



# REUNERT

REUNERT LIMITED

## UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

and cash dividend declaration  
for the six months ended 31 March 2022

# 2022



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## Group profile

Reunert comprises a diversified portfolio of businesses in the fields of Electrical Engineering, Information Communication Technologies (ICT), and Applied Electronics. The Group was established in 1888, by Theodore Reunert and Otto Lenz, and has contributed to the South African economy in numerous ways. Reunert was listed on the JSE in 1948 and is included in the industrial goods and services (electronic and electrical equipment) sector of the JSE. The Group operates mainly in South Africa with operations in Australia, Lesotho, Mauritius, the USA, Zambia and Zimbabwe. Reunert's Head Office is located in Woodmead, Johannesburg, South Africa.

# Commentary

## OVERVIEW

Reunert is pleased to present its results for the six-month period ended 31 March 2022 (H1 FY: 2022), which reflect an improvement in the financial performance on the comparative period in an environment of continued underspend by South African state institutions on electrical infrastructure; increased logistic costs, extended supply chains and global electronic component shortages; and high commodity prices exacerbated by the Russia-Ukraine war, which all adversely impacted input costs.

The Group's revenue grew by 11% from R4,6 billion in the comparative period to R5,1 billion for the current reporting period, primarily due to the pass through of high metal prices to customers in terms of pricing formula in the Electrical Engineering segment and the growth in export sales in the Applied Electronics segment as the granting of export permits resumed.

The Group's segmental operating profit increased by 1% to R449 million from R445 million achieved in the six-month period ended 31 March 2021 (H1 FY: 2021). This growth was negatively impacted by the industry-wide, three-week wage strike in the Electrical Engineering segment which reduced output capacity by around 14% for H1 FY: 2022, leading to the reduction in the segment's operating performance. Positively, the uncertainty of wage negotiations is now behind the Group for the next three years and labour relations have fully recovered from the effect of the strike.

The improved segmental operating profit was due to the increase in operating profit generated by the Applied Electronics segment, as it commenced delivering into new export contracts facilitated by the receipt of the necessary export permits, with the ICT segment delivering a result in line with expectations and the guidance given in 2021.

At the half year, all segments were beginning to benefit from a combination of improving order books and improving sales environments. The return of our Applied Electronics' sales force's ability to travel internationally, combined with our customers' increased focus on defence, has led to a significant improvement in this segment's order book with several of our businesses in this segment having full order books for the balance of the financial year.

## Key earnings metrics

	Measurement criteria	Six months ended 31 March			Year ended 30 September 2021
		2022	2021 <sup>1</sup>	% change	
Revenue	Rm	<b>5 114</b>	4 614	11	9 575
Segment operating profit <sup>2</sup>	Rm	<b>449</b>	445	1	986
Operating profit	Rm	<b>465</b>	448	4	1 050
Profit for the period	Rm	<b>319</b>	311	3	767
Earnings per share	cents	<b>196</b>	194	1	483
Headline earnings per share	cents	<b>195</b>	193	1	478
Interim/total cash dividend per share	cents	<b>75</b>	70	7	277

<sup>1</sup> The comparative period information has been restated to include in operating profit all items of income and expenditure (excluding dividends received, interest income and expense and share of joint ventures' and associates' profit/(loss)) which change was first applied in the 30 September 2021 audited results.

<sup>2</sup> Per segmental analysis.

## Commentary (continued)

### Electrical Engineering Segment (EE segment)

The EE segment delivered a pleasing operating profit taking into consideration the negative impact of the three-week industry-wide wage negotiation strike, with segment operating profit decreasing by only 7% to R151 million (H1 FY: 2021: R163 million).

The strike negatively impacted the throughput of the South African manufacturing businesses with the power cable factory unable to recover approximately 10% of the volume when compared to the prior year, while the circuit breaker business largely recovered all volumes lost in the strike by the half year end.

The power cables business' ongoing lean six sigma initiatives have resulted in improved quality, reduced wastage and better machine utilisation. This resulted in improved operating margins being achieved in the period under review. There is also early evidence of an increase in demand with several large contracts for delivery in the second half of this financial year (H2 FY: 2022) and in the subsequent financial year having been recently received.

The circuit breaker business continues to make good progress in the export market, while local sales were in line with H1 FY: 2021. The business's input costs came under pressure during the period under review, largely due to increasing logistic and commodity prices, which negatively impacted margins as not all price increases could be passed onto customers. The company's development of its energy management systems and products have matured to the extent that they will be launched into the market in the H2 FY: 2022.

CBI-Electric Telecom Cables (Pty) Ltd, the Group's telecommunication cable joint venture, was placed into business rescue in early March. This business has been loss-making for a number of years, despite several restructuring initiatives having been undertaken. In the current year, the expectation was for a recovery based on indicated order off-take from a major customer. In anticipation of these orders, substantial quantities of raw fibre were imported. Unfortunately, the customer delayed its orders leading to the business suffering cash flow difficulties. As a result of the business rescue process, the Group has recognised and measured its investment in this company at fair value through other comprehensive income, raised the necessary expected credit losses on loans provided and raised a guarantee cost.

The Electrical Engineering segment is beginning to benefit from the first signs of recovery in power cable demand and the improved performance in H1 FY: 2022 is expected to continue throughout the year. The circuit breaker business continues to benefit from excellent export demand and its increased local market share.

### Information Communication and Technology Segment (ICT segment)

The ICT segment delivered an operating profit in line with expectations, with segment operating profit increasing by 4% to R305 million (H1 FY: 2021: R293 million).

The Total Workspace Provider business successfully onboarded a range of new brands to overcome the product portfolio gap resulting from the fire in the sole chip manufacturer to the Group's supplier for entry level multi-function printers, enabling the business to achieve the same operating result as in H1 FY: 2021 which did not suffer from similar supply constraints. The actions taken to introduce additional products and brands in the Total Workspace Provider business is positively impacting the trajectory of this business.

+One<sup>x</sup> successfully integrated the acquisitions undertaken in the 2021 financial year and concluded the acquisition of a software development company, Code Maven. The acquisitions, together with an improved performance of the traditional managed services and the integrated communication business, resulted in an increase in +One<sup>x</sup>'s contribution to the segment's profitability and continue +One<sup>x</sup>'s trajectory to building a next generation business of scale in the ICT segment.

The Group's communication businesses, ECN and Skywire, were able to maintain their profitability at the same level as H1 FY: 2021, despite minute demand declining as a result of the economic environment and the adverse effects of load shedding.

The Group's finance book continued to perform well, with very limited credit losses being experienced on the lease and loan receivables in the period under review, which enabled a R9 million release from the expected credit loss provision.

### Applied Electronics Segment (AE segment)

The AE segment operating profit increased by 77% to R55 million (H1 FY: 2021: R31 million). Export permits were finally released in the second quarter of FY: 2022 and the Group delivered into several of the delayed export contracts, particularly at Fuchs, the Group's fuze business. These sales resulted in increased segment profitability. Unfortunately, due to the timing of these sales, there was insufficient time for the receivables resulting from the sales to be converted into cash, which together with a large investment into working capital to prepare for the execution and future delivery into outstanding export contracts were factors in the Group's reduced cash conversion to 53% of profit after tax from 87% of profit after tax (H1 FY: 2021). This will be remedied in H2 FY: 2022.

The ability of the AE segment's sales force to travel, now that the majority of countries' COVID-19 travel bans have been lifted, has resulted in a significant increase in the segment's order book. These contracts will be delivered in H2 FY: 2022 and the 2023 financial year (FY: 2023).

Local defence spending, however, remains under pressure and as a result the next tranche of the local tactical communication order is only expected to result in revenue in FY: 2023.

The Group's renewable energy businesses continue to make progress, with considerable effort going into the enhancement of systems, processes and the product range at the battery storage business. The solar photovoltaic business continues to grow from strength to strength and to capitalise on a buoyant renewable market.

## UPDATE ON THE RESTRUCTURING OF THE GROUP'S BEE TRANSACTION

Shareholders received a circular in December 2021 incorporating, *inter alia*, the key terms of the proposed restructure of the Group's BEE structure, the necessary steps required to effect the transaction and the accounting implications thereof. Shareholders voted overwhelmingly in favour of the new BEE structure at the February 2022 general meeting and good progress has been made in respect of its implementation. More detail on this transaction is included in note 18 in the unaudited condensed consolidated interim financial statements.

The transaction had no impact in H1 FY: 2022 except for the R9,6 million cost of the repurchase of certain of the minorities' shares in the previous BEE structure and the expensing of R9,4 million in transaction costs (part of the R9,7 million in transaction costs outlined in the circular). Of the R9,6 million cash cost incurred for the repurchase, R6,3 million was charged to the statement of profit or loss and R3,3 million was charged to equity.

## Commentary (continued)

### EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Group has concluded a sale of shares agreement with Etion Limited (Etion) for the purchase of Etion Create. The base for the purchase consideration is R168 million on a cash-free and debt-free basis, subject to certain agreed adjustments. The implementation of the transaction is subject to certain conditions precedent. Etion Create will be integrated into the AE segment and will provide the group with original design capability for the design integration and support of advanced technology in the market sectors of: mining and industrial; defence and aerospace; internet of things and sensors; and cyber security.

In addition to this acquisition, the Group acquired all the shares held by SIBU Private Equity (Pty) Ltd in Terra Firma Solutions (Pty) Ltd for a purchase consideration of R20,9 million.

### CHANGES TO THE BOARD OF DIRECTORS

At the February Annual General Meeting of Shareholders (AGM), the chair of the Board, Mr TS Munday retired, as did the long standing lead independent director, Mr SD Jagoe. From the date of the AGM Mr MJ Husain assumed the responsibility of chairing the Board and Mr JP Hulley was appointed as the lead independent director.

Ms T Eboka and Mr RJ Boëttger were both appointed to the Board with effect from 1 March 2022.

Further to above the following changes were effected from 1 April 2022:

- > Ms T Abdool-Samad relinquished the role of chair of the Investment Committee but remains a member of the Investment Committee.
- > Mr LP Fourie was appointed to the Nomination and Governance Committee.
- > Mr RJ Boëttger was appointed to the Social, Ethics and Transformation Committee, the Remuneration Committee and assumed the role of chair of the Investment Committee.
- > Ms T Eboka was appointed to the Social, Ethics and Transformation Committee and the Risk Committee.
- > Mr MJ Husain assumed the role of chair to the Nomination and Governance Committee.

After considering her personal commitments and her long service to the Reunert Board, advocate NDB Orleyn has elected to retire from the Board on 30 June 2022.

### PROSPECTS

Reunert is positioned to deliver an improved full-year financial performance for FY: 2022. The EE segment's improved financial performance is expected to continue with increased volumes and margins, while the ICT segment should grow in line with recent performances as the South African economy recovers and the contribution from +One<sup>x</sup> accelerates. The AE segment is expected to deliver a strong H2 FY: 2022 as export sales materially increase on the back of the strong order book.

Free cash flow generation in H2 FY: 2022 should reflect the stabilisation of the levels of buffer stock needed to combat the consequences of erratic supply chains and the improvement in the levels of receivables. This will ensure sufficient free cash is generated to continue to support the cash return to shareholders as well as the Group's growth and strategy execution.

## CASH DIVIDEND

While cognisant of the economic uncertainty going forward, the Group's free cash flow generating capacity remains intact. Notice is hereby given that a gross interim cash dividend No. 192 of 75,0 cents per ordinary share (March 2021: 70,0 cents per ordinary share) has been declared by the directors for the six months ended 31 March 2022.

The dividend has been declared from retained earnings.

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

Accordingly, for those shareholders subject to withholding tax, the net dividend amounts to 60,0 cents per ordinary share (March 2021: 56,0 cents per ordinary share).

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

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

Last date to trade (cum dividend)	Tuesday, 21 June 2022
First date of trading (ex dividend)	Wednesday, 22 June 2022
Record date	Friday, 24 June 2022
Payment date	Monday, 27 June 2022

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 22 June 2022 and Friday, 24 June 2022, both days inclusive.

On behalf of the Board of directors



**Mohamed Husain**  
Chair



**Alan Dickson**  
Chief Executive Officer



**Nick Thomson**  
Chief Financial Officer

Sandton, 24 May 2022

# Condensed consolidated statement of profit or loss

for the six months ended 31 March 2022

Rm	Notes	Six months ended 31 March			Year ended 30 September 2021
		2022 Unaudited	Restated <sup>1</sup> 2021 Unaudited	% change	2021 Audited
<b>Revenue</b>	2	<b>5 114</b>	4 614	11	9 575
<b>Operating expenses</b>	3	<b>(4 657)</b>	(4 158)	12	(8 524)
<b>Operating profit before impairment of financial assets:</b>		<b>457</b>	456	–	1 051
Reversal of impairment/(impairment)		<b>8</b>	(8)		(1)
Credit write-off	3, 6	<b>(6)</b>	(5)		(20)
Expected credit losses	3, 6	<b>14</b>	(3)		19
<b>Operating profit</b>	3	<b>465</b>	448	4	1 050
Interest and dividend income	4	<b>20</b>	13		28
Interest expense	5	<b>(36)</b>	(30)		(70)
<b>Profit before tax</b>		<b>449</b>	431	4	1 008
Tax		<b>(118)</b>	(121)	(2)	(265)
<b>Profit after tax</b>		<b>331</b>	310	7	743
Share of joint ventures' and associates' (loss)/profit		<b>(12)</b>	1		24
(Loss)/profit		<b>(8)</b>	1		24
Impairment of net investment		<b>(4)</b>	–		–
<b>Profit for the period</b>		<b>319</b>	311	3	767
<b>Profit/(loss) for the period attributable to:</b>					
Non-controlling interests		<b>3</b>	(2)		(10)
Equity holders of Reunert		<b>316</b>	313		777
<b>Earnings per share (cents)</b>					
Basic	11	<b>196</b>	194	1	483
Diluted	11	<b>195</b>	193	1	481

<sup>1</sup> The consolidated statement of profit or loss has been restated to include in operating profit all items of income and expenditure (excluding dividends received, interest income and expense and share of joint ventures' and associates' profit/(loss)) which change was first applied in the 30 September 2021 audited results. Refer to note 15.

# Condensed consolidated statement of comprehensive income

for the six months ended 31 March 2022

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
<b>Profit for the period</b>	<b>319</b>	311	767
<b>Other comprehensive income, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss	(17)	(23)	2
Translation differences of foreign businesses	(13)	(23)	1
Fair value remeasurement of financial asset	(4)	–	1
<b>Total comprehensive income</b>	<b>302</b>	288	769
<b>Total comprehensive income attributable to:</b>			
Non-controlling interests	4	(4)	(6)
– Share of profit/(loss) for the period	3	(2)	(10)
– Share of other comprehensive income	1	(2)	4
Equity holders of Reunert	<b>298</b>	292	775
– Share of profit for the period	<b>316</b>	313	777
– Share of other comprehensive income	(18)	(21)	(2)

# Condensed consolidated statement of financial position

for the six months ended 31 March 2022

As at 31 March

Rm	Notes	Year ended 30 September		
		2022 Unaudited	2021 Unaudited	2021 Audited
<b>Non-current assets</b>				
Property, plant and equipment		843	798	858
Investment property		23	31	23
Right-of-use assets		137	163	146
Intangible assets		472	432	444
Goodwill	7	960	924	934
Other investments and loans <sup>1</sup>		126	68	65
Investments in joint ventures and associates		37	72	99
Investment at fair value through profit or loss	9	51	–	76
Derivative financial asset	10	32	–	41
Lease receivables		391	555	410
Loan receivables		1 299	1 272	1 393
Deferred tax assets		142	154	145
		<b>4 513</b>	<b>4 469</b>	<b>4 634</b>
<b>Current assets</b>				
Tax receivable		118	53	115
Inventory		1 874	1 580	1 743
Lease receivables		260	297	273
Loan receivables		448	446	400
Trade and other receivables		2 374	2 010	2 097
Derivative financial assets		16	12	7
Cash and cash equivalents		590	1 035	1 068
		<b>5 680</b>	<b>5 433</b>	<b>5 703</b>
<b>Total assets</b>		<b>10 193</b>	<b>9 902</b>	<b>10 337</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital		389	389	389
Share-based payment reserves		214	219	219
Empowerment shares		(276)	(276)	(276)
Treasury shares		(447)	(348)	(447)
Equity transactions/put option with non-controlling interests		(1)	(1)	(72)
Other reserves <sup>2</sup>		(181)	(182)	(163)
Retained earnings		6 973	6 688	7 045
Equity attributable to equity holders of Reunert		<b>6 671</b>	<b>6 489</b>	<b>6 695</b>
Non-controlling interests		86	43	87
<b>Total equity<sup>3</sup></b>		<b>6 757</b>	<b>6 532</b>	<b>6 782</b>

<sup>1</sup> Included in other investments and loans is the fair value of CBI-Electric Telecom Cables (Pty) Ltd, remeasured through other comprehensive income, of R43 million (March and September 2021: held as part of investment in joint ventures and associates). Refer to note 8.

<sup>2</sup> Other reserves consists of:  
– Equity forward contract  
– Foreign currency translation reserve  
– Translation loss on net investment in foreign subsidiary  
– Fair value reserve

<sup>3</sup> Refer to the statement of changes in equity for the composition of all components of equity.

## As at 31 March

Rm	Notes	Year ended 30 September		
		2022 Unaudited	2021 Unaudited	2021 Audited
<b>Non-current liabilities</b>				
Deferred tax liabilities		173	100	158
Equity forward contract		42	53	48
Long-term loans		65	35	44
Lease liabilities		100	143	100
Derivative financial liability	10	84	–	92
Contract liabilities		60	29	–
Contingent consideration	13	33	–	10
		<b>557</b>	360	452
<b>Current liabilities</b>				
Put option liability	14	–	–	25
Equity forward contract		14	16	18
Current portion of long-term loans		40	6	39
Lease liabilities		75	57	85
Derivative financial liabilities		20	33	17
Provisions		86	96	81
Tax liabilities		29	13	21
Contract liabilities		248	243	264
Trade and other payables		1 809	1 746	1 776
Bank overdrafts and short-term facilities		558	800	777
		<b>2 879</b>	3 010	3 103
<b>Total equity and liabilities</b>		<b>10 193</b>	9 902	10 337

# Condensed consolidated statement of cash flows

for the six months ended 31 March 2022

Rm	Six months ended 31 March			
	Note	2022 Unaudited	Restated <sup>1</sup> 2021 Unaudited	Year ended 30 September 2021 Audited
<b>Cash flows from operating activities</b>				
Cash generated from operations before working capital changes	A	607	553	1 158
Increase in net working capital		(312)	(116)	(200)
Cash generated from operations		295	437	958
Cash interest received		17	13	26
Dividends received		–	–	2
Cash interest paid		(36)	(29)	(66)
Tax paid		(99)	(137)	(272)
Net cash inflow from operating activities before dividends		177	284	648
Dividends paid (including to non-controlling interests in subsidiaries)		(333)	(315)	(428)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(156)</b>	<b>(31)</b>	<b>220</b>
<b>Cash flows from investing activities</b>				
Cash received from loan receivables		375	503	966
Cash invested in loan receivables		(323)	(486)	(893)
Other investments and loans granted		(36)	(9)	(8)
Dividends received from joint venture and associate		2	4	6
Replacement of property, plant and equipment and intangible assets		(9)	(14)	(42)
Proceeds from disposal of property, plant and equipment and intangible assets		12	5	37
Expansion of property, plant and equipment and intangible assets		(74)	(76)	(196)
Acquisition of businesses		(16)	–	(8)
Proceeds from disposal of investment, subsidiary and associate		29	17	37
<b>Net cash outflow from investing activities</b>		<b>(40)</b>	<b>(56)</b>	<b>(101)</b>

Rm	Six months ended 31 March			
	Note	2022 Unaudited	Restated <sup>1</sup> 2021 Unaudited	Year ended 30 September 2021 Audited
<b>Cash flows from financing activities</b>				
Shares acquired for equity settled Conditional Share Plan (CSP)		(6)	(11)	(11)
Proceeds from subscription for shares by non-controlling interests		–	13	68
Investment in treasury shares		–	(6)	(105)
Shares acquired from non-controlling interests		(10)	–	(31)
Put option liability settled		(24)	–	–
Long-term loans raised		24	27	47
Long-term loans settled		(1)	(1)	(9)
Contingent consideration settled		(2)	–	(7)
Equity forward contract liability settled		(8)	(7)	(15)
Lease liabilities settled		(38)	(27)	(73)
<b>Net cash outflow from financing activities</b>		<b>(65)</b>	(12)	(136)
<b>Net decrease in net cash and cash equivalents</b>		<b>(261)</b>	(99)	(17)
<b>Net cash and cash equivalents at the beginning of the period as reported in the Statement of Financial Position</b>		<b>291</b>	323	323
<b>Net cash and cash equivalents at the end of the period before translation adjustments</b>		<b>30</b>	224	306
<b>Foreign exchange translation adjustments on:</b>				
Cash and cash equivalents		(6)	(14)	(6)
Bank overdrafts and short-term facilities		8	25	(9)
<b>Net cash and cash equivalents at the end of the period as reported in the Statement of Financial Position</b>		<b>32</b>	235	291
<b>Made up of:</b>				
Cash and cash equivalents		590	1 035	1 068
Bank overdrafts and short-term facilities		(558)	(800)	(777)
Bank overdrafts		(52)	(110)	(137)
Short-term facilities		(506)	(690)	(640)

<sup>1</sup> The consolidated statement of cash flows has been restated to disclose the following:

- Cash interest received and dividends received are now disclosed separately
- Cash flows from loan receivables have been disaggregated into cash receipts and cash payments on a gross basis
- Subtotals for investments to maintain/increase operating capacity have been removed
- The foreign exchange translation adjustments have been included below net cash and cash equivalents in order to reconcile the net cash and cash equivalents to the statement of financial position

The restatement did not result from a change to any of the 2021 interim reported numbers on the face of the consolidated statement of cash flows. This change was first applied in the 30 September 2021 audited results.

# Notes to the condensed consolidated statement of cash flows

for the six months ended 31 March 2022

Rm	Six months ended 31 March		
	2022 Unaudited	Restated <sup>1</sup> 2021 Unaudited	Year ended 30 September 2021 Audited
<b>A. Reconciliation of profit before tax to cash generated from operations before working capital changes</b>			
<b>Profit before tax</b>	<b>449</b>	431	1 008
<b>Adjusted for:</b>			
Cash interest received	(17)	(13)	(26)
Dividend received	–	–	(2)
Cash interest paid	36	29	66
Unwinding of present value discount	(3)	1	4
Depreciation of property, plant and equipment and right-of-use assets	100	94	192
Amortisation of intangible assets	28	32	61
Profit on disposal of property, plant and equipment and intangible assets	(2)	(3)	(12)
Profit on disposal of associate	–	–	(1)
Fair value remeasurements			
Gain on investment at fair value through profit or loss	(4)	(17)	(103)
Gain on contingent consideration	(3)	–	(13)
Gain on option contract	(8)	–	(41)
Loss on option contract	9	–	92
Gain on put option liability	(1)	–	–
Loss on disposal of subsidiary	–	–	1
Impairment of non-financial assets	–	–	1
Expenses arising from share-based payment transactions	6	5	7
Share-based payment expense in respect of the Group's CSP	15	15	16
Share-based payment expense in respect of the Group's Deferred Bonus Plan	–	–	1
Cash paid to settle the Group's Deferred Bonus Plan	–	(6)	(6)
Net unrealised forex losses	21	28	16
Lease modification	(20)	(16)	(49)
Reversal of impairment/(impairment) of financial assets			
Credit write-off	6	5	20
Expected credit losses	(14)	3	(19)
Provision movements	5	(33)	(57)
Financial guarantee cost	5	–	–
Other non-cash movements	(1)	(2)	2
<b>Cash generated from operations before working capital changes</b>	<b>607</b>	553	1 158

<sup>1</sup> The reconciliation of profit before tax to cash generated from operations before working capital changes has been restated as a result of the restatement to operating profit (refer to note 3 and note 15). This restatement is to provide additional disclosure and did not result from a change to any of the 2021 interim reported numbers. This change was first applied in the 30 September 2021 audited results.

# Condensed consolidated statement of changes in equity

for the six months ended 31 March 2022

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
Share capital	389	389	389
Share-based payment reserves	214	219	219
Balance at the beginning of the period	219	217	217
In respect of CSP	15	15	18
Shares acquired to settle CSP	(6)	(11)	(11)
Expenses arising from share-based payment transactions	(3)	5	7
Transfer to retained earnings	(11)	(7)	(12)
Equity transactions/put option with non-controlling shareholders	(1)	(1)	(72)
Balance at the beginning of the period	(72)	–	–
Shares acquired from non-controlling shareholders	3	–	(33)
Subscription for shares by non-controlling shareholders	(1)	(1)	(14)
Put option raised during the period	–	–	(25)
Transfer from retained earnings	69	–	–
Empowerment shares <sup>1</sup>	(276)	(276)	(276)
Treasury shares <sup>2</sup>	(447)	(348)	(447)
Balance at the beginning of the period	(447)	(342)	(342)
Shares bought back during the period	–	(6)	(105)
Equity forward contract <sup>3</sup>	(75)	(75)	(75)
Foreign currency translation reserves	(1)	(5)	13
Balance at the beginning of the period	13	16	16
Other comprehensive income	(14)	(21)	(3)
Translation loss on net investment in foreign subsidiary	(109)	(109)	(109)
Fair value reserve	4	7	8
Balance at the beginning of the period	8	7	7
Other comprehensive income	(4)	–	1

<sup>1</sup> This is the cost of Reunert Limited shares held by Bargenel Investments (Pty) Ltd (Bargenel), a company sold by Reunert to its empowerment partners in 2007 (Previously 30% held by Peotona Group Holdings (Pty) Ltd and 70% by Rebatona Trust, currently 100% held by Rebatona Trust). A new structure has been introduced effective 1 April 2022, refer to note 18, for further details on this transaction. Until the amount owed by the empowerment partners is repaid to Reunert, Bargenel will continue to be consolidated into the Group's financial statements.

<sup>2</sup> Ordinary Reunert shares bought back in the open market and held by a subsidiary: 7 032 824 shares (March 2021: 5 113 842 shares, September 2021: 7 032 824 shares). During the 2021 financial year 2 035 126 shares were bought back at an average price of R51,33 per share.

<sup>3</sup> At the end of the 2020 financial year, the Group, on behalf of the CSP, entered into a forward contract to acquire 2 346 930 ordinary Reunert shares from an independent third party, for purposes of hedging the Group's potential future obligation to deliver Reunert ordinary shares to CSP participants.

## Condensed consolidated statement of changes in equity (continued)

for the six months ended 31 March 2022

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
Retained earnings	6 973	6 688	7 045
Balance at the beginning of the period	7 045	6 678	6 678
Profit for the period attributable to equity holders of Reunert	316	313	777
Cash dividends paid	(330)	(310)	(422)
Transfer (to)/from other reserves	(58)	7	12
Equity attributable to equity holders of Reunert	6 671	6 489	6 695
Non-controlling interests	86	43	87
Balance at the beginning of the period	87	38	38
Profit/(loss) for the period	3	(2)	(10)
Other comprehensive income	1	(2)	4
Cash dividends paid	(3)	(5)	(6)
Subscription for shares by non-controlling shareholders	1	14	62
Disposal of subsidiary	–	–	(4)
Shares acquired from non-controlling shareholders	(3)	–	3
<b>Total equity at the end of the period</b>	<b>6 757</b>	<b>6 532</b>	<b>6 782</b>

# Notes

for the six months ended 31 March 2022

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (condensed financial statements) have been prepared in accordance with and contain the information required by the:

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

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

The Group's accounting policies applied for the period ended 31 March 2022 are consistent with those applied in the prior year's audited consolidated Annual Financial Statements. These accounting policies comply with IFRS.

These condensed financial statements have not been audited or reviewed by the Group's external auditors.

## 2. REVENUE

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
<b>Revenue from contracts with customers:</b>			
<b>Category of revenue</b>			
Products	4 018	3 450	7 632
Services	920	971	1 575
	<b>4 938</b>	4 421	9 207
<b>Timing of revenue recognition:</b>			
Revenue recognised at a point in time	4 258	3 790	7 911
Revenue recognised over time	680	631	1 296
<b>Total revenue from contracts with customers</b>	<b>4 938</b>	4 421	9 207
<b>Other revenue:</b>			
Interest received on leases and loans receivable	162	173	340
Rental revenue	14	20	28
<b>Total</b>	<b>5 114</b>	4 614	9 575

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

## Notes (continued)

for the six months ended 31 March 2022

### 3. OPERATING PROFIT

Rm	Six months ended 31 March		
	2022 Unaudited	Restated <sup>1</sup> 2021 Unaudited	Year ended 30 September 2021 Audited
<b>Operating profit is arrived at as follows:</b>			
<b>Revenue</b>	<b>5 114</b>	4 614	9 575
<b>Items included in operating profit</b>			
Changes in inventory	(3 224)	(2 758)	(5 852)
Employee costs	(984)	(972)	(1 967)
Salaries and wages	(880)	(875)	(1 776)
Pension and provident fund contributions <sup>2</sup>	(63)	(64)	(126)
Other staff costs <sup>3</sup>	(41)	(33)	(65)
Fair value remeasurements	7	17	65
Gain on investment at fair value through profit or loss	4	17	103
Gain on contingent consideration	3	–	13
Gain on option contract	8	–	41
Loss on option contract	(9)	–	(92)
Gain on put option liability	1	–	–
Reversal of impairment/(impairment) of financial assets	8	(8)	(1)
Credit write-off	(6)	(5)	(20)
Expected credit losses	14	(3)	19
Net forex (losses)/gains	(21)	(29)	24
Net realised forex (losses)/gains <sup>4</sup>	–	(1)	40
Net unrealised forex losses <sup>4</sup>	(21)	(28)	(16)

### 3. OPERATING PROFIT (CONTINUED)

Rm	Six months ended 31 March		
	2022 Unaudited	Restated <sup>1</sup> 2021 Unaudited	Year ended 30 September 2021 Audited
Other income	30	15	47
Lease modification	20	16	49
Profit on disposal of property, plant and equipment and intangible assets	2	3	12
Share-based payment expense <sup>5</sup>	(15)	(15)	(17)
Interest paid to finance lease and loan receivables	(8)	(16)	(24)
Operating lease charges	(14)	(14)	(27)
Research and development	(70)	(70)	(150)
Financial guarantee cost	(5)	–	–
Other operating expenses	(241)	(204)	(423)
<b>EBITDA<sup>6</sup></b>	<b>599</b>	<b>579</b>	<b>1 311</b>
<b>The following additional disclosable items have been included in arriving at operating profit:</b>			
Depreciation and amortisation	(128)	(126)	(253)
Impairment of property, plant and equipment	–	–	(1)
Profit on disposal of associate	–	–	1
Loss on disposal of subsidiary	–	–	(1)
Expenses arising from share-based payment transactions <sup>7</sup>	(6)	(5)	(7)
<b>Operating profit as per the statement of profit or loss</b>	<b>465</b>	<b>448</b>	<b>1 050</b>

<sup>1</sup> The operating profit note has been restated to provide more detail, which change was first applied in the 30 September 2021 audited results. Refer to note 15.

<sup>2</sup> Payments to defined contribution retirement plans are charged as an expense as they fall due.

<sup>3</sup> Includes staff training, staff welfare, skills development levy, commissions and incentives and other staff related costs.

<sup>4</sup> Transactions denominated in a foreign currency are initially recognised at the ruling rates of exchange at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated to the exchange rates prevailing at that date. Exchange differences on monetary items are recognised in the statement of profit or loss in the period in which they arise. Derivative instruments are initially measured at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The resulting gains or losses are recognised in the statement of profit or loss.

<sup>5</sup> Included in share-based payment expense is a charge of Rnil million (March and September 2021: a charge of R1 million) relating to the Deferred Bonus Plan. This is classified as a cash-settled share-based payment with the equivalent amount included in liabilities.

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

<sup>7</sup> During the period under review certain of the minority shareholders' shares in Bargenel (the Group's empowerment vehicle) were repurchased for a total consideration of R9,6 million. Of this, R3,3 million was charged to equity and R6,3 million was included as a charge to profit or loss. (March 2021: an empowerment charge in the ICT Segment of R5 million, September 2021 an empowerment charge in the ICT Segment of R6 million and in the AE Segment of R1 million).

## Notes (continued)

for the six months ended 31 March 2022

### 4. INTEREST AND DIVIDEND INCOME

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
Dividend income	–	–	2
Unwinding of present value discount	3	–	–
Interest earned on financial assets analysed by category of asset:			
Bank deposits	12	10	16
Other assets	5	3	10
<b>Total interest and dividend income</b>	<b>20</b>	<b>13</b>	<b>28</b>

### 5. INTEREST EXPENSE

Loans, bank overdrafts and short-term facilities	(29)	(19)	(47)
Lease liabilities	(7)	(10)	(19)
Unwinding of present value discount	–	(1)	(4)
<b>Interest expense as per the statements of profit or loss</b>	<b>(36)</b>	<b>(30)</b>	<b>(70)</b>
Interest paid to finance lease and loan receivables (included in Group operating expenses as this relates to the Group's finance business)	(8)	(16)	(24)
<b>Total interest expense</b>	<b>(44)</b>	<b>(46)</b>	<b>(94)</b>

### 6. IMPAIRMENT OF FINANCIAL ASSETS

Credit write-off	6	5	20
Expected credit losses (ECL)	(14)	3	(19)
	<b>(8)</b>	<b>8</b>	<b>1</b>

## 6. IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

### Analysis of movement in the ECL

Rm	ECL as at the beginning of the period	(Released)/ raised during the period through the statement of profit or loss	Utilised during the period	Foreign exchange movement	ECL as at the end of the period
<b>31 March 2022</b>					
Lease and loan receivables	152	(9)	(4)	–	139
Trade and other receivables	168	(5)	(2)	(6)	155
Credit write-off for trade and other receivables		6			
<b>Reversal of impairment of financial assets per the statement of profit or loss</b>		<b>(8)</b>			

### 31 March 2021

Lease and loan receivables	210	–	(27)	–	183
Trade and other receivables	192	3	(20)	(13)	162
Credit write-off for trade and other receivables		5			
<b>Impairment of financial assets per the statement of profit or loss</b>		<b>8</b>			

## Notes (continued)

for the six months ended 31 March 2022

### 6. IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Analysis of movement in the ECL (continued)

30 September 2021

Rm	ECL as at beginning of the year	(Released)/ raised during the year through the statement of profit or loss	Utilised during the year	Disposal of subsidiary	Foreign exchange movement	ECL as at the end of the year
Lease and loan receivables	210	(29)	(29)	–	–	152
Trade and other receivables	192	10	(39)	(2)	6	167
Credit write-off for trade and other receivables		20				
<b>Impairment of financial assets per the statement of profit or loss</b>		1				

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

Subsequent to the easing of lockdown conditions and reducing levels of serious COVID-19 infections, economic activity has generally improved since the outbreak of the pandemic in early 2020 and the credit environment has correspondingly improved.

The Group has also assessed the potential impact of the Russia-Ukraine war and the impact of this is expected to be mainly on input costs, rising inflation and interest rates.

The Group considers the impact of COVID-19 and the Russia-Ukraine war in their assessment of the ECL.

#### Lease and loan receivables

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

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

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

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

## 6. IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

### Key assumptions

The Group has considered these factors above and also used the following key assumptions in estimating the ECL as at 31 March 2022:

#### Six months ended 31 March

	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
Probability of default (PD)	5,49%	6,3%	5,6%
Loss given default (LGD)	63,0%	63,0%	63,0%
	<b>Exposure of receivables at 31 March 2022</b>	Exposure of receivables at 31 March 2021	Exposure of receivables at 30 September 2021

In estimating the PD, which requires a high degree of judgement, the following rate was applied:

- > The expected rate of credit default applied has been reduced to 5,49% at 31 March 2022 (6,3% at 31 March 2021 and 5,6% at 30 September 2021).

The LGD rate used was obtained from the quoted recovery rate of the World Bank for South African debt of 37%. This was corroborated against the Moody's recovery rate for emerging markets. Due to the uncertainty of the impact of, *inter alia*, COVID-19 and the Russia-Ukraine war on South Africa and limited credit information, this remains the best independent and credible information available to estimate the expected LGD and this results in an LGD of 63%.

Management previously applied both Moody's PD and their experience as to which industry segments of the book were experiencing credit stress. In the current period as management has developed greater insight into the South African credit risk associated with its loan and receivable book through both technical analysis and through the assessment of actual credit losses, management has instead of applying the Moody's Global PD, used the forward looking information derived from an assessment undertaken in conjunction with a South African credit bureau, Experian, on the Group's lease and loan receivables. This exercise determined the industry classification of each rental customer and which industries were considered to be likely to experience future adverse credit risk.

### Categorisation of stages

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

Rm	Carrying amount before ECL	Expected credit losses			Net carrying amount after ECL
		Stage 1	Stage 2	Stage 3	
31 March 2022	2 537	(17)	(24)	(98)	2 398
Leases receivable	672	(3)	(7)	(11)	651
Loans receivable	1 865	(14)	(17)	(87)	1 747
31 March 2021	2 753	(79)	(41)	(63)	2 570
Leases receivable	879	(5)	(11)	(11)	852
Loans receivable	1 874	(74)	(30)	(52)	1 718
30 September 2021	2 628	(41)	(13)	(98)	2 476
Leases receivable	707	(9)	(6)	(9)	683
Loans receivable	1 921	(32)	(7)	(89)	1 793

## Notes (continued)

for the six months ended 31 March 2022

### 6. IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

#### Trade and other receivables

The Group has consistently applied the IFRS 9 simplified approach to measuring ECL for trade receivables which uses a lifetime expected loss model. ECLs are calculated by using a provision matrix and applying a loss ratio to the age analysis of trade receivables and contract assets of each entity in the Group. These have been aggregated into groupings that represent, to a large degree, major risk types and how the Group manages its receivables and contract assets. This also illustrates the spread of credit risk at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

### 7. IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

#### Goodwill

The Group considered and evaluated whether there were any indicators of impairment for its cash generating units (CGU) at 31 March 2022.

Both internal and external factors to the Group were considered to determine whether there were indicators of impairment. This included the residual impacts of the COVID-19 pandemic and the Russia-Ukraine war.

Indicators of impairment were noted for the following CGUs: Skywire, Omnigo, Nanoteq and Reutech Communications. The Group performed an impairment assessment using cash flow forecasts over a five-year period. Based on this assessment no impairments were required at 31 March 2022.

#### Sensitivities

In terms of IAS 36, management conducted sensitivity analyses, the sensitivity analyses included a consequence of a 5% reduction in forecast revenue on the cash flow forecasts without factoring in any management actions required from the decrease in revenue. The results of the sensitivity analyses were that additional impairments would be required for Nanoteq (R18 million), Omnigo (R67 million) and Skywire (R73 million) if revenue forecasts are not met by 5% i.e. a 95% achievement.

Pre-tax discount rates ranging from 15,8% to 19,6% and a terminal value growth rate of 4% were used in these assessments.

A 1% increase in pre-tax discount rates would result in an impairment of goodwill of R6 million for both Nanoteq and Omnigo.

A 1% decrease in terminal value growth rate would result in an impairment of goodwill of R1 million for both Nanoteq and Omnigo.

Rm	Six months ended 31 March		Year ended 30 September
	2022 Unaudited	2021 Unaudited	2021 Audited
Carrying amount at the beginning of the period	934	924	924
Disposal of subsidiary	–	–	(4)
Acquisition of businesses	26	–	14
<b>Carrying amount at the end of the period</b>	<b>960</b>	924	934

## 8. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Due to the reduced factory throughput leading to under recoveries of fixed costs and reduced cash flow as a consequence of lower sales, CBI Telecoms was placed into business rescue on 2 March 2022. Consequently, the Group has lost significant influence over its investment in CBI Telecoms and has therefore changed the classification of the investment from equity accounting under IAS 28 to a financial asset under IFRS9. In addition to the equity investment, the group has made both a funding loan and operating loans to CBI Telecoms which continue to be recognised as receivables measured at amortised cost. The Group has made an election to recognise any subsequent changes in fair value of the investment under IFRS 9 through other comprehensive income.

## 9. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

In terms of IAS 28 Investments in Associates and Joint Ventures, the Group is presumed to have significant influence over CAFCA as it owns more than 20% of CAFCA's share capital.

However, as the Group has less than 20% representation on the board of directors of CAFCA and as it does not have the right to appoint additional directors, the Group does not equity account its investment in CAFCA. This is due to the Group not having significant influence over CAFCA resulting from its inability to influence the financial and operating policy of 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. Historically as Reunert could not receive dividends due to Zimbabwean exchange controls and as there was no market for the shares, the investment was held at a value of Rnil.

During the prior financial year the Group received and accepted two unsolicited offers for a portion of its investment in CAFCA for R27 million. These transactions resulted in the Group remeasuring the fair value of its investment in CAFCA. The fair value was determined using an appropriate price/net asset value multiple of comparable companies to the historical net asset value of the share. The selling price per share of the sale transactions was also considered as a key factor in assessing the reasonability of the fair value. This valuation has been reperformed in the period under review on the same basis.

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

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
<b>Fair value remeasurement of investment in CAFCA</b>	<b>4</b>	17	103
Realised gain on remeasurement of investment	-	17	27
Unrealised gain on remeasurement of investment	4	-	76

During the current financial period the Group sold a further 5 200 245 CAFCA shares for R29 million and subsequent to this sale the Group holds a residual interest in CAFCA of 28,65%.

## Notes (continued)

for the six months ended 31 March 2022

### 10. NON-CURRENT DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

As at 31 March

Rm	Year ended 30 September		
	2022 Unaudited	2021 Unaudited	2021 Audited
Put option derivative financial asset	32	–	41
Call option derivative financial liability	84	–	92
<b>Cumulative fair value remeasurement loss on option contract</b>	<b>52</b>	<b>–</b>	<b>51</b>
<b>Fair value remeasurement loss recognised in the statement of profit or loss</b>	<b>1</b>	<b>–</b>	<b>51</b>

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.

The Group sold an effective 25% interest in Terra Firma Solutions (Pty) Ltd (TFS) (the Group's Solar PV business) to Lumika and concluded a put and a call option for the sale of its residual 65% interest in TFS. The put and call options are both exercisable after the third anniversary of the establishment of Lumika which date is 30 September 2023.

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

#### Valuation technique

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

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

- > USD13,3 million strike price translated to Rand at 31 March 2022 using a forward exchange rate of 15,35.
- > Average growth rate 16,0%
- > Post-tax discount rate 15,5%

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

## 11. NUMBER OF SHARES USED TO CALCULATE EARNINGS PER SHARE<sup>1</sup>

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
Weighted average number of shares in issue, net of empowerment and treasury shares, for basic earnings and headline earnings per share (millions of shares)	161 <sup>2</sup>	161 <sup>2</sup>	161 <sup>2</sup>
Adjusted for the dilutive effect of unexercised share options granted (millions of shares)	1	1	–
<b>Weighted average number of shares for diluted basic and diluted headline earnings per share (millions of shares)</b>	<b>162</b>	162	161

<sup>1</sup> The earnings used to determine earnings per share and diluted earnings per share is the profit for the period attributable to equity holders of Reunert of R316 million (March 2021: R313 million, September 2021: R777 million).

<sup>2</sup> The Group has elected to treat the shares under the equity forward contract as issued shares for purposes of calculating the earnings per share.

## 12. HEADLINE EARNINGS

Profit attributable to equity holders of Reunert	316	313	777
Headline earnings are determined by eliminating the effect of the following items from attributable earnings:			
Impairment of non-financial assets in a joint venture (after a tax credit of Rnil (March 2021 and September 2021: Rnil))	–	–	1
Net loss on disposal of subsidiary and associate (September 2021: after a tax charge of R1 million)	–	–	1
Profit on disposal of property, plant and equipment and intangible assets (after a tax charge of Rnil and non-controlling interest (NCI) portion of Rnil) (March 2021: after a tax charge of R1 million and NCI portion of Rnil) (September 2021: after a tax charge of R3 million and NCI portion of Rnil)	(2)	(2)	(11) <sup>1</sup>
<b>Headline earnings</b>	<b>314</b>	311	768
Headline earnings per share (cents)	195	193	478
Diluted headline earnings per share (cents)	194	192	476

<sup>1</sup> Includes R2 million profit on disposal of property, plant and equipment arising from an investment in joint venture.

## Notes (continued)

for the six months ended 31 March 2022

### 13. CONTINGENT CONSIDERATION

Rm	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
Carrying amount at the beginning of the period	28	24	24
Raised on acquisitions at fair value	28	–	18
Raised on acquisition of NCI	–	–	6 <sup>1</sup>
Fair value remeasurement	(3) <sup>3</sup>	–	(13) <sup>2</sup>
Settlement	(2)	–	(7)
<b>Carrying amount at the end of the period</b>	<b>51</b>	24	28
Less: current portion	18	24	18
<b>Non-current portion</b>	<b>33</b>	–	10

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

<sup>2</sup> Includes a remeasurement gain of R11 million for Blue Nova arising from the related targets not being achieved.

<sup>3</sup> Reduction in contingent consideration due to Dopptech (Pty) Ltd not achieving related targets.

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

### 14. PUT OPTION LIABILITY

As part of the original acquisition of TFS in 2017, the Group granted put options in favour of the non-controlling shareholders. The final elements of the put options were exercised in the period under review.

Carrying amount at the beginning of the period	25	–	–
Raised	–	–	25
Fair value remeasurement	(1)	–	–
Settlement	(24)	–	–
<b>Carrying amount at the end of the period</b>	<b>–</b>	–	25

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

## 14. PUT OPTION LIABILITY (CONTINUED)

### Valuation technique

The fair value of the put option liability was determined using an agreed formula in the shareholders agreement. This formula applied a multiple to revenue and an adjusted profit after tax and incorporated the investment in build-own-operate plants.

Significant unobservable inputs included:

- > The 2021 revenue and profit after tax (PAT) of TFS; and
- > The value of build-own-operate projects at 30 September 2021

## 15. RECONCILIATION OF RESTATED OPERATING PROFIT

Rm	March 2021 Unaudited
Operating profit as reported in March 2021	436
Gain on disposal of investment	17
Expenses arising from share-based payment transactions	(5)
<b>Operating profit as now reported</b>	<b>448</b>

## 16. ACQUISITION OF BUSINESS

### 2022

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

With effect from 1 October 2021, the Group, through +One<sup>x</sup>, acquired 100% of the business and related net assets of MAVEN. MAVEN is a group of three companies (Moov Innovation (Pty) Ltd, Maven Agency (Pty) Ltd and Mavin Agency India Pvt. Ltd) focused on the development of bespoke software and applications. The existing workforce is appropriately skilled and resourced to service the existing client base and future clients that should arise as part of the synergistic benefits of its incorporation into the Reunert ICT Segment.

The acquisition of MAVEN complements the ICT Segment's expansion strategy and increases the geographical presence of +One<sup>x</sup>.

The acquisition also provides +One<sup>x</sup> with additional service offerings such as software development and will strengthen +One<sup>x</sup>'s position as an end-to-end business transformation partner.

## Notes (continued)

for the six months ended 31 March 2022

### 16. ACQUISITION OF BUSINESS (CONTINUED)

2022 (continued)

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

Rm	2022 Unaudited
Cash paid	16
Contingent considerations	28
Working capital offset against the purchase price	(4)
<b>Total purchase consideration</b>	<b>40</b>
<b>Represented by:</b>	
Property, plant and equipment	1
Goodwill	26
Intangible assets	24
Deferred tax liabilities	(7)
Trade and other payables	(4)
<b>Net assets acquired (fair value at acquisition date)</b>	<b>40</b>
Revenue since acquisition – effective 1 October 2021	52
Profit after tax since acquisition – effective 1 October 2021	4

### 17. LITIGATION

There is no material litigation against the Group and the Group continues to pursue recovery of the losses from the Quince fraud through legal action.

### 18. UPDATE ON THE RESTRUCTURING OF THE GROUP'S BEE TRANSACTION

In December 2021, shareholders received a circular setting out the mechanism and terms by which the Group's primary share ownership BEE structure was to be amended. At the AGM, held in February 2022, the shareholders resolutions required to put the transaction into effect were approved.

As set out in the circular, the main participants in the new BEE structure are the Rebatona Educational Trust (Rebatona Trust), being the Group's educational trust and the Group's newly created Employee Share Ownership Plan (ESOP) (for qualifying employees, which excludes, among others, any director or senior management together with any employee participating in any of the Group's short- or long-term incentive schemes).

The Rebatona Trust's (65%) and ESOP's (35%) interests will be held indirectly through Bargenel Investments Proprietary Limited (Bargenel), a wholly-owned subsidiary of Rebatona Investment Holdings Proprietary Limited. Bargenel will on conclusion of the transaction hold approximately 13% of Reunert's shares in issue (Reunert shares).

Bargenel's 13% holding in Reunert will be funded by Reunert through preference shares, the extent of which, is based on a Reunert share price of R50,13 per share and the number of Reunert shares held.

## 18. UPDATE ON THE RESTRUCTURING OF THE GROUP'S BEE TRANSACTION (CONTINUED)

Qualifying employees, as defined above, will benefit in the ESOP's proportional share of the growth in respect of Bargenel's 13% interest in Reunert shares as determined at the end of the five-year vesting period (which period may be extended by one year up to a maximum of three years) should there not be any growth above the base value of R50,13 per Reunert share.

On vesting, the ESOP will not distribute any Reunert shares to the remaining beneficiaries of the ESOP but will settle any value created in terms of the BEE structure in cash, which has the effect that such benefit will constitute a cash settled share plan and the cost will be accounted for as an annual employee cost under IFRS 2 spread over the vesting period.

As all of the companies/entities comprising the underlying BEE structure are considered to be controlled by Reunert, primarily due to a combination of its funding thereof and the control mechanisms in the various agreements, this BEE transaction will have no impact on the consolidated results of Reunert Limited with the exception of:

- > The R9,6 million paid to the Peotona shareholders to reacquire their shares in the previous BEE structure. R6,3 million of this cost has been charged to the statement of profit or loss and R3,3 million charged against equity.
- > The cost of the IFRS 2 share-based payment charge, arising from the ESOP Scheme, will be charged to the statement of profit or loss over the vesting period. As this is a cash settled share scheme, this liability will be trued up at each reporting date to the appropriate proportion of the present value of the expected future liability.
- > The Group's statement of cash flows will in future periods reflect the trickle dividend paid to beneficiaries of the ESOP.
- > The cost of the actual educational activities carried out by the Rebatona Trust.
- > As the ESOP Scheme will only come into effect post 31 March 2022, no charge has been made in the statement of profit or loss in the six-month period under review in respect of this structure.

## 19. EVENTS AFTER REPORTING DATE

### BBBEE transaction in TFS

Subsequent to the reporting date, the Group has concluded a repurchase of shares agreement with SIBU Private Equity (Pty) Ltd (SIBU Private Equity) the BBBEE partner in TFS, whereby TFS will repurchase all of the shares held by SIBU Private Equity in TFS, being 59 883 shares, for a consideration of R20,9 million. The repurchase of shares transaction is subject to the fulfilment of certain conditions. Following the repurchase by TFS of the shares of SIBU Private Equity the Group will effectively hold 86,13% in TFS.

### Acquisition of Etion Create Proprietary Limited (Etion Create)

Subsequent to the reporting date, the Group has concluded a sale of shares agreement with Etion Limited (Etion). In terms of this agreement, Reunert Applied Electronics Holdings Proprietary Limited (RAEH), will acquire 100% of the issued share capital of Etion Create from Etion for a purchase consideration of R168 million, being the agreed value of Etion Create, on the effective date, on a cash-free and debt-free basis to be adjusted by certain adjustments as agreed between Etion and RAEH, provided that such purchase consideration shall be subject to an absolute maximum of R210 million. The implementation of the transaction is subject to certain conditions precedent.

## 20. 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.

# Segmental analysis

for the six months ended 31 March 2022

Six months ended 31 March 2022  
Unaudited

Rm	Total	EE	ICT	AE	Other
<b>Revenue<sup>2</sup></b>					
<b>Segment revenue</b>	5 215	2 854	1 260	1 097	4
Adjusted for revenue from equity-accounted joint ventures and associates	(101)	(94)	–	(4)	(3)
Revenue	5 114	2 760	1 260	1 093	1
<b>Revenue as reported in the statement of profit or loss</b>	5 114				
Segment revenue – % of total	100	55	24	21	–
Segment revenue – % change over prior year		11	1	16	(43)
<b>Analysis of revenue</b>					
<b>Category of revenue</b>					
Products	4 018	2 711	723	584	–
Services	920	49	375	496	–
	4 938	2 760	1 098	1 080	–
<b>Timing of revenue recognition:</b>					
Revenue recognised at a point in time	4 258	2 739	834	685	–
Revenue recognised over time	680	21	264	395	–
	4 938	2 760	1 098	1 080	–
<b>Other revenue</b>					
Interest recognised on lease and loan receivables	162	–	162	–	–
Rental revenue	14	–	–	13	1
Total revenue	5 114	2 760	1 260	1 093	1
<b>Revenue by geography</b>					
South Africa	3 501	1 656	1 213	631	1
Rest of Africa (excluding South Africa)	900	816	47	37	–
Asia	317	26	–	291	–
Australia	113	101	–	12	–
Europe	149	61	–	88	–
The Americas	134	100	–	34	–
Total revenue	5 114	2 760	1 260	1 093	1

<sup>1</sup> Revenue has been disaggregated to align segment revenue disclosures to the annual financial statements. This change was first applied in the 30 September 2021 audited results.

<sup>2</sup> Inter-segment revenue has been eliminated, however it is immaterial and has not been separately disclosed.

**Restated<sup>1</sup>**  
**Six months ended 31 March 2021**  
**Unaudited**

**Year ended 30 September 2021**  
**Audited**

Total	EE	ICT	AE	Other	% change in total	Total	EE	ICT	AE	Other
4 766	2 561	1 253	945	7	9	9 905	5 551	2 490	1 854	10
(152)	(133)	(14)	(2)	(3)		(330)	(294)	(25)	(5)	(6)
4 614	2 428	1 239	943	4		9 575	5 257	2 465	1 849	4
4 614					11	9 575				
100	54	26	20	–		100	56	25	19	–
3 450	2 378	692	380	–		7 632	5 138	1 340	1 154	–
971	50	374	547	–		1 575	119	785	671	–
4 421	2 428	1 066	927	–		9 207	5 257	2 125	1 825	–
3 790	2 404	858	528	–		7 911	5 189	1 574	1 148	–
631	24	208	399	–		1 296	68	551	677	–
4 421	2 428	1 066	927	–		9 207	5 257	2 125	1 825	–
173	–	173	–	–		340	–	340	–	–
20	–	–	16	4		28	–	–	24	4
4 614	2 428	1 239	943	4		9 575	5 257	2 465	1 849	4
3 222	1 473	1 183	562	4		6 942	3 447	2 365	1 126	4
769	689	56	24	–		1 468	1 310	100	58	–
291	29	–	262	–		477	58	–	419	–
106	91	–	15	–		218	189	–	29	–
120	53	–	67	–		276	95	–	181	–
106	93	–	13	–		194	158	–	36	–
4 614	2 428	1 239	943	4		9 575	5 257	2 465	1 849	4

## Segmental analysis (continued)

for the six months ended 31 March 2022

Six months ended 31 March 2022  
Unaudited

Rm	Note	Total	EE	ICT	AE	Other
<b>Operating profit</b>						
<b>Segment operating profit/(loss)<sup>1</sup></b>		<b>449</b>	<b>151</b>	<b>305</b>	<b>55</b>	<b>(62)</b>
Adjusted for operating loss/(profit) from equity-accounted joint ventures and associates		<b>10</b>	<b>11</b>	<b>–</b>	<b>2</b>	<b>(3)</b>
Profit on disposal of property, plant and equipment and intangible assets	3	<b>2</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>
Impairment of non-financial assets						
Impairment of property, plant and equipment	3	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Fair value remeasurements						
Gain on investment at fair value through profit or loss	3	<b>4</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>–</b>
Gain on contingent consideration	3	<b>3</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>
Gain on option contract	3	<b>8</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>–</b>
Loss on option contract	3	<b>(9)</b>	<b>–</b>	<b>–</b>	<b>(9)</b>	<b>–</b>
Gain on put option liability	3	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>
Financial guarantee cost		<b>(5)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5)</b>
Profit on disposal of associate	3	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Loss on disposal of subsidiary	3	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Expenses arising from share-based payment transactions	3	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(6)</b>
Operating profit/(loss) before impairment of financial assets		<b>457</b>	<b>166</b>	<b>305</b>	<b>62</b>	<b>(76)</b>
Reversal of impairment/(impairment) of financial assets						
Credit write-off	3	<b>(6)</b>	<b>(1)</b>	<b>(5)</b>	<b>–</b>	<b>–</b>
Expected credit losses	3	<b>14</b>	<b>9</b>	<b>7</b>	<b>1</b>	<b>(3)</b>
Operating profit/(loss)		<b>465</b>	<b>174</b>	<b>307</b>	<b>63</b>	<b>(79)</b>
<b>Operating profit as reported in the statement of profit or loss</b>		<b>465</b>				
Segment operating profit/(loss) – % of total		<b>100</b>	<b>34</b>	<b>68</b>	<b>12</b>	<b>(14)</b>
Segment operating profit/(loss) – % change over prior year			<b>(7)</b>	<b>4</b>	<b>77</b>	<b>(48)</b>

<sup>1</sup> The net interest charged on Group funding provided to the Group's in-house finance operation has been eliminated in line with IFRS 10 Consolidated Financial Statements. The interest eliminated amounted to R60 million (March 2021: Rnil) (September 2021: Rnil). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the external interest paid.

**Restated**  
**Six months ended 31 March 2021**  
**Unaudited**

**Year ended 30 September 2021**  
**Audited**

Total	EE	ICT	AE	Other	% change in total	Year ended 30 September 2021				
						Total	EE	ICT	AE	Other
445	163	293	31	(42)	1	986	373	608	100	(95)
(4)	1	(1)	(1)	(3)		(4)	5	(2)	(1)	(6)
3	2	–	1	–		12	3	–	3	6
–	–	–	–	–		(1)	–	–	(1)	–
17	17	–	–	–		103	103	–	–	–
–	–	–	–	–		13	–	–	13	–
–	–	–	–	–		41	–	–	41	–
–	–	–	–	–		(92)	–	–	(92)	–
–	–	–	–	–		–	–	–	–	–
–	–	–	–	–		–	–	–	–	–
–	–	–	–	–		1	–	1	–	–
–	–	–	–	–		(1)	–	(1)	–	–
(5)	–	(5)	–	–		(7)	–	(6)	(1)	–
456	183	287	31	(45)		1 051	484	600	62	(95)
(5)	(2)	(3)	–	–		(20)	(8)	(9)	(3)	–
(3)	(11)	–	8	–		19	(23)	29	13	–
448	170	284	39	(45)		1 050	453	620	72	(95)
448					4	1 050				
100	37	66	7	(10)		100	38	62	10	(10)

## Segmental analysis (continued)

for the six months ended 31 March 2022

### IMPACT OF RESTATEMENT

Operating profit for total operations has been restated as segment operating profit, which excludes the profit on disposal of property, plant and equipment and intangible assets. Additional disclosure for the six months ended 31 March 2021 is provided to reconcile segment operating profit to the restated operating profit per the statement of profit or loss. Refer to note 15. This change was first applied in the 30 September 2021 audited results.

<b>Six months ended 31 March 2021</b>	Operating profit for total operations as previously reported	Profit on disposal of property, plant and equipment and intangible assets excluded from segment operating profit	Segment operating profit as now reported
EE	165	(2)	163
ICT	293	–	293
AE	32	(1)	31
Other	(42)	–	(42)
	448	(3)	445

Rm	Six months ended 31 March		Year ended 30 September			
	2022 Unaudited	% of total	2021 Unaudited	% of total	2021 Audited	% of total
<b>Total assets</b>						
EE	2 718	27	2 587	26	2 708	26
ICT	4 371	43	4 357	44	4 334	42
AE	2 807	27	2 611	26	2 755	27
Other	297	3	347	4	540	5
<b>Total assets as reported in the statement of financial position<sup>1</sup></b>	<b>10 193</b>	<b>100</b>	<b>9 902</b>	<b>100</b>	<b>10 337</b>	<b>100</b>
<b>Total liabilities</b>						
EE	1 259	36	1 152	34	1 246	35
ICT	661	19	1 039	31	834	23
AE	842	25	761	23	839	24
Other	674	20	418	12	636	18
<b>Total liabilities as reported in the statement of financial position<sup>1</sup></b>	<b>3 436</b>	<b>100</b>	<b>3 370</b>	<b>100</b>	<b>3 555</b>	<b>100</b>

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

## Additional information

Rm (unless otherwise stated)	Six months ended 31 March		
	2022 Unaudited	2021 Unaudited	Year ended 30 September 2021 Audited
Net number of ordinary shares in issue (million)	159	161	159
Number of ordinary shares in issue (million)	185	185	185
Less: Empowerment shares (million)	(19)	(19)	(19)
Less: Treasury shares (million)	(7)	(5)	(7)
Capital expenditure	83	90	238
– expansion	74	76	196
– replacement	9	14	42
Capital commitments in respect of property, plant and equipment	35	125	44
– contracted	21	68	33
– authorised not yet contracted	14	57	11
Total cash dividend per share for the period (cents)	75	70	277
Current ratio (:1)	2,0	1,8	1,8
Quick ratio (:1) <sup>1</sup>	1,3	1,3	1,3
Dividend yield (%) <sup>2</sup>	6,3	5,2	5,8
Return on capital employed (%) <sup>3</sup>	12,7	13,0	14,5

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

<sup>2</sup> Calculated as the total dividend (2022 interim 75 cents per share and 2021 final 207 cents per share) (March 2021: 2021 interim 70 cents per share and 2020 final 192 cents per share) (September 2021: 2021 interim 70 cents per share and final 207 cents per share) divided by a Reunert share price of 4 498 cents (March 2021: 5 050 cents) (September 2021: 4 751 cents), being the closing market price on 31 March 2022.

<sup>3</sup> The operating profit used in the calculation of the return on capital employed has been restated. Refer to the consolidated statement of profit or loss for further information. This change was first applied in the 30 September 2021 audited results.

March 2021	Return on capital employment as previously reported	Return on capital employment as now reported
Return on capital employed (%)	6,3	13,0

Definitions of ratios and other financial terms are consistent with those contained in the 2021 Integrated Report.

# Administrative

## REUNERT LIMITED

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

Directors: MJ Husain (Chair)\*, T Abdool-Samad\*, A B Darko\*, A E Dickson (Chief Executive Officer), L P Fourie (Chair of the Audit Committee)\*, J P Hulley\*, TNM Eboka\* (Appointed 1 March 2022), R J Boettger\* (Appointed 1 March 2022) S Martin\*, Dr MT Matshoba-Ramuedzisi\*, M Moodley, Adv N D B Orleyn\*\*, N A Thomson (Chief Financial Officer)

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

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 54 Maxwell Drive  
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 Telephone +27 11 517 9000

### Income tax reference number

9100/101/71/7P

### Transfer secretaries

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

### Sponsor

One Capital Sponsor Services Proprietary Limited

### Registered Auditors

Deloitte & Touche

### Secretary's certification

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I, Karen Louw, duly authorised on behalf of the Group Company Secretary, Reunert Management Services Proprietary Limited (Registration number 1980/007949/07) certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission for the financial period ended 31 March 2022 all such returns and notices as are required in terms of the aforesaid Companies Act and that all such returns and notices are true and correct.

Karen Louw  
 For Reunert Management Services Proprietary Limited  
 Group Company Secretary

### Investor enquiries

Karen Smith e-mail Karens@reunert.co.za.  
 For additional information log on to the Reunert website at [www.reunert.com](http://www.reunert.com).

25 May 2022 (publication date)

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

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