rebates, allowance for customer returns, and items of a similar nature. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.

1. Revenue (continued)

Revenue by segment (continued)

ICT Segment

Entities generate revenue through various contractual arrangements, which include the sale of products and rendering of services, as set out below:

Revenue source	Application
Sale of products: > The sale of office equipment, communication equipment, automation products, managed print software and solutions, production printing devices, routers, PBX equipment, switches and handsets.	The sale of these products are considered one performance obligation and accounted for as a product sale. Revenue is recognised when the products are delivered to the customer. The Group considers itself the principal in these sales and recognises revenue on the gross basis. Revenue on the sale of these goods is measured at the effective selling price of the items sold after subtracting VAT, discounts and rebates granted to customers. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.
Service revenue: > The provision of ICT services which include cloud-based virtual private branch exchange (VBX) offerings, hosted call recording, and business internet access products.	The sale of these services are considered one performance obligation and are accounted for as revenue when the service is rendered to the customer. Revenue is recognised when the services are performed. The Group considers itself the principal in these services and recognises revenue on the gross basis.
> The sale of communication equipment and software including the design, implementation and support of converged networking, communications and security solutions.	The sale of these services are not considered to be one performance obligation and are accounted for when the performance obligations in the contract are met. Obligations would typically include delivery of equipment/software, installation of equipment/software and maintenance services. Maintenance services are satisfied over the period of the contract and revenue is recognised based on the input costs incurred method. Revenue is recognised as follows: a. installation > installation is recognised at a point in time (relating to product sales) when the related equipment has been installed and commissioned at the customer premises; or > over time where the equipment is installed in order to render a service to the customer. b. maintenance services > maintenance services are satisfied over the period of the contract and based on costs incurred in order for revenue to be recognised. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The transaction price is allocated between the identified performance obligations according to the relative standalone selling prices of the performance obligations and revenue is measured at the effective selling price of the items sold or services rendered after subtracting VAT, discounts and rebates granted to customers.

1. Revenue (continued)

Revenue by segment (continued)

ICT Segment (continued)

Revenue source	Application
> The provision of wireless, fixed and satellite connectivity solutions which include wireless, fibre satellite and LTE connectivity solutions.	Judgement is applied to assess if the revenue from the goods sold are separately identifiable in terms of the contract and its performance obligations. If the obligations are not separately identifiable, revenue is recognised over time on a straight-line basis. If the obligations are separately identifiable the sale of the products are recognised on the date of delivery and the service recognised over time. Revenue on the over time method is recognised on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by the Group. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligation to the customer based on the committed contractual amounts, net of VAT, discounts, rebates, allowance for customer returns, and items of a similar nature. For contracts that permit returns, rebates or discounts, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.
> The provision of consulting, digital solutions, managed and cloud services.	The sale of these services are considered one performance obligation and are accounted for as revenue when the service is rendered to the customer. For certain revenue contracts, revenue is recognised over time based on the actual service provided as a proportion of the total services to be provided. This is determined based on the actual consulting hours spent relative to the total expected consulting hours. For fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligation to the customer based on the committed contractual amounts, net of VAT, discounts, rebates, allowance for customer returns, and items of a similar nature.

1. Revenue (continued)

Revenue by segment (continued)

AE Segment

Entities generate its revenue through various contractual arrangements, which include the sale of products and rendering of services, as set out below:

Revenue source	Application
Sale of products: > The sale of military and commercial products which include technology solutions for fuze requirements, radar solutions, secure/tactical communications, robotic development and production, precision electronic production, embedded boards and modules, cyber security products, remote weapon systems, logistical integration and support and energy storage.	The sale of military and commercial products is considered one performance obligation and accounted for as a product sale. Revenue is recognised when the products are delivered to the customer. Control is transferred at point of delivery or per the incoterms as indicated in the contract. The Group considers itself the principal in these sales and recognises revenue on the gross basis. Revenue on the sale of these goods is measured at the effective selling price of the items sold after subtracting VAT, discounts and rebates granted to customers.
Service revenue: > The provision of military and defence solutions including remote controlled stabilised weapon platforms and the development and manufacturing of search and tracking radar systems, subsystems for local and export markets and onboard, trackside and monitoring solutions for rail sector operations; > Design solutions including product development and integration, system engineering, electronic board design, system integration and software development.	The solutions provided are considered a single performance obligation, the input cost incurred method is used to assess the performance obligation met over time. The project completion is measured using the current cost incurred compared to the total estimated cost per the contract. This estimate is initially based on a proposal provided to the client and the final contract. Revenue is recognised over time based on the input cost incurred method. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligation to the customer based on the committed contractual amounts, net of VAT, discounts, rebates, allowance for customer returns, and items of a similar nature. For contracts that permit returns, rebates or discounts or any penalties, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur as a result of such items.
> The sale of solar solutions are generally turnkey energy engineering solutions, which includes delivering start-to-end solutions, starting with strategy development, leading to project implementation, support and maintenance. This includes, for example, commercial scale rooftop and ground mount solar PV systems.	The delivery of a turnkey solution is considered a single performance obligation. The input cost incurred method is used to assess the performance obligation which is met over time. Revenue is recognised over time using the input cost incurred method as the customer controls the asset and the asset has no alternative use. Revenue is recognised equal to the cost of significant inputs for delivery of materials to site and when installation occurs revenue and margin are recognised. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The transaction price is determined by reference to the contract and the nature of the installations. The full transaction price net of VAT per the contract is allocated to the performance obligation.
> The provision of turnkey electronic manufacturing services delivering start-to-end solutions for the manufacturing of electronic boards, products and sub-systems as well as prototype assembly.	The delivery of a turnkey solution is considered a single performance obligation. Revenue is recognised at a point in time when the customer is invoiced and the final delivery has taken place. The Group considers itself the principal in these sales and recognises revenue on the gross basis. The transaction price is determined by reference to the contract and the nature of the installations. The full transaction price net of VAT per the contract is allocated to the performance obligation.

1. **Revenue** (continued)

Judgement applied to the appropriate disaggregation of revenue disclosed for the Group

The Group determines that the categories of revenue provided to and used in presentations to the Board meets the objective of the disaggregation disclosure requirement in paragraph 114 of IFRS 15 – Revenue from Contracts with Customers (IFRS 15). The following table illustrates the disaggregation disclosure by primary geographical market, products and services and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties in with the EE, ICT and AE Segments, in accordance with paragraph 115 of IFRS 15.

Analysis of revenue

	Segment				
Rm	**EE**	**ICT**	**AE**	**Other**	**Total**
2023					
Revenue from contracts with customers					
Category of revenue					
Products	6 878	1 399	2 763	–	11 040
Services	281	1 306	757	–	2 344
	7 159	2 705	3 520	–	13 384
Timing of revenue recognition					
Revenue recognised at a point in time	7 032	1 871	2 297	–	11 200
Revenue recognised over time	127	834	1 223	–	2 184
	7 159	2 705	3 520	–	13 384
Total revenue from contracts with customers	7 159	2 705	3 520	–	13 384
Other revenue					
Interest received on lease and loan receivables	–	359	–	–	359
Rental revenue	–	–	31	7	38
Total revenue	7 159	3 064	3 551	7	13 781
Revenue by geography					
South Africa	4 917	2 916	1 913	7	9 753
Rest of Africa (excluding South Africa)	1 728	109	246	–	2 083
Asia	35	2	728	–	765
Australia	233	–	28	–	261
Europe	96	36	549	–	681
America	150	1	87	–	238
Total revenue	7 159	3 064	3 551	7	13 781
Revenue to be recognised on remaining performance obligations in respect of open contracts					
In the next 12 months					2 753
More than 12 months					276

1. Revenue (continued)

Analysis of revenue (continued)

Rm	Segment EE	ICT	AE	Other	Total
2022					
Revenue from contracts with customers					
Category of revenue					
Products	6 026	1 478	1 758	–	9 262
Services	146	789	569	–	1 504
	6 172	2 267	2 327	–	10 766
Timing of revenue recognition					
Revenue recognised at a point in time	6 135	1 612	1 586	–	9 333
Revenue recognised over time	37	655	741	–	1 433
	6 172	2 267	2 327	–	10 766
Total revenue from contracts with customers	6 172	2 267	2 327	–	10 766
Other revenue					
Interest received on lease and loan receivables	–	332	–	–	332
Rental revenue	–	–	27	4	31
Total revenue	6 172	2 599	2 354	4	11 129
Revenue by geography					
South Africa	4 011	2 451	1 344	4	7 810
Rest of Africa (excluding South Africa)	1 584	99	131	–	1 814
Asia	51	–	599	–	650
Australia	204	–	37	–	241
Europe	129	48	208	–	385
America	193	1	35	–	229
Total revenue	6 172	2 599	2 354	4	11 129
Revenue to be recognised on remaining performance obligations in respect of open contracts					
In the next 12 months					999
More than 12 months					204

2. Operating profit

Rm	2023	2022
Operating profit is arrived at as follows:		
Revenue	**13 781**	11 129
Items included in operating profit		
Changes in inventory	**(8 532)**	(7 147)
Employee costs	**(2 646)**	(2 061)
Salaries and wages	**(2 363)**	(1 816)
Medical aid and retirement fund contributions	**(122)**	(126)
Staff costs	**(87)**	(96)
Share-based payment expense in respect of the Group's CSP	**(24)**	(16)
Share-based payment expense in respect of the Group's Retention Plan	**(29)**	–
Share-based payment expense in respect of the Group's cash settled Employee Share Ownership Plan	**(21)**	(7)
Fair value remeasurements	**56**	85
Gain on investment at fair value through profit or loss	**1**	6
(Loss)/gain on contingent consideration	**(3)**	3
Gain on put option derivative asset	**25**	16
Gain on call option derivative liability	**33**	59
Gain on put option liability	**–**	1
Auditors remuneration	**(35)**	(29)
Audit fees	**(32)**	(28)
Other fees	**(3)**	(1)
(Impairment)/reversal of impairment of financial assets	**(91)**	5
Credit write-off	**(21)**	(13)
Expected credit losses	**(70)**	18
Net forex (losses)/gains	**(43)**	63
Net realised forex (losses)/gains	**(43)**	32
Net unrealised forex gains[1]	**–**	31
Other income	**68**	74
Insurance income[2]	**44**	–
Gain on reclassification from other comprehensive income	**8**	–
Lease modification	**47**	48
Profit on disposal of property, plant and equipment and intangible assets	**5**	1
Interest incurred to finance the lease and loan receivables	**(15)**	(9)
Operating lease charges	**(29)**	(29)
Research and development	**(156)**	(137)
Financial guarantee	**–**	(4)
Impairment of intangible assets	**(9)**	–
Loss on disposal of subsidiary	**(33)**	–
Gross other operating expenses	**(664)**	(499)
EBITDA[3]	**1 756**	1 490
The following additional disclosable items have been included in arriving at operating profit:		
Depreciation and amortisation	**(325)**	(253)
Expenses arising from share-based payment transactions	**–**	(6)
Operating profit as per the statement of profit or loss	**1 431**	1 231

[1] *The net unrealised forex gains in the current financial year contains a gain of R58 million and a loss of R58 million.*
[2] *Proceeds arising from the Group's COVID-19 claim.*
[3] *Earnings before net interest, tax, depreciation and amortisation and expenses arising from share-based payment transactions (EBITDA). EBITDA includes interest income received on lease and loan receivables in the ICT Segment.*

3. Interest and dividend income

Dividends are recognised in the statement of profit or loss when the right to receive payment has been established.

Interest on investments and loan receivables is calculated using the effective interest method.

Rm	2023	2022
Dividend income	4	1
Interest earned on financial assets:		
Bank deposits	33	19
Other assets	14	12
Interest and dividend income as per the statement of profit or loss	51	32
Interest earned on lease and loan receivables included in revenue	359	332
Total interest and dividend income	410	364

4. Interest expense

Interest expense is recognised using the effective interest method.

Rm	2023	2022
Borrowings and bank overdrafts	145	66
Lease liabilities	24	15
Interest expense as per the statement of cash flows	169	81
Unwinding of present value discount	2	3
Interest expense as per the statement of profit or loss	171	84
Interest incurred to finance the lease and loan receivables (included in operating expenses as this relates to the Group's finance business)	15	9
Total interest expense	186	93

5. Tax

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

Rm	Notes	2023	2022
South African current tax:			
– Current year		**389**	244
– Prior year		**10**	(2)
South African deferred tax:			
– Current year	14	**(56)**	40
– Rate change	14	**–**	(2)
– Prior year	14	**1**	(4)
		344	276
Foreign tax:			
– Current		**17**	20
– Deferred	14	**(2)**	(3)
Tax charge per the statement of profit or loss		**359**	293
		%	%
Tax rate reconciliation			
South African normal tax rate		**27,0**	28,0
Movement in rate of tax due to:			
– Dividend income		**(0,1)**	–
– Non-taxable income			
– Fair value remeasurement gain on investment at fair value through profit or loss		**–**	(0,2)
– Fair value remeasurement gain on option contracts		**(1,2)**	(1,8)
– Fair value remeasurement gain on contingent consideration		**–**	(0,1)
– Other non-taxable income and special deductions[1]		**(0,8)**	(0,5)
– Gain on reclassification from other comprehensive income		**(0,2)**	–
– Research and development allowance		**(0,6)**	(1,0)
– Disallowable expenses			
– Share-based payment expense transactions		**0,2**	0,2
– Loss on disposal of subsidiary		**0,7**	–
– Consulting fees		**0,2**	0,5
– Legal fees		**–**	0,1
– Other disallowable expenses[2]		**0,7**	1,0
– Effect of foreign tax rates[3]		**(0,3)**	(0,5)
– Deferred tax asset not recognised in loss-making subsidiaries		**1,0**	0,2
– Previously unrecognised tax losses used to reduce tax expense		**–**	(0,3)
– Prior year tax		**0,8**	(0,5)
– Other[4]		**–**	(0,2)
Effective rate of tax		**27,4**	24,9

1 *Includes profit on disposal of property, plant and equipment and intangible assets and learnership allowances.*
2 *Includes disallowable expenses such as tax limitation on interest, donations and financial guarantee.*
3 *The South African tax rate is used to adjust the effect of tax in other jurisdictions.*
4 *Includes withholding taxes, capital gains taxes, tax rate changes and securities transfer taxes.*

5. Tax (continued)

The Group has total tax losses available to be offset against future taxable income of R272 million (2022: R379 million). Of the R272 million tax losses, R5 million relates to foreign subsidiaries. Refer to note 14, Deferred tax assets and liabilities for the determination of whether deferred tax assets are recognised.

R154 million (2022: R323 million) of the tax losses (Rnil (2022: R3 million) related to foreign subsidiaries) have been considered in the raising of R42 million (2022: R86 million) of the deferred tax asset.

Judgement is applied in determining whether deferred tax assets are recognised on tax losses. Deferred tax assets are recognised only if there is convincing evidence that there will be sufficient taxable profits in future years to recover the assets. The Group has concluded that the deferred tax assets recognised on tax losses will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the various entities.

The Group has capital gains tax losses of R123 million (2022: R104 million) which can be offset against future capital gains. However, as the timing of any such offset is uncertain, no deferred tax asset has been recognised.

6. Number of shares and earnings used to calculate earnings per ordinary share

Rm	2023	2022
Weighted average number of ordinary shares in issue, net of empowerment and treasury shares[1], for basic earnings and headline earnings per share (millions of shares)	**159**[2]	159[2]
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**2**	1
Weighted average number of ordinary shares for diluted basic and diluted headline earnings per share (millions of shares)	**161**	160
Profit for the year attributable to equity holders of Reunert (earnings used to determine earnings per ordinary share and diluted earnings per share)	**919**	827

[1] The empowerment shares relate to Reunert Limited shares held by Bargenel Investments (Pty) Ltd. The treasury shares relate to shares held by the Group's treasury company Julopro (Pty) Ltd. These entities are consolidated by the Group.

[2] The Group has elected to treat the 2 346 930 shares (2022: 2 346 930) under the equity forward contract as issued shares, not treasury shares, for purposes of calculating earnings per share.

7. Dividends

Rm	2023	2022
Ordinary dividends paid:		
– Final 2022 – 224 cents per ordinary share (2021: 207 cents per ordinary share)	**414**	383
– Interim 2023 – 83 cents per ordinary share (2022: 75 cents per ordinary share)	**154**	139
– Attributable to Reunert shares held by a special purpose entity	**(74)**	(56)
– Attributable to Reunert shares held by a subsidiary	**(5)**	(16)
	489	450
Ordinary dividends declared:		
– Final 2023 – 249 cents per ordinary share (2022: 224 cents per ordinary share)	**461**	414
– Attributable to Reunert shares held by a special purpose entity	**(60)**	(54)
– Attributable to Reunert shares held by a subsidiary	**(4)**	(3)
	397	357

8. Headline earnings per share

Rm	Notes	2023	2022
Profit attributable to equity holders of Reunert		**919**	827
Headline earnings are determined by eliminating the effect of the following items from attributable earnings:			
– Impairment of non-financial assets		**9**	–
Intangible assets		**9**	–
Tax effect		**–**	–
– Loss on disposal of subsidiary		**33**	–
– Net profit on disposal of non-financial assets		**(4)**	(1)
Property, plant and equipment and intangible assets		**(5)**	(1)
Tax effect		**1**	–
Headline earnings		**957**	826
Headline earnings per share (cents)	6	**602**	519
Diluted headline earnings per share (cents)	6	**594**	516

Headline earnings have been determined in terms of Circular 1/2023 Headline Earnings issued by The South African Institute of Chartered Accountants.

9. Property, plant and equipment, right-of-use assets and investment property

The Group's portfolio of property, plant and equipment includes furniture, computer equipment, vehicles, freehold and leasehold owner-occupied land and buildings, plant and equipment (herein referred to as property, plant and equipment) and investment properties. Furniture and computer equipment are included in the plant and equipment, vehicles column in the table below.

Property, plant and equipment includes both owned property and right-of-use assets for properties leased by the Group.

The Group holds various property assets which are held to earn external rental income and for capital appreciation which have been classified as investment property. Those properties held for use by the Group in the supply of goods, services or for administration purposes are classified as owner occupied properties.

All property, plant and equipment, including investment property, is initially recognised at cost. Cost being the purchase price plus the incidental costs to prepare these assets for their intended use. They are subsequently measured at cost less accumulated depreciation and impairment. Land is not depreciated and is stated at cost less accumulated impairment losses.

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.

The Group's EE and AE Segments are highly capital intensive where parts of property, plant and equipment require replacement at regular intervals. The carrying amount of an item of property, plant and equipment includes the cost of replacing the part when that cost is incurred, if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. The carrying amounts of the parts replaced are derecognised on capitalisation of the cost of the replacement part. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately where it has an estimated useful life that differs from that of the item as a whole.

Current capital projects under construction and not yet available for use in the AE Segment and EE Segment are classified as work in progress assets.

Work in progress is carried at cost and is not depreciated. Depreciation commences once the assets are available for use as intended by management.

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

Depreciation is calculated on a straight-line basis over the estimated useful lives which represents the expected pattern of consumption of the future benefits of property, plant and equipment and investment property 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.

9. Property, plant and equipment, right-of-use assets and investment property (continued)

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 its value in use.

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.

Right-of-use assets

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

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

The right-of-use assets are initially measured at:

> the present value of the future lease payments at the commencement date, discounted by the incremental borrowing rate; and
> any initial direct costs incurred.

Leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Group.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Right-of-use assets are assessed for impairment according to the impairment requirements of IAS 36 – Impairment of Assets (IAS 36), which requires that right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Lease modifications are defined as a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease. The Group differentiates between scenarios resulting in the remeasurement of existing lease assets and lease liabilities that are not lease modifications (for example, a change in lease term resulting from the exercise of an option to extend the lease when that option was not included in the original lease term) and those resulting in a lease modification (for example, a change in the lease term resulting from changes to the terms and conditions of the original lease). These lease modifications are mainly in the ICT Segment in relation to leases of multi functional printers (MFP's).

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

9. Property, plant and equipment, right-of-use assets and investment property (continued)

Right-of-use assets (continued)

A lease modification is accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration paid for the lease increases by an amount commensurate with the stand alone price for the increase in scope.

For lease modifications that do not result in a separate lease, the existing lease liability is remeasured using a discount rate determined at the effective date of the modification.

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

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

Rm	Owner-occupied freehold land and buildings	Owner-occupied leasehold buildings	Plant and equipment, vehicles	Capital work in progress	Total property plant equipment	Investment property
2023						
Cost	216	83	1 829	61	2 189	25
Accumulated depreciation and impairments	61	13	1 227	–	1 301	–
Net carrying amount as at 1 October 2022	155	70	602	61	888	25
Impact on the statement of cash flows						
Acquisition of businesses	–	3	16	–	19	–
Additions – Expansion	2	1	126	59	188	–
Additions – Replacement	3	1	66	45	115	–
Depreciation	(8)	(4)	(121)	–	(133)	–
Disposals – Cost	(15)	–	(79)	–	(94)	–
Disposals – Accumulated depreciation	1	–	68	–	69	–
Disposal of subsidiary – Cost	–	–	(249)	(54)	(303)	–
Disposal of subsidiary – Accumulated depreciation	–	–	32	–	32	–
Transfers						
Transfer from inventory	–	–	22	–	22	–
Transfer between categories	9	–	38	(38)	9	(9)
Exchange rate difference	–	(14)	–	(3)	(17)	–
Cost	215	77	1 786	70	2 148	16
Accumulated depreciation and impairments	68	20	1 265	–	1 353	–
Net carrying amount as at 30 September 2023	147	57	521	70	795	16

9. Property, plant and equipment, right-of-use assets and investment property (continued)

Right-of-use assets (continued)

Rm	Owner-occupied freehold land and buildings	Owner-occupied leasehold buildings	Plant and equipment, vehicles	Capital work in progress	Total property plant equipment	Investment property
2022						
Cost	258	65	1 720	61	2 104	23
Accumulated depreciation and impairments	59	8	1 179	–	1 246	–
Net carrying amount as at 1 October 2021	199	57	541	61	858	23
Impact on the statement of cash flows						
Acquisition of businesses	–	–	1	–	1	–
Additions – Expansion[1]	–	1	88	38	127	–
Additions – Replacement[1]	–	–	36	–	36	3
Depreciation	(10)	(3)	(109)	–	(122)	–
Disposals – Cost[2]	(42)	–	(93)	(5)	(140)	(1)
Disposals – Accumulated depreciation[2]	8	–	87	–	95	–
Transfers					–	
Transfers from/(to) intangibles	–	–	1	(6)	(5)	–
Transfer from inventory	–	–	18	–	18	–
Transfer between categories	–	–	29	(29)	–	–
Exchange rate difference	–	15	3	2	20	–
Cost	216	83	1 829	61	2 189	25
Accumulated depreciation and impairments	61	13	1 227	–	1 301	–
Net carrying amount as at 30 September 2022	155	70	602	61	888	25

[1] The additions line has been re-presented to disaggregate gross additions and the associated accumulated depreciation. There has been no remeasurement of the prior year amounts.

[2] The disposals line has been re-presented to disaggregate gross disposals and the associated accumulated depreciation. There has been no remeasurement of the prior year amounts.

Summary of right-of-use assets

Rm	2023	2022
Cost	**328**	280
Accumulated depreciation and impairments	**198**	134
Net carrying amount as at 1 October	**130**	146
Impact on the statement of cash flows		
Acquisition of businesses	**83**	–
Depreciation	**(95)**	(79)
Capitalised right-of-use assets	**149**	64
Disposal of subsidiary	**(4)**	–
Exchange rate difference	**–**	(1)
Cost	**556**	328
Accumulated depreciation and impairments	**293**	198
Net carrying amount as at 30 September	**263**	130

9. Property, plant and equipment, right-of-use assets and investment property (continued)

Summary of right-of-use assets (continued)

Classes of right-of-use assets

	Carrying amount		Depreciation	
Rm	**2023**	2022	**2023**	2022
Properties	**208**	72	**69**	55
Plant	**52**	52	**24**	22
Motor vehicles	**2**	6	**2**	2
Equipment	**1**	–	**–**	–
	263	130	**95**	79

Notes:

1. The fair value of the Group's investment property at 30 September 2023 (level 3 in the fair value hierarchy) has been determined on the basis of valuations carried out at 30 September 2022 by Propval Property Valuation Services (Pty) Ltd (Propval), independent valuers who are not a related party to the Group. Propval is a member of the South African Institute of Valuers and has the appropriate qualifications and the relevant experience to value the nature and type of investment properties being valued.

   The fair value of the Group's freehold investment property amounted to R21 million (2022: R26 million) at 30 September 2023.

2. Useful lives per category and segment:

	EE	ICT	AE	Other
Owner-occupied leasehold buildings	50 years	6 years	5 – 6 years	–
Owner-occupied freehold buildings	50 years	–	10 – 20 years	–
Plant and equipment and vehicles	3 – 20 years	3 – 10 years	3 – 30 years	5 – 20 years
Right-of-use assets[1]	2 – 5 years	2 – 6 years	2 – 5 years	4 years
Investment property	–	–	–	20 – 50 years

[1] *The lease term equates with the useful life of the asset.*

Rm	**2023**	2022
3. Rental agreements with customers		
Gross carrying amount of assets under operating leases	**43**	32
Accumulated depreciation	**(11)**	(14)
	32	18

Land and buildings

No purchase option exists in the leases to third parties. Renewal options are included in the leases for periods between one and three years and with escalations between the consumer price index and 10%.

No subleasing or alterations are allowed without Reunert's prior consent.

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 normal margins exists.

10. Intangible assets

The Group's significant intangible assets are held mainly in the AE and ICT Segments.

The Group holds various types of intangible assets including computer software, customer lists, model designs and prototypes, capitalised development costs, brand names, copyright and developed intellectual property which are held as strategic assets with the intention to generate future revenue therefrom.

Intangible assets are accounted for in accordance with the requirements of IAS 38 – Intangible Assets (IAS 38) and accordingly intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The Group applies the principles of IAS 38 in the determination of whether the costs incurred for internally generated intangibles assets are capitalised or not. Development costs are the costs where research findings are applied to a plan or design for the production of new or substantially improved product or processes. These costs are capitalised only if and when it results in an asset that can be identified, it is probable that the asset will generate future economic benefits (i.e. the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development) and these development costs can be reliably measured.

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 the criteria outlined above have not been met, no internally generated intangible asset can be recognised and the related development expenditure is recognised in the statement of profit or loss in the period in which it is incurred.

The Group considers expenditure solely on research activities such as costs incurred with the prospect of gaining new scientific or technical knowledge and understanding as an expense and does not capitalise such costs. These costs are recognised as an expense in the period in which they are incurred.

Intangible assets acquired in a business combination such as customer lists and order books are recognised separately from goodwill. These intangible assets are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, being the acquisition date fair value, less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

Work-in-progress are assets under construction or development which are not yet available for use.

These assets are carried at cost and are not amortised but are tested for impairment at each reporting date. Amortisation commences once the assets are available for use as intended by management.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from their use.

The gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in profit or loss when the intangible asset is derecognised.

Intangible assets are assessed for impairment when 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 its value in use.

10. Intangible assets (continued)

Useful lives of intangible assets

Intangible assets held by the Group with finite useful lives are amortised on a straight-line basis, with the exception of those held at the Group's tactical communication business which applies a units of production method to the asset class "models, designs and prototypes" as this is more reflective of the consumption pattern of the expected future economic benefits.

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 following judgements and estimates have been used in assessing the useful lives of intangible assets

Customer lists

The value and useful lives of customer lists acquired in an acquisition is based on both contractual and non-contractual customer relationships. In its annual review of the carrying amount of these assets, the Group considered various factors including the duration and value of ongoing customer contracts, historical customer retention information and the length of time the customer has been serviced by the Group. Judgement was applied in estimating the following significant factors in determining the carrying amount and useful lives of customer lists:

- Expected willingness of related customers 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.

All intangible assets with finite lives are subject to amortisation in accordance with the useful lives below.

	EE	ICT	AE	Other
Computer software	3 – 5 Years	1 – 5 Years	2 – 10 Years	10 Years
Customer lists and orderbooks	–	3 – 10 Years	2 – 3 Years	–
Models, designs and prototypes	–	–	2 – 10 Years	–
Other intangibles	10 Years	10 Years	2 – 10 Years	58 Years

10. Intangible assets (continued)

Rm	Computer software	Customer lists and orderbooks	Models designs and prototypes	Other intangibles	Total
2023					
Cost	**183**	**183**	**211**	**280**	**857**
Accumulated amortisation and impairments	**97**	**57**	**64**	**144**	**362**
Net carrying amount as at 1 October 2022	**86**	**126**	**147**	**136**	**495**
Impact on the statement of cash flows					
Acquisition of businesses	**8**	**362**	**12**	**69**	**451**
Additions – Expansion	**2**	**–**	**5**	**42**	**49**
Additions – Replacement	**3**	**–**	**–**	**–**	**3**
Amortisation	**(21)**	**(41)**	**(9)**	**(26)**	**(97)**
Disposals – Cost	**(2)**	**–**	**–**	**(15)**	**(17)**
Disposals – Accumulated amortisation	**2**	**–**	**–**	**13**	**15**
Disposal of subsidiary – Cost	**(9)**	**–**	**–**	**–**	**(9)**
Disposal of subsidiary – Accumulated amortisation	**6**	**–**	**–**	**–**	**6**
Transfer between categories	**–**	**(8)**	**–**	**8**	**–**
Impairment	**–**	**–**	**–**	**(9)**	**(9)**
Cost	**191**	**572**	**250**	**371**	**1 384**
Accumulated amortisation and impairments	**116**	**133**	**95**	**153**	**497**
Net carrying amount as at 30 September 2023	**75**	**439**	**155**	**218**	**887**
2022					
Cost	173	161	194	239	767
Accumulated amortisation and impairments	92	41	60	130	323
Net carrying amount as at 1 October 2021	81	120	134	109	444
Impact on the statement of cash flows					
Acquisition of businesses	–	24	–	–	24
Additions – Expansion	12	–	19	34	65
Additions – Replacement	1	–	–	–	1
Amortisation	(17)	(21)	(3)	(11)	(52)
Transfer from/(to) property, plant and equipment	6	–	(1)	–	5
Transfer between categories	2	3	(2)	(3)	–
Exchange rate difference	1	–	–	7	8
Cost	183	183	211	280	857
Accumulated amortisation and impairments	97	57	64	144	362
Net carrying amount as at 30 September 2022	86	126	147	136	495

Through the acquisition of IQ Business group during the current financial year, the Group recognised customer lists of R303 million at acquisition date. The average remaining useful life of these intangibles is 8,75 years as at 30 September 2023.

Other intangibles consists of:

Rm	2023	2022
Developed intellectual property for generation of future revenue	**72**	88
Brand names	**52**	3
Capitalised research and development costs	**58**	32
Purchased intangible assets through business acquisitions	**8**	13
Lease right	**28**	–
	218	136

11. Goodwill

Goodwill arises from a business combination and is measured as the sum of the consideration transferred to the seller, plus the amount of any non-controlling interests recognised through the transaction, and the fair value of the Group's previously held equity interest in the acquiree, if any, less the net of the acquisition date fair value of the identifiable assets acquired (including any intangible assets) and the fair value of any liabilities and contingent liabilities assumed.

Rm	2023	2022
Carrying amount as at 1 October	960	934
Disposal of subsidiary	(88)	–
Acquisition of businesses	314	26
Carrying amount as at 30 September	**1 186**	960

Goodwill impairment testing

The recoverable amount of the cash generating units (CGUs) to which goodwill is attributable is determined as the higher of their fair value (realisable value) less costs to sell or value in use. Value in use is determined by discounting expected future cash flows covering a discrete five-year period and then incorporating a terminal value for the CGUs.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

Judgements

Management uses projections covering periods up to five years and considers these to be appropriate based on the long-term nature of the Group's infrastructure and operating model. The required cash flow forecasts are the most recent financial budget and forecasts prepared by management. The most recent financial budget is the Group's 2024 budget approved by the Board in August 2023. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Estimates and assumptions

Management calculates discount rates to derive pre-tax discount 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 generally consistent with the long-term average growth rates for each of the markets in which the respective CGU operated except for certain CGU's operating in industries experiencing high demand and others that are impacted by secured customer contracts.

CGUs have been determined at the lowest level of activity which results in cash flows considered largely independent from other activities generating separate cash flows. These are at a business unit level, being the level at which Group segment executive management monitors and evaluates the results of performance against pre-determined targets.

The discount rates and terminal growth rates were determined as follows:

> The initial discount rate used is the weighted average cost of the different components of capital, being debt and equity (WACC). This is consistent with international best practice and covers the different industries in which the Reunert Group operates. This initial discount rate is then converted to the pre-tax discount rate as required by IAS 36 using an appropriate methodology.

> The terminal growth rate is calculated using the forecast South African consumer price index (CPI) as a basis and thereafter adjusted for various risk factors. This is used to extrapolate the cash flow projections beyond the period covered of 5 years.

11. Goodwill (continued)

Goodwill impairment testing (continued)

Estimates and assumptions (continued)

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

	Measurement currency	**Discount rate (pre-tax) 2023 %**	Discount rate (pre-tax) 2022 %	**Terminal growth rate 2023 %**	Terminal growth rate 2022 %	**Net carrying amount 2023 Rm**	Net carrying amount 2022 Rm
Significant CGUs							
ICT							
Nashua Office Automation	ZAR	**24,1**	22,3	**4,0**	4,0	**199**	199
Quince Capital	ZAR	**12,3**[2]	22,3	**4,0**	4,0	**124**	124
ECN	ZAR	**19,8**	18,7	**4,0**	4,0	**140**	140
SkyWire	ZAR	**19,2**	18,2	**4,0**	4,0	**170**	170
+OneX	ZAR	**22,4**	21,3	**4,0**	4,0	**64**	40
IQ Business	ZAR	**21,1**	–	**4,0**	–	**267**	–
AE							
Omnigo	ZAR	**22,6**	21,8	**4,0**	4,0	**40**	40
Terrafirma Solutions	ZAR	**18,7**	18,3	**4,0**	4,0	**–**	88
Nanoteq	ZAR	**22,3**	21,2	**4,0**	4,0	**69**	69
Blue Nova Energy	ZAR	**23,2**	21,2	**4,0**	4,0	**53**	53
Etion Create	ZAR	**24,6**	–	**4,0**	–	**18**	–
						1 144	923
Other[1]	ZAR	**20,7 – 22,9**	18,8 – 23,9	**4,0**	4,0	**42**	37
Net carrying amount as at 30 September						**1 186**	960
Gross goodwill carrying amount						**1 328**	1 102
Less: accumulated impairment						**(142)**	(142)

[1] *This consists of the aggregate of individual immaterial goodwill balances across all segments above.*
[2] *Due to changes in gearing. Had no gearing been applied in the current year, no impairment would arise.*

Additions to Goodwill

During the current financial year, goodwill increased by R314 million due to the acquisition of Etion Create, IQ Business group, CBi Apollo Africa (Pty) Ltd and acquisitions of businesses in the +OneX group. Refer to note 28, Acquisition of businesses, for more details.

Sensitivities

Sensitivity testing was performed for those entities where there was a limited headroom between the value in use and the carrying amount of the underlying asset to assess the impact of changes in key assumptions on the available headroom. The sensitivity analysis assesses the consequence of a 5% reduction in the forecast revenue on the cash flow forecasts, without factoring in any management actions required from this decrease in revenue, and also assesses the consequence of the discount rates being increased by 1%.

The results of the sensitivities are outlined below:

SkyWire (Pty) Ltd (SkyWire)

An impairment of R32 million would be required for SkyWire if revenue forecasts were to be reduced by 5%, i.e a 95% achievement.

No impairment would be required if the discount rate was to be increased by 1%.

Omnigo (Pty) Ltd (Omnigo)

An impairment of R17 million would be required for Omnigo if revenue forecasts were to be reduced by 5%, i.e. a 95% achievement. An impairment of R2 million would be required if the discount rate was to be increased by 1%.

No other impairments would arise based on the application of the sensitivity analysis for revenue growth and discount rates.

11. Goodwill (continued)

2022

If revenue forecasts had been reduced by 5%, i.e. a 95% achievement, an impairment of R70 million would have been required for Skywire and R16 million for Omnigo.

If the discount rates had been increased by 1%, an impairment of R7 million would have been required for Skywire and R0,5 million for Omnigo.

If the terminal growth rates were decreased by 1%, no impairment would be required.

12. Lease and loan receivables

Loan receivables

Loan receivables are the present value of the rentals acquired by Quince Capital (Pty) Ltd (Quince) from non-owned Total Workspace Provider (Nashua) franchises and dealers which are classified as financial assets held at amortised cost.

Lease receivables

The finance lease receivables (before ECL) comprise the present value of rental agreements discounted at the interest rate implicit in the agreement and arise mainly from the Nashua owned franchises.

Amounts due from lessees under a lease are recognised as receivables at the amount of the Group's net investment in the lease. The difference between the gross receivables and the present value of the net investment in the lease represents unearned finance income.

Interest received from a lease 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 lease. The weighted average effective interest rate, taking into account the blend of fixed and variable rates charged on the portfolio, is 16,39% (2022: 14,79%).

Judgements applied in the classification of lease receivables

The group as a lessor

These rentals are classified as finance leases between the customer and the Nashua owned franchise.

The 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.

Judgement applied in the classification of the franchise lease receivable cash flow between operating and financing activities

The Group applies judgement in determining the classification of cash received from lease receivables. The Group controlled franchises recognise revenue on these lease contracts and subsequently collects the related cash flows from the lease receivables. This is considered in nature to be cash flows arising from the ordinary day to day business activities of the franchise and consequently these cash flows are classified in operating activities.

The revenue related to these rental transactions amounted to R135 million (2022: R138 million). This amount is included in the ICT Segment revenue in note 1, Revenue.

Lease modifications

IFRS 16 – Leases (IFRS 16) requires a lessor, like a lessee, to account for a modification to a lease as a separate lease if the modification increases the scope of the lease by adding the right for the lessee to use one or more underlying assets and the consideration receivable for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

The applicability of the lease modifications within the Group arises mainly in the ICT Segment where electronic equipment is leased to customers. For modifications to a lease that are not accounted for as a separate lease, the Group reassesses the lease classification as if the modified terms were in effect at inception.

If the lease would have been classified as an operating lease had the modified terms been in effect at the inception date, the Group accounts for the lease modification as the termination of the original lease and the creation of a new lease effective on the date of the modification and measures the carrying amount of the underlying asset as the net investment in the original lease immediately before the effective date of the lease modification.

If the contract meets the definition of a lease, the Group subsequently measures the lease under the requirements of IFRS 9. The Group determines whether the modification is substantial i.e. whether the cash flows of the original financial asset and the modified or replacement financial asset are to a large extent different.

12. Lease and loan receivables (continued)

Lease modifications (continued)

A substantial modification results in derecognition of the original financial asset and the modified asset is recognised as a new asset, resulting in a gain or loss on modification. If the modification is not substantial, the original financial asset is remeasured and a modification gain or loss is recognised.

Analysis of lease and loan receivables

Rm	Collectible within one year – current	Collectible between 1 – 2 years	Collectible between 2 – 3 years	Collectible between 3 – 4 years	Collectible between 4 – 5 years	Collectible after 5 years	Total lease and loan receivables
2023							
Gross lease receivables	**315**	**233**	**166**	**87**	**40**	**–**	**841**
Unearned finance income	**(85)**	**(56)**	**(32)**	**(12)**	**(5)**	**–**	**(190)**
Net lease receivables before ECL	**230**	**177**	**134**	**75**	**35**	**–**	**651**
ECL	**(8)**	**(7)**	**(4)**	**(1)**	**(1)**	**–**	**(21)**
Net lease receivables	**222**	**170**	**130**	**74**	**34**	**–**	**630**
Loan receivables	**484**	**477**	**396**	**263**	**131**	**91**	**1 842**
ECL	**(32)**	**(29)**	**(24)**	**(17)**	**(8)**	**–**	**(110)**
Net loan receivables	**452**	**448**	**372**	**246**	**123**	**91**	**1 732**
Net lease and loan receivables	**674**	**618**	**502**	**320**	**157**	**91**	**2 362**
2022							
Gross lease receivables	317	223	137	74	29	–	780
Unearned finance income	(73)	(32)	(33)	(12)	(5)	–	(155)
Net lease receivables before ECL	244	191	104	62	24	–	625
ECL	(8)	(6)	(3)	(1)	(1)	–	(19)
Net lease receivables	236	185	101	61	23	–	606
Loan receivables	477	471	391	271	108	29	1 747
ECL	(21)	(25)	(18)	(12)	(6)	–	(82)
Net loan receivables	456	446	373	259	102	29	1 665
Net lease and loan receivables	692	631	474	320	125	29	2 271

The carrying amount of the lease and loan 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 agreements back to their carrying amounts.

12. Lease and loan receivables (continued)

Analysis of movement in loan receivables before ECL

Rm	Loan receivables 2023	Loan receivables 2022
Balance as at 1 October	**1 747**	1 921
Impact on statement of cash flows		
– Cash received from loan receivables	**(660)**	(766)
– Cash invested in loan receivables	**815**	793
– Cash received from sale of loan receivables	**(42)**	(162)
Utilisation of ECL	**(18)**	(39)
Balance as at 30 September	**1 842**	1 747

Assessment of ECL

Analysis of movement in the ECL

Rm	2023	2022
Carrying amount as at 1 October	**(101)**	(152)
Movement in the ECL		
(Raised)/released during the year through the statement of profit or loss	**(48)**	11
Utilised	**18**	40
Carrying amount as at 30 September	**(131)**	(101)

Credit risk management

Credit risk is managed through ongoing credit evaluations of the financial condition of the underlying customers. The granting of credit is controlled through appropriate credit vetting procedures on the credit application.

Concentrations of credit risk consist principally of loans to franchises and rental receivables. Credit concentration risk with respect to these is reduced due to the large number of customers underpinning these lease and loan receivables.

These customers are spread across various industry types and different geographical areas, the majority of which are in South Africa. The Group's fundamental principles to manage credit risk include:

- Adherence to the Group's lending philosophy;
- A clear definition of the Group's target market;
- A qualitative and quantitative assessment of the creditworthiness of the Group's counter-parties and security offered;
- Appropriate credit granting criteria;
- An analysis of related risks, including those associated with concentration;
- Proactive and regular monitoring of existing and potential exposures once the facilities have been approved;
- Active management of defaulting borrowers, with a primary focus on rehabilitation, complemented by efficient realisation of collateral in the event of continuing default, such that collateral value is protected and potential loss minimised;
- Legal transfer of the underlying rental agreement with the end-customers and legal ownership of the related assets is transferred from the franchise to Quince; and
- Appropriate recourse mechanisms where either 50% or 100% of any customer default can be recovered from the associated franchise or dealer.

The Group applies the IFRS 9 general approach to measuring expected credit losses (ECL) required in respect of lease and loan receivables.

This is first calculated by applying a historical loss ratio to the balance 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 payment profile of the population as at that date.

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

12. Lease and loan receivables (continued)

Credit risk management (continued)

Assumptions used in the assessment of ECL

The loss given default (LGD) rate used was obtained from the quoted recovery rate of the World Bank for South African debt of 65,8%. This remains the best independent and credible information available to estimate the expected LGD and results in an LGD of 68,8%.

In addition to the above, the following assumptions were used in estimating the ECL related to the general approach:

	2023	2022
Probability of default (PD)	**6,3%**	3,6%
Loss given default (LGD)	**68,8%**	63,2%
Exposure at default (EAD) – Amounts receivable at	**30 September**	30 September

Judgements and estimates used in the assessment of ECL

The ECL is based on assumptions about risk of default and expected loss rates. Judgement is required in making these assumptions based on the Group's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset 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, customers within specific industries likely to experience credit risk were categorised as stage 2 along with receivables that are 30 days overdue and receivables that are 90 days overdue are classified as stage 3.

Forward-looking information

The model ECL is derived by applying past due information to determine whether a significant increase in credit risk has occurred. In order to assess the impact of forward looking information, management used a South African credit bureau, Experian, to identify expected credit trends per sector and which industries were considered to be likely to experience future adverse credit risk. This resulted in an increase in the ECL considered for these riskier sectors. We note that no borrower specific information was applied in making this determination, and accordingly no credit risk concentration were identified.

Categorisation of stages

The following is a categorisation of the different stages in accordance with IFRS 9:

		Expected credit losses			
Rm	**Carrying amount before ECL**	**Stage 1**	**Stage 2**	**Stage 3**	**Net carrying amount after ECL**
September 2023	**2 493**	**(22)**	**(51)**	**(58)**	**2 362**
Lease receivables	**651**	**(5)**	**(11)**	**(5)**	**630**
Loan receivables	**1 842**	**(17)**	**(40)**	**(53)**	**1 732**
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

13. Trade and other receivables

Trade receivables comprise amounts due from customers across all three segments of the Group. The Group recognises the ECL on these receivables as set out below.

Refer to note 27, Financial instruments, for accounting policies relating to financial assets.

Rm	2023	2022
Trade and other receivables		
Trade receivables	**2 476**	2 255
Contract assets[1]	**275**	214
Prepayments and other receivables	**438**	370
ECL[2]	**(155)**	(165)
Net trade and other receivables[3]	**3 034**	2 674

[1] *Contract assets are derived mainly from the AE Segment comprising of the Group's Renewables and Defence entities. Refer to note 1, Revenue, for further details.*
[2] *The ECL for trade receivables amounts to R140 million (2022: R152 million) and contract assets R15 million (2022: R13 million).*
[3] *Refer to note 27, Financial instruments, for an analysis of trade and other receivables.*

Contract assets under IFRS 15

Rm	2023	2022
Carrying amount before ECL as at 1 October	**214**	122
Acquisition of businesses	**82**	–
Disposal of subsidiary	**(77)**	–
Raised	**325**	188
Recognised as trade receivables	**(269)**	(96)
Carrying amount before ECL	**275**	214
ECL	**(15)**	(13)
Net carrying amount as at 30 September	**260**	201

The increase in contract assets from prior year arose mainly from the commencement of performance on new customer contracts secured within the defence sector of the AE Segment.

The Group expects to invoice customers the balance of the contract assets in the 2024 financial year.

The movement in the ECL for the reporting period 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 in the year recovered.

Measurement of ECL

The Group has consistently applied the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss model for all trade receivables. The ECL is based on assumptions about risk of default and expected loss rates.

The Group has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit and payment history. A large portion of the Group's revenues are generated in South Africa, with the balance of the Group's revenue arising from sales to the rest of Africa, America, Australia, Asia and Europe. There are no other significant geographical concentrations of credit risk outside of South Africa. Management of the Group's business units regularly review the receivables age analysis and follows up on overdue receivables.

ECLs are calculated by using a provision matrix and applying a loss ratio to an age analysis of trade receivables and contracts. These have been aggregated into groupings that represent, to a large degree, how the Group manages its receivables and contract assets, major risk type and similarities in risk and this 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.

13. Trade and other receivables (continued)

Measurement of ECL (continued)

The historic loss ratio is then adjusted for forward-looking information which includes inflation, country GDP and interest rate. The historic write-offs are then assessed for a strong correlation against these economic factors to ascertain if an adjustment is required for these forward-looking expectations. Management typically considers trade receivables aged in excess of 90 days past due (where the excessive ageing is not caused by administrative delays that are within the control of the Group), and those handed over to the Group's attorneys for legal collection processes, to be in default and accordingly increase the allowance for ECL raised on these receivables. The ECL applied to trade receivables is set out below.

Analysis of trade receivables

Rm	Gross	ECL	Net	Average ECL ratio %
2023				
Insured trade receivables covered by trade credit insurance	**467**	**(1)**	**466**	**–**
Individuals/contractors and small businesses (SMMEs)	**477**	**(47)**	**430**	**10**
Mines/large businesses	**1 158**	**(51)**	**1 107**	**4**
State owned entities/government	**277**	**(31)**	**246**	**11**
Municipalities	**74**	**(10)**	**64**	**14**
Financial institutions	**23**	**–**	**23**	**–**
Total	**2 476**	**(140)**	**2 336**	**6**
2022				
Insured trade receivables covered by trade credit insurance	571	(3)	568	1
Individuals/contractors and small businesses (SMMEs)	411	(46)	365	11
Mines/large businesses	896	(60)	836	7
State owned entities/government	281	(28)	253	10
Municipalities	71	(15)	56	21
Financial institutions	25	–	25	–
Total	2 255	(152)	2 103	7

Credit quality of trade receivables

Trade receivables are written off when there is no progress in the legal collection processes undertaken and there is no reasonable expectation of recoverability. This is assessed individually by each operation.

Analysis of movement in the ECL

Rm	2023	2022
Carrying amount as at 1 October	**(165)**	(167)
(Raised)/released during the year through the statement of profit or loss	**(22)**	7
Utilised	**35**	6
Acquisition of businesses	**(14)**	–
Exchange rate difference	**11**	(11)
Carrying amount as at 30 September	**(155)**	(165)

13. Trade and other receivables (continued)

Aging of past due (the period after normal credit terms) but not impaired receivables classified into major risk types

Rm	Insured trade receivables covered by trade credit insurance	SMMEs	Mines/ large businesses	State owned entities/ government	Munici-palities	Total
2023						
1 – 30 days	**5**	**38**	**63**	**43**	**1**	**150**
31 – 60 days	**42**	**33**	**22**	**5**	**–**	**102**
61 – 90 days	**16**	**13**	**10**	**3**	**1**	**43**
90+ days	**22**	**19**	**98**	**13**	**10**	**162**
Total	**85**	**103**	**193**	**64**	**12**	**457**
2022						
1 – 30 days	43	24	33	20	1	121
31 – 60 days	7	5	8	5	2	27
61 – 90 days	3	–	12	2	1	18
90+ days	8	40	94	69	39	250
Total	61	69	147	96	43	416

14. Deferred tax assets and liabilities

The measurement of deferred tax assets and liabilities 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 tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except to the extent that the deferred tax liability arises from:

> the initial recognition of goodwill; or

the initial recognition of an asset or liability in a transaction which:

> is not a business combination;
> at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
> at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognised for incurred tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which they 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 recognised 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.

Movement in deferred tax

Rm	Note	2023	2022
Net liability as at 1 October		**(49)**	(13)
Current year release/(charge)	5	**58**	(37)
Deferred tax directly in equity		**12**	1
Prior years adjustments	5	**(1)**	4
Acquisition of businesses		**(85)**	(7)
Disposal of subsidiary		**(5)**	–
Tax rate change	5	**–**	2
Exchange rate differences		**–**	1
Net liability as at 30 September		**(70)**	(49)
Represented by:			
Deferred tax assets		**202**	151
Deferred tax liabilities		**(272)**	(200)
		(70)	(49)

14. Deferred tax assets and liabilities (continued)

Movement in deferred tax (continued)

Judgement is applied in determining whether deferred tax assets are recognised. Deferred tax assets are recognised only if there is convincing evidence that there will be sufficient taxable profits in future years to recover the assets.

The Group has concluded that the deferred assets recognised will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the various entities.

Analysis of deferred tax

Rm	2023	2022
Capital allowances	**(315)**	(250)
Provisions, impairments and accruals	**212**	152
Advance income offset by allowed future expenditure	**(18)**	(19)
Unused tax losses	**42**	86
Share-based payments	**34**	17
Translation losses on investment in foreign subsidiary in other comprehensive income	**(21)**	(21)
Unrealised forex gains	**(4)**	(14)
Net liability as at 30 September	**(70)**	(49)

The unused tax losses of the Group include R58 million (gross amount) relating to entities which have incurred losses over the last two financial years. These relate to carried forward tax losses.

The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these entities. These entities are expected to generate taxable income from 2024 onwards. These losses can be carried forward indefinitely and have no expiry date.

15. Inventory

Inventory comprises raw materials (including component parts used in the process of manufacture), finished goods (completed products including energy and telecommunications cables, low voltage products, office automation, radars, fuzes and communication systems) and work in progress (cost of raw materials, components, goods and other overheads consumed in the manufacturing process to produce finished goods). Merchandise comprises inventory purchased from suppliers in its finished state, which is re-sold by the Group as part of its product and service offerings.

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the following bases:

> First-in, first-out (predominantly in the EE Segment);
> Weighted average (predominantly in the AE Segment); or
> Standard cost (in the ICT, EE and AE Segments).

Standard costs 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 impaired to its estimated net realisable value. Consumables are written down with regard to their age, condition and utility.

15. **Inventory** (continued)

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

Rm	2023	2022
Raw materials, components and consumables	**936**	722
Finished goods	**537**	555
Merchandise	**186**	154
Work in progress	**771**	802
Carrying amount before allowance for slow-moving and obsolete inventory	**2 430**	2 233
Allowance for slow-moving and obsolete inventory	**(192)**	(154)
Net carrying amount at 30 September	**2 238**	2 079

16. Net cash and cash equivalents

The Group considers the following in its composition of cash and cash equivalents: cash on hand, deposits held at call with financial institutions, bank overdrafts and other short-term borrowings.

Rm	2023	2022
Cash and cash equivalents[1]	**1 298**	957
Bank overdrafts and other short-term borrowings	**(127)**	(598)
Bank overdrafts[1, 2]	**–**	(67)
Other short-term borrowings[2]	**(127)**	(531)
Net cash and cash equivalents per statement of cash flows	**1 171**	359

1 *Included in net cash and cash equivalents are foreign denominated bank balances. These amounts are reflected in the table above in Rand, being the foreign denominated amount converted at the year-end exchange rates.*

2 *These amounts include overdraft and overnight call facilities with major financial institutions. These amounts form an integral part of the Group's cash management and are considered to form part of net cash and cash equivalents.*

In the current financial year, the Group entered into a long-term funding arrangement with its lenders. The objective of the funding arrangement was to facilitate a sustainable capital and debt structure for the Group based on the Group's strategic objectives as well as to ensure the Group has adequate funding capacity to meet its investment and working capital requirements. This arrangement includes a five year term debt facility, a five year revolving credit facility and general banking facilities all under a Common Terms Agreement. Further details have been disclosed in note 18, Borrowings and lease liabilities.

Foreign denominated balances included in cash and cash equivalents in Rand

Rm	2023	2022
US Dollars	**326**	95
Euros	**159**	60
Other	**53**	5
Total	**538**	160
Foreign denominated balances included in bank overdrafts in Rand		
US Dollars	**–**	(54)

17. Share capital

Equity instruments

An equity instrument is considered to be any contract that evidences a residual interest in the Group's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of any direct costs incurred on the issue. Equity is not subsequently remeasured.

Empowerment shares

Empowerment shares are equity instruments in Reunert Limited which are held by Bargenel Investments (Pty) Ltd (Bargenel), the Group's empowerment vehicle which is fully consolidated by the Group. As required under IFRS 2 Share-based Payments (IFRS 2), should shares be issued by this vehicle, the cost of these shares will be charged to profit or loss.

Treasury shares

Treasury shares are equity instruments of Reunert Limited that are held by a subsidiary of the Group.

The repurchase of Reunert Limited's own equity instruments is recognised as a deduction from equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of its own equity instruments.

Authorised share capital

235 000 000 ordinary shares of no par value (2022: 235 000 000)

Issued share capital

Number of shares	**2023**	2022
Ordinary shares of no par value		
As at 1 October	**184 969 196**	184 969 196
As at 30 September	**184 969 196**	184 969 196

Rm	**2023**	2022
As at 1 October	**389**	389
As at 30 September	**389**	389
Empowerment shares[1]		
Reunert shares held by Bargenel: 24 049 076 (2022: 24 049 076)	**(554)**	(554)
Treasury shares[2]		
Reunert shares held by a subsidiary: 1 483 748 (2022: 1 483 748)	**(169)**	(169)
Share-based payment reserves		
As a result of IFRS 2 Share-based payments		
As at 1 October	**216**	219
In terms of the CSP	**36**	17
Shares acquired for the CSP	**(4)**	(6)
Expenses arising from share-based payment transactions	**–**	(3)
Transfer to retained earnings	**(15)**	(11)
As at 30 September	**233**	216

[1] *This is the cost of Reunert Limited shares held by Bargenel. The underlying structure is considered to be controlled by Reunert Limited for accounting purposes and is thus consolidated.*

[2] *No ordinary Reunert shares were bought back in the open market and held by a subsidiary during the current financial year. 1 483 748 shares are held by the Group's treasury company. In 2022, 5 549 076 shares were transferred to Bargenel in order to establish the Employee Share Ownership Plan as approved by the shareholders at the February 2022 AGM.*

17. **Share capital** (continued)

Conditional Share Plan

The Conditional Share Plan (CSP) introduced in 2012 governs the allocation of options for Reunert ordinary shares at a stated price of Rnil, under two broad schemes:

> a performance scheme, granted only to selected senior Group and business unit executives; and
> a retention scheme, granted to selected senior Group and business unit executives and specialist (key) employees.

These schemes are equity settled share-based payments.

The measurement criteria for the vesting of options issued under the performance scheme granted up to November 2018 are an equal combination of real growth in normalised headline earnings per share (NHEPS) and total shareholder return (TSR). These performance units vest four years from grant date.

The measurement criteria for the vesting of options issued under the performance scheme granted from November 2019 are a combination of real growth in NHEPS (50% weighting), TSR (25% weighting) and return on capital employed (ROCE) (25% weighting). These performance units vest four years from grant date.

No performance conditions are attached to the retention options. 50% of the retention options issued vest after four years from the date of issue and the remaining 50% after five years, with the sole condition being the recipient must remain within the employ of the Reunert Group.

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. Both valuations are undertaken by an external valuation expert.

Judgement is required in assessing the factors that impact the annual share-based payments expense to be charged to statement of profit or loss.

This judgement is exercised by determining the probability of units vesting in terms of the performance schemes in as far as the attainment of the NHEPS and ROCE targets are concerned. The judgements include assessing the expected forecasted share price, dividend yield, risk-free interest rate, consumer price index and the comparative performance of the companies 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 by applying an initial unit valuation to the number of units expected to vest which is then applied evenly over the vesting period 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 and ROCE growth) are reassessed annually, NHEPS by an independent valuation expert and ROCE is determined by management using the latest budget approved by the Board and a long-term forecast prepared by management, 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 remeasure the cost to be charged to profit or loss over the vesting period.

17. Share capital (continued)

Conditional Share Plan (continued)

	Fair value per unit on inception R	Number of unvested units at the beginning of the year Thousands	Units granted during the year Thousands	Units vested during the year[1] Thousands	Units expired/ forfeited during the year Thousands	Number of unvested units at the end of the year Thousands
2023						
Issued on 20 November 2017						
Key – retention	**47,21**	**42**	**–**	**(42)**	**–**	**–**
Issued on 19 November 2018						
Key – retention	**59,25**	**77**	**–**	**(33)**	**(2)**	**42**
Executive – performance	**50,46**	**775**	**–**	**(19)**	**(756)**	**–**
Issued on 10 February 2020						
Key – retention	**31,05**	**69**	**–**	**–**	**(2)**	**67**
Executive – performance	**28,18**	**921**	**–**	**–**	**(61)**	**860**
Issued on 30 September 2020						
Key – retention	**18,56**	**72**	**–**	**–**	**(2)**	**70**
Executive – performance	**18,04**	**1 971**	**–**	**–**	**(157)**	**1 814**
Issued on 22 November 2021						
Key – retention	**30,65**	**88**	**–**	**–**	**(2)**	**86**
Executive – performance	**27,75**	**1 339**	**–**	**–**	**(88)**	**1 251**
Issued on 24 November 2022						
Key – retention	**31,93**	**–**	**98**	**–**	**–**	**98**
Executive – performance	**32,06**	**–**	**1 663**	**–**	**(80)**	**1 583**
Total		**5 354**	**1 761**	**(94)**	**(1 150)**	**5 871**
2022						
Issued on 21 November 2016						
Key – retention	49,57	38	–	(38)	–	–
Issued on 20 November 2017						
Key – retention	47,21	95	–	(49)	(4)	42
Executive – performance	44,10	862	–	(43)	(819)	–
Issued on 19 November 2018						
Key – retention	59,25	87	–	–	(10)	77
Executive – performance	50,46	803	–	–	(28)	775
Issued on 10 February 2020						
Key – retention	31,05	76	–	–	(7)	69
Executive – performance	28,18	986	–	–	(65)	921
Issued on 30 September 2020						
Key – retention	18,56	80	–	–	(8)	72
Executive – performance	18,04	2 040	–	–	(69)	1 971
Issued on 22 November 2021						
Key – retention	30,65	–	93	–	(5)	88
Executive – performance	27,75	–	1 367	–	(28)	1 339
Total		5 067	1 460	(130)	(1 043)	5 354

[1] *During the financial year ended 30 September 2023, the 2018 executive performance and 50% of the retention scheme vested at a share price of R46,58.*

The valuations were performed by Lydia Greef (M.Sc. in Mathematics of Finance) of Financial Modelling Agency.

17. Share capital (continued)

Conditional Share Plan (continued)

The volatility of the return on the Company shares 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 %
February 2020					
Retention	58,95	24,52	4/5	7,40	The risk free rate for the key and executive options varies from 6,372% (year 1) to 6,639% (year 5) and is based on a yield curve bootstrapped from JIBAR, FRA and swap rates obtained from Bloomberg on 10 February 2020
Performance	58,95	24,52	4	7,40	
September 2020					
Retention	28,63	30,85	4/5	9,54	The risk free rate for the key and executive options varies from 3,300% (year 1) to 5,046% (year 5) and is based on a yield curve bootstrapped from JIBAR, FRA and swap rates obtained from Bloomberg on 30 September 2020
Performance	28,63	30,85	4	9,54	
2021					
Retention	51,46	34,65	4/5	6,40	The risk free rate for the key and executive options varies from 4,161% (year 1) to 6,292% (year 5) and is based on a yield curve bootstrapped from JIBAR as published at SAF, and the FRA and swap rates obtained from Bloomberg on 22 November 2021
Performance	51,46	34,65	4	6,40	
2022					
Retention	**44,95**	**34,69**	**4/5**	**6,88**	The risk free rate for the key and executive options varies from 7,600% (year 1) to 8,780% (year 5) and is based on a yield curve bootstrapped from JIBAR as published at SAF, and the FRA and swap rates obtained from Refinitiv on 24 November 2022
Performance	**44,95**	**34,69**	**4**	**6,88**	

18. Borrowings and lease liabilities

Borrowings

Borrowings are recognised initially at fair value including transaction costs incurred and are subsequently stated at amortised cost using the effective interest method.

In the current financial year, the Group entered into a long-term funding arrangement. This arrangement will facilitate a sustainable capital and debt structure for the Group based on the Group's strategic objectives and its investment and working capital requirements.

This arrangement includes a term debt facility, a revolving credit facility and a general banking facility (details disclosed below), all of which are governed by a Common Terms Agreement and accompanied by financial covenants which the Group is required to measure and report against on a semi-annual basis to the lenders.

The main objectives for entering into this arrangement were to:

> refinance the existing core general banking facilities with long-term debt;
> rationalise the banking limits applicable to the existing general banking facilities;
> centralise the Group's treasury function through its subsidiary Reunert Finance Company (Pty) Ltd;
> ensure all relationship banks participate on a *pari passu* basis and with equal recourse; and
> create the funding capacity for the Group to grow organically and through acquisitions.

The Group has complied with all the financial covenants relating to the long-term funding arrangement for the financial year ended 30 September 2023.

Funding details	Date obtained	Term	Interest terms	**2023 Rm**	2022 Rm
Term debt	30 September 2023	5 years, repayable 30 September 2028	3 month JIBAR plus 155 basis points	**750**	–
Revolving credit	30 September 2023	5 years from withdrawal	3 month JIBAR plus 155 basis points	**850**	–
General banking	30 September 2023	12 months with automatic renewal and 6 months notice period to cancel	2,0% – 2,25% below the prime overdraft rate	**650**	–

The Group has utilised R750 million of the term debt facility, R400 million of the revolving credit facility and Rnil of the general banking facility as at 30 September 2023.

Rm	**2023**	2022
Borrowings		
Total borrowings	**1 146**	78
Less: current portion	**–**	(7)
Non-current borrowings	**1 146**	71

The above borrowings are secured by Reunert Limited and Reunert Finance Company (Pty) Ltd (the Group's treasury company) having issued guarantees to the financial entities providing the financial facilities under the Common Terms Agreement. No further securities have been provided.

18. Borrowings and lease liabilities (continued)

Lease liabilities

Lease liabilities comprise of property related contracts and rental of fibre and fixed telecommunication lines in the ICT Segment. The increase from the prior year relates mainly to new and renewed contracts and additional lease liabilities raised through the acquisition of Etion Create (Pty) Ltd (Etion Create) and IQ Business group.

Lease liabilities are recognised for all leases unless the initial lease term is 12 months or less or the fair value of the underlying asset has a monetary threshold below R100 000 at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lessee's incremental borrowing rate; and any initial direct costs incurred.

Lease payments are allocated using the incremental borrowing rate implicit in the lease to determine the lease finance cost, which is charged to the statement of profit or loss over the term of the relevant lease, and the capital payment, which reduces the liability to the lessor. The weighted average borrowing rate in the current year was 11,8% (2022: 9,5%).

Rm	2023	2022
Lease liabilities		
Total lease liabilities	**329**	166
Less: current portion	**(129)**	(89)
Non-current lease liabilities	**200**	77
Amounts payable under leases		
Gross minimum lease payments	**366**	253
< 1 year	**141**	115
1 – 5 years	**201**	134
> 5 years	**24**	4
Less: future finance costs	**(37)**	(87)
< 1 year	**(12)**	(27)
1 – 5 years	**(23)**	(59)
> 5 years	**(2)**	(1)
Net minimum lease payments	**329**	166
< 1 year	**129**	88
1 – 5 years	**178**	75
> 5 years	**22**	3

The Group's obligations under the lease liabilities are secured by the lessors' title to the leased assets. The carrying amount of the assets under these lease agreements are R263 million (2022: R130 million).

During the current financial year, lease expenses related to low value assets and short-term leases amounted to R29 million (2022: R29 million).

18. Borrowings and lease liabilities (continued)

Analysis of liabilities

Rm	2023 Lease liabilities	2022 Lease liabilities	2023 Borrowings	2022 Borrowings
Reconciliation of liabilities				
Balance at 1 October	**166**	185	**78**	83
Impact on the statement of cash flows				
Raised	**–**	–	**2 028**	31
Settlements	**(121)**	(99)	**(677)**	(3)
Interest expense	**24**	15	**25**	–
Lease liabilities raised	**144**	65	**–**	–
Remeasurement of lease liability	**3**	–	**–**	–
Transfer	**–**	–	**(4)**	(33)
Acquisition of businesses	**117**	–	**52**	–
Disposal of subsidiary	**(4)**	–	**(356)**	–
Balance at 30 September	**329**	166	**1 146**	78
Less: current portion	**(129)**	(89)	**–**	(7)
Non-current portion	**200**	77	**1 146**	71

19. Share-based payment liabilities

Rm	2023	2022
Share-based payment liabilities – non-current	**54**	7
ESOP[1]	**25**	7
Retention	**29**	–

[1] *During the current financial year, there was a settlement of the ESOP share-based payment liability of R3 million.*

ESOP

In the prior financial year, the Group implemented its broad-based black economic empowerment transaction (BBBEE) through Rebatona Investment Holdings (Pty) Ltd in accordance with the shareholder approvals received at the February 2022 AGM.

Judgement is required in assessing the factors that impact the share-based payment expense to be charged to the statement of profit or loss.

The judgement and the related estimates below are exercised in the calculation of the charge for the year:

> the probability of units vesting;
> the expected attrition rate of employees;
> the expected share price at the date of vesting;
> the expected dividend yield over the vesting period;
> the risk free interest rate; and
> expected share price volatility.

Share price volatility was estimated using the daily closing share price and the expected dividend yield was estimated by using the average dividend yield, over the year prior to the valuation date.

The fair value of ESOP shares granted to employees was then measured by use of a Monte Carlo valuation technique which incorporates the variables outlined above. This valuation is undertaken by the Group's external valuation expert Lydia Greef (M.Sc. in Mathematics of Finance) of the Financial Modelling Agency.

19. Share-based payment liabilities (continued)

ESOP (continued)

The inputs into the model were as follows:

	Share price at issue R	Expected volatility %	Expected option life Years	Expected dividend yield %	Risk free interest rate %
2023	**50,13**	**34,10**	**5**	**5,65**	**9,28**
2022	50,13	38,13	5	7,07	9,43

Summary of units per the ESOP share scheme:

	Fair value per unit at inception R	Number of unvested units 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 Thousands	Number of unvested units at the end of the year Thousands
2023	**50,13**	**8 045**	**–**	**–**	**(905)**	**7 140**
2022	50,13	–	8 323	–	(278)	8 045

Retention plan

The Group has issued certain cash-settled options to various senior and executive employees in terms of a retention plan.

In terms of the scheme, eligible employees who remain employed by the Group on 30 November 2024, are entitled to receive the value of their options in cash based on the value of a Reunert Limited share at vesting date. The scheme will vest in November 2024.

The value of these cash-settled options is recognised and measured as a liability at the fair value of a Reunert Limited share at the end of the reporting period. The corresponding expense is recognised in the statement of profit or loss (using the Reunert share price).

20. 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.

Rm	Carrying amount as at 1 October 2022	**Provisions created**	**Utilised**	**Released**	**Carrying amount as at 30 September 2023**
Description of nature of obligation					
Warranties[1]	42	**23**	**(11)**	**(1)**	**53**
Contract-related[2]	20	**14**	**(4)**	**(9)**	**21**
Total	62	**37**	**(15)**	**(10)**	**74**

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

2 *The provision represents management's best estimate of the future outflow of economic benefits that will be required to settle claims. The provision has been estimated using all known facts and circumstances and the probability of likely outcome.*

21. Trade and other payables, contingent consideration and contract liabilities

Trade and other payables

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

Trade and other payables are classified as financial liabilities and are measured at amortised cost except for contingent considerations which are measured at fair value through profit and loss. Contract liabilities are not classified as financial liabilities.

Refer to note 27, Financial instruments, for the accounting policy relating to financial liabilities.

Rm	2023	2022
Trade payables	1 710	1 631
VAT, payroll and accruals	731	561
Contingent consideration	20	17
Trade and other payables as at 30 September	**2 461**	2 209

The carrying amount of trade payables approximate fair value because of the short-term maturity of these liabilities. 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 received for the purchase of goods is 30 days.

Contingent consideration

Rm	2023	2022
Carrying amount as at 1 October	42	28
Raised on acquisition at fair value	21	28
Fair value remeasurement	3	(3)
Settlement	(14)	(11)
Carrying amount as at 30 September	**52**	42
Less: current portion (included in trade and other payables)	(20)	(17)
Non-current portion	**32**	25

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

Contingent considerations still in effect

The amounts disclosed represent the fair value as at 30 September 2023:

Rm	
Dopptech (Pty) Ltd[1]	4
Plus 1X Solutions (Pty) Ltd (+OneX)	
– recognised in the current year through acquisitions[2]	21
– recognised in the prior years through acquisitions[3]	27

[1] *The contingent consideration is based on the achievement of certain specific key performance indicators (KPIs) as set out in the sale and purchase agreement.*

[2] *The contingent considerations for the acquisitions made in the current financial year will be settled in three annual tranches based on the achievement of pre-defined future profit targets. The contingent considerations were calculated using the discounted cash flow method. The following unobservable input was used to calculate the contingent considerations:*
> Revenue growth average of 21%.

[3] *The contingent considerations recognised in the prior year will be settled in three and five annual tranches respectively based on the achievement of pre-defined future profit targets. The contingent considerations were calculated using the discounted cash flow method. The following unobservable inputs were used in the current year to calculate the contingent considerations:*
> Revenue growth average of 18% (2022: 20%).

21. Trade and other payables, contingent consideration and contract liabilities (continued)

Contingent consideration (continued)

Sensitivities

The sensitivity analysis has been determined based on the Group's exposure to change in revenue targets expected to be 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 2023 would decrease by R2 million (2022: 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 2023 would increase by R2 million (2022: R1 million).

Contract liabilities

Rm	2023	2022
Carrying amount as at 1 October	**260**	264
Revenue recognised in respect of opening balance	**(187)**	(170)
Raised during the year	**1 260**	697
Revenue recognised in respect of amounts raised during the year	**(943)**	(531)
Acquisition of businesses	**87**	–
Disposal of subsidiary	**(79)**	–
Carrying amount as at 30 September	**398**	260
Less: current portion	**(392)**	(260)
Non-current portion	**6**	–

The Group expects to recognise the current portion of the contract liabilities within revenue in the 2024 financial year.

Due to the nature of certain contracts within the AE Segment, advance payments are requested from customers in order to fund the working capital requirements related to these contracts. These advanced payments are recognised as contract liabilities and, where contractually required, these advanced payments are secured by either parent company performance guarantees or bank guarantees.

The contract liabilities are non-financial liabilities and 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.

Supplier finance arrangements

Trade and other payables include supplier finance arrangements mainly for the purchase of copper cathodes from the suppliers in the EE Segment of R493 million (2022: R361 million), all of which suppliers have received payment. Supplier invoices are financed by specified banks and the Group has a responsibility to settle the financed invoices on specified repayment dates, including interest. Indicators which are taken into consideration in this judgement include whether the payment terms in the supplier finance arrangements exceed the normal payment terms offered by the supplier. Where the Group has entered into a supplier finance arrangement, at the point that the debt is factored, the Group treats it as a non-cash transaction. Therefore these transactions are only reflected in the statement of cash flows under operating activities when there is an outflow of cash from the Group.

22. Commitments

Rm	2023	2022
Capital commitments in respect of property, plant and equipment		
– Contracted	**17**	17
– Authorised but not yet contracted	**94**	74
Total capital commitments in respect of property, plant and equipment	**111**	91

23. Contingencies

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 the control of the Group; 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; and
> The amount of the obligation cannot be measured with sufficient reliability.

The Group has issued the following guarantees:

> Guarantees issued by the Company on behalf of joint ventures of R317 million (2022: R212 million).

These guarantees relate to security provided with respect to:

> Advance payments received from customers;
> Performance guarantees in favour of customers; and
> Payment guarantees to suppliers.

In addition to the above, Reunert Limited and Reunert Finance Company (Pty) Ltd (RFCL) as obligors have issued guarantees in favour of lenders for the borrowing facilities disclosed in note 18, Borrowings and lease liabilities. Reunert Limited continues to guarantee a banking facility extended to Metal Fabricators of Zambia PLC to the value of USD40 million which at year-end exchange rates amounted to R753 million.

24. 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 fund contributions	Medical contributions	Total	Fair value of CSP at grant date[1]
2023							
AE Dickson	**6 491**	**8 639**	**132**	**357**	**97**	**15 716**	**4 954**
M Moodley	**3 542**	**4 491**	**–**	**344**	**76**	**8 453**	**1 672**
NA Thomson	**5 044**	**6 366**	**–**	**405**	**167**	**11 982**	**2 949**
	15 077	**19 496**	**132**	**1 106**	**340**	**36 151**	**9 575**
2022							
AE Dickson	6 238	7 407	132	227	86	14 090	3 807
M Moodley	2 931	3 280	–	203	68	6 482	1 186
NA Thomson	4 919	5 132	–	237	147	10 435	2 266
	14 088	15 819	132	667	301	31 007	7 259

[1] *The value has been determined using the fair value per unit and the expected vesting probabilities of the non-market conditions (NHEPS and ROCE); 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 17, Share capital.*

Analysis of CSP

	Number of unvested units as at 1 October 2022	Number of units granted during the year	Number of units vested during the year[1]	Number of units expired during the year	Number of unvested units as at 30 September 2023	Share price at grant date	Date of allocation	Date from which vesting begins
AE Dickson	153 990	–	(3 850)	(150 140)	**–**	76,58	19/11/2018	19/11/2022
	183 560	–	–	–	**183 560**	58,95	10/02/2020	21/11/2023
	391 040	–	–	–	**391 040**	28,63	30/09/2020	21/11/2024
	244 065	–	–	–	**244 065**	51,46	22/11/2021	25/11/2025
	–	261 408	–	–	**261 408**	44,95	24/11/2022	22/11/2026
M Moodley	49 068	–	(1 227)	(47 841)	**–**	76,58	19/11/2018	19/11/2022
	57 170	–	–	–	**57 170**	58,95	10/02/2020	21/11/2023
	121 790	–	–	–	**121 790**	28,63	30/09/2020	21/11/2024
	76 015	–	–	–	**76 015**	51,46	22/11/2021	25/11/2025
	–	88 237	–	–	**88 237**	44,95	24/11/2022	22/11/2026
NA Thomson	88 605	–	(2 215)	(86 390)	**–**	76,58	19/11/2018	19/11/2022
	105 620	–	–	–	**105 620**	58,95	10/02/2020	21/11/2023
	225 000	–	–	–	**225 000**	28,63	30/09/2020	21/11/2024
	145 275	–	–	–	**145 275**	51,46	22/11/2021	25/11/2025
	–	155 598	–	–	**155 598**	44,95	24/11/2022	22/11/2026
	1 841 198	505 243	(7 292)	(284 371)	**2 054 778**			

[1] *During the financial year ended 30 September 2023, the 2018 executive performance scheme vested at a share price of R46,58.*

24. Directors' remuneration and interests (continued)

Non-executive directors

R'000	2023	2022
MJ Husain	**1 553**	1 172
TS Munday (retired February 2022)	**–**	597
T Abdool-Samad	**896**	959
AB Darko (retired February 2023)	**239**	642
LP Fourie	**836**	843
JP Hulley	**799**	733
SD Jagoe (retired February 2022)	**–**	273
S Martin	**662**	660
MT Matshoba-Ramuedzisi	**739**	756
Adv NDB Orleyn (resigned June 2022)	**–**	471
TNM Eboka	**501**	266
RJ Boëttger	**571**	335
	6 796	7 707

25. Summarised financial information of joint ventures and associates

Joint ventures are joint arrangements whereby the Group has both joint control of the arrangement and joint rights to the net assets of the joint arrangement together with the joint venture partner. Joint control is the contractually agreed sharing of control of an arrangement, which exists when decisions about the relevant joint venture activities require unanimous consent of the parties sharing control.

The associates are entities over which the Group has significant influence but not control or joint control.

The Group accounts for its interest in joint ventures and the associates using the equity method. The Group's interests in joint ventures and the associates are initially recognised at cost and subsequently the Group recognises, in its statement of profit or loss or other comprehensive income, its share of the profit or loss and other comprehensive income of the joint ventures and associates.

Dividends received from joint ventures and the associates are deducted from the carrying amount of the investment.

The following judgements are applied to determine if the Group has joint control or significant influence over an entity:

> governance arrangements: whether the Group is represented in executive positions or the board of directors, majority rules and voting rights;
> the nature of substantive or protective rights granted to shareholders, relating to the entity's relevant activities; and
> whether the Group is exposed, or has rights, to variable returns from its involvement with the entity.

25. Summarised financial information of joint ventures and associates (continued)

Analysis of Group's interest in joint ventures and associates

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

	Joint ventures	
Rm	**2023**	2022
Carrying amount of Group's interest in joint ventures and associates as at 1 October	**9**	99
Investment in CBi Telecoms transferred to investment at fair value through other comprehensive income	**–**	(48)
Acquisition of interest in Lumika	**–**	6
Allocation of NCI to AIF I Africa C&I Renewable Energy LLP (AIF I)	**–**	(5)
Other	**(4)**	–
Derecognition of interest as a result of disposal of subsidiary	**(7)**	–
	(2)	52
Share of joint ventures' and associates' profit/(loss) per the statement of profit or loss	**7**	(39)
Dividends received	**(5)**	(4)
Carrying amount of Group's interest in joint ventures and associates as at 30 September	**–**	9

Rm	**2023**	2022
Joint ventures	**–**	9
Investments in joint ventures and associates	**–**	9

On 22 September 2023, the Group's joint venture Lumika Renewables (Pty) Ltd (Lumika) acquired 72,2% of Reunert Investment Company No 2 (Pty) Ltd (RIC 2) which holds a 100% interest of Terra Firma Solutions (Pty) Ltd, its subsidiaries, joint ventures and associates (referred to as TFS group) from Reunert Applied Electronics Holdings (Pty) Ltd, a subsidiary of the Group. As the Group's policy is to recognise its investments in joint ventures and associates at cost, the Group did not remeasure its investment in Lumika.

25. Summarised financial information of joint ventures and associates (continued)

Analysis of Group's interest in joint ventures and associates (continued)

The below table represents the Group's interest in joint ventures and associates:

Entity name	Nature of relationship	Nature of activity	Place of business	Interest % 2023	Interest % 2022
Lexshell 661 Investments (Pty) Ltd[1]	Joint venture	Property holding	Woodmead, Gauteng	**100**	50
Lumika Renewables (Pty) Ltd	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**50**	50
Nova Energy Holdings (Pty) Ltd[2]	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	39
Nova One Energy Solutions (Pty) Ltd[2]	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	39
Nova NCP (Pty) Ltd[2]	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	50
City Industrial Solar Solutions (Pty) Ltd[2]	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	39
City Industrial Solar One (Pty) Ltd[2]	Joint venture	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	39
RKT Energy (Pty) Ltd[2]	Associate	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	23
MRKT Energy Holdings (Pty) Ltd[2]	Associate	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	12
MRKT Energy One (Pty) Ltd[2]	Associate	Renewable energy solutions in the form of solar and hybrid build-own-operate projects	Constantia, Cape Town, Western Cape, South Africa	**–**	12

[1] *In the current financial year, the Group acquired the remaining 50% interest in the joint venture, resulting in the Group obtaining control over the entity. The acquisition did not meet the definition of a business under IFRS 3 – Business combinations. The Group accordingly recognised the acquisition as a purchase of a long-term asset.*

[2] *The Group's disposal of the TFS group resulted in the loss of significant influence over these joint ventures and associates.*

25. Summarised financial information of joint ventures and associates (continued)

Analysis of Group's interest in joint ventures and associates (continued)

	Joint ventures				Associates			
	2023		2022		**2023**		2022	
Rm	**Total**	**Group's share**	Total	Group's share	**Total**	**Group's share**	Total	Group's share
Extract from the statement of profit or loss and other comprehensive income								
Revenue	**25**	**11**	217	107	**15**	**2**	14	2
Depreciation and amortisation	**4**	**2**	4	2	**3**	**–**	2	–
Interest income	**16**	**8**	–	–	**1**	**–**	–	–
Interest expense	**5**	**2**	4	2	**5**	**1**	4	1
Other expenses	**17**	**8**	12	6	**11**	**1**	5	1
Tax charge	**3**	**1**	–	–	**(1)**	**–**	1	–
(Loss)/profit after tax for the year	**(62)**	**(31)**	(77)	(39)	**(2)**	**–**	1	–
Other comprehensive income	**–**	**–**	–	–	**–**	**–**	–	–
Total comprehensive income	**(62)**	**(31)**	(77)	(39)	**(2)**	**–**	1	–
Extract from the statement of financial position								
Non-current assets	**525**	**294**	175	80	**–**	**–**	83	11
Current assets (excluding cash)	**441**	**222**	45	22	**–**	**–**	7	–
Cash and cash equivalents	**57**	**35**	18	8	**–**	**–**	1	–
Total assets	**1 023**	**551**	238	110	**–**	**–**	91	11
Non-current financial liabilities	**(430)**	**(241)**	(62)	(24)	**–**	**–**	(88)	(11)
Other non-current liabilities	**(9)**	**(4)**	–	–	**–**	**–**	–	–
Current financial liabilities	**(262)**	**(133)**	(21)	(10)	**–**	**–**	–	–
Other current liabilities	**(100)**	**(57)**	(59)	(29)	**–**	**–**	–	–
Equity	**(222)**	**(116)**	(96)	(47)	**–**	**–**	(3)	–

The extract above includes Lumika's acquisition of RIC 2 and TFS group, the amounts relating to this acquisition represent the provisional identifiable net assets and liabilities. These values will be adjusted (if required) on finalisation of the purchase accounting.

26. Related party transactions

Annexure A provides information about the Group's structure, including details of the subsidiaries and the holding company.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Rm	Relationship	Sales	Purchases	Rendering services	Lease payments made	Dividends received	Amounts owed by related parties[1]	Amounts owed to related parties
2023								
Lumika Renewables (Pty) Ltd	Joint venture	–	–	–	–	–	**280**[2]	–
Lexshell 661 Investments (Pty) Ltd[3]	Joint venture	–	–	–	**7**	**5**	–	–
Nova One Energy Solutions (Pty) Ltd	Joint venture	**2**	–	–	–	–	–	–
MRKT Energy One (Pty) Ltd	Associate	**4**	–	–	–	–	–	–
Terra Firma Solutions (Pty) Ltd[4]	Joint venture	–	–	–	–	–	**2**	**12**
2022								
CBi-Electric Telecom Cables (Pty) Ltd	Joint venture	–	6	–	–	–	–	–
Lumika Renewables (Pty) Ltd	Joint venture	–	–	1	–	–	–	–
Lexshell 661 Investments (Pty) Ltd	Joint venture	–	–	–	13	2	–	–
Nova One Energy Solutions (Pty) Ltd	Joint venture	6	–	–	–	–	10[5]	–
MRKT Energy One (Pty) Ltd	Associate	7	–	–	–	–	12[5]	–

1 *The amounts owing by the joint ventures and associates were tested for impairment, and no impairment was required.*

2 *Included in the R280 million is the following:*
- *A R141 million receivable for the sale of RIC 2 and the TFS group. This has been disclosed in trade and other receivables. The amount has been received subsequent to the financial year-end; and*
- *A loan of R139 million issued to Lumika in the current financial year. The loan bears no interest and is classified as a financial asset.*

3 *In the current financial year, the Group acquired the remaining 50% interest in the joint venture, resulting in the Group obtaining control over the entity. The transactions reflected in the table above represent the transactions prior to the Group obtaining control over Lexshell.*

4 *TFS is disclosed as a related party to the Group due to the sale of the TFS group to the Lumika joint venture on 22 September 2023.*

5 *These relate to trade and other receivables arising in the ordinary course of business.*

27. Financial instruments

Financial instruments recorded in the statement of financial position include cash and cash equivalents, investments, trade receivables, trade payables, loans and derivative financial instruments (including put and call options and forward exchange contracts), investments at fair value through profit and loss and contingent purchase consideration arising from business combination.

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 plus transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through the statement of profit or loss) as appropriate, on initial recognition.

Financial assets – classification, recognition and measurement

Classification

Classification of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

Recognition and initial measurement

Amortised cost

The Group holds these assets to collect contractual cash flows. Cash flows from these assets represent receipts of principal and interest and are measured at amortised cost. Receipts are on predetermined dates.

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

Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent payments of principal and interest, are measured at FVOCI.

Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL.

Subsequent measurement

Amortised cost

Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss.

Fair value through other comprehensive income (FVOCI)

Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, dividends received, interest income and foreign exchange gains and losses, which are recognised in the statement of profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit or loss. Interest income from these financial assets is included in finance income using the effective interest method.

Fair value though profit and loss (FVTPL)

A gain or loss on a subsequent measurement of a financial asset is recognised in the statement of profit or loss in the period in which it arises.

Impairment

The Group recognises an impairment for expected credit losses (ECL) on financial assets that are measured at amortised cost. The ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described below. The exposure at default is represented by the assets' gross carrying amount at the reporting date.

The ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

27. Financial instruments (continued)

Financial assets – classification, recognition and measurement (continued)

Impairment (continued)

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is based on the difference between the contractual cash flows due and those that the Group would expect to receive. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data and assumptions and expectations of future conditions.

The Group uses the general approach in the determination of the ECL for lease and loan receivables. This is a three stage assessment from initial recognition whereby the ECL is calculated based on either a lifetime ECL or a 12 month ECL.

The Group calculates the ECL at initial recognition by considering the consequences and probabilities of defaults only for the next 12 months, rather than the lifetime of the asset. This is stage 1. It continues to apply this method until a significant increase in credit risk has occurred, at which point the impairment is measured based on lifetime ECL. This is stage 2. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the impairment that will result from all possible default events over the expected life of a financial asset. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised, directly reducing the carrying amount of the financial asset and interest revenue is calculated on the net carrying amount (i.e. net of impairment).

At Quince, the Group's rental finance provider, the ECL is calculated taking into consideration the specific credit risk associated with their receivables.

The ECL model applied by Quince has been aligned to consider forward-looking information to recognise impairment allowances earlier in the lifecycle of a product. This is likely to increase the volatility of impairment allowances as the economic outlook changes, although cash flows and cash losses are expected to remain unchanged.

The following three-stage approach to impairment has been applied in the impairment model:

Stage 1 – the recognition of 12 month ECL, that is the portion of lifetime ECL from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition.

Stage 2 – lifetime ECL for financial instruments for which credit risk has increased significantly (i.e. when a borrower is more than 30 days past due) since initial recognition.

Stage 3 – lifetime ECL for financial instruments which are credit impaired (i.e. when a borrower is more than 90 days past due) and those handed over to the Group's attorneys for legal collection processes.

Lease and loan receivables are written off when there is no progress in the legal collection processes and when there is no reasonable expectation of recovery.

27. Financial instruments (continued)

Financial assets – classification, recognition and measurement (continued)

Impairment (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as at the reporting date, with the risk of default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, which includes the credit ratings process the Group has followed and consequences that have lead to the default looking at historical information, for example, payment history, communications and any extended credit provided. Further to the above, forward-looking information, including economic indicators and any subsequent payments, is incorporated in assessing an increase in credit risk.

The Group has the following types of financial assets that are subject to the ECL model:

> Trade and other receivables
> Lease and loan receivables
> Other investments and loans
> Loan to joint venture
> Cash and cash equivalents

Equity instruments – classification, recognition and measurement

Classification

An equity instrument is considered to be any contract that evidences a residual interest in the Group's assets after deducting all of its liabilities.

Recognition and initial measurement

Equity instruments issued by the Group are recorded at the proceeds received net of any direct costs incurred on the issue.

Subsequent measurement

Equity is not subsequently remeasured.

Treasury shares

Treasury shares are equity instruments of the Group that are held by a subsidiary of the Group. Repurchases of the Group's own equity instruments are recognised at the cost the equity instruments were purchased for and deducted directly from equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Equity forward contract

The contract will be settled by the Group receiving a fixed number of its own equity instruments in exchange for a fixed amount of cash, and the contract is thus considered to be an equity instrument. Changes in the fair value of this instrument are not recognised in the financial statements due to its nature.

Financial liabilities – classification, recognition and measurement

Classification

Financial liabilities include bank overdrafts, borrowings, trade and other payables, financial liabilities that arise from put and call options, lease liabilities, derivative financial liabilities and contingent considerations.

Recognition and initial measurement

Financial liabilities are classified as either:

Financial liabilities at FVTPL

Where non-controlling interests have written put options to sell their interest or part of their interest in a subsidiary of the Group these put options 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 option obligation discounted at the average cost of borrowing.

Any contingent consideration arising on acquisition of a subsidiary is included in the cost of the business combination as at the date of acquisition.

Financial liabilities at amortised cost

Trade and other payables are measured at amortised cost using the effective interest method.

27. Financial instruments (continued)

Financial liabilities – classification, recognition and measurement (continued)

Subsequent measurement

Financial liabilities at FVTPL

Any subsequent movement in the fair value of the written put option is recognised in the statement of profit or loss in the period it arises.

Subsequent remeasurements of the fair value of the contingent considerations are recognised in the statement of profit or loss in the period it arises.

Financial liabilities at amortised cost

Interest, dividends, losses and gains relating to a financial liability or a component that is a financial liability are recognised as income or expense in the statement of profit or loss. Interest expense is recognised in the statement of profit or loss based on the effective interest method.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expired.

On derecognition of a financial asset or liability, any difference between the carrying amount derecognised and the consideration received or paid is recognised in the statement of profit or loss.

Derivative financial instruments

Introduction

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates, which it manages using derivative financial instruments. The Group's principal derivative financial instruments are currency option contracts, interest rate swaps and foreign exchange forward contracts.

Foreign currency transactions

Transactions denominated in a foreign currency are initially recognised at the ruling rates of exchange at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated to the exchange rates prevailing at the reporting date. Exchange rate 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.

Recognition and initial measurement

Derivative financial instruments are initially measured at fair value on contract date.

Subsequent measurement

Changes in fair value are recorded in the statement of profit or loss as they arise.

Derivatives are classified as current assets or current liabilities if the remaining maturity of the instruments is less than 12 months and they are expected to be realised or settled within 12 months from the reporting date.

Unless otherwise stated, all financial instruments are disclosed on a gross basis other than where there is a legally enforceable right of offset for recognised financial assets and liabilities and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis. All related financial effects are offset.

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.

27. Financial instruments (continued)

Rm	2023	2022
Significant categories of financial instruments		
Financial assets		
At fair value through other comprehensive income included in:		
Other investments and loans[2]	–	14
At FVTPL		
Non-current derivative financial asset[2]	**6**	57
Current derivative financial assets[1]	**16**	12
Investment at FVTPL[2]	**54**	53
At amortised cost included in:		
Other investments and loans	**38**	50
Loan to joint venture	**139**	–
Lease and loan receivables	**2 362**	2 271
Trade and other receivables	**2 569**	2 236
Cash and cash equivalents	**1 298**	957
Non-financial instruments included in:		
Trade and other receivables	**465**	438
Financial liabilities		
At amortised cost included in:		
Non-current		
Borrowings	**(1 146)**	(71)
Equity forward contract	**(6)**	(28)
Lease liabilities	**(200)**	(77)
Current		
Borrowings	–	(7)
Equity forward contract	**(22)**	(20)
Lease liabilities	**(129)**	(89)
Trade and other payables	**(2 057)**	(1 919)
Bank overdrafts and other short-term borrowings	**(127)**	(598)
At FVTPL		
Non-current		
Contingent consideration[2]	**(32)**	(25)
Derivative financial liability[2]	–	(33)
Put option liability[2]	**(23)**	–
Current		
Contingent consideration included in trade and other payables[2]	**(20)**	(17)
Derivative financial liabilities[1]	**(7)**	(15)
Non-financial instruments included in:		
Contract liabilities	**(398)**	(260)
Trade and other payables	**(384)**	(273)

[1] *These instruments are considered to be level 2 in the fair value hierarchy.*
[2] *These instruments are considered to be level 3 in the fair value hierarchy.*

There were no financial assets or liabilities settled or extinguished which did not meet the derecognition requirements.

27. Financial instruments (continued)

Put option liability

Rm	2023 Level 3	2022 Level 3
Analysis of the carrying amount		
Carrying amount as at 1 October	–	25
Acquisition of business – fair value	17	–
Recognition of gross NCI put option liability	37	–
Fair value remeasurement	–	(1)
Settlement	(31)	(24)
Carrying amount as at 30 September	**23**	–

As part of the IQ Business group acquisition (refer to note 28, Acquisition of businesses), the Group assumed a put option liability in favour of the non-controlling interests in the IQ Business group. The put option is for 25% of the issued share capital in a subsidiary of IQ Business group, Tamirox (Pty) Ltd (Tamirox). After the acquisition date, the non-controlling interest exercised 50% of this put option which required IQ Business (Pty) Ltd (IQ Business) to purchase 12,5% of the shares in Tamirox for a consideration of R31 million.

The fair value of the put option liability is determined using a discounted cash flow model, taking into account the estimated price on the date the option is likely to be exercised. The estimated exercise price is based on management's best estimate of Tamirox's forecasted EBITDA for the year ended September 2023 applied to the contracted valuation formula contained in the shareholder agreement. The key input used in the valuation is the discount rate of 11,75%, which was determined using the Group's cost of borrowing as at 30 September 2023.

A 1% change in the cost of borrowing had no material impact on the Group's results.

Call option derivative asset

As part of the IQ Business group acquisition, the Group assumed a call option derivative financial asset. The call option requires the non-controlling interest in Tamirox to sell its shares to IQ Business on exercise of the call by IQ Business. The fair value of the equity interest in Tamirox is determined using a finite difference method. On acquisition date, the fair value recognised was R12 million. Due to the exercise of the put option (as detailed above) the value of the call reduced by 50%. The fair value determined at 30 September 2023 was R6 million. The key input used in the valuation was an EBITDA growth rate of 4,8%.

A 1% change in the EBITDA growth rate had no material impact on the Group's results.

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

In the current financial year, the investment in CBi Telecoms was sold for R375,000. The fair value remeasurement recognised in other comprehensive income in the prior financial year of R48 million was transferred to retained earnings on disposal of investment.

27. Financial instruments (continued)

Contingent consideration

The analysis of the carrying amount of contingent consideration is disclosed in note 21, Trade and other payables, contingent consideration and contract liabilities.

Investment at fair value through profit or loss

In terms of IAS 28 – Investments in Associates and Joint Ventures (IAS 28), the Group 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 2022 financial year the Group sold 5 200 245 CAFCA shares for R29 million and subsequent to this sale the Group has a residual interest in CAFCA of 28,65%. In 2021, the Group received and accepted two unsolicited offers for a portion of its investment in CAFCA for R27 million.

The following significant estimate was used in assessing fair value of the investment at fair value through profit or loss

The fair value of the Group's investment in CAFCA was determined 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 R1 million in the current year (2022: gain of R6 million).

Rm	**2023 Level 3**	2022 Level 3
Analysis of the carrying amount		
Fair value of investment through profit or loss		
Carrying amount as at 1 October	**53**	76
Fair value remeasurement of investment in CAFCA	**1**	6
– Unrealised gain on remeasurement of investment	**1**	6
Disposals	**–**	(29)
Carrying amount as at 30 September	**54**	53

Investment at fair value through profit or loss sensitivity analysis

If the price/net asset value had been 1% higher or lower and all other variables remained constant, there would be no material impact on the Group's profit after tax for the year ended 30 September 2023 (2022: increase/decrease of R1 million). If the historical net asset value per share in US Dollar (USD) had been 1% higher or lower and all other variables remained constant, there would be no material impact on the Group's profit after tax for the year ended 30 September 2023 (2022: increase/decrease of R1 million).

27. Financial instruments (continued)

Put and call option derivative financial asset and liability

The following significant estimates were used in assessing the fair value of the put and call option derivative financial asset and liability

Basis

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 Solution (Pty) Ltd (TFS) to Lumika and concluded a put and a call option for the sale of its residual 72,2% interest in TFS.

This put option was exercised by the Group on 9 June 2023 with an effective date of 22 September 2023 for cash settlement on 2 October 2023. As a result, the Group has sold its remaining interest in TFS to Lumika and has derecognised the put and call option. The impact of this has been disclosed in note 29, Disposal of subsidiary. The call option was derecognised on 9 June 2023 and the put option was derecognised at the effective date of the put option being 22 September 2023.

Estimations

The following unobservable inputs were used in the determination of the value of the put option at effective date and the resulting fair value:

> USD13,3 million strike price translated to Rand at 22 September 2023 using the closing exchange rate of 18,73 (2022: forward exchange rate of 18,65);
> Average revenue growth rate 11,0% (2022: 10,0%); and
> Post-tax discount rate 15,1% (2022: 14,8%).

The equity value, strike price in USD and other inputs (see above) were applied to a Black Scholes valuation model to determine the value of the put option. Due to the derecognition of both the put and call option no sensitivity was performed.

Rm	2023 Level 3	2022 Level 3
Put option derivative financial asset	–	57
Call option derivative financial liability	–	(33)
Net carrying amount at 30 September	–	24
Analysis of the carrying amount		
Non-current derivative financial asset and liability		
Net carrying amount as at 1 October	**24**	(51)
Fair value remeasurement	**58**	75
Gain on put option derivative asset	**25**	16
Gain on call option derivative liability	**33**	59
Derecognition of put option derivative asset on effective date	**(82)**	–
Net carrying amount as at 30 September	–	24

Risk management

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

27. **Financial instruments** (continued)

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, adequate 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, which comprise of general banking facilities (GBFs). These facilities are committed on a 12 month basis with a 6 month notice period.

Excess cash is only deposited with reputable banks, with deposits being spread over more than one bank to reduce the default risk.

Trade and other payables consist of payables to external parties, sundry creditors and accruals. These items are expected to be settled within three months.

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.

Rm	**<1 year**	**1 – 5 years**	**> 5 years**	**Total**
2023				
Financial liabilities included in trade and other payables	**(2 057)**	**–**	**–**	**(2 057)**
Contingent consideration	**(20)**	**(36)**	**–**	**(56)**
Bank overdrafts and other short-term borrowings	**(127)**	**–**	**–**	**(127)**
Borrowings	**–**	**(1 710)**	**–**	**(1 710)**
Lease liabilities	**(129)**	**(201)**	**(24)**	**(354)**
Equity forward contract	**(22)**	**(7)**	**–**	**(29)**
Put option liability	**–**	**(31)**	**–**	**(31)**
Derivative financial liabilities	**(7)**	**–**	**–**	**(7)**
	(2 362)	**(1 985)**	**(24)**	**(4 371)**
2022				
Financial liabilities included in trade and other payables	(1 919)	–	–	(1 919)
Contingent consideration	(17)	(29)	–	(46)
Bank overdrafts and other short-term borrowings	(598)	–	–	(598)
Borrowings	(14)	(50)	(64)	(128)
Lease liabilities	(115)	(134)	(4)	(253)
Equity forward contract	(20)	(31)	–	(51)
Derivative financial liabilities	(15)	(33)	–	(48)
	(2 698)	(277)	(68)	(3 043)

The combination of the Group's short-term financial assets (duration less than 12 months) and available banking facilities is sufficient settle the Group's financial liabilities expected to fall due within the next 12 months. All the liabilities disclosed in the above maturity schedule in the respective categories 1-5 years and more than 5 years are disclosed including future interest charges. The amount included in 1-5 years for borrowings will be repaid on 30 September 2028. Refer to note 18, Borrowings and lease liabilities.

Borrowing capacity

In terms of the Company's memorandum of incorporation (MOI), the directors may borrow funds as they deem fit, subject to the Group 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 further funds if required.

27. Financial instruments (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, balance the interests of all providers of capital and to maintain an optimal capital structure to reduce the cost of capital.

During the current financial year, the Group introduced long-term facilities to its capital structure (details disclosed in note 18, Borrowings and lease liabilities), which resulted in a change to the capital structure.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to achieve the Group's strategic objectives. Management reviews this capital structure on a semi-annual basis to ensure the Group's solvency, liquidity, headroom on applicable financial covenants and other relevant factors which could pose a risk to the Group's ability to continue as a going concern.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

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 customers, 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.

Trade and other receivables

(Contract assets do not form part of financial assets but are considered for ECL under IFRS 9)

Details of credit risk and the method of ECL calculation has been disclosed in note 13, Trade and other receivables.

Lease and loan receivables

Details of credit risk and the method of ECL calculation has been disclosed in note 12, Lease and loan receivables.

Other investments and loans and loan to joint venture

The Group has provided loans to its associates and joint ventures to satisfy operational and other requirements. These associates and joint ventures are located in South Africa. The Group manages credit risk on this portfolio of loans by following strict protocols for the approval. They are considered to have low credit risk and the identified ECL was immaterial.

Cash and cash equivalents

Cash and cash equivalents are deposited with major banking groups that have high credit ratings above AA and which therefore are considered to have low credit risk and the identified ECL was immaterial.

27. Financial instruments (continued)

Foreign currency risk

Certain transactions within the Group are denominated in foreign currencies, mainly USD and Euro. 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 (FECs) and other relevant financial instruments are used where considered appropriate to economically hedge foreign currency exposure. The Group does not apply hedge accounting.

FECs disclosed as derivatives are classified as level 2 instruments in the fair value measurement hierarchy.

FECs or zero-cost collars for the Group are summarised below:

Rm	Foreign amount Million	Market value Rm	Contract value Rm	Unrealised gains/ (losses) Rm
2023				
Imports – trade				
USD	**(6)**	**(71)**	**(70)**	**1**
Euro	**(5)**	**(100)**	**(102)**	**(2)**
Exports – trade				
USD	**31**	**744**	**751**	**7**
Euro	**11**	**222**	**225**	**3**
2022				
Imports – trade				
USD	(9)	(124)	(116)	8
Euro	(9)	(134)	(131)	3
Exports – trade				
USD	13	243	229	(14)
Euro	11	198	196	(2)
Swiss Francs	1	7	8	1

Rm	2023	2022
Net current derivate asset/(liability) as per the statement of financial position	**9**	(3)
Made up of:		
– FECs or zero-cost collars	**9**	(4)
– Other	**–**	1

27. Financial instruments (continued)

Foreign currency risk (continued)

Additional disclosures

Rm	As at 30 September 2023	As at 30 September 2022
Balances related to:		
Trade payables denominated in foreign currencies	**860**	749
– USD	**680**	514
– Euro	**115**	153
– Other	**65**	82
Of which covered by FECs or zero-cost collars	**127**	369
– USD	**19**	209
– Euro	**108**	150
– Other	**–**	10
Trade receivables denominated in foreign currencies	**716**	869
– USD	**507**	558
– Euro	**121**	229
– Other	**88**	82
Of which covered by FECs or zero-cost collars	**601**	397
– USD	**379**	194
– Euro	**221**	196
– Other	**1**	7
Cash and cash equivalents held in customer foreign currency accounts[1]	**538**	160
Of which covered by FECs or zero-cost collars	**–**	–
Bank overdrafts denominated in foreign currency[1]	**–**	54
Of which covered by FECs or zero-cost collars	**–**	–

[1] *Refer to note 16, Net cash and cash equivalents for the breakdown of cash and cash equivalents and bank overdrafts relating to foreign currencies.*

Foreign currency sensitivity analysis

The Group has assessed the impact of a 20% strengthening and weakening of the relevant exchange rate representing management's assessment of the reasonably possible movement in foreign exchange rates. This sensitivity analysis includes only outstanding foreign currency denominated monetary items, FECs and zero-cost collars and adjusts their translation at the year-end for the impact of a 20% change in the related foreign currency rates.

Profit after tax for the year ended 30 September 2023 would have decreased by R16 million (2022: decrease of R49 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 R16 million (2022: increase of R49 million).

27. Financial instruments (continued)

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.

The Group's exposure to interest rate risk and the effective interest rates on financial instruments at the statement of financial position date are:

Rm	Weighted average effective interest rate %	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
2023					
Assets					
Cash and cash equivalents	**5,1**	**875**	**11**	**412**	**1 298**
Financial assets included in trade and other receivables	**14,3**	**23**	**23**	**2 523**	**2 569**
Other investments and loans	**7,1**	**23**	**–**	**15**	**38**
Loan to joint venture	**–**	**–**	**–**	**139**	**139**
Investment held at fair value through profit or loss	**–**	**–**	**–**	**54**	**54**
Lease and loan receivables	**16,5**	**1 776**	**586**	**–**	**2 362**
Derivative financial assets	**–**	**–**	**–**	**22**	**22**
		2 697	**620**	**3 165**	**6 482**
Liabilities					
Financial liabilities included in trade and other payables	**6,8**	**(559)**	**(3)**	**(1 495)**	**(2 057)**
Contingent consideration	**–**	**–**	**–**	**(52)**	**(52)**
Bank overdrafts and other short-term borrowings	**9,7**	**(127)**	**–**	**–**	**(127)**
Borrowings	**9,9**	**(1 145)**	**(1)**	**–**	**(1 146)**
Lease liabilities	**11,8**	**–**	**(329)**	**–**	**(329)**
Equity forward contract	**6,8**	**–**	**(28)**	**–**	**(28)**
Put option liability	**–**	**–**	**–**	**(23)**	**(23)**
Derivative financial liabilities	**–**	**–**	**–**	**(7)**	**(7)**
		(1 831)	**(361)**	**(1 577)**	**(3 769)**
Net financial assets		**866**	**259**	**1 588**	**2 713**
2022					
Assets					
Cash and cash equivalents	3,7	681	14	262	957
Financial assets included in trade and other receivables	12,2	28	7	2 201	2 236
Other investments and loans	7,5	24	–	40	64
Investment held at fair value through profit or loss	–	–	–	53	53
Lease and loan receivables	15,4	1 451	820	–	2 271
Derivative financial assets	–	–	–	69	69
		2 184	841	2 625	5 650
Liabilities					
Financial liabilities included in trade and other payables	6,1	(433)	–	(1 486)	(1 919)
Contingent consideration	–	–	–	(42)	(42)
Bank overdrafts and other short-term borrowings	7,8	(195)	(403)	–	(598)
Borrowings[1]	7,7	(72)	–	(6)	(78)
Lease liabilities	9,5	–	(166)	–	(166)
Equity forward contract	6,8	–	(48)	–	(48)
Derivative financial liabilities	–	–	–	(48)	(48)
		(700)	(617)	(1 582)	(2 899)
Net financial assets		1 484	224	1 043	2 751

[1] *The borrowings line has been re-presented to include both non-current and current borrowings. There has been no remeasurement of the prior year amounts.*

27. Financial instruments (continued)

Interest rate risk (continued)

Interest rate sensitivity analysis

The sensitivity analyses for the Group have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the date of the statement of financial position.

The analyses are prepared assuming the amount of net assets outstanding at the date of the statement of financial position was outstanding for the whole year. A 2% absolute increase in interest rates 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 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 2023 would increase by R13 million (2022: increase by R21 million). This is mainly attributable to the Group's exposure to interest rates on its floating rate deposits.

28. Acquisition 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 related services received. For the accounting policy relating to goodwill arising through acquisitions, refer to note 11, Goodwill.

If the initial accounting for the business combination is incomplete at 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. These provisional amounts are then adjusted during the remaining measurement period (up to 12 months from the effective date of the acquisition), or additional assets and liabilities are recognised, to reflect any new information obtained about facts and circumstances that existed at the acquisition date, which if known at the time of making the initial recognition entries, would have impacted 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 interest therein. NCI consists of the value of those interests at the date of the original business combination and the NCI's share of changes in the subsidiary's equity since the date of the combination.

NCI is measured at the proportionate share of the acquiree's identifiable net assets.

Losses applicable to the NCI in excess of the NCI's share of 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 their share of losses beyond their contributed equity.

28. Acquisition of businesses (continued)

2023

The amounts disclosed in this note (excluding Etion Create and EUC Africa (Pty) Ltd) represent the provisional identifiable net assets and liabilities relating to the acquisitions in the current financial period. These values will be adjusted (if required) on finalisation of the purchase accounting.

1. Etion Create Proprietary Limited (Etion Create)

With effect from 1 October 2022, the Group acquired 100% of the issued share capital of Etion Create from Etion Limited for a purchase consideration of R202 million.

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

Due to Etion Create's enhanced design and manufacturing capabilities, Etion Create will increase the breadth of the segment's product portfolio and improve access to key export markets.

Rm	2023
Cash paid	202
Cash and cash equivalents	(27)
Total purchase consideration	175
Represented by:	
Property, plant and equipment	7
Right-of-use assets	33
Goodwill	18
Intangible assets	79
Inventories	99
Trade and other receivables	123
Borrowings	(4)
Lease liabilities	(32)
Deferred tax liabilities	(13)
Tax payable	(13)
Contract liabilities	(63)
Trade and other payables	(59)
Net assets acquired (fair value at acquisition date)	175
Effective 1 October 2022	
Revenue	554
Profit after tax (before amortisation of additional intangible)	58
Amortisation recognised on additional intangible assets (net of tax)	(14)
Profit after tax	44

28. Acquisition of businesses (continued)

2023 (continued)

2. IQ Business

With effect from 1 July 2023, the Group acquired an effective interest of 74.2% in IQ Business for a purchase consideration of R462 million.

Following the implementation of the acquisition, IQ Business will form part of the Solutions and Systems Integration cluster of the ICT Segment. The combination of IQ Business and the Reunert ICT Segment aligns with the Group's strategic intent to create capabilities in business optimisation, systems integration and solutions with a focus on digital business transformation through data science, cloud adoption, artificial intelligence, cyber security and the internet of things. This will enable the Reunert ICT Segment to deliver end-to-end technology solutions to its clients across key verticals through improved routes-to-market utilising direct and channel marketing partnerships.

Rm	2023
Cash paid	462
Net cash acquired on acquisition	(6)
Total purchase consideration	**456**
Represented by:	
Property, plant and equipment	12
Goodwill	267
Intangible assets	349
Right-of-use assets	50
Tax receivable	13
Trade and other receivables	190
Other investments and loans	3
Derivative asset	12
Deferred tax assets	44
Borrowings	(48)
Lease liabilities	(85)
Derivative liability	(17)
Trade and other payables	(105)
Contract liabilities	(24)
Tax liabilities	(3)
Deferred tax liabilities	(110)
Non-controlling interest	(92)
Net assets acquired (fair value at acquisition date)	**456**
Effective from acquisition	
Revenue	297
Profit after tax (before amortisation of additional intangible)	20
Amortisation recognised on additional intangible assets (net of tax)	(5)
Profit after tax	15
Effective 1 October 2022	
Revenue	1 184
Profit after tax (before amortisation of additional intangible)	63
Amortisation recognised on additional intangible assets (net of tax)	(20)
Profit after tax	43

28. Acquisition of businesses (continued)

2023 (continued)

3. Other acquisitions

Rm	2023
Cash paid	25
Contingent consideration	21
Total purchase consideration	**46**
Represented by:	
Goodwill	29
Intangible assets	23
Deferred tax liabilities	(6)
Net assets acquired (fair value at acquisition date)	**46**
Effective 1 October 2022	
Revenue	22
Profit after tax (before amortisation of additional intangible)	1
Amortisation recognised on additional intangible assets (net of tax)	(3)
Loss after tax	(2)

The table above relates to the acquisitions of EUC Africa (Pty) Ltd, MMC (Pty) Ltd and CBi Apollo Africa (Pty) Ltd.

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. This was an acquisition of a business and was accounted for as a business combination in terms of IFRS 3 – Business Combinations (IFRS 3).

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
Cash paid	16
Contingent consideration	28
Working capital offset against the purchase price	(4)
Total purchase consideration	40
Represented by:	
Property, plant and equipment	1
Goodwill	26
Intangible assets	24
Deferred tax liabilities	(7)
Trade and other payables	(4)
Net assets acquired (fair value at acquisition date)	40
Revenue	103
Profit after tax	8

29. Disposal of subsidiary

2023

On 1 June 2023, the Group exercised a put option to sell its 72,2% interest in Reunert Investment Company No 2 (Pty) Ltd (RIC 2), which holds a 100% interest in Terra Firma Solutions (Pty) Ltd, its subsidiaries, joint ventures and associates (referred to as the TFS group) to the Group's joint venture Lumika Renewables (Pty) Ltd (Lumika). The consideration receivable is R141 million (included in trade and other receivables at 30 September 2023).

The amounts disclosed are the combined net asset value of both RIC 2 and the TFS group.

The effective date of the disposal was 22 September 2023.

Rm	2023
Net assets disposed:	
Property, plant and equipment	271
Intangible assets	3
Goodwill	88
Deferred tax assets	14
Right-of-use assets	4
Investment in joint ventures and associates	7
Other investments and loans	27
Put option derivative financial asset	82
Inventory	58
Trade and other receivables	203
Tax receivable	1
Derivative assets	1
Non-controlling interests	(51)
Borrowings	(356)
Lease liabilities	(4)
Deferred tax liabilities	(9)
Trade and other payables	(114)
Contract liabilities	(79)
Net carrying amount disposed of	**146**
Consideration	**113**
Consideration receivable	141
Less: cash on hand	(28)
Loss on disposal of subsidiary	**(33)**

2022

There were no disposals of subsidiaries during the prior financial year.

30. Equity transactions with non-controlling interests (NCIs)

Rm	2023
Transactions to increase controlling interest in subsidiaries' holdings	
Algoa Office Automation (Pty) Ltd (Nashua PE)	
With effect from 1 December 2022, the Group acquired an additional 20% interest in Nashua PE, a Group-owned Nashua franchise in the ICT Segment.	
Consideration paid	–
Reutech Mzansi (Pty) Ltd (Reutech Mzansi)	
With effect from 1 August 2023, the Group acquired an additional 6% interest in Reutech Mzansi, from non-controlling interests.	
Consideration paid	**(10)**
IQ Business (Pty) Ltd (IQ Business)	
With effect from 22 July 2023, the Group acquired an additional 12,5% interest in Tamirox (Pty) Ltd from non-controlling interests.	
Consideration paid	**(31)**
Net consideration paid	**(41)**
Transactions with non-controlling interests recognised in the statement of changes in equity	**(19)**
Non-controlling interests derecognised in the statement of changes in equity	**(16)**
Put option liability derecognised	**(31)**
Put option reserve derecognised	**19**
Call option derivative asset derecognised	**6**

30. Equity transactions with non-controlling interests (NCIs) (continued)

Rm	2022
Transactions to increase controlling interest in subsidiaries' holdings	
Terra Firma Solutions (Pty) Ltd (TFS)	
The Group increased its effective holding in TFS from 77,5% to 86,1%, this increase in shareholding resulted from the non-controlling shareholders exercising their put options together with a repurchase of shares from SIBU Private Equity (Pty) Ltd (SIBU Private Equity) the BBBEE partner in TFS.	
Consideration paid	(45)
Zevoli 151 (Pty) Ltd (Nashua West Rand)	
With effect from 1 September 2022, the Group acquired an additional 5% interest in Nashua West Rand, a Group-owned Nashua franchise in the ICT Segment.	
Consideration paid	–
Classic Number Trading 80 (Pty) Ltd (Nashua Tshwane)	
With effect from 1 September 2022, the Group acquired an additional 15% interest in Nashua Tshwane, a Group-owned Nashua franchise in the ICT Segment.	
Consideration paid	–
Sale transactions decreasing the Group's controlling interest in subsidiaries	
Bridoon Trade and Invest 197 (Pty) Ltd (Nashua Cape Town)	
With effect from 1 May 2022, the Group sold 26% of its interest in Nashua Cape Town, a Group-owned Nashua franchise in the ICT Segment.	
Consideration received	–
Reunert Investment Company No 2 (Pty) Ltd	
Through the Group's joint venture, Lumika, AIF I subscribed for shares in Reunert Investment Company No 2, where Lumika holds a 27,8% interest.	
Consideration received	5
Plus 1X Solutions (Pty) Ltd (+OneX)	
On 1 May 2022, the non-controlling interests exercised their call option whereby the Group sold 6,8% of its interest in +OneX.	
Consideration received	6
Net consideration paid	(34)
Non-controlling interests recognised in the statement of changes in equity	8
Transactions with non-controlling interests recognised in the statement of changes in equity	(36)
Put option liability	(24)
Investment in joint venture recognised due to transaction with Lumika	18

31. 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.

32. Subsequent events

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

Quince funding

Quince Capital (Pty) Ltd secured external funding from lenders under a Common Terms Agreement (CTA). The facilities under the CTA consist of two term facilities totaling R550 million with tenors of between 2 and 3 years, a revolving credit facility of R200 million for a one-year period and a general banking facility of R100 million.

The facilities will have no recourse to the Reunert Group and further supports the Group's strategic growth objectives and facilitates the redeployment of capital into higher yielding assets.

Guarantees

Reunert Limited issued guarantees subsequent to the financial year end to the value of R118 million.

33. Litigation

There is no material litigation against the Group.

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 operating 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 operating decision-maker.

The business segments identified are Electrical Engineering (EE), Information Communication Technologies (ICT), Applied Electronics (AE) and Other.

The segments have been identified based on products, technology, services, markets and customer segmentation.

EE encompasses the design, manufacture, installation and maintenance of a complete range of power cables, the manufacture and supply of copper and optical fibre telecommunication cables, the manufacture and supply of low-voltage distribution, protection and control equipment and the supply of high and medium-voltage switchgear. 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; asset-backed rental solutions; and IT and digital consulting, managed and cloud services and system integration. The market serviced comprises corporate and retail customers, small to medium-sized enterprises (SMEs), government, and state-owned entities.

AE specialises in tactical, very high-frequency/ultra-high-frequency/high-frequency 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; provides renewable energy engineering and storage solutions; 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. The AE Segment's markets 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, India, Lesotho, Mauritius, America and Zambia. Revenue by geography has been disclosed in note 1, Revenue.

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 the financial statements.

Rm	2023 Total	2023 EE	2023 ICT	2023 AE	2023 Other	2022 Total	2022 EE	2022 ICT	2022 AE	2022 Other	% change in total
Revenue[1]											
Segment revenue	**13 792**	**7 159**	**3 064**	**3 559**	**10**	11 237	6 266	2 599	2 361	11	23
Adjusted for revenue from equity-accounted investees	**(11)**	**–**	**–**	**(8)**	**(3)**	(108)	(94)	–	(7)	(7)	
Revenue	**13 781**	**7 159**	**3 064**	**3 551**	**7**	11 129	6 172	2 599	2 354	4	
Revenue as reported in the statement of profit or loss	**13 781**					11 129					24
Segment revenue – % of total	**100**	**52**	**22**	**26**	**–**	100	56	23	21	–	
Segment revenue – % change over prior year		**14**	**18**	**51**	**(9)**						
Analysis of revenue											
Category of revenue											
Products	**11 040**	**6 878**	**1 399**	**2 763**	**–**	9 262	6 026	1 478	1 758	–	
Services	**2 344**	**281**	**1 306**	**757**	**–**	1 504	146	789	569	–	
	13 384	**7 159**	**2 705**	**3 520**	**–**	10 766	6 172	2 267	2 327	–	
Timing of revenue recognition											
Revenue recognised at a point in time	**11 200**	**7 032**	**1 871**	**2 297**	**–**	9 333	6 135	1 612	1 586	–	
Revenue recognised over time	**2 184**	**127**	**834**	**1 223**	**–**	1 433	37	655	741	–	
	13 384	**7 159**	**2 705**	**3 520**	**–**	10 766	6 172	2 267	2 327	–	
Other revenue											
Interest received on lease and loan receivables	**359**	**–**	**359**	**–**	**–**	332	–	332	–	–	
Rental revenue	**38**	**–**	**–**	**31**	**7**	31	–	–	27	4	
Total revenue	**13 781**	**7 159**	**3 064**	**3 551**	**7**	11 129	6 172	2 599	2 354	4	
Revenue by geography											
South Africa	**9 753**	**4 917**	**2 916**	**1 913**	**7**	7 810	4 011	2 451	1 344	4	
Rest of Africa (excluding South Africa)	**2 083**	**1 728**	**109**	**246**	**–**	1 814	1 584	99	131	–	
Asia	**765**	**35**	**2**	**728**	**–**	650	51	–	599	–	
Australia	**261**	**233**	**–**	**28**	**–**	241	204	–	37	–	
Europe	**681**	**96**	**36**	**549**	**–**	385	129	48	208	–	
America	**238**	**150**	**1**	**87**	**–**	229	193	1	35	–	
Total revenue	**13 781**	**7 159**	**3 064**	**3 551**	**7**	11 129	6 172	2 599	2 354	4	

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

Segmental analysis (continued)

Rm	Note	2023 Total	2023 EE	2023 ICT	2023 AE	2023 Other	2022 Total	2022 EE	2022 ICT	2022 AE	2022 Other	% change in total
Operating profit												
Segment operating profit/(loss)[1]		**1 462**	**552**	**660**	**432**	**(182)**	1 140	436	644	164	(104)	28
Adjusted for operating (profit)/loss from equity-accounted investees		**(11)**	**–**	**–**	**(8)**	**(3)**	10	11	–	5	(6)	
Profit on disposal of property, plant and equipment and intangible assets	2	**5**	**1**	**1**	**3**	**–**	1	–	–	1	–	
Impairment of non-financial assets												
Impairment of intangible assets	2	**(9)**	**–**	**–**	**(9)**	**–**	–	–	–	–	–	
Insurance income	2	**44**	**–**	**–**	**–**	**44**	–	–	–	–	–	
Fair value remeasurements												
Gain on investment at fair value through profit or loss	2	**1**	**1**	**–**	**–**	**–**	6	6	–	–	–	
(Loss)/gain on contingent consideration	2	**(3)**	**–**	**(3)**	**–**	**–**	3	–	–	3	–	
Gain on put option derivative asset	2	**25**	**–**	**–**	**25**	**–**	16	–	–	16	–	
Gain on call option derivative liability	2	**33**	**–**	**–**	**33**	**–**	59	–	–	59	–	
Gain on put option liability	2	**–**	**–**	**–**	**–**	**–**	1	–	–	1	–	
Financial guarantee	2	**–**	**–**	**–**	**–**	**–**	(4)	–	–	–	(4)	
Gain on reclassification from other comprehensive income	2	**8**	**–**	**–**	**8**	**–**	–	–	–	–	–	
Loss on disposal of subsidiary	2	**(33)**	**–**	**–**	**(33)**	**–**	–	–	–	–	–	
Expenses arising from share-based payment transactions	2	**–**	**–**	**–**	**–**	**–**	(6)	–	–	–	(6)	
Operating profit/(loss) before impairment of financial assets		**1 522**	**554**	**658**	**451**	**(141)**	1 226	453	644	249	(120)	
(Impairment)/reversal of impairment of financial assets												
Credit write-off	2	**(21)**	**(11)**	**(8)**	**(1)**	**(1)**	(13)	(3)	(9)	(1)	–	
Expected credit losses	2	**(70)**	**13**	**(66)**	**(16)**	**(1)**	18	24	9	(12)	(3)	
Operating profit/(loss)		**1 431**	**556**	**584**	**434**	**(143)**	1 231	474	644	236	(123)	
Operating profit as reported in the statement of profit or loss		**1 431**					1 231					16
Segment operating profit/(loss) – % of total		**100**	**38**	**45**	**29**	**(12)**	100	39	56	14	(9)	
Segment operating profit/(loss) – % change over prior year			**27**	**2**	**163**	**75**						

[1] *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 R188 million (2022: R137 million). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.*

	2023		2022	
	Rm	**% of total**	Rm	% of total
Total assets				
EE	**3 086**	**24**	2 893	26
ICT	**5 372**	**43**	4 277	39
AE	**3 773**	**30**	3 284	31
Other	**401**	**3**	478	4
Total assets as reported in the statement of financial position[1]	**12 632**	**100**	10 932	100
Inventory				
EE	**911**	**41**	901	44
ICT	**181**	**8**	173	8
AE	**1 146**	**51**	1 005	48
Other	**–**	**–**	–	–
Total inventory as reported in the statement of financial position	**2 238**	**100**	2 079	100
Trade and other receivables, lease and loan receivables – current				
EE	**1 099**	**30**	1 125	33
ICT	**1 387**	**37**	1 202	36
AE	**1 210**	**33**	1 007	30
Other	**12**	**–**	32	1
Total trade and other receivables, lease and loan receivables as reported in the statement of financial position	**3 708**	**100**	3 366	100
Total liabilities				
EE	**1 550**	**31**	1 362	36
ICT	**1 019**	**20**	769	21
AE	**959**	**19**	991	26
Other	**1 474**	**30**	620	17
Total liabilities as reported in the statement of financial position[1]	**5 002**	**100**	3 742	100

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

Segmental analysis (continued)

	2023		2022	
	Rm	**% of total**	Rm	% of total
Trade and other payables, contract liabilities, provisions and derivative financial liabilities – current				
EE	**1 493**	**51**	1 241	49
ICT	**555**	**19**	482	19
AE	**800**	**27**	757	30
Other	**86**	**3**	66	2
Total trade and other payables, contract liabilities, provisions and derivative financial liabilities – current as reported in the statement of financial position	**2 934**	**100**	2 546	100
Capital expenditure				
EE	**101**	**28**	57	25
ICT	**66**	**19**	45	19
AE	**155**	**44**	127	55
Other	**33**	**9**	3	1
Capital expenditure as reported in the statement of cash flows	**355**	**100**	232	100
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets				
EE	**56**	**17**	44	18
ICT	**139**	**43**	122	48
AE	**121**	**37**	77	30
Other	**9**	**3**	10	4
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets as reported in the statement of profit or loss[1]	**325**	**100**	253	100

[1] *Intercompany depreciation has been eliminated in line with the consolidation principles of IFRS.*

Annexure A

Principal subsidiaries, joint ventures, associates and special purpose entities

	Share capital R (unless otherwise stated)	Effective percentage holding 2023 %	2022 %
Refer to the Segmental Analysis for a description of the business activities and markets.			
Electrical Engineering			
Reunert Electrical Engineering Holdings (Pty) Ltd[1]	26 345 689	**100**	100
RLI Investments (Pty) Ltd	885 000	**100**	100
Afcab Holdings (Pty) Ltd[1]	8 409 091	**88**	88
CBi-Electric Mzansi (RF) (Pty) Ltd[1]	10 000 000	**65**	65
CBi-Electric: African Cables			
Reunert Investment Company No 1 (Pty) Ltd[2]	–	**100**	100
ATC (Pty) Ltd[1]	145 740 511	**65**	65
Zambia			
Metal Fabricators of Zambia PLC[10]	KW 270 900	**75**	75
CBi-Electric: Low and Medium Voltage			
Circuit Breaker Industries (Pty) Ltd	46	**100**	100
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 (Pty) Ltd (incorporated in Lesotho)	LS 1 000	**100**	100
Heineman Electric (incorporated in Australia)	A$ 2	**100**	100
Polybox (Pty) Ltd[2]	–	**51**	51
Reunert Investment Company No 3 (Pty) Ltd[2]	–	**100**	100
CBi Apollo (Pty) Ltd[3]	18 345 842	**100**	–
Information Communication Technologies			
Reunert ICT Holdings (Pty) Ltd	1 497 186 043	**100**	100
Plus1X Solutions (Pty) Ltd	62 549 779	**56**	56
Plus1X Communications (Pty) Ltd	100	**56**	56
Nashua Office Automation[4]			
Nashua (Pty) Ltd	947 794	**100**	100
Kopano Solutions Company (Pty) Ltd	2 000 000	**100**	100
Nashua Holdings (Pty) Ltd	377 220 436	**100**	100
Algoa Office Automation (Pty) Ltd[5]	200	**90**	70
Circular Drive Property (Pty) Ltd	200	**51**	51
Classic Number Trading 80 (Pty) Ltd	3 002 090	**85**	85
Zevoli 151 (Pty) Ltd	200	**65**	65
Bridoon Trade and Invest 197 (Pty) Ltd	5 140 100	**54**	54
Main Street 1052 (Pty) Ltd	155 562 360	**100**	100
Main Street 1051 (Pty) Ltd	36 063 582	**100**	100
Quince Capital (Pty) Ltd	75 268 322	**100**	100
Electronic Communications Network (Pty) Ltd	100	**100**	100
SkyWire (Pty) Ltd[6]	212 681 764	**100**	100
IQ Business (Pty) Ltd[12]	30 684 521	**74**	–
IQ Business Insights (Pty) Ltd[12]	187	**74**	–
Tamirox (Pty) Ltd[12]	79 974 873	**65**	–
ITQ Business Solutions (Pty) Ltd[12]	10 000	**65**	–
ITQ Health (Pty) Ltd[12]	100	**65**	–
iSolve Business Solutions (Pty) Ltd[12]	100	**65**	–

Annexure A (continued)

	Share capital R (unless otherwise stated)	Effective percentage holding 2023 %	2022 %
Applied Electronics			
Reunert Applied Electronics Holdings (Pty) Ltd	540 081 379	**100**	100
Authentiss (Pty) Ltd	13 758 347	**100**	100
Reutech Mzansi (RF) (Pty) Ltd[8]	10 000 000	**86**	80
Reutech (Pty) Ltd[8]	475 911 001	**80**	80
Omnigo (Pty) Ltd[8]	100 570 224	**80**	80
Nanoteq (Pty) Ltd[7,8]	68 074 660	**80**	80
Zisaforce Cyber Enterprise (Pty) Ltd[2]	–	**80**	80
Accessential (Pty) Ltd t/a Dynateq International	48 272 679	**100**	100
Fuchs Electronics (Pty) Ltd[7]	50 000	**100**	100
Dopptech (Pty) Ltd	7 683 147	**100**	100
Lumika Renewables (Pty) Ltd[9]	329 407 065	**50,1**	50,1
Reunert International Holdings (Pty) Ltd	100	**100**	100
Reutech India	INR 18 544 870	**100**	100
Reutech Australia[7]	A$ 100	**100**	100
NPC (Electronics) (Pty) Ltd	52 331 286	**100**	100
Blue Nova Energy (Pty) Ltd	95 277 941	**51**	51
RC&C (Parow Factory) Properties (Pty) Ltd	2	**100**	100
Etion Create (Pty) Ltd[11]	28 006 203	**100**	–
Investments and Services			
Reunert Finance Company (Pty) Ltd[7]	3 799 195 368	**100**	100
Reunert Management Services (Pty) Ltd	4 000	**100**	100
Julopro (Pty) Ltd	401 006 318	**100**	100
Reunert International Investments (Mauritius) Ltd[10]	USD 11 829 170	**100**	100
Lexshell 661 Investments (Pty) Ltd[13]	100	**100**	50
Investment in terms of a broad-based share-based payment transaction encompassing Group employees			
Special purpose entities			
Bargenel Investments (Pty) Ltd[14, 15]			
Rebatona Investment Holdings (Pty) Ltd[15]			
Rebatona Educational Trust[15]			
Reunert Employee Share Ownership Trust (refer to note 19)[15]			

[1] Reunert owns 100% of Reunert Electrical Engineering Holdings (Pty) Ltd (REEH), which owns 88% of Afcab Holdings (Pty) Ltd, which owns 74% of CBi-Electric Mzansi (RF) (Pty) Ltd (CBi-Electric Mzansi) resulting in an indirect interest of 65,1%. CBi-Electric Mzansi owns 100% of ATC (Pty) Ltd.

[2] These companies are in the process of being either deregistered or liquidated.

[3] During the current financial year, REEH purchased 100% of the shares in CBi Apollo (Pty) Ltd.

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

[5] Reunert acquired a further 20% in Algoa Office Automation (Pty) Ltd from the non-controlling interests. Refer to note 30, Equity transactions with non-controlling interests.

[6] SkyWire (Pty) Ltd (SkyWire) issued an additional share to Reunert ICT Holdings (Pty) Ltd (Reunert ICT) during the current financial year. Reunert ICT still holds 100% of SkyWire.

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

[8] Reunert owns 100% of Reunert Applied Electronics Holdings (Pty) Ltd (RAEH), which owns 70% of Reutech Mzansi (RF) (Pty) Ltd (Reutech Mzansi) and 100% of Bantel Investments (Pty) Ltd, which owns 16% of Reutech Mzansi, which results in RAEH holding an 86% indirect interest in Reutech Mzansi. Reutech Mzansi owns 100% of Reutech (Pty) Ltd, which owns 100% of Omnigo (Pty) Ltd and 100% of Nanoteq (Pty) Ltd.

[9] During the current financial year, RAEH exercised its put option to sell the remaining interest in RIC 2 and the TFS group to the Lumika joint venture. The effective percentage of shares held in Lumika has not changed due to this transaction. Refer to note 25, Summarised financial information of joint ventures and associates and note 29, Disposal of subsidiary.

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

[11] In the current financial year, RAEH acquired 100% of Etion Create (Pty) Ltd. Refer to note 28, Acquisition of businesses.

[12] Reunert owns 100% of Reunert ICT Holdings which acquired 74,2% of IQ Business (Pty) Ltd (IQ Business) during the current financial year. Refer to note 28, Acquisition of businesses. IQ Business owns 100% of IQ Business Insights (Pty) Ltd. At acquisition, IQ Business owned 75,0% of Tamirox (Pty) Ltd (Tamirox). During July 2023, IQ Business exercised its put option to purchase an additional 12,5% holding in Tamirox. This has resulted in the Group having an effective holding of 64,9% in Tamirox. Tamirox owns 100% of ITQ Business Solutions (Pty) Ltd (ITQBS). ITQBS owns 100% of ITQ Health (Pty) Ltd and iSolve Business Solutions (Pty) Ltd.

[13] In the current financial year, the Group acquired the remaining 50% interest in the joint venture, resulting in the Group obtaining control over the entity.

[14] In 2007, 9% of Reunert's issued share capital held by Bargenel was effectively sold to Reunert's empowerment partners. This was funded by Reunert taking up preference share capital in Bargenel to fund the market value of the Reunert shares held by Bargenel. The transaction resulted in Reunert owning all of the cumulative A preference shares in Bargenel. The preference dividends due to Reunert accumulated in arrears to an amount of R216 million in 2022 as Bargenel was not in the financial position to meet this obligation. During the 2022 financial year, the Reunert Group implemented a new B-BBEE transaction that resulted in the partial redemption of the Bargenel preference shares, and a waiver by Reunert of the arrear preference dividends accruing to Reunert. The remainder of the Bargenel preference shares were modified. The modification of the remaining issued Bargenel preference share included a requirement that Bargenel pay 90% of dividends received to Reunert Ltd as a dividend. The change in return on the instrument from a debt return to an equity return was a significant modification in Reunert, resulting in the derecognition of the Reunert investment in Bargenel preference shares, to a recognition of an investment in subsidiary by Reunert. The new B-BBEE transaction also resulted in the establishment of a trust, Reunert Employee Share Ownership Trust, which would be used as a vehicle to allow the employees of Reunert to share in the dividends paid by Reunert and to benefit from the future growth in the share price of Reunert.

[15] 65% of Rebatona Investment Holdings is held by Rebatona Educational Trust. The remaining 35% is held by the Reunert Employee Share Ownership Trust. Rebatona Investment Holdings owns 100% of the ordinary share capital of Bargenel Investments. These entities were set up as part of the B-BBEE ownership transaction undertaken in 2007, and form part of the new structure implemented during 2022. The terms of the memorandum of incorporation and relationship agreement together with the rights of the A preference shareholders and special preference shares provide Reunert with control over these entities.

Annexure B

Share ownership analysis

as at 30 September 2023

	Number of shareholders	%	Number of shares million	%
1 – 1 000 shares	10 706	73,6	3	1,6
1 001 – 10 000 shares	3 140	21,6	10	5,4
10 001 – 100 000 shares	535	3,7	16	8,6
100 001 – 1 000 000 shares	128	0,9	46	24,9
1 000 001 shares and more	31	0,2	110	59,5
Total	**14 540**	**100,0**	**185**	**100,0**

Public/Non-public shareholders	Number of shareholders	%	Number of shares million	%
Non-public shareholders	7	0,1	26	14,1
Bargenel Investments (Pty) Ltd[1]	1	–	24	13,0
Reunert Share Option Trust	2	–	–	–
Own Holdings[2]	4	0,1	2	1,1
Public shareholders	14 533	99,9	159	85,9
Total	**14 540**	**100,0**	**185**	**100,0**

Beneficial shareholders holding 5% or more	Number of shares million	%
Government Employees' Pension Fund	25	13,5
Bargenel Investments (Pty) Ltd[1]	24	13,0
Old Mutual Life Assurance Company SA	10	5,4

	2023		2022	
Major holdings through fund managers in excess of 5%	Number of shares million	%	Number of shares million	%
Old Mutual Investment Group (South Africa) (Pty) Ltd	18	9,7	23	12,4
Public Investment Corporation (SOC) Limited[3]	19	10,3	21	11,4
Ninety One SA (Pty) Ltd	15	8,1	17	9,2
Sanlam Investment Management (Pty) Ltd	9	5,0	9	5,0

1 *Empowerment transaction shares.*
2 *Own shares include 202 612 ordinary shares held by the executive directors.*
3 *Included in the Government Employees' Pension Fund.*

Abbreviations and acronyms

AE	Applied Electronics
AFS	Annual Financial Statements
AGM	Annual General Meeting
AIF I	AIF I Africa C&I Renewable Energy LLP
ATC	ATC (Pty) Ltd
Bargenel	Bargenel Investments (Pty) Ltd
Blue Nova	Blue Nova Energy (Pty) Ltd
Board	Board of directors of Reunert Limited
BEE	Black Economic Empowerment
CAFCA	Cafca Limited
CGU	Cash Generating Unit
Code Maven	Code Maven (Pty) Ltd
CBi Telecoms	CBi-Electric Telecom Cables (Pty) Ltd
CPI	Consumer Price Index
CSP	Conditional Share Plan
Dopptech	Dopptech (Pty) Ltd
EAD	Exposure at default
EBITDA	Earnings before net interest, tax, depreciation and amortisation (EBITDA). EBITDA includes interest income received on lease and loan receivables in the ICT Segment.
EE	Electrical Engineering
ECL	Expected Credit Loss
ECN	Electronic Communications Network (Pty) Ltd
Etion Create	Etion Create (Pty) Ltd
EPS	Earnings per share
ESOP	Employee Share Option Plan
FECs	Forward Exchange Contracts
FVTPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
HEPS	Headline earnings per share
IAS	International Accounting Standards
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
IQ Business	IQ Business (Pty) Ltd
JSE	JSE Limited
Nashua Kopano	Kopano Solutions Company (Pty) Ltd
Nashua Tshwane	Classic Number Trading 80 (Pty) Ltd
KPI	Key performance indicators
Lumika	Lumika Renewables (Pty) Ltd
LGD	Loss given default
m	Million
Mauritius	Reunert International Investments (Mauritius) Limited
MFP	Multi-function printer
MOI	Memorandum of Incorporation
NHEPS	Normalised headline earnings per share
NCI	Non-controlling interest
+OneX	Plus1X Solutions (Pty) Ltd
PAT	Profit after tax
PD	Probability of default
Quince	Quince Capital (Pty) Ltd
RAEH	Reunert Applied Electronics Holdings (Pty) Ltd
Rebatona	Rebatona Investment Holdings (Pty) Ltd
Reunert	Reunert Limited
RIC 2	Reunert Investment Company No 2 (Pty) Ltd
ROCE	Return on capital employed
SkyWire	SkyWire (Pty) Ltd
SME	Small to medium-sized enterprises
SPE	Special Purpose Entity
TFS	Terra Firma Solutions (Pty) Ltd
TSR	Total shareholder return
VBX	Virtual private branch exchange
VAT	Value-added tax
WACC	Weighted average cost of capital
Zamefa	Metal Fabricators of Zambia PLC

Corporate information and administration

Reunert is an industrial group with a portfolio of businesses in its Electrical Engineering, ICT and Applied Electronics Segments. It was founded in 1888 and listed on the JSE in 1948. It is included in the JSE industrial goods and services (electronic and electrical equipment) sector and is a constituent of the FTSE/JSE Responsible Investment Index.

Reunert Limited
(Incorporated in the Republic of South Africa)
ISIN: ZAE000057428
Short name: REUNERT
JSE code: RLO
A2X code: RLO
Currency: ZAR
Registration number: 1913/004355/06
Founded: 1888
Listed: 1948
Sector: Electronic and electrical equipment

Business address and registered office
Nashua Building
Woodmead North Office Park
54 Maxwell Drive, Woodmead
2191
Sandton
South Africa

Postal address
PO Box 784391
Sandton
2146
South Africa

Group Secretary and administration
Reunert Management Services Proprietary Limited
Nashua Building
Woodmead North Office Park
54 Maxwell Drive
Woodmead
2191
Sandton
South Africa

Karen Louw (FCIS)
Directly responsible for secretarial matters
Email: karenl@reunert.co.za
Telephone: +27 11 517 9000
Telefax: +27 11 517 9044

Group Legal
Hendrik van Rensburg
Admitted Advocate to the High Court of South Africa, PR Eng
Email: legal@reunert.co.za
Telephone: +27 11 517 9000
Telefax: +27 11 517 9035

Corporate and sustainability information and investor relations
Karen Smith
MComm
Communication and investor relations manager
Telephone: +27 11 517 9000
Telefax: +27 11 517 9035
Email: karens@reunert.co.za

Share transfer secretaries
JSE Investor Services Proprietary Limited
Fifth Floor, One Exchange Square
2 Gwen Lane, Sandown
Sandton
2196

Postal address
PO Box 4844
Johannesburg
2000
South Africa

Telephone: +27 11 713 0800
Email: info@jseinvestorservices.co.za

Auditors
Deloitte & Touche
5 Magwa Crescent
Waterfall City
Midrand
2090
South Africa

Telephone: +27 11 806 5000
Telefax: +27 11 806 5003

Sponsor
One Capital Sponsor Services Proprietary Limited

Principal bankers
Nedbank
Standard Bank
Rand Merchant Bank (RMB)

17297

reunert.com