REUNERT

REUNERT LIMITED

INTEGRATED REPORT 2016

THE YEAR'S ACHIEVEMENTS

FINANCIAL

13% **IMPROVEMENT** IN OPERATING PROFIT

3% REVENUE **GROWTH**

17% **IMPROVEMENT** IN NORMALISED HEADLINE EARNINGS PER SHARE (NHEPS)

8% INCREASE IN **TOTAL DIVIDEND** TO 439 CENTS PER SHARE

STRATEGY

GEOGRAPHIC **DIVERSIFICATION**

> Acquisitions completed for Metal Fabricators of Zambia Plc (Zamefa) and Omnigo Proprietary Limited (Omnigo)

> The Nanoteq Proprietary Limited (Nanoteq) transaction was concluded, effective 1 October 2016

NEW EARLY LIFE CYCLE **BUSINESSES ACQUIRED**

> Nanoteq and Omnigo

TRANSFORMATION

2 **BLACK ECONOMIC EMPOWERMENT (BEE) EQUITY** OWNERSHIP TRANSACTIONS WERE EXECUTED

18% **IMPROVEMENT** IN EMPLOYMENT EQUITY (EE) REPRESENTATION AT TOP AND SENIOR MANAGEMENT

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OUR SALIENT FEATURES

With our respected brands, diversified customer bases and quality value offerings, in 2016, we delivered another good performance while achieving progress in the execution of the group strategy.

MATERIAL MATTERS	KEY RISKS	OPPORTUNITIES
Key themes that influence our ability to create value over the short, medium and long term.		
POLITICAL AND REGULATORY ENVIRONMENT	**Concentration risk and the macro-economic environment** > 76% of the group's earnings are directly linked to the South African economy and currency.	**Diversification** Acquisitions with earnings derived outside of South Africa through focusing on niche export markets > Circuit breakers. > Radars (civilian and military applications). > Other Applied Electronics products. Expanding African markets and making regional acquisitions > Infrastructure (Power and Telecommunications). > Information Communication Technologies (ICT) (Managed office solutions).
ECONOMY AND MARKETS	**Slow top-line growth** > A proportion of Reunert's products are in the latter stage of their business life cycle. > Increased competition and commoditisation of products contribute to slow growth. > Margin pressure results from a combination of inflation, competitors' activities and low macro-economic growth.	**Efficiency** > Efficiency improvements through technology and streamlined processes. > Margin management through cost optimisation. > Digitalisation of the workplace.
PEOPLE	**People** > Effective management of all our employees. > Retention of senior executives and critical skills are key requirements for success.	**Talent development** > Investing in employee development through properly structured individual development plans. > Managing talent and developing succession plans to ensure continuity and appropriate employee development to meet business requirements.
TECHNOLOGY	**Transformation and diversity** > EE remains an imperative. > Embracing Broad-Based Black Economic Empowerment Codes of Good Practice (BBBEE Codes) and achieving appropriate BBBEE scores are prerequisites for doing business in South Africa.	**Position to participate** > Transform and reposition Reunert in alignment with South Africa's transformation objectives. > Transform business models to adapt to the evolving customer and business requirements brought about by the implementation of the Reunert strategy.

STRATEGIC PILLARS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	2016 PERFORMANCE
DIVERSIFICATION	**Growth through diversification (develop, acquire or partner)** > Diversify and increase earnings through a combination of: – geographic expansion; – new products and services; and – improved solutions offerings.	> Change in revenue mix: – Increase in non-ZAR[1] revenue (%); – Geographical split in revenues (%); and – Customer segmentation (%) (public vs private sector).	> 46% increase in non-ZAR revenue. > 24% non-ZAR revenue earned. > 66% private sector revenue.
EFFICIENCY	**Ensure best-in-class operational efficiency and improved capital efficiency** > Continuous improvement	> Total shareholder return (TSR). > NHEPS. > Return on equity (ROE). > Operating profit margins (%).	> 7% TSR. > 17% improvement in NHEPS. > 16% ROE. > 1,4% improvement in operating profit margin.
INNOVATION	**Embed a culture of innovation** > Develop new products and services and reduce costs through innovation, research and development.	> The revenue from new products released per year.	> Major new product innovations are covered in segment performance reviews.
CUSTOMERS	**Provide customer-centred products, services and solutions**	> Due to the group's diverse nature, a variety of customer-related KPIs are used at business unit level, measuring: – customer loyalty; – customer service levels; – customer retention; and – market share.	> Performance against customer-related metrics is covered in the various segment performance reviews.
PEOPLE	**Develop a high-performance organisation focusing on effective employee engagement**	> Succession plans for critical roles. > Retention of critical skills. > Zero fatalities.	> 84% of identified successors on development plans. > 26% succession plans for critical roles identified. > One fatality.
TRANSFORMATION	**Transform our businesses to effectively participate in the markets we serve**	> EE at top and senior management (%). > BBBEE Code level per business unit.	> 18% improvement in EE representation at top and senior management. > BBBEE Code levels achieved are reported in the transformation section.

[1] *South African Rand.*

ABOUT THIS REPORT

REPORTING SUITE AND FRAMEWORKS

This integrated report is Reunert Limited's (Reunert) primary report. The report is mainly prepared to meet the information needs of investors and other stakeholders interested in making an informed decision on the ability of Reunert and its operations (the group) to create and sustain value.

The report covers the financial year 1 October 2015 to 30 September 2016 (2016 financial year).

The information in this report is based on local and international reporting guidelines and requirements, including:

- International Integrated Reporting Council's (IIRC) International Reporting Framework (<IR> Framework);
- King Report on Governance for South Africa, 2009 (King III);
- Companies Act, 71 of 2008 (as amended) (the Companies Act);
- Johannesburg Stock Exchange Limited Listings Requirements (JSE Listings Requirements);
- International Financial Reporting Standards (IFRS);
- GRI (formerly the Global Reporting Initiative) guidelines; and
- Greenhouse Gas Protocol (GHG Protocol).

The following provides a summary of Reunert's reporting suite.

REPORT	OBJECTIVE OF THE REPORT	ONLINE REFERENCE
Integrated report	An overview of how Reunert and its operations create and sustain value in the context of its operating environment and material matters. It was prepared on the basis of materiality. Refer to *page 21* for further information regarding our material matter determination process and *page 32* for our material matters. The report contains summarised financial statements, derived from the audited consolidated financial statements.	*http://www.reunert.co.za/downloads/reports/2016/reunert-integrated-annual-report-2016.pdf*
Annual financial statements	The audited consolidated and separate annual financial statements of Reunert for the 2016 financial year, prepared in compliance with IFRS and the Companies Act.	*http://www.reunert.co.za/downloads/reports/2016/reunert-annual-financial-statements-2016.pdf*
Notice of annual general meeting	The required statutory information and notice of annual general meeting which is distributed to shareholders to call the annual general meeting.	*http://www.reunert.co.za/downloads/reports/2016/reunert-notice-of-agm-2017.pdf*
Carbon footprint report	This report reflects the GHG emissions and water usage of Reunert Limited for the 2016 financial year, based on the GHG Protocol Corporate Accounting and Reporting Standard.	*http://www.reunert.co.za/sustainability.php*
King III application register	Required disclosure on Reunert's compliance and application of the King III principles.	*http://www.reunert.co.za/sustainability.php*

SCOPE AND BOUNDARY

The Reunert group operates primarily in South Africa with smaller operations in Australia, Lesotho, Sweden, the United States of America (USA), Zambia and Zimbabwe. This report covers the group's activities and makes no distinction between legal entities within the group.

Disclosure is provided to indicate the inclusion or exclusion of relevant data. The following are key exclusions:

- Given its immateriality relative to the group's results, only key non-financial information is provided for the international operations in Australia, Lesotho, Sweden and the USA. The majority of the Zambian cable operation's non-financial information is not included as it was only incorporated into the Reunert group on 26 August 2016.

- No detailed information has been provided on Polybox Proprietary Limited[1] due to its immateriality.
- The cable operation in Zimbabwe is excluded from the consolidated results and non-financial information due to the material uncertainty created by the country's indigenisation policies (where a controlling interest must be transferred to indigent Zimbabweans over time), the low level of influence the group currently exerts over this entity[2] and the inability of Reunert to benefit from variable returns due to the liquidity crisis in Zimbabwe.

In this report, the term segment refers to the three segments of Reunert – Electrical Engineering, ICT and Applied Electronics. The term business unit refers to companies or entities that form part of a segment.

ASSURANCE AND DATA MEASUREMENT

The financial information contained in the summarised financial statements is derived from the information in the audited annual financial statements, audited by the group's external auditors, Deloitte & Touche (Deloitte).

Non-financial information was not externally assured. The internal audit function assessed the completeness and accuracy of a sample of the non-financial information presented in the integrated report. The Board is satisfied that this internal review is sufficient and periodically considers the need to obtain appropriate external assurance on non-financial data. BBBEE ratings and various International Organization for Standardization (ISO) certifications are externally assured.

Refer to *page 19* for information on Reunert's combined assurance model.

Environmental and social data is captured electronically through an in-house database. The data collected follows GRI guidelines and, where applicable, data comparisons are provided for at least three years. All items are reported on a like-for-like basis, and major restatements are indicated.

FORWARD-LOOKING STATEMENTS

Reunert, its affiliates and representatives do not warrant the completeness or accuracy of opinions, forecasts, forward-looking statements or data in this report and do not accept any liability whatsoever in respect of any use thereof. Opinions expressed in this report are subject to known and unknown risks and uncertainties. Changing information or circumstances may cause the published results, plans and objectives of Reunert to differ materially from those expressed or implied in any forward-looking statements.

Reunert is obliged by the Financial Markets Act, 19 of 2012 and the JSE Listings Requirements to make public announcements as soon as it becomes aware of any information that is likely to have a material effect on the price of its shares. These announcements are made public through the JSE Stock Exchange News Service (SENS) system and are automatically published on the Reunert website thereafter *(http://www.reunert.co.za/news-sens-releases.php)*.

The financial information on which the forward-looking statements are based was not audited or reported on by Deloitte, Reunert's independent external auditors.

FEEDBACK

The integrated reporting process is an ongoing journey through which we continually strive to improve the quality and relevance of our reporting. Based on this philosophy, feedback on the report is welcome. Please send any comments to the investor relations and communications manager at invest@reunert.co.za.

APPROVAL OF THE INTEGRATED REPORT

The Board and Audit Committee, in conjunction with the other subcommittees of the Board, are ultimately responsible for overseeing the integrity and completeness of the report. The Board applied its collective mind to the preparation and presentation of the integrated report and concluded that the information herein is materially presented in accordance with the <IR> Framework.

On 21 November 2016, the Board approved the 2016 integrated report, taking into consideration the completeness of the material matters it deals with and the reliability of data and information presented, in line with the combined assurance process.

Trevor Munday
Chairman

Rynhardt van Rooyen
Chairman of the Audit Committee

Alan Dickson
Group chief executive officer

Nick Thomson
Chief financial officer

[1] *Refer to note 11 on page 128.*
[2] *For more information refer to note 12 on page 129.*

REUNERT OVERVIEW

WHO WE ARE

Reunert manages a 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 over the past 128 years.

The group 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 primarily operates in South Africa with smaller operations in Australia, Lesotho, Sweden, the USA, Zambia and Zimbabwe. Group headquarters are located in Woodmead, Johannesburg, South Africa.

CODE OF ETHICS

The Reunert Code of Ethics underpins how the group conducts business and how its employees are expected to:

> **CONDUCT** themselves honourably and in the best interests of the company;
> **ABIDE** by all laws and regulations;
> **AVOID** all conflicts of interest between work and personal affairs;
> **ACT** in good faith, with integrity and honesty;
> **FOSTER** an environment in which people are encouraged to be open;
> **RESPECT** one another and act in a non-discriminatory manner;
> **ACT** in a socially responsible way; and
> **PROTECT** the environment and its natural resources.

HOW WE CREATE VALUE

Creating value through partnerships and collaboration.

OUR BUSINESS MODEL

Partnerships and collaboration are key elements in each area of our business, whether it is collaborating with customers to develop new technology or improve service delivery, partnering with franchisees and distributors to advance our footprint, or building long-term partnerships with our employees to deliver on our strategy.

We therefore structured our business model around our key stakeholder groups. Reunert considered the six capitals as defined by the IIRC <IR> Framework in ensuring the completeness of our business model. The ultimate objective of our business model and strategy is to successfully deliver on Reunert's goals.

For our strategy, refer to *page 36*. Refer to *page 22* for a more detailed explanation of our key relationships.

CREATING SHARED VALUE WITH

INPUTS[1]

BUSINESS ACTIVITIES

We draw on these resources and relationships to perform our business activities.

PROVIDERS OF FINANCIAL CAPITAL

> External funding, including lines of credit.
> Reinvested profits.
> Shareholder expectations.
> Portfolio managers and analyst feedback.

CUSTOMERS

> Understanding the requirements and drivers of the markets and customers we serve.
> Exploring new market opportunities.
> Continuous investment in product research and development, technologies, innovation and manufacturing techniques.

CHANNEL PARTNERS

> Franchise model/framework.
> A network of distributors, resellers, wholesalers, branches, etc.

EMPLOYEES

> 6 492 employees, of whom 80% are based in South Africa (2015: 84% of 5 853 employees).
> A large proportion are highly technically skilled employees.
> Training requiring ongoing investment into development.
> The Reunert Code of Ethics, as set out on *page 4*, guides employee conduct and behaviour.
> Human resources (HR), transformation and remuneration policies and procedures ensure we have a motivated, transformed workforce.

SUPPLIERS AND SERVICE PROVIDERS

> Local and imported components, products and equipment.
> Raw materials and overall cost control.
> Relationships with original equipment manufacturers (OEMs).
> Infrastructure enablers such as water, electricity, data networks and transport. This includes enterprise resource planning (ERP) and other background systems.

REGULATORS AND GOVERNMENT

> Government and regulator policies.
> Legal licence to operate.
> Government initiatives.
> Government as customer.

> Manufacturing and assembly plants, testing laboratories, warehouses, distribution centres, etc.
> Marketing activities.
> Quality policies, procedures and standards and international certifications where required.

Refer to *page 18* for the internal and external standards and principles overview.

[1] *We categorise inputs according to the stakeholder group that either supplies the input or has a significant impact thereon.*

Electrical Engineering

The Electrical Engineering segment delivers products and services largely in the area of infrastructure development, rehabilitation and maintenance.

Refer to *page 52* for the segment overview.

Information Communication Technologies

The ICT segment offers a range of office automation and communication products, services and solutions to customers.

Refer to *page 60* for the segment overview.

Applied Electronics

Applied Electronics develops and supplies high-precision electronic products for defence and commercial applications.

Refer to *page 70* for the segment overview.

Other

Group integration areas are detailed on *page 8*.

OUTPUTS

Our products, services, by-products and waste.

Reunert has a proud legacy of various quality products and services in the Electrical Engineering, Information Communication Technologies and Applied Electronics segments.

Refer to *pages 10 to 15* for a breakdown of products and services.

OUTCOMES

Internal and external consequences as a result of our business activities and outputs.

PROVIDERS OF FINANCIAL CAPITAL

> **R8,5 billion** revenue (2015: R8,3 billion).
> **R 1 315 million** operating profit (2015: R1 167 million).
> **R 222 million** capital expenditure (2015: R146 million).
> Total dividend of 439 cents per share (2015: 407 cents per share).
> TSR of **7%** (2015: 9%).
> NHEPS of **662 cents** per share (568 cents per share).
> Three acquisitions to the value of **R305 million.**

Refer to *page 44* for the financial overview.

CUSTOMERS

> A number of new products released and progress made on developing a pipeline of products.
> Brand awareness and market share.
> **R147 million** invested in research and development (2015: R88 million).
> Intellectual property and trademarks.

CHANNEL PARTNERS

> Increased footprint and distribution channels.

EMPLOYEES

> 71% black employees (2015: 64%).
> 41% female employees (2015: 44%).
> **One** fatality (2015: 0).
> **80** learnerships across the group.
> **R42 million** invested in employee development (2015: R40 million).
> **R1,9 billion** paid as employee remuneration (2015: R1,8 billion).
> Succession planning (**84%** of critical roles with evaluated successors identified).

Refer to *page 84* for the human resources review.

SUPPLIERS AND SERVICE PROVIDERS

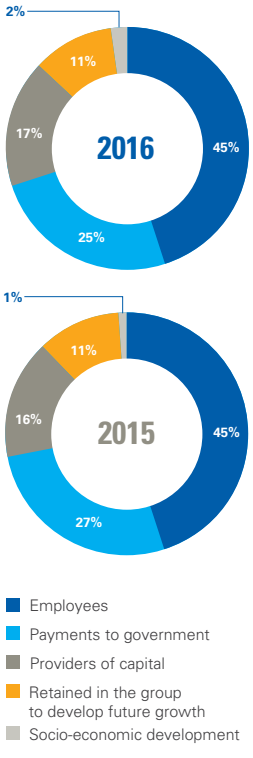
> **R4,5 billion** paid to suppliers (2015: R4,5 billion).
> **R53 million** invested in enterprise and supplier development (ESD) (2015: R37 million).
> Partnerships and relationships with suppliers for mutual benefit.

REGULATORS AND GOVERNMENT

> Legal and statutory compliance.
> **R1,1 billion** government taxes paid (2015: R1,1 billion).

Refer to *page 81* for the BBBEE review and *page 89* for the sustainability review.

% FINANCIAL WEALTH DISTRIBUTION

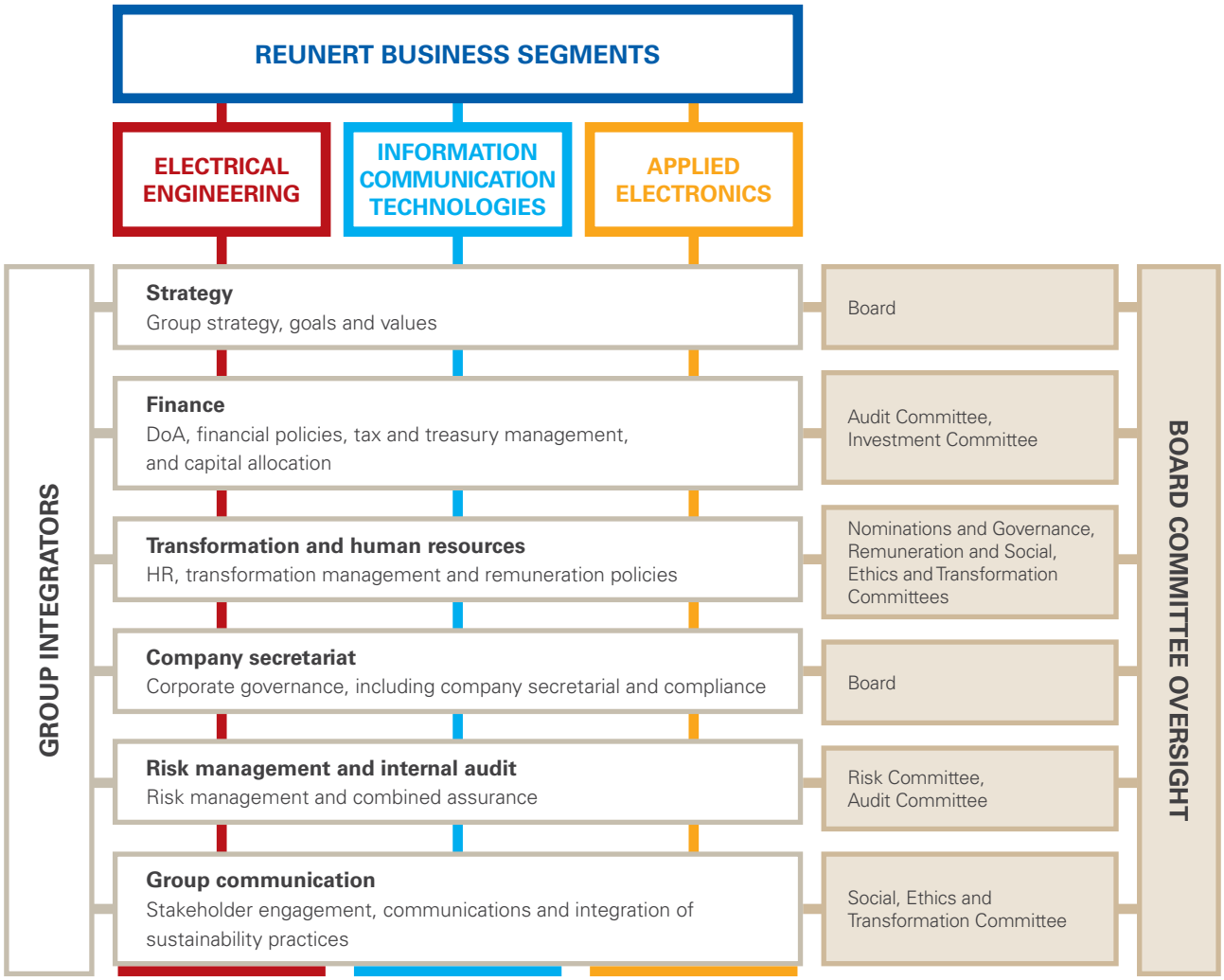


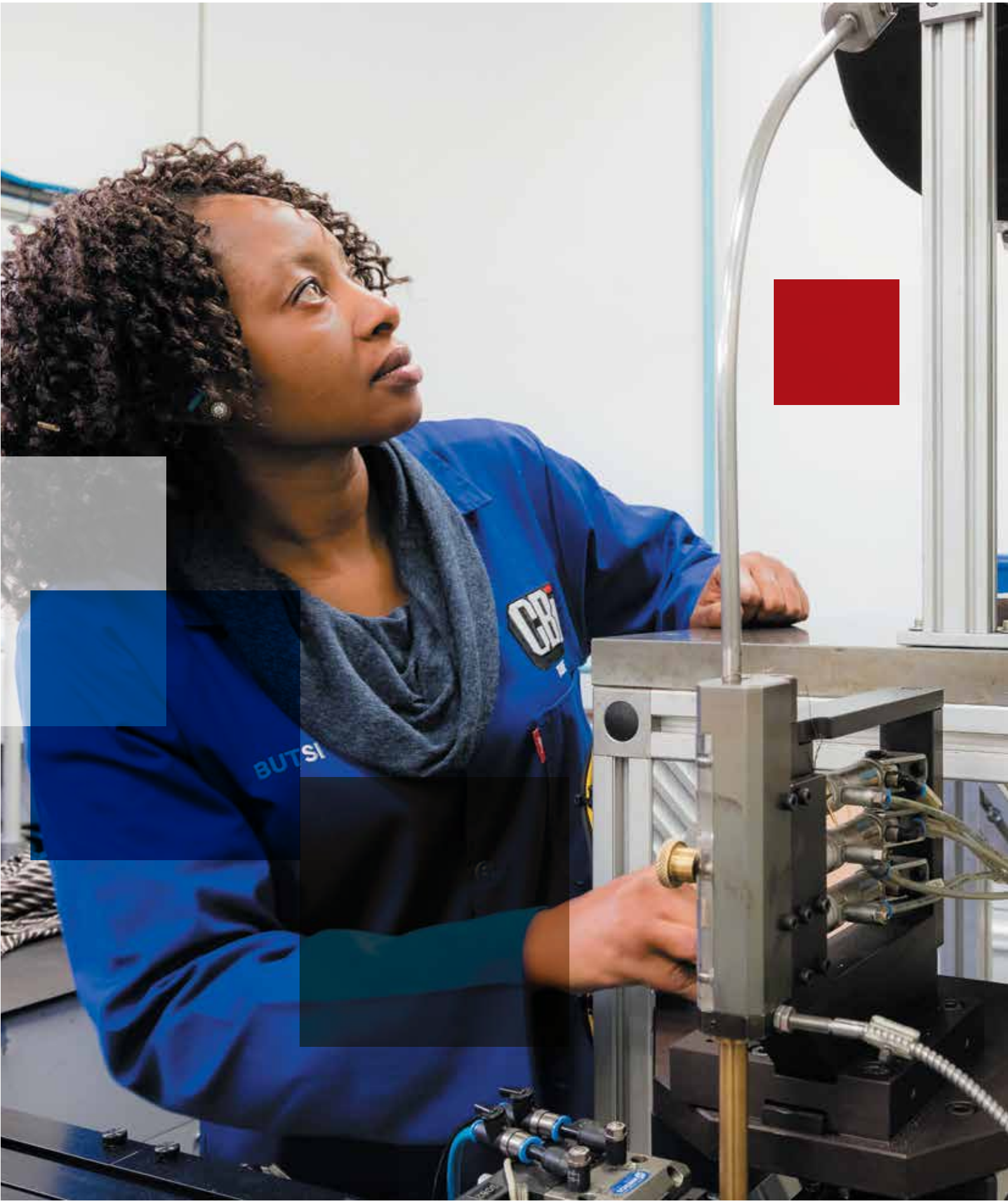
Refer to *page 136* for financial value added statement.

HOW WE ARE STRUCTURED

We operate through a federal business model facilitating the preservation of our entrepreneurial spirit and the vesting of responsibility for performance and execution in each of the segments. A Board-approved Delegation of Authority (DoA) stipulates authority levels within which management can act. While the business units make operating decisions, the Reunert Board and Group Executive Committee integrate business strategy and define and monitor long-term strategic plans, risks and performance. Capital allocation is controlled at group level and the Board approves significant initiatives.

The business units are responsible for driving their own sales and marketing strategies, customer programmes, efficiency improvements, innovation of products and services, and achieving agreed performance objectives. The Group Executive Committee assesses the performance of business units through agreed predefined KPIs.





Reunert's segments and major business units

46%
REVENUE CONTRIBUTION

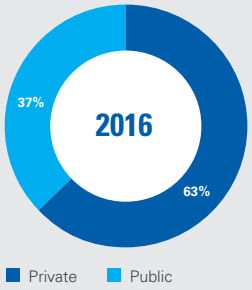
45%
OPERATING PROFIT CONTRIBUTION

2 975
EMPLOYEES

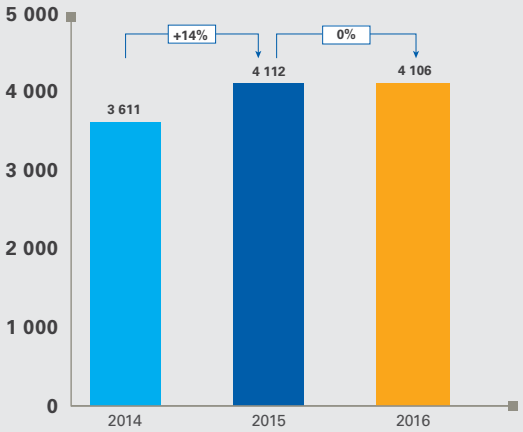
Segment performance review on *page 52*

ELECTRICAL ENGINEERING[1]

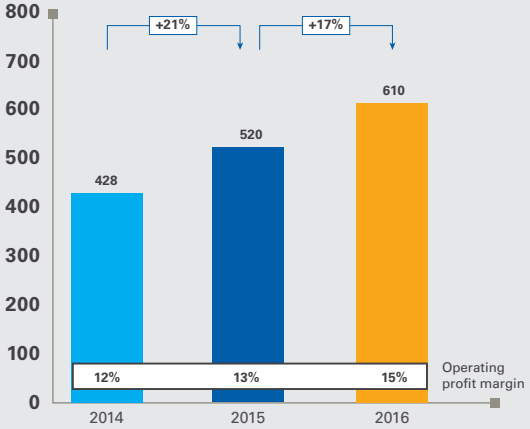
SEGMENT REVENUE PER MARKET SECTOR



REVENUE (Rm)



OPERATING PROFIT (Rm)



[1] *Includes contributions from the joint venture and 50% of its employees.*

Visit www.cbi-electric.co.za for more on products and services.

CBI-ELECTRIC: AFRICAN CABLES

Designs and manufactures a comprehensive range of electrical energy cables and accessories up to 275 kV. The power installations division specialises in the installation and maintenance of medium and high-voltage cable systems up to 400 kV.

Products and services
Low-voltage PVC/XLPE insulated cable, medium-voltage XLPE and paper-insulated cable, low-cost reticulation cables including aerial bundled conductor and overhead split concentric cable, Aluminium Conductor Steel-Reinforced (ACSR) cable, high-voltage XLPE insulated cable and associated installation and maintenance services. Cable accessories for high, medium and low-voltage and telecommunications.

Distribution channels
Direct channel for the utilities, mining and industrial sectors. Also follows an indirect channel through solution integrators, engineering and procurement contractors (EPC), distributors and wholesalers.

Market sectors
Mining, utilities, commercial, electrical contractors and industrial.

Intellectual property
Zerotox (Cable insulation compound that does not emit noxious gases in case of an underground fire).
CBiD (cable theft prevention system).

CBI-ELECTRIC: LOW VOLTAGE

Supplier of low-voltage electrical distribution, protection and control equipment and customer-specific solutions.

Products and services
Circuit breakers, earth leakage devices, surge protection devices, switchgear, electricity meters, automation and control devices, motor control devices, wiring accessories and monitoring devices.

Distribution channels
Channel partners (i.e. electrical distributors), system integrators and OEMs.

Market sectors
Residential, commercial, mining, utilities, industrial, equipment manufacturers and retail.

Intellectual property
Owns the intellectual property rights to all products manufactured by the company.

CBI-ELECTRIC: TELECOM CABLES (50%)[1]

Designs, manufactures and supplies copper and optical fibre telecommunications cables and cable ducts for the telecommunications, industrial and structured data cabling markets.

Products and services
Copper and optical fibre cables and cable ducts.

Distribution channels
Direct channel to major telecom operators including state-owned enterprises (SOEs) and the industrial market. Indirect distribution through distributors to municipalities, and through integrators and EPC companies.

Market sectors
Fixed and mobile network operators, petrochemical, transport, power, industrial and mining industries.

Intellectual property
Infraduct (cable ducts).
Lambda (structured data cable).

CBI-ELECTRIC: ZAMEFA

Designs and manufactures a comprehensive range of low-voltage electrical energy cables, and insulated wires up to 240 mm^2. Also designs and manufactures overhead aluminium conductors and solid sector aluminium low-voltage energy cables, and manufactures 99,9% copper casted rod.

Products and services
Low-voltage PVC/XLPE insulated cable, low-voltage PVC insulated general wires and ACSR and 99,9% copper casted rod up to 20 mm^2.

Distribution channels
Direct channel for the utilities, mining and industrial sectors and cable manufacturers. Also follows an indirect channel through solution integrators, EPC, distributors and wholesalers.

Market sectors
Central and East African market sectors: Mining, utilities, agricultural, cable manufacturers, electrical contractors and industrial.

Intellectual property
99,9% oxygen free upcasted copper rod.

[1] *Joint venture with a company in the Altron group.*

Reunert's segments and major business units (continued)

37%
REVENUE CONTRIBUTION

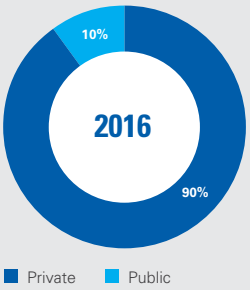
41%
OPERATING PROFIT CONTRIBUTION

1 978
EMPLOYEES

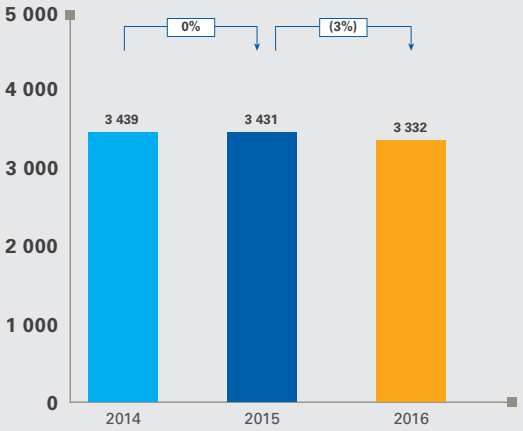
Segment performance review on *page 60*

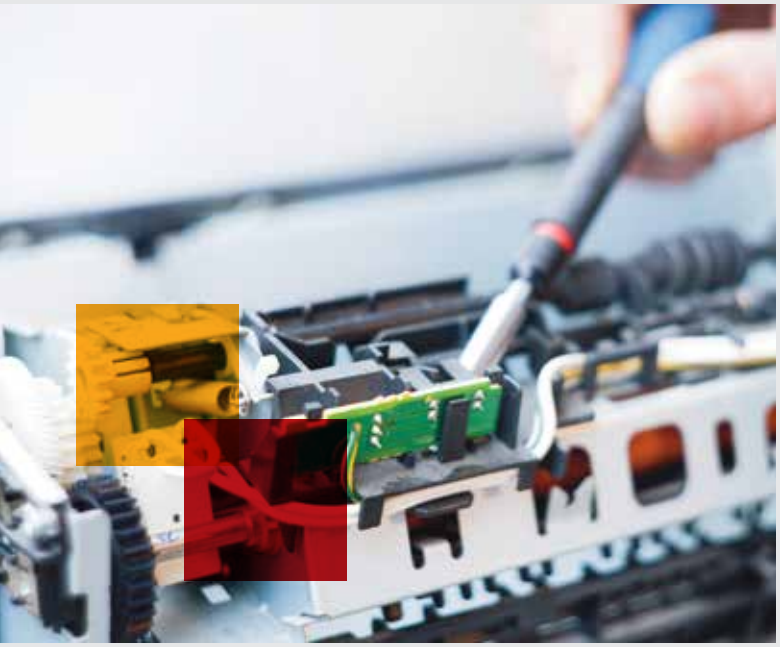
INFORMATION COMMUNICATION TECHNOLOGIES[1]

SEGMENT REVENUE PER MARKET SECTOR

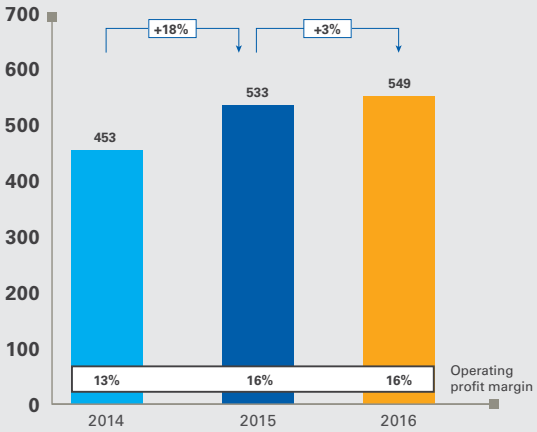


REVENUE (Rm)





OPERATING PROFIT (Rm)



Visit www.nashua.co.za, www.ecn.co.za, www.quincecapital.co.za, www.nashua-communications.com, www.pansolutions.co.za and www.prodoc.se for more on our products and services.

[1] *Continuing operations.*

NASHUA

Nashua offers managed office and document solutions to business customers.

Products and services
Multi-functional printer (MFP) devices, managed print software and solutions, production printing devices, document management solutions and telephony solutions (in conjunction with ECN). Nashua also provides other office products and services through the franchises. A suite of office automation products is sourced from international suppliers, including Ricoh and Hewlett-Packard.

Distribution channels
Nashua Holdings, Nashua Kopano and independent franchises and selected dealers.

Market sectors
Corporate, government, SOEs and small and medium enterprises (SMEs).

Intellectual property
Trademark and naming rights for Nashua in the southern African region.

QUINCE CAPITAL

Trading as Quince Capital and Nashua Finance, Quince provides asset-based financial solutions to Reunert-associated office automation channels.

Products and services
Asset-based financial solutions.

Distribution channels
Reunert's ICT segment companies.

Market sectors
Corporate, SMEs, SOEs, government and non-profit organisations.

Intellectual property
FinSight credit vetting system.
Quince Capital®

ECN

ECN is a market leader in next generation networks offering a wide range of voice, data and hosted services.

Products and services
Broad set of cost-effective and innovative voice products and services delivered over fixed-line and wireless access circuits. Cloud-based virtual private branch exchange (PBX) offering, hosted call recording, geographic number portability and business internet access products.

Distribution channels
An indirect channel to market consisting of dealers, service providers and wholesalers.

Market sectors
Corporate and SMEs, mainly in South Africa.

Intellectual property
All the systems used to route data, switch calls, monitor the network, and configure and bill customers have been developed in-house.

Reunert's segments and major business units (continued)

17%
REVENUE CONTRIBUTION

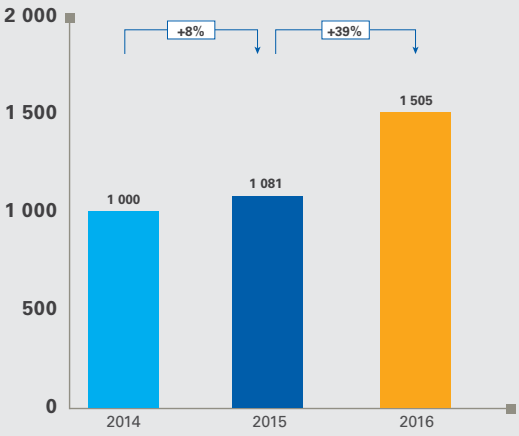
23%
OPERATING PROFIT CONTRIBUTION

1 472
EMPLOYEES

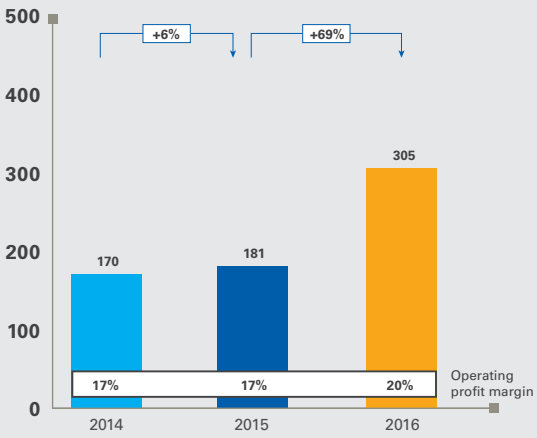
Segment performance review on *page 70*

APPLIED ELECTRONICS

REVENUE (Rm)



OPERATING PROFIT (Rm)



Visit www.reutech.co.za for more on products and services.

REUTECH RADAR SYSTEMS

Develops and manufactures search and tracking radar systems and subsystems for local and export markets. Technology includes radar sensor systems used globally at mining operations.

Products and services
Movement and surveying radar (MSR), 904/906 family of surveillance radars, FMCW[1] Optronics Radar Tracker (FORT) and RSR210 naval air/sea surveillance radar.

Distribution channels
Reutech Radar Systems' sales team, partnerships in the defence market and consultants and distributors in the mining environment.

Market sectors
Defence, mining and renewable energy.

Intellectual property
Floodlight radar system for detecting and locating moving targets in 3D.
StealthRad™
A global provisional patent on the Sub-Surface Profiler (SSP).
The non-level deployment functionality of the MSR was patented in selected countries.

[1] *Frequency Modulated Continuous Wave.*

REUTECH COMMUNICATIONS

Specialises in secure communication systems for tactical airborne, land and naval-based platforms as well as secure network-centric solutions for command and control, blue force tracking, forward observation link, messaging services and high-end protection for all networked information systems. Specialised production facilities include sub-assembly integration and testing, and sophisticated unit assembly, test and qualification capabilities.

Products and services
Tactical, mobile and static secure radio communication systems, data tracking and information management solutions, autonomous highly secure cryptographic network solutions and specialised volume product assembling and testing.

Distribution channels
Strategic partnerships with local and international ministries of defence and parastatals for technology and product development, products and customised system solutions. Partnerships with local and international OEMs and system houses for product and system solutions, and with international in-country resellers and support centres with a proven track record and product support capability.

Market sectors
Ministries of defence (South Africa and other countries) and local and international OEMs.

Intellectual property
Own intellectual property developed through internal funding, as well as shared and customer funding. Owns various local and international brands.

REUTECH SOLUTIONS

Reutech Solutions focuses on supplying turnkey solutions for logistics engineering and switching networks. It is a value-add and channel partner for Alcatel-Lucent, Loop Telecoms and Huawei.

Products and services
Rogue remote controlled stabilised platform.

Distribution channels
Reutech Solutions' sales team and dual distribution channels.

Market sectors
South African National Defence Force (SANDF), South African Police Service (SAPS), SOEs, export market (shipyards and vehicle OEMs).

Intellectual property
Registered patents and designs for dome light, blue/green LED single and double lights and the mine scraper winch control system.

FUCHS ELECTRONICS

Provides advanced electronic fuze technology. Capabilities include electronic and precision mechanical design and the high-volume production of electro-mechanical assemblies.

Products and services
Electronic fuzes.

Distribution channels
Partnerships with agents that deal with international defence OEMs, defence ministries and other organisations.

Market sectors
Majority of products are exported to OEMs and defence ministries.

Intellectual property
Owns the intellectual property on all Fuchs Electronics products.

OMNIGO

Omnigo is an electronic component manufacturer with a specialised production facility for the population and assembly of printed circuit boards (PCBs) and higher level electro-mechanical assemblies. Omnigo makes customer designs a reality by delivering a quality working product, which allows its customers to focus on their core business.

Products and services
Surface mount device population of PCBs, conventional manufacturing (through hole manufacturing), sub and final assembly, testing, screening and industrialisation.

Distribution channels
The Omnigo sales team and long-term relationships with local and international defence companies.

Market sectors
Omnigo can service any industry that has an electronic manufacturing need, with a specific focus on the defence market. Its major customers include local and international defence companies.

WHERE WE OPERATE

KEY FACTS
for Southern Africa

37
NASHUA FRANCHISES

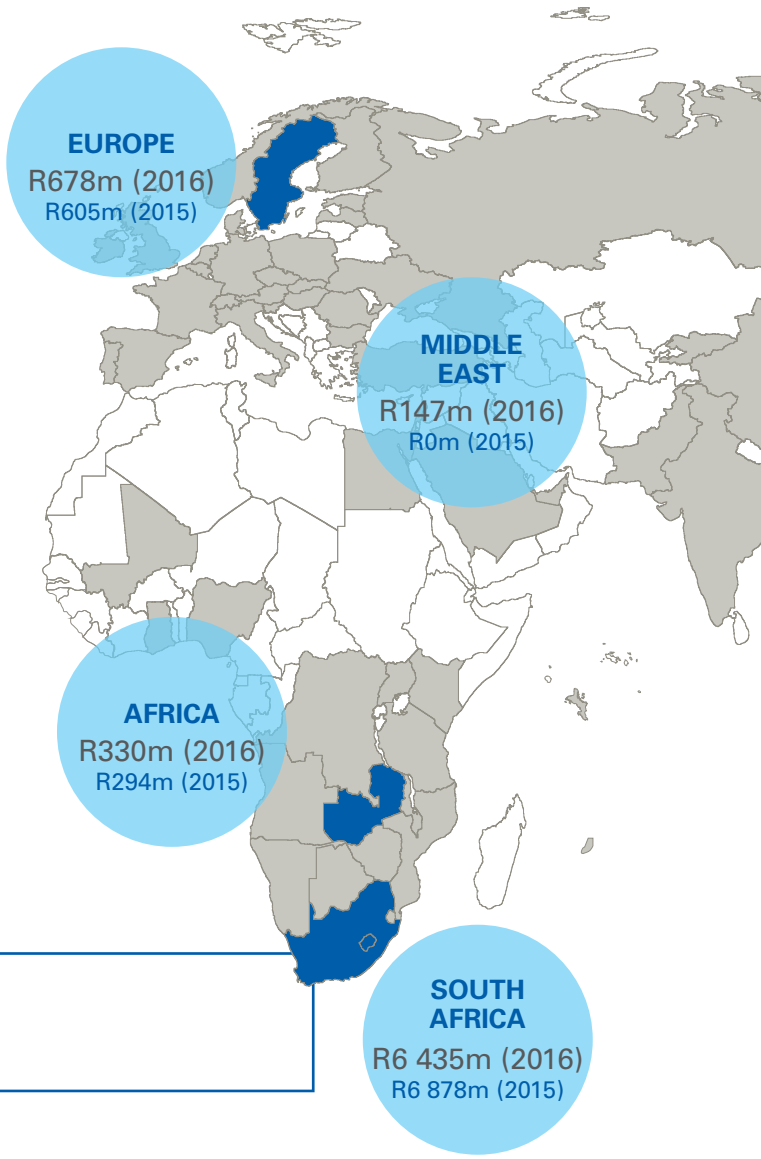
4
DATA CENTRES

7
TESTING LABORATORIES

14
MANUFACTURING PLANTS

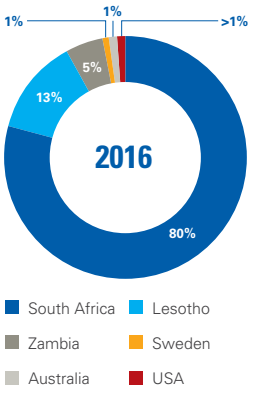
9
INNOVATION CENTRES

269
INDEPENDENT ECN CHANNEL PARTNERS

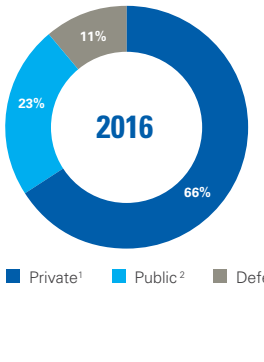


EMPLOYEES BY COUNTRY

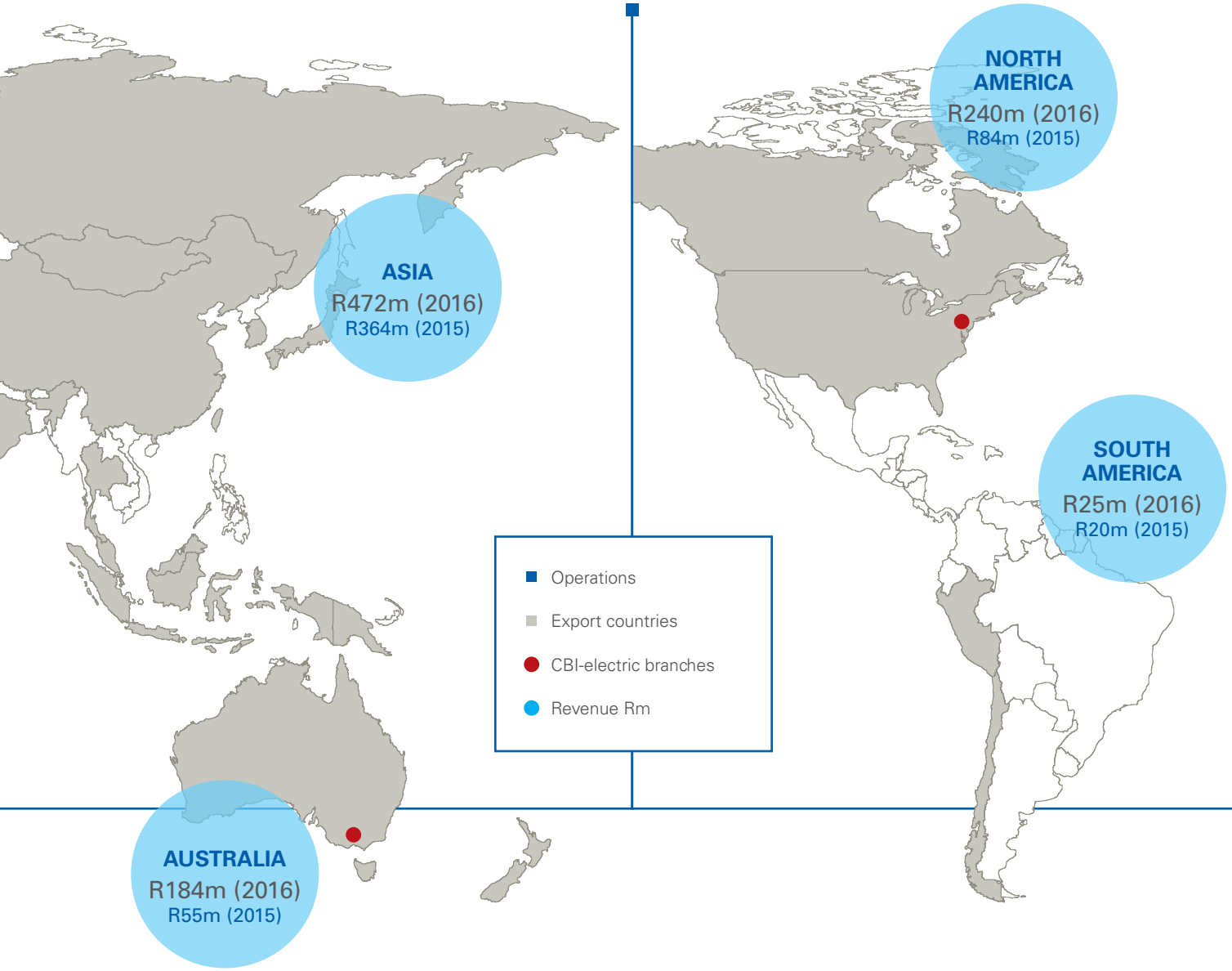
EMPLOYEES BY COUNTRY



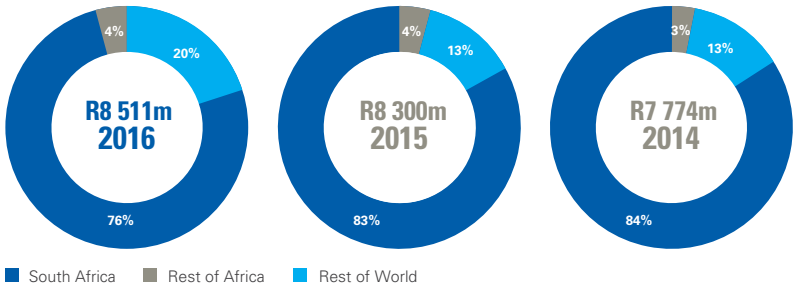
GROUP REVENUE PER MARKET SECTOR



[1] *Private sector includes all customers not classified as public sector.*
[2] *Public sector includes all revenues from national and provincial government customers (local and international), utilities, local metros and municipalities. It also includes SOEs that are not listed (i.e. excludes Telkom).*



REVENUE BY REGION[1]



[1] *Excludes joint venture.*

Reunert has robust governance processes in place to ensure well-managed operations and has a zero-tolerance policy to unethical business conduct.

We subscribe to various external standards to improve the quality of our operations, and legislative compliance is a minimum requirement. A comprehensive set of internal standards, policies and principles are in place to support how we do business. The table below sets out some of these key internal and external standards, policies and principles that are applied by the entities within the group, where applicable.

Refer to *page 93* for the governance review.

INTERNAL AND EXTERNAL STANDARDS AND PRINCIPLES

INTERNAL STANDARDS AND PRINCIPLES	LISTINGS REQUIREMENTS AND GOVERNANCE	SUSTAINABILITY AND MANAGEMENT SYSTEM STANDARDS	BUSINESS ETHICS
> Reunert DoA and business unit-specific delegation of authorities. > Risk management methodologies, based on the ISO 31000 framework. > Various human resource policies (including occupational health and safety), and information technology (IT), financial, environmental and other policies.	> The Companies Act. > JSE Listings Requirements. > Reunert's Memorandum of Incorporation (MoI). > King III. > Board charter, committee terms of reference and various other Board policies[1].	> Transformation Committee charter[2]. > ISO 14001:2008 environmental management accreditation[3]. > OHSAS[4] 18001:2007[3] and other occupational health and safety policies. > ISO 9001:2008[3] quality management accreditation. > Independent risk control and environmental management audits conducted at selected operations. > Conflict minerals policy. > Various local and international standards authorities certification and approvals such as the South African Bureau of Standards (SABS) and Restriction of Hazardous Substances (RoHS)[3,5], directives where applicable. > Reutech complies with various military and North Atlantic Treaty Organization (NATO) standards. > United Nations Global Compact (UNGC) 10 Principles[6].	> Reunert Code of Ethics *(page 4)* and business unit-specific code of ethics and conduct. > Competition law compliance policy. > Anti-corruption and whistle-blowing policies[1]. > Commitment to arms control compliance. > Procurement policies and procedures.

BUILDING ON A FOUNDATION OF GROUP ETHICS AND A HIGH-PERFORMANCE CULTURE

1 *Available at http://www.reunert.co.za/sustainability.php*
2 *Available at http://www.reunert.co.za/corporate-governance.php*
3 *Refer to page 89 for the detailed list of business units complying with the standards.*
4 *Occupational Health and Safety Standard.*
5 *RoHS directives, as documented by the European Union Directives.*
6 *Refer to page 92 for more information on the UNGC 10 Principles.*

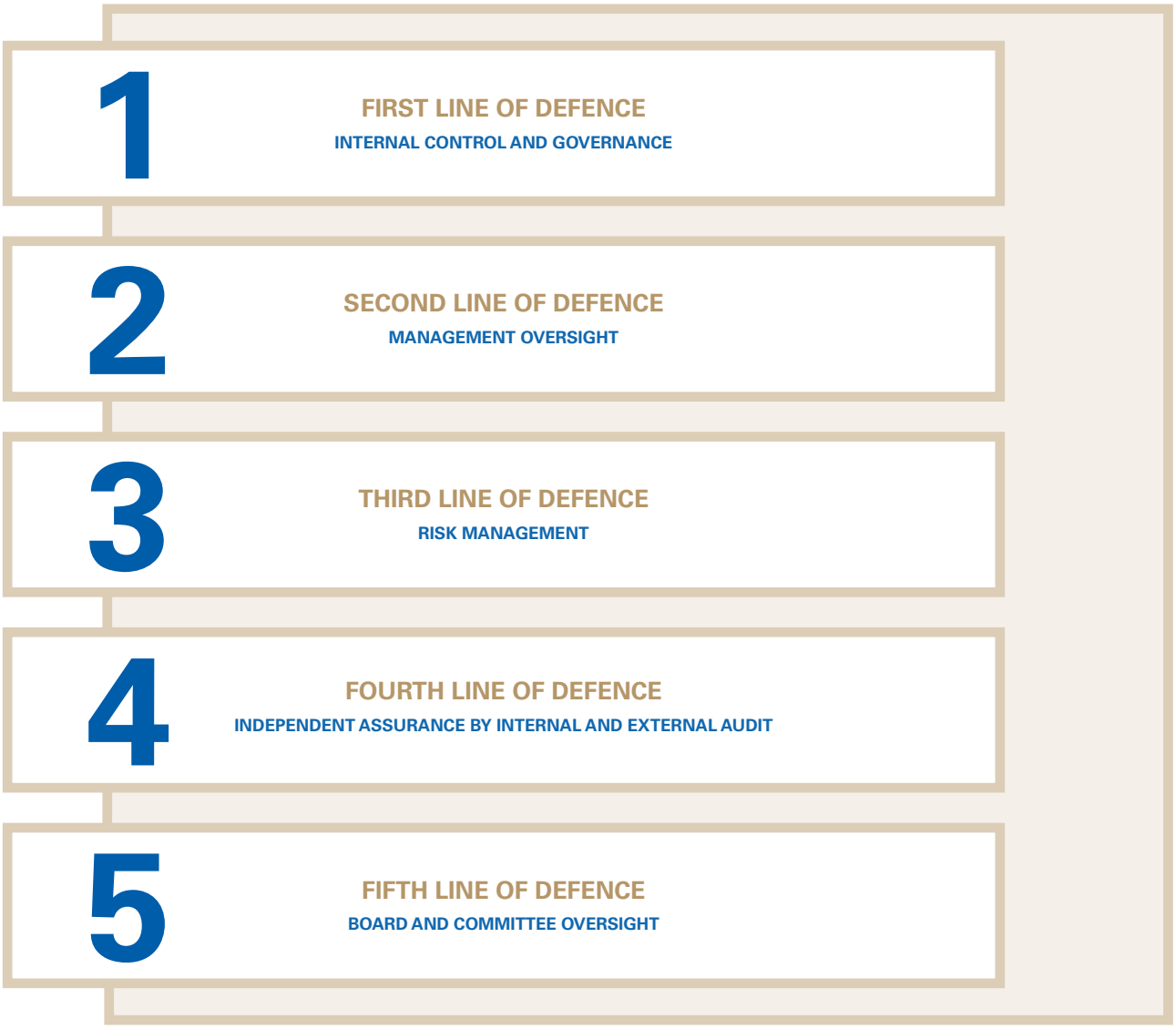
SUSTAINABLE SUPPLY CHAINS

Clear policies are in place to deal with the requirements of business unit supply chains, covering human rights, labour standards, health and safety, the environment and compliance. Suppliers and subcontractors are required to comply with these codes or equivalent standards. The business units have established processes in place when approving suppliers. Reunert's internal audit team evaluates the adherence to these processes as part of its audit assessments.

Suppliers are expected to confirm compliance with the laws of the country, including environmental and occupational health and safety laws, not to engage in any form of corruption and adherence to human rights regulations. Additional measures, including third party scanning tools, are being introduced to assist in the assessment and ongoing qualification of suppliers.

COMBINED ASSURANCE MODEL

The Audit and Risk Committees are responsible for applying the combined assurance model to ensure a co-ordinated approach to all assurance activities, and for ensuring the combined assurance received is appropriate in addressing the significant risks we face. The combined assurance model consists of five lines of defence.



HOW WE ENSURE WELL-MANAGED OPERATIONS continued

First line of defence – internal control and governance

Management designs and implements appropriate policies, practices and processes so that controls are in place to ensure our objectives are met, our assets are safeguarded and that we comply with all regulatory and legal requirements.

Second line of defence – management oversight

Management oversees strategy implementation, performance measurement, internal control and other control and governance processes. Key aspects include monthly operational meetings where financial results, strategic projects and emerging trends are discussed. Underlying business governance structures include the Group Executive Committee and functional forums where guidance and opportunity for collaboration is provided on finance, IT, HR, environmental, and legal and company secretarial matters. Reunert's Group Executive Committee assesses the group's performance and monitors progress relative to our key metrics, the overall implementation of plans, the annual budget approval process and the DoA.

Third line of defence – risk management

A formal risk management framework assesses the risk profile and the detailed risk exposure of the group, segments and the individual business units. Risks are managed on an ongoing basis to ensure key risks are identified, their potential impact and consequence assessed, and that mitigating controls and action plans are enacted.

Refer to *page 27* for the risk review.

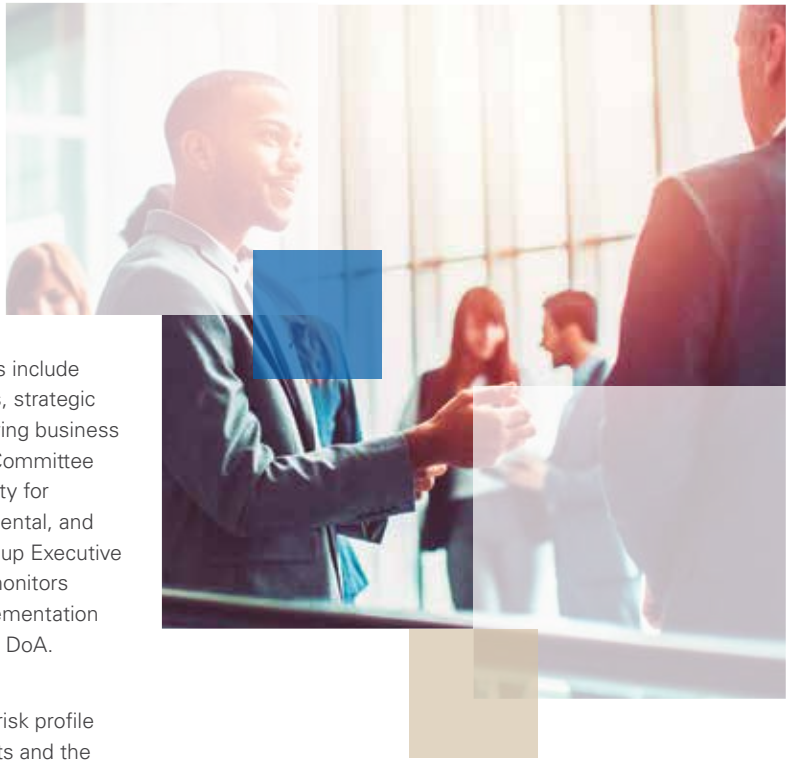
Fourth line of defence – independent risk assurance by internal and external audit

The fourth line of defence comprises the group's assurance functions who provide an independent and objective view of risk management, governance and the adequacy and effectiveness of internal controls across the group to the Audit and Risk Committees. This includes progress on the implementation of necessary action plans to enhance internal controls. Deloitte has been appointed as external auditor to provide external assurance over the financial statements.

Refer to the financial statements for the external auditor's opinion

(http://www.reunert.co.za/downloads/reports/2016/reunert-annual-financial-statements-2016.pdf)

Refer to *page 100* for more on internal audit and controls.



Fifth line of defence – Board and committee oversight

The Board and committee structures oversee final governance and provide oversight of:

- management;
- risk management;
- combined assurance strategies and procedures; and
- the implementation of internal and external assurance.

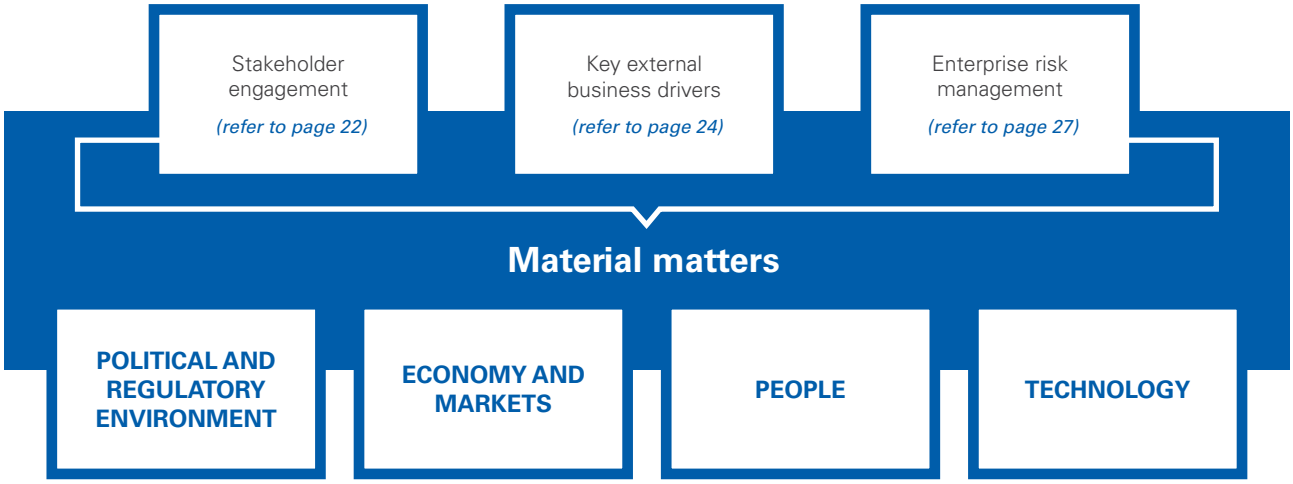
Refer to *page 93* for the governance review.

MATERIAL MATTERS

MATERIAL MATTERS DETERMINATION PROCESS

A material matter is defined as a matter or theme that has a significant direct or indirect impact on our ability to create, preserve or erode financial, economic, environmental and social value for the group and its stakeholders.

In determining material matters, a variety of internal and external influences were taken into account including strategy, strategic risks and opportunities that Reunert seeks to address. The process included analysing the various business environments in which the group operates, our risk management processes, Board discussions, input from key stakeholders, benchmarking and desktop research.

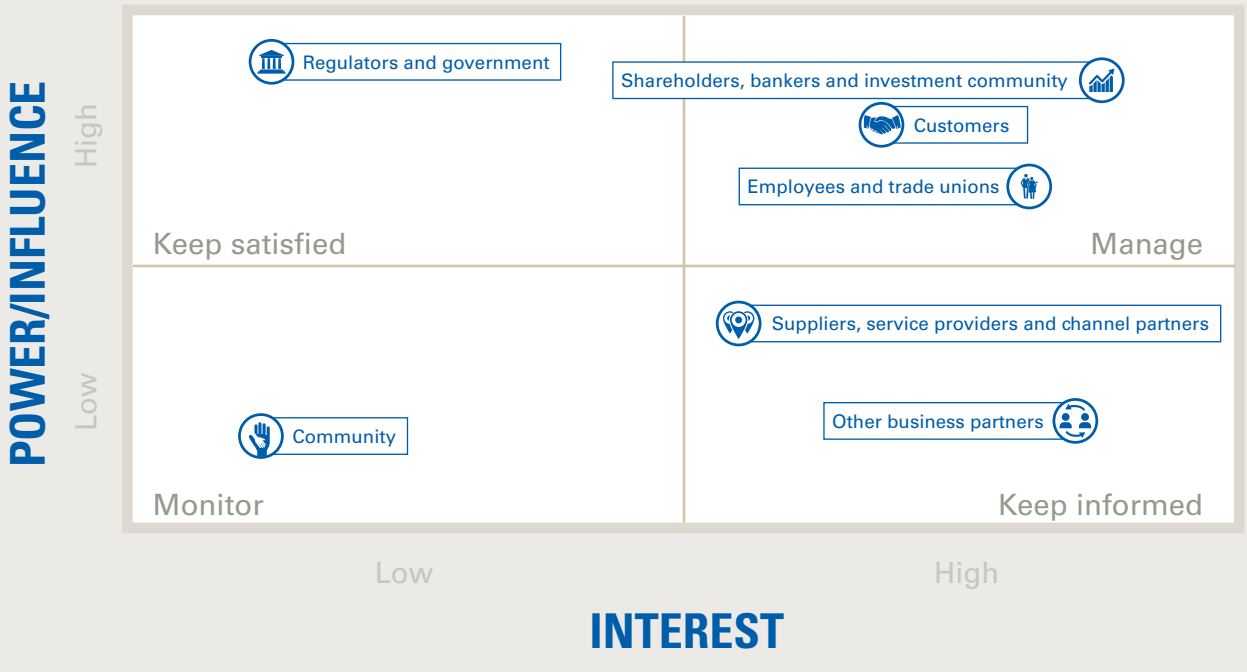


KEY RELATIONSHIPS

The group interacts with a range of stakeholders. Effective stakeholder management is an important aspect of good governance and sustainable business practices as it can mitigate certain risks within the business.

KEY RELATIONSHIPS continued

The matrix below indicates our primary stakeholders, plotted on a power/influence scale versus the interest held by the stakeholder. The mapping was developed with input from executive management, strategy development sessions and communications liaison employees in the group.



We engage in various ways, adapting our approach to individual stakeholders:

- interim and annual financial and integrated reporting;
- regular presentations, roadshows and one-on-one meetings;
- meetings, presentations and workshops;
- call centres, customer meetings and site visits;
- supplier forums, franchise channel conferences and regular meetings, equipment forums and focus groups;
- management communication channels;
- electronic communications;
- sales conferences and technical updates;
- business association meetings and conferences;
- shop floor forums; and
- company and award functions, etc.

The key stakeholders, their expectations and concerns, and our response are set out in the table that follows.

STAKEHOLDER	STAKEHOLDER EXPECTATIONS AND CONCERNS	GROUP RESPONSE
Shareholders, bankers and the investment community Providers and influencers of financial capital	> Sustainable growth and acceptable returns on investments. > Appropriate use of surplus cash. > Timely response to market changes. > Appropriate investment in new businesses and capacity in existing businesses. > Management of exposure to volatile exchange rates and commodity prices. > Responsible and ethical conduct. > Alignment of remuneration with performance. > Segmental and performance disclosures. > Relevant information that assists investors in understanding the business drivers and our prospects better. > Leadership and strategic direction.	> Investment in existing businesses to ensure organic growth and targeting selected acquisitions. > Regular shareholder communication incorporates progress on the execution of the strategy, including capital allocation and finding the right acquisitions. > Communication of our management of key risks, including the impact of exchange rate volatility and commodity prices. > Engagement on the remuneration policy structure. > Continuous improvement in our integrated reporting, providing both strategic feedback and segmental performance reviews. Refer to *page 34* for more information on group strategy, *page 27* for risk information, *page 32* for material matters and *page 105* for the remuneration overview.

STAKEHOLDER	STAKEHOLDER EXPECTATIONS AND CONCERNS	GROUP RESPONSE
Customers Users of our products and services Refer to *page 26* for the group's customer and industry exposure.	> Delivering products and services as agreed. > Timely and effective response to customer complaints. > Understanding customer requirements, including bundled, innovative solutions. > Quality products at competitive prices. > BBBEE ratings. > Safeguarding of personal data. > Service excellence.	> Customer-centricity and improved solution offerings are two of the core focus areas of the Reunert strategy. > Leveraging the Reunert brands to offer additional products and services. > Various customer loyalty and satisfaction programmes measure responsiveness, on-time-delivery and progress made. > Further improvement of customer service programmes. > Alignment with national transformation objectives. > Successful legal action against distributors of counterfeit products. > Working with customers on product innovation and improved service delivery.
Employees People are the foundation of our business 	> Providing a stimulating and rewarding work environment. > Recognition for exceptional and value-adding performance. > Access to performance reviews, development plans, quality education and training. > Career prospects and job security. > Fair and consistent remuneration practices. > Right to collective bargaining. > Diversity management, including leadership guidance and inspiration. > Safeguarding personal data.	> Market-related remuneration in line with industry best practice. > Commenced phase one of the diversity management programme, 'winning work behaviour'. > Improvement of physical work environment at a number of our facilities. Refer to *page 84* for more information on human capital.
Trade unions Represent 30% of the total workforce 	> Job creation and retention. > Right to collective bargaining. > Sustainable businesses. > Negotiated wage increases. > Safe working environment and health and safety performance. > Appropriate procedures and policies.	> Active participation in the industry policy forum, Steel and Engineering Industries Federation of Southern Africa (SEIFSA). > Wage increases implemented for SEIFSA-NUMSA (National Union of Metal Workers of South Africa) three-year negotiated settlement. Refer to *page 87* for more information on labour relations.
Partners Suppliers, service providers, channel partners (including franchisees) and other business partners integral to the supply chain 	> Partnerships that provide growth opportunities. > Long-term security of supply. > Impact of low-cost imports. > Transformation requirements. > Safeguarding of personal data.	> Long-term supplier agreements. > Improved relationships with OEMs. > Implementation of new business models and/or new empowerment structures. Refer to *page 80* for more information on the transformation strategy.
Regulators and government Regulate and sanction the group's legal licence to operate 	> Compliance with relevant laws and regulations. > Retention of core applied electronic research and development skills in South Africa. > Improving South Africa's competitiveness. > Fairness for consumers.	> Legal compliance is a minimum requirement. > Business units adhere to business-specific regulatory licence agreements, directives, standards or product certifications. > Participating in trade shows and trade missions to promote South African developed products and services. > Implementation of the transformation strategy. Refer to *page 18* for more details on how we ensure well-managed operations and to *page 81* for a BBBEE overview.

KEY EXTERNAL BUSINESS DRIVERS

Our value creation is influenced by various external elements across the three segments in which we operate. These are not always within our control, and the impact varies depending on the specific entity's situation. The matrix below sets out the key external business drivers and demonstrates the level to which each segment is impacted. There is a close correlation between our material matters *(page 32)*, key risks *(page 27)* and the key external business drivers. The impact is addressed in our strategy *(pages 34 and 36)* and ultimately reflected in our performance (financial or otherwise).

For the segment performance reviews, refer to:

- Electrical Engineering – *page 52*
- Information Communication Technology – *page 60*
- Applied Electronics – *page 70*

KEY BUSINESS DRIVERS

South African economy
Economic activity, gross domestic product (GDP) and gross domestic fixed investment (GDFI) growth, government expenditure, interest rates and consumer and business confidence all impact on customer spending patterns. This includes the awarding of long-term contracts, domestic sales, capacity utilisation and margins.

Exchange rates
Exchange rate fluctuation impacts on the demand and pricing for imported materials, export sales prices, margins and competitor pricing.

Competitive environment
Local and international competition have an impact on volume, price and margins. Changes within the competitive landscape, including our supply chain, have an impact on our market position and value chain positioning.

The entrance of Chinese ownership with globally integrated businesses in both South African telecommunications and power cable manufacturing base is expected to increase the pressure in these markets.

The new demand for participative production sharing in export markets presents opportunities for the Applied Electronics segment.

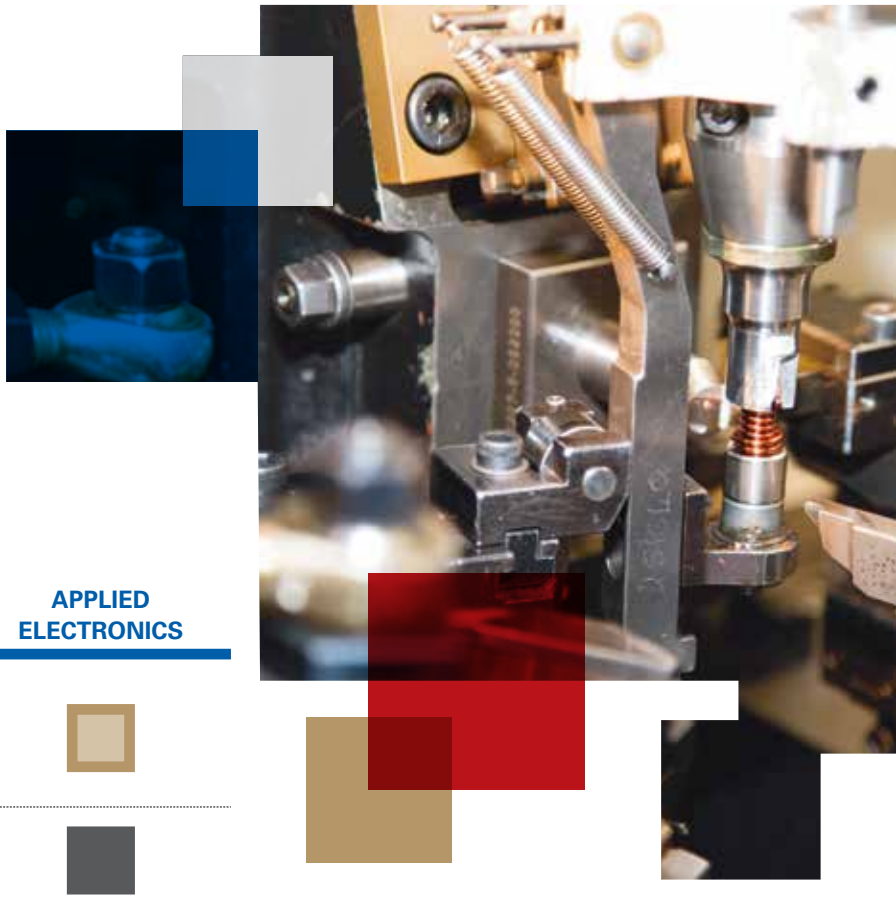
Infrastructure development
The levels of construction and development, energy projects (including renewables) and maintenance/replacement programmes for public and commercial infrastructure are linked to gross domestic fixed investment and business confidence. Investment sentiment for the majority of these programmes and projects is influenced by political and policy stability.

Technology and innovation
Technology innovation and enhancements, customer expectations and market shifts in technology, including digitalisation, technology convergence, product-agnostic and disruptive technologies and system life cycles all play a role in demand (affecting volume and margin). Technology impacts the competitive position in the market.

Commodity cycles
Local and global commodity cycles have an impact on the demand for mining-related products and development.

Defence industry
The South African defence and security budgets and the global demand for defence and security-related products impact on sales volumes of these products. The demand for projects typically fluctuate and must be countered by diversified independent markets.

Government policy
Uncertainty regarding the final BBBEE policy codes with which businesses must comply. National Treasury issued a new draft Preferential Procurement Policy Framework Act (PPPFA) for comment in June 2016.



ELECTRICAL ENGINEERING	ICT	APPLIED ELECTRONICS
■	■	□
■	■	■
□	■	□
■	▫	□
□	■	□
□	▫	■
▫	▫	■
■	□	■

Legend

■ Material impact

□ Substantial impact

▫ Limited impact

CUSTOMER AND INDUSTRY EXPOSURE

Reunert has a broad base of customers in different industries. We monitor these industries' challenges, opportunities, trends and the resultant impact on their uptake of our products and services. The table below demonstrates group and segmental revenue exposure to the key industries.

SECTOR	INDUSTRY	ELECTRICAL ENGINEERING	ICT	APPLIED ELECTRONICS	GROUP
PRIVATE	Indirect selling (including franchises)	Substantial	Substantial	Currently insignificant	Limited
	Commercial	Limited	Material	Currently insignificant	Substantial
	Financial and IT	Currently insignificant	Currently insignificant	Currently insignificant	Limited
	Industrial	Material	Material	Limited	Material
	Mining	Limited	Currently insignificant	Limited	Limited
	Telecommunications	Limited	Currently insignificant	Currently insignificant	Currently insignificant
PUBLIC	SOEs, including utilities and government	Material	Substantial	Substantial	Material
DEFENCE	Defence (local and international)	Currently insignificant	Currently insignificant	Material	Limited

Legend: Exposure ranking

Material | Substantial | Limited | Currently insignificant

RISK REVIEW

Risk management is a key business discipline, designed to balance risk and reward and protect the group against risks and uncertainties that could prevent it from achieving its strategic and operational objectives.

The Board is responsible for the risk management process. Management is accountable to the Board for designing, implementing and monitoring the process of risk management and for integrating it into day-to-day business activities. Appropriate mitigation and/or remedial actions are identified and driven through a comprehensive risk management system.

All group companies conduct formal risk assessments and operational risk management meetings are held at least twice a year. The group chief executive officer or the chief financial officer, and senior segment management, attend all operational risk management meetings. Risk assessment procedures form an integral part of management's key objectives. Internal audit attends all group risk meetings and assists in facilitating the process.

The Reunert risk appetite framework was formalised during 2016. Risk appetite measures were developed for each major risk category and presented to the Risk Committee for approval. In the 2017 financial year, each relevant Board committee will be monitoring the level of risk exposure that the Board is willing to accept.

RISK MANAGEMENT AND METHODOLOGY

The risk management methodology, which is based on the ISO 31000 framework, can be summarised as follows:

MONITORING RISKS

Risks are monitored continuously and formally assessed twice a year.

Financial risks, including financial reporting risks, are monitored by the Audit Committee and all other risks by the Risk Committee.

Identifying, defining and categorising risks
Risks at each business unit are defined and classified as strategic, reputational, business process, financial, operational and compliance-related risks.

Assessing the quantitative impact and materiality of the risks should they occur
Risks are assessed based on the potential impact on the business in accordance with board-approved risk tolerance levels ranging from insignificant to catastrophic.

Assessing the probability of the risks occurring
Risks are assessed based on the likelihood of them occurring, assuming that there are no controls in place. Risks are scored in a range from rare to almost certain.

Assessing the effectiveness of internal controls in place
Mitigating internal controls are identified and assessed for each risk. A control effectiveness rating is assigned to each risk ranging from very effective to ineffective.

Classifying the residual risks
Residual risks are classified as high, medium and low, based on their impact and likelihood of occurring, after taking into account the effectiveness of the internal controls in place.

Developing risk mitigation strategies for all identified risks
Risk mitigation strategies and action plans are developed in line with board-approved risk tolerance levels.

REPORTING

Risk reporting follows the risk reviews, and is considered by the Risk Committee at its meetings, twice a year.

Financial risks, including financial reporting risks, are reported to the Audit Committee.

KEY RISKS

The major strategic risks are determined through a top-down and bottom-up review process. The table below sets out the current key risks as identified through the risk management process and outlines the risk mitigation strategies. We increased the number of risks disclosed from five in 2015 to seven during the process of aligning our risks with our material matters and the applicable strategic focus areas as set out on *pages 34 to 39*.

RISK 1

Concentration risk

Risk for business units exposed to South African earnings increased from 2015. ▲

Reunert's risk exposure to South Africa has decreased from 2015. ▼

Reunert currently derives the majority (76%) of its revenue from South Africa. This results in geographic concentration risk, as our ability to generate growth from existing businesses is largely dependent on developments in the South African economy.

South Africa's country risk remains the most pervasive risk impacting Reunert. The current socio-political environment is likely to result in ongoing uncertainty and impacts the country's economic prospects.

The South African government's drive to increase black participation in the economy through ownership and the Black Industrialists Programme could affect future government tenders.

RISK 2

Macro-economic environment ▲

Risk increased from 2015.

The South African economy is underperforming, with growth forecasts for 2017 reduced to below 1%.

These estimates are based on:

- the subdued level of commodity prices;
- reducing fixed investment;
- low business confidence;
- the increasing cost of electricity; and
- a weakening and volatile exchange rate against major trading nations.

Consequently, meaningful organic growth of consumer price index (CPI) +1% remains difficult.

RISK 3

Slow top-line growth ▶

Risk at the same level as 2015.

The competitive environment is intensifying and increased competition and commoditisation are leading to lower margins and slow top-line growth. The impact on some of our business units are:

- the introduction of new vertically integrated Asian competitors;
- imported products at lower pricing;
- low capacity utilisation of competitors leading to pricing pressures;
- acceleration of digitalisation of information and communication, particularly in the ICT segment;
- reduction in defence budgets while new market entrants are targeting large-scale defence contracts; and
- adverse exchange rate movements, where not all input costs can be recovered in the market at traditional margins.

The risk of low or no volume growth is exacerbated by certain businesses within the Reunert portfolio being in the mature stage of their business life cycles. These include Nashua Office Automation and CBI-electric: African Cables.

Risk mitigation of our top three risks

The Reunert strategy contains appropriate actions to strengthen our position in chosen markets and to mitigate the top three risks. Refer to our strategy and the six strategic pillars that address these risks.

Refer to *page 36* for information on the strategy and *page 45* for progress made with acquisitions.

Related strategic pillars

CUSTOMERS | PEOPLE | EFFICIENCY | DIVERSIFICATION | INNOVATION | TRANSFORMATION

RISK 4

Transformation and diversity

Risk at the same level as 2015. ▶

Progressive transformation is a key imperative to protect our reputation, access resources, retain our licence to operate and to attract and retain skills. Reunert's significant exposure to South African government-related business necessitates the transformation of our businesses to be aligned with the government's targets and objectives.

Risk mitigation

The Transformation Committee specifically monitors and reviews outcomes of the transformation strategy.

Refer to *page 78* for how this risk is mitigated through the implementation and execution of the transformation strategy.

Related strategic pillars

RISK 5

Escalation in large-scale cyberattacks and data fraud

Risk increased from 2015. ▲

South African businesses, and the country's critical infrastructure and networks, face mounting levels of cyberattacks Cybercriminals are increasingly targeting Internet infrastructure, breaching secure networks and stealing sensitive data. These attacks are becoming more effective at breaching security defences and causing major disruptions.

As with all users of connected technologies, the inherent risk of an external party gaining access to sensitive or confidential information requires constant attention.

Risk mitigation

> Firewalls, virtual private network solutions and anti-hacking software is in place throughout the Reunert group.
> Business units are configured with anti-virus, anti-spyware, intrusion prevention and application intelligence and control to provide protection against sophisticated attacks.
> Servers and critical software are patched and updated as necessary for security updates and fixes.
> Core databases containing sensitive data are in encrypted form on most systems and access to the networks is adequately controlled.
> Web content filtering is configured to address safety, security and productivity concerns by providing the controls to enforce Internet use policies and block access to harmful and unproductive web content.
> The risk is further reduced through data encryption on mobile devices and the introduction of targeted threat protection over messaging systems to combat email phishing.

Refer to *page 101* for further information on information technology.

Related strategic pillars

RISK 6

Non-compliance to legislation and unethical business conduct
Risk at the same level as 2015.

Competition law. In South Africa, a fine of up to 10% of revenue may be imposed in the event of non-compliance with competition law. Non-compliance could result in reputational damage to the group.

Anti-fraud and corruption legislation. Non-compliance with these laws and regulations in South Africa, the USA, European Union and United Kingdom could result in reputational damage and negative publicity. The group could also, in the event of non-compliance, be subject to civil litigation and blacklisting in relevant jurisdictions. Non-compliance may lead to the arrest of Reunert's officers in South Africa or foreign jurisdictions.

Risk mitigation

> The Reunert Code of Ethics requires employees to abide by all laws and regulations.
> The DoA ensures appropriate segregation of duties and decision-making authority levels.
> A formal anti-corruption and fraud policy is in place throughout the group.
> A whistle-blowing hotline is available to report unethical activities. Reports are appropriately investigated.
> A competition law compliance policy, guidelines and procedures document provides guidance where necessary. Our employees complete annual online compliance training modules to ensure that they possess the requisite knowledge of competition law and other relevant legislation.
> Managing directors and their teams are required to certify, annually, the relevant business' compliance with applicable legislation and regulations.
> In order to mitigate against fraud and corruption, agreements with agents in the defence industry contain specific clauses to avoid corruption and commissions paid for services rendered are limited to guidelines provided.

Refer to *page 18* for more information on ethics and regulatory compliance.

Related strategic pillar

PEOPLE

RISK 7

Retention and development of senior executives and key employees (scarce and critical skills)
Risk decreased from 2015.

To achieve our growth objectives, it is imperative that key skills are retained within the group.

Risk mitigation

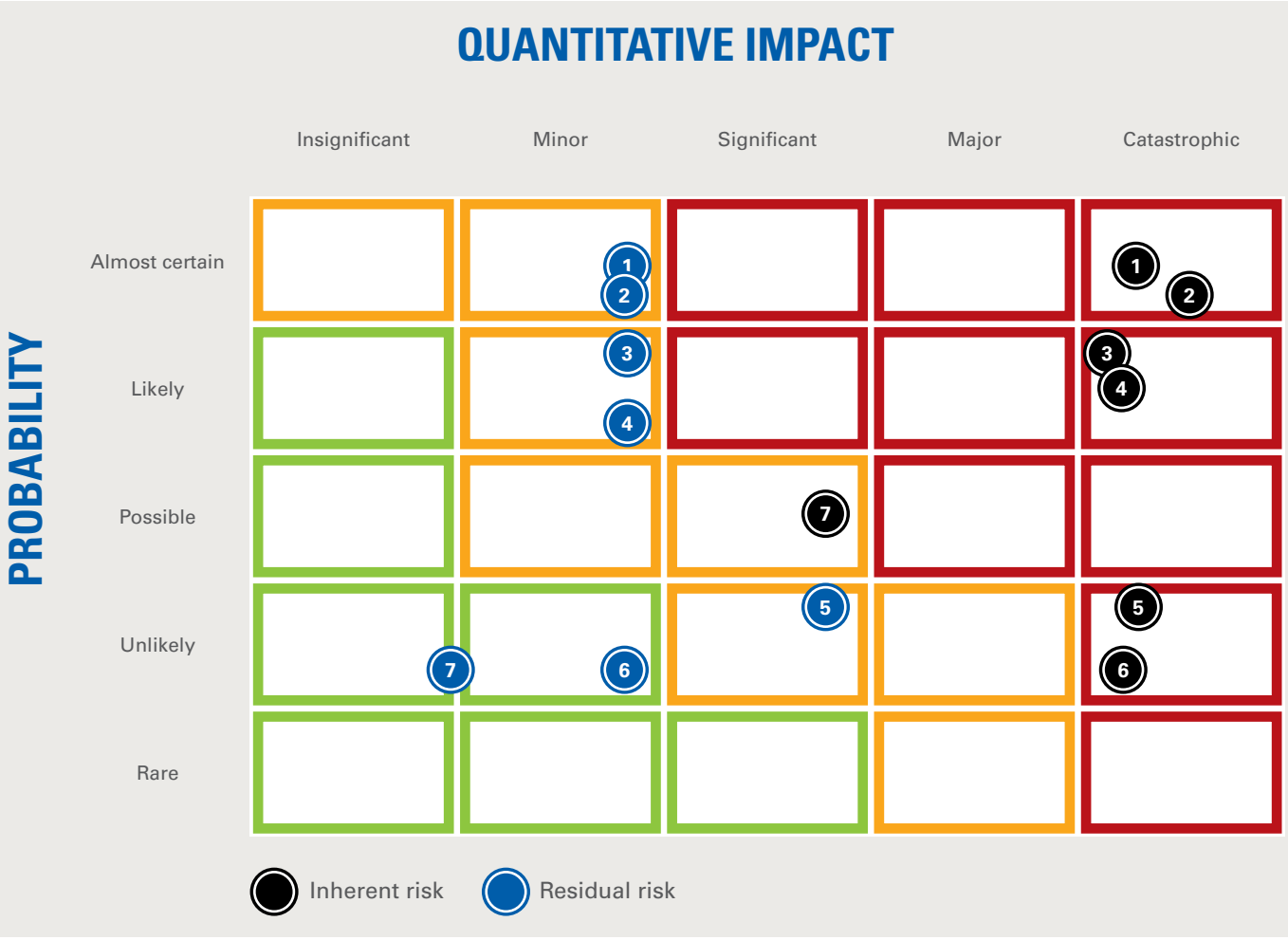
> Identification and classification of talent at top and senior management level was standardised and the talent map was updated. This provides for individual development plans for key employees and succession planning.
> Employees with scarce and critical skills are identified and succession planning addressed.

Refer to *page 84* for the human resources review and *page 105* for the remuneration report.

Related strategic pillar

PEOPLE

The heat map below indicates the probability and magnitude of the group's key risks before (inherent risks) and after taking controls and mitigating actions (residual risks) into account.



Risk number correlates with risks on previous pages.

MATERIAL MATTERS OVERVIEW

Reunert's material matters are detailed below. There is a close correlation to the key external business drivers discussed on *page 24*, the key risks on *page 27* and our strategy on *page 34*. Cross referencing is used to demonstrate the connectivity between these elements. Our approach to the material matters is discussed in the related sections and throughout the performance reviews of this report.

POLITICAL AND REGULATORY ENVIRONMENT

The business environment is increasingly being shaped by growing policy, regulatory, political, labour, and societal uncertainties. Reunert has to be cognisant of political and regulatory developments in the markets we are targeting, and we must therefore include various scenarios into our mitigation strategies.

Related key external business drivers

> South African economy
> Government policy

Related key risks

> Concentration risk
> Macro-economic environment
> Transformation and diversity
> Non-compliance to legislation and unethical business conduct

Related strategic pillars

ECONOMY AND MARKETS

The economies and markets in which we operate are facing a variety of headwinds. Reunert's current macro-economic and market trends are inevitably linked to the South African environment.

Related key external business drivers

> South African economy
> Exchange rates
> Competitive environment
> Infrastructure development
> Commodity cycles
> Defence industry

Related key risks

> Concentration risk
> Macro-economic environment
> Slow top-line growth

Related strategic pillars

PEOPLE

To build a culture that supports and encourages innovation, diversity and high performance, Reunert employs a combination of appropriately qualified, skilled and experienced employees. We are a South African company and equitable representation on especially management levels is a business imperative.

Related key external business drivers

> Competitive environment
> Technology and innovation
> Government policy

Related key risks

> Transformation and diversity
> Retention and development of senior executives and key employees (scarce and critical skills)

Related strategic pillars

TECHNOLOGY

The influence of rapidly changing technology is changing the way in which we and our customers do business. It has an impact on the business processes, products and service offerings that customers need.

Related key external business drivers

> Competitive environment
> Technology and innovation

Related key risks

> Slow top-line growth
> Retention and development of senior executives and key employees (scarce and critical skills)
> Escalation in large-scale cyberattacks and data fraud.

Related strategic pillars

STRATEGY OVERVIEW

STRATEGY DEVELOPMENT

Broadly speaking, the group's segments are strategically linked through our electrical, electronic and ICT engineering capabilities in either their core competencies and/or the markets we serve.

Reunert's group strategy was developed taking the operating environment, material matters, identified risks and opportunities into account and input from all the material business units was considered. The strategy was built around our key strengths.

REUNERT'S KEY STRENGTHS

- Strong market positions in all of our South African businesses
- Well-known and respected brands
- Strong operational philosophy and well-managed operations
- Proven ability to integrate systems (convergence)
- Sustainable margins
- A healthy balance sheet
- Robust risk management, internal control processes and systems
- Electronic and engineering expertise

The Board approved the strategy in May 2015, and reviewed it in April 2016. While Reunert's group strategy remains valid, the challenges posed by the local economic and political environment increased in the intervening year, substantiating the key risks identified and the strategy employed. Our goals and strategic pillars are consistent throughout the group, and this provides cohesion and alignment.

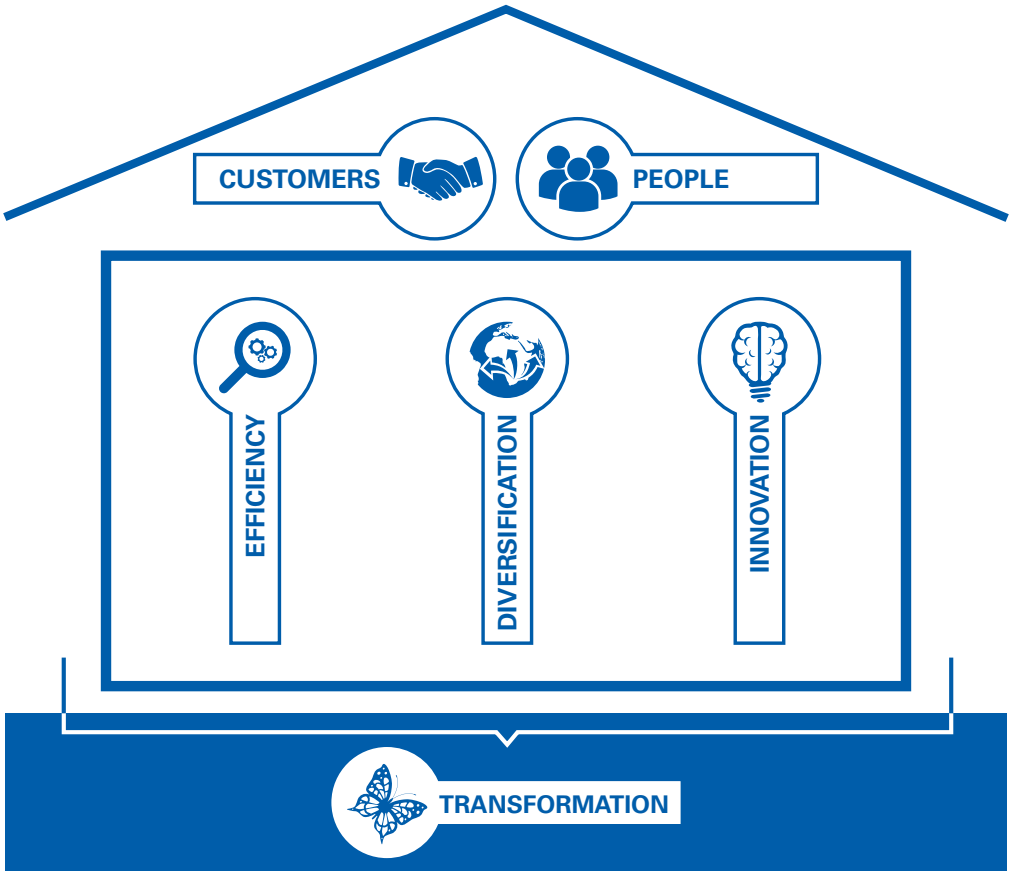
The business units converted their strategy into appropriate execution plans. The execution plans are rolled out through project management activities and monitored through a range of KPIs. These business-specific KPIs are integrated into monthly management reports through which feedback is received and, where necessary, corrective action is implemented.

REUNERT'S GOALS

The following overarching goals create alignment across the different segments and business units:

1. Being a leading player in the South African electrical and electronics industry. This will be evidenced by Reunert achieving and maintaining cumulative growth in NHEPS and having a TSR within the top three issuers in the electrical and electronics sector of the JSE.
2. Operating a customer-centric business.
3. Operating as a responsible corporate citizen with a strong set of values.
4. Fostering a culture of high-performance and employee engagement.
5. Moving up the value chain (including evolving from a product focus to a solution focus) to deliver value-added services and solutions.

GROUP STRATEGIC PILLARS AND OBJECTIVES



CUSTOMERS

Provide customer-centred products, services and solutions.

Customer-centricity is a core focus area to enhance the value offering for customers and incorporates customer loyalty and retention as key objectives. In turn, this maximises our participation in the customer's spend.

PEOPLE

Develop a high-performance organisation focusing on effective employee engagement.

Reunert promotes a high-performance culture to support its growth strategy. We actively **engage with all employees** in a meaningful manner and motivate and recognise execution excellence. While actively investing in our people, employees are responsible for ensuring that they adopt a high-performance culture. Engagement is built on honesty, transparency, teamwork and open communication. Innovation is an important skill-set in many of our businesses and the retention of key employees, including scarce and critical skills, is vital.

Refer to *page 84* for more information on human capital.

Ensure best-in-class operational efficiency and improved capital efficiency.

The efficiency pillar focuses on the management of existing assets. These assets are expected to deliver growth, in line with the growth in fixed domestic investment, and generate the free cash flows necessary to implement the diversification and innovation strategies of the group. Cost control and the continued drive for **business efficiencies** remain key contributors to good financial returns. Considerable attention is paid to working capital management and optimising capital expenditure to maximise the cash generation from existing businesses. Enhancing distribution and warehousing solutions to reduce costs is another focus area.

Diversify and increase earnings through a combination of:

- *geographic expansion;*
- *new products and services; and*
- *improved solution offerings.*

Diversification is centred on:

Geography: Expanding the existing value offerings into carefully selected new geographic areas where the group has business experience and where we have real competitive advantages. This expansion is derived from a combination of acquisitive and organic growth. Our choice of markets and the speed of geographical diversification are determined by international developments and opportunities that arise.

New products and services: Reunert's strong brands are leveraged to offer additional products and services to customers within South Africa. Cross-selling opportunities are considered to provide organic growth opportunities, whereas acquisitions are the preferred method to access these market prospects.

Improved solutions offering: Solutions that drive margin enhancement and customer retention are introduced continually. The move up the value chain is pursued through acquisitions to accelerate this focus area.

Develop new products and services and reduce costs through innovation, research and development.

Innovation is supported throughout the group to drive the product, service and solution pipeline required to support sustainable growth. Harnessing technology creates opportunities for efficiency improvements and increasing revenue growth through **innovation and new products**.

Transform our businesses to effectively participate in the markets we serve.

Transforming Reunert focuses on human capital and our business models.

Through **transformation**, we are maximising our opportunity to participate in South African revenue streams by aligning our transformation objectives to those of the South African government.

Refer to *page 78* for more information on our transformation progress.

We are transforming our business models, as required, to evolve from a historical focus on products to deliver value-added services and solutions, strengthening our position in the value chain. This business transformation is interlinked with our diversification, innovation and efficiency strategies.

Refer to our salient features on *the inside front cover* for an overview of Reunert's material matters, key risks, opportunities and the related strategic pillars and objectives, KPIs and the group's overall performance.

SEGMENTAL EXECUTION OF THE STRATEGY

GROUP OVERSIGHT

Regular management oversight is in place to drive progress, identify risks and apply mitigation actions.

Strategy execution

- All segments' and business units' strategies are reviewed annually.
- KPIs are identified during the budget process, entrenched in the variable remuneration system and driven through the strategic project management process.
- Strategic projects are reviewed at monthly management meetings.

Mergers and acquisitions

A permanent merger and acquisition capability was introduced at group level to accelerate the acquisition activities within Reunert. An acquisition process, as approved by the Investment Committee, was fully adopted and positive results are starting to materialise.

Transformation

The transformation strategy is delivering results under the oversight of the Group Transformation Committee (GTC):

- Significant improvement in EE at the top three management levels.
- BEE ownership transaction was completed in the Electrical Engineering segment and another transaction is nearing completion in the Applied Electronics segment with the second phase subject to finalisation of the South African Defence Industry (SADI) Charter.
- All business units either achieved higher BBBEE levels or maintained their current BBBEE levels.

SEGMENT PRIORITIES

The segmental execution plans and how they support the group strategy are set out below. Progress made on these areas is also indicated.

Electrical Engineering

> Secure bolt-on acquisitions and further develop channels to expand the group's footprint outside of South Africa.

> Enhance solutions offerings by incorporating current products and services.

> Acquire and/or develop complementary technologies that can be distributed through existing channels.

> Advance transformation to secure and develop additional market share.

> Continue optimising manufacturing efficiencies.

ICT

> Acquire or develop complementary technologies in ICT to evolve the business to a holistic document management and managed office solutions provider.

> Continue seeking new areas, products and services for delivery through the franchise model and expand the franchise model into neighbouring territories.

> Expand and improve the value offering and services to attract more customers and become a single port of call.

> Continue building on customer engagements to enhance the level of service provided and to ensure clustered service offerings meet their needs.

> Improve operational efficiencies to enhance margins.

Applied Electronics

> Increase the group's focus on export markets and securing long-term contracts.

> Build and strengthen partnerships with OEMs and other defence companies to gain access to new markets.

> Continue developing commercial applications using Reutech defence technologies, thereby broadening its customer base.

> Continue driving improvement in transformation objectives to ensure that Reutech is aligned with government's objectives in this regard.

Legend

Limited progress

Moderate progress

Material progress

LEADERSHIP REVIEWS

We need change urgently and Reunert wishes to contribute to and be a part of the solution.

TREVOR MUNDAY
Chairman

CHAIRMAN'S REPORT

FINANCIAL PERFORMANCE

Reunert derives 76% of its revenue from markets in South Africa. Unfortunately, the local economy continued to languish during 2016, in an almost zero growth-rate environment.

In these trying political, economic and social circumstances, it is pleasing to report the positive financial results that was achieved, with the key highlight being the 13% growth in operating profit. This is reported in detail in the joint report from our group chief executive, Alan Dickson, and our chief financial officer, Nick Thomson, and in the segmental performance reviews.

These results should be seen in the context of our ongoing quest to meet our customers' needs and to deliver on the Reunert strategy.

COUNTRY CHALLENGES

When considering my 2015 report, it is distressing that much of what I wrote could be written again. Effectively, another year has been lost in terms of the leadership of our country tackling and resolving our known national constraints. We meandered along with little progress being made and our key metrics as a nation deteriorated whether related to employment, competitiveness, policy certainty or social cohesion.

This past year was adversely affected by the continuing threat of a credit ratings downgrade and various worrying socio-political events that were compounded by a lack of decisive action from our political leadership. In a country that aspires to world-class standards and the dream of a rainbow nation it is unacceptable that we should suffer under a leadership that continues to be seemingly immune or uncaring towards the damage being done to our country.

It is bewildering that we have deteriorated as a nation to the extent that we have under the present leadership. Nobody could have envisaged our present parlous state when our democracy dawned under the inspiring leadership of Nelson Mandela and a respected ANC in 1994. The harm wracked on South Africa by the decision made in December 2015 when the distinguished finance minister, Mr Nhlanhla Nene, was fired and replaced with an ill-qualified successor – albeit only for four days – before he was replaced by the accomplished Mr Pravin Gordhan after a strong market reaction and societal outcry, is symbolic of the consequences of expedient and questionable political decisions. This incident was not isolated. Weak contributions from various government ministries continued and were casually accepted by the political leadership. The ridiculous events at certain state-owned enterprises that played out embarrassed our nation, and the condoning silence of the political elite was cringeworthy. The recent report by the Auditor General also bears awkward testimony to these problems. We implore the Presidency to do more to achieve stability with its powers, either directly or indirectly, to intervene and rectify matters in the national interest.

All these events contribute to a lack of stability; impaired confidence which in business circles recently hit a 31-year low; and an unpredictable environment for businesses. Together with continuing policy uncertainty, for example in our mining sector and in the empowerment regulations that apply more broadly across industries, such a pervasive lack of stability has unquestionably raised our country's investment risk. The media reports that companies are holding over R600 billion in cash rather than deploying it to grow their businesses, is evidence to the heightened risk.

At Reunert, we have had high cash holdings since the sale of our Nashua Mobile subscriber bases to the cell phone companies. In pursuit of a well-thought-through growth strategy, we have acquired a number of attractive small businesses. The merits of acquiring a large target company in South Africa were adversely influenced by concerns about the heightened country risk and by the reservations we had about the performance expectations of the potential acquisition going forward.

We appreciate that there are conflicting forces at play in this regard. On the one hand, as a South African business with a 128-year service record and a deep commitment to our country, we want to participate with our fellow local companies in further investing locally. We want to demonstrate our commitment to foreign investors in support of, inter alia, the efforts by the finance minister, Mr Pravin Gordhan, to strengthen foreign confidence in our country, especially among investors and the credit rating agencies. On the other hand, the known difficulties we all face arising from poor political leadership; policy uncertainty or inconsistency; labour demands and trade unions being at war with themselves; social uprisings and their effect on the national psyche; and the collective impact they have on the stability of our country, are telling.

We add our voice of support for Minister Gordhan and the National Treasury and we thank them for their principled efforts to do what is right for South Africa. We join millions of our fellow citizens in complimenting and thanking departed Public Protector, Advocate Thuli Madonsela, for her valued and courageous seven-year term. We are indebted to the respected Chief Justice Mogoeng Mogoeng, for his principled and admired leadership of the judiciary.

In previous reports, I appealed for an economic CODESA[1] in order to establish much-needed dialogue between the relevant key stakeholders of our economy. In the absence of progress in this regard, we applaud the recent initiative led by Minister Gordhan and Mr Jabu Mabuza to forge stronger links between government and business. Whilst this initiative was borne out of a desperate need to convey a sense of good order, purpose and unanimity to the outside world, primarily in order to avoid a credit rating downgrade, it is an initiative that should be strengthened, broadened and perpetuated into the future.

It is also a forum at which the National Development Plan can find parentage. We add Reunert's support to this vision for South Africa that was developed interactively through a lengthy process led by deputy president, Mr Cyril Ramaphosa and past finance minister Mr Trevor Manuel. I encourage the political leadership to provide the commitment it requires to be implemented. It stagnates at a time when implementing it would most certainly be in the country's interests.

We need change urgently and Reunert wishes to contribute to and be a part of the solution.

BOARD MATTERS

The Board and our various committees continued to meet regularly. In my view, we have a sense of purpose amongst our directors and a deep commitment to ensuring the success and sustainability of Reunert and its business units. Our committees are well-run and their focus on fulfilling their respective Terms of Reference is resolute. Our evaluation of the Board and committees' performance this year was again most satisfactory and I thank the chairmen and members of our committees for their good work.

The composition of our Board demonstrates a respect for the value of experience and the infusion of new ideas and methods. It embraces gender representation and a suitable race-mix. We have a good combination of strategy development skills, business experience, manufacturing background, governance knowledge, financial management and accounting acumen, risk management knowledge, HR and labour relations experience, leadership capability and marketing skills.

This year, we welcomed Ms Phuti Mahanyele to the Board. Phuti's attendance record in her first year regrettably did not meet her or our attendance standard but accommodating our Board and committee meeting dates into her established diary for 2016 was understandably challenging. She is fully committed to achieving the Reunert standard in the year ahead and we look forward to her contribution.

Reunert values its employees and places their wellbeing at the pinnacle of our strategic initiatives. Unfortunately, this year we had a fatality at one of our Electrical Engineering business units. The Board joins me in extending our heartfelt condolences to the family. We assure all employees that their health and safety remains the foremost priority for both the Board and management.

Stakeholders will recall that we changed our approach to strategy review in 2014, with an alternate cycle of strategy review one year and implementation review the next year. This is based on the understanding that if macro-economic or other material factors require a review of any aspect of our strategy in an implementation review year, it will take place. This year, we reviewed our progress in implementing our strategy and are confident that Alan and his team are making good progress in the strategic pillars of transformation, innovation, efficiency and diversification. We were less satisfied with the progress on the acquisitions necessary to drive our diversification pillar. We are, however, of the opinion that a structured and sensible approach to acquisitive growth is being diligently applied by management and that Reunert needs to be prudent with the utilisation of our cash.

After a detailed review of our growth plans and the related funding requirements, the Board decided in September 2016 to initiate a share buyback under the authority granted to us by shareholders at our 2016 annual general meeting, and within a stipulated value range that we will review from time to time. We will update shareholders of our progress as required by the JSE Limited.

APPRECIATION

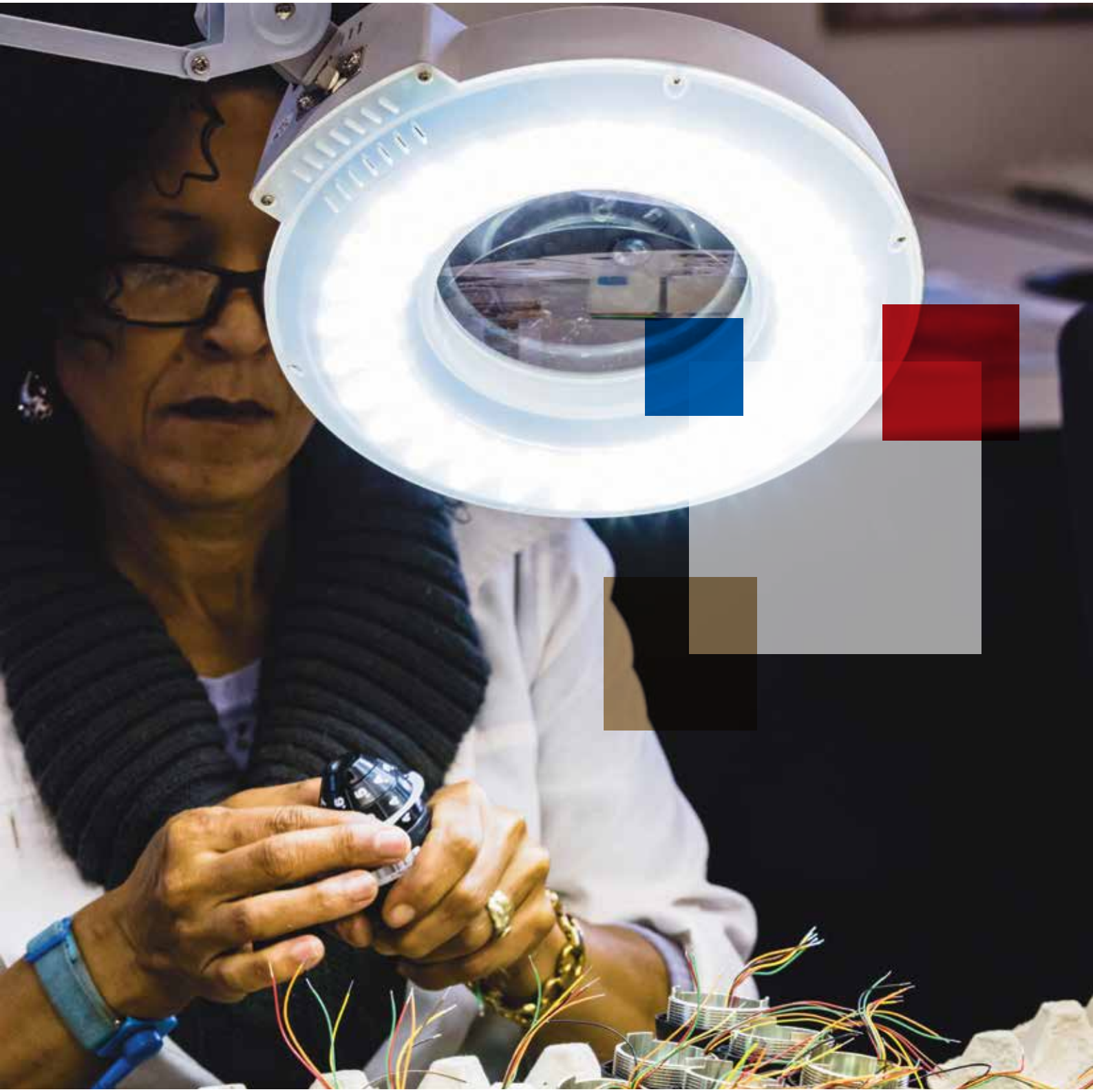
I thank the members of the Board for their consistent and ongoing commitment to our individual and collective responsibilities for Reunert. I can assure our stakeholders of their competent stewardship. On behalf of the non-executive members, I thank our executive team of Alan, Nick, Mark Taylor and Mohini Moodley, our company secretary Karen Louw, and their respective teams, for their commendable support of the Board and, more importantly, their dedication and relentless focus on Reunert's sustainability and success.

We pay deserving tribute to our people who continue to represent the true value of the group. We thank them for their efforts in a difficult year.

Together, we thank our customers for their ongoing support and belief in our services and products, as well as our suppliers, trade unions, business partners and shareholders. Thank you for holding us to account, and for your continuing sense of partnership.

Trevor Munday
Chairman

[1] *Convention for a democratic South Africa.*



In these trying political, economic and social circumstances, it is pleasing to report the positive financial results that was achieved, with the key highlight being the 13% growth in operating profit.

OPERATIONAL PROFIT GROWTH OF

12,7%

TO R1 315 MILLION

16,5%

NHEPS FROM 580 CPS TO 662 CPS

ALAN DICKSON
Group chief executive officer

JOINT GROUP CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S REVIEW

We delivered another pleasing result in 2016. This is primarily evidenced by an increase of 12,7% in operating profit from continuing operations to R1 315 million in 2016 (2015: R1 167 million).

The improvement follows the increase of 14,7%, achieved in 2015, reflecting two years of double digit earnings growth from our core operations. NHEPS, after removing merger and acquisition and empowerment IFRS 2 – Share-based Payment transaction costs, increased by 16,5% to 662 cents per share (2015: 29,4%).

The progress made in the execution of the group's strategy yielded pleasing results with the conclusion by 1 October 2016 of three complementary, bolt-on acquisitions that should deliver sound, geographically diversified revenue streams and provide good growth opportunities. Our transformation pillar progressed well as we concluded the new BEE equity ownership transaction in our Electrical Engineering segment. The BEE equity transactions in the Applied Electronics segment are progressing according to schedule.

With the confidence we have in Reunert's value proposition and recognising our shareholders' desire for greater clarity regarding cash reserves, we commenced a share buyback programme in September 2016 under the general shareholder authority permitting us to purchase up to nine million of the issued shares.

By year-end, we had repurchased 443 331 shares at an average price of R62,69 per share and at a total consideration of R27,8 million. We continued buying shares during the closed period in terms of a firm mandate that was effected prior to the closed period in accordance with the JSE Listing Requirements. By 21 November 2016 we had repurchased 1 476 494 shares for R91,8 million.

We will continue to carefully balance our opportunities to invest in new businesses to address our strategic imperatives together with the benefit of share buybacks.

NICK THOMSON
Chief financial officer

FINANCIAL PERFORMANCE

Profit reconciliation

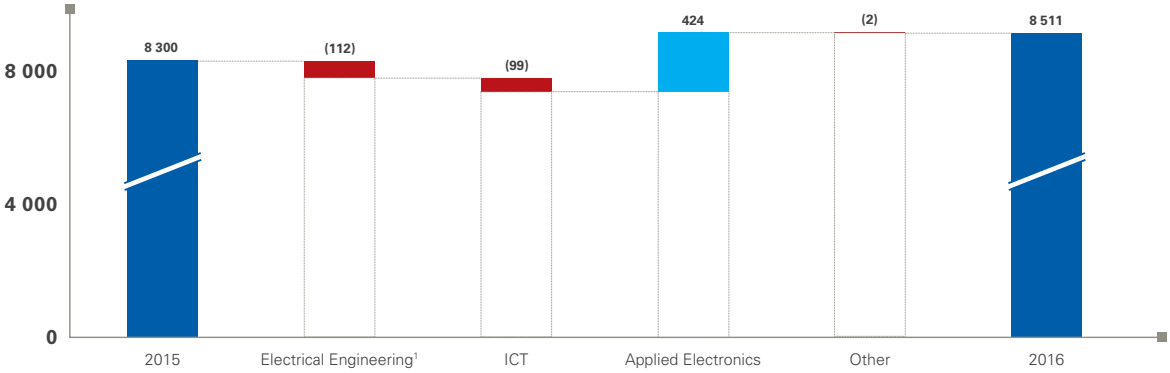
R million	2016	2015	% Change
Revenue	**8 511**	8 300	3
EBITDA	**1 433**	1 284	12
Depreciation and amortisation	**(118)**	(117)	1
Operating profit (before interest, dividends and empowerment transactions)	**1 315**	1 167	13
Net interest received	**137**	135	1
Profit before empowerment transactions	**1 452**	1 302	12
Empowerment transactions	**(113)**	–	
Profit before tax	**1 339**	1 302	3
Taxation	**(404)**	(360)	12
Profit after tax	**935**	942	(1)
Share of joint venture's profit	**28**	17	65
Profit from continuing operations	**963**	959	–
Profit from discontinued operations	**–**	42	
Profit for the year	**963**	1 001	(4)

Revenue

Overall group revenue from continuing operations increased by 2,5% to R8,5 billion (2015: R8,3 billion). This was underpinned by significant growth of 39% in the Applied Electronics segment. Revenue in the Electrical Engineering segment remained flat at R4,1 billion mainly due to mix changes in the energy cable business.

Revenue in the ICT segment was 3% down from the previous year as the challenging economic conditions resulted in a contraction in office automation volumes.

MOVEMENT IN GROUP REVENUE (Rm)

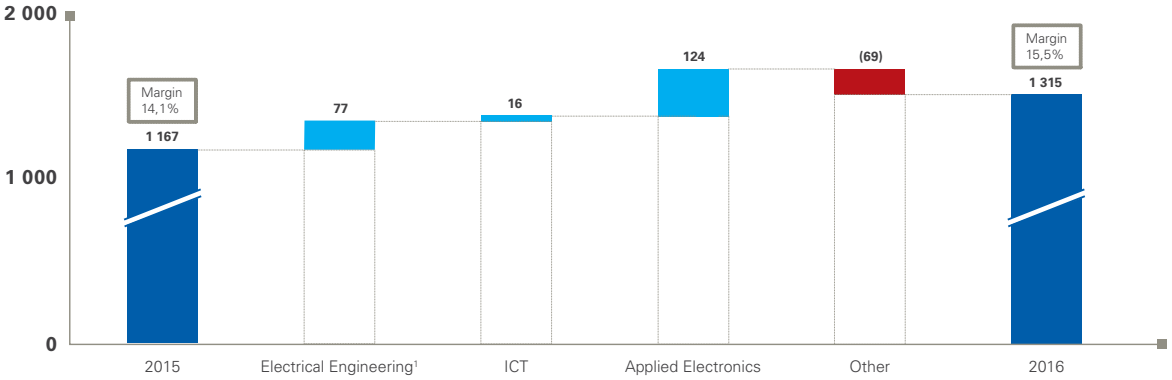


[1] *Excludes revenue from joint venture (included in segment revenue).*

Operating profit

The 2,5% increase in group revenue was leveraged to a 12,7% increase in operating profit through the improved margins achieved in the Electrical Engineering segment. This can be ascribed to the closure of the low voltage solutions business, operational efficiency and strategic sourcing achieved in Electrical Engineering and the positive contribution from Applied Electronics arising from large export orders. Gains were tempered by the impact of the difficult trading conditions in the ICT segment.

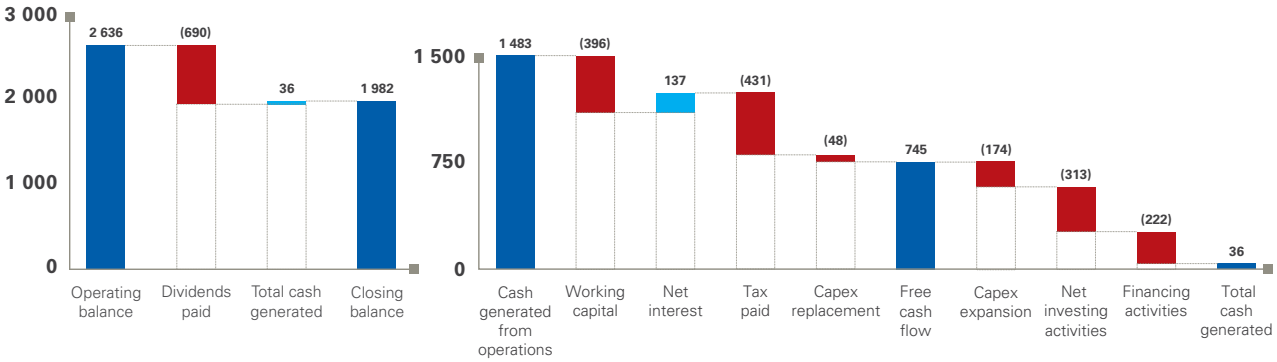
MOVEMENT IN OPERATING PROFIT (Rm)



Movement in cash flow and cash balances

The graphs below describe the movements in these two key performance areas.

MOVEMENT IN CASH FLOW (Rm)



Cash movement bridge

On call	**R1 712**
Long dated (>3 months)	**R670**
Cash and near cash	**R2 382**
Bank overdrafts	**(R400)**
Net cash on hand at 30 September 2016	**R1 982**

[1] *Excludes revenue from joint venture (included in segment revenue).*

Earnings metrics

The table below sets out the key earnings metrics:

Measure	Units	2016	2015	% Change
Revenue	R million	**8 511**	8 300	3
Operating profit	R million	**1 315**	1 167	13
Continuing operations				
Basic earnings per share	cents	**577**	579	–
Headline earnings per share	cents	**570**	576	(1)
NHEPS	cents	**662**	568	17
All operations				
Basic earnings per share	cents	**577**	604	(4)
Headline earnings per share	cents	**570**	588	(3)
NHEPS	cents	**662**	580	14

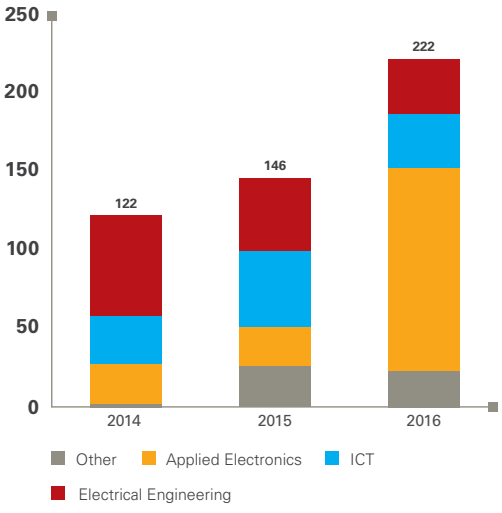
The highlight of these metrics is the 16,5% growth in NHEPS. The impact of the empowerment transactions representing the IFRS 2 charge on the conclusion of the Electrical Engineering BEE equity ownership transaction (R93 million) and the first 10% tranche of the Applied Electronics transaction (R20 million), have been removed in the calculation of NHEPS. In addition, due to their nature, merger and acquisition costs of R39 million before and after tax have also been adjusted for.

Capital expenditure

Capital expenditure in 2016 amounted to R222 million (2015: R146 million) divided between replacement capital R48 million (2015: R42 million) and expansion capital R174 million (2015: R104 million). All capital expenditure was funded from internal resources.

Capital expenditure represents 2,6% (2015: 1,8%) of revenue and 28,0% (2015: 12,3%) of the cash flow before capital expenditure.

CAPITAL EXPENDITURE (Rm)



Borrowing capacity

Our cash resources and money market deposits ended the year at R2,4 billion. This balance, together with a largely ungeared finance book of R2,1 billion, in our in-house finance company, and the capacity to leverage the rest of our balance sheet provides us with significant resources to invest in achieving our strategy.

Efficiency indicators

		2016	2015	
Inventory turnover[1]	Times	**5,0**	5,5	▼
Trade receivables[1]	Days	**50**	53	▼
Trade payables[1]	Days	**55**	57	▼
Net worth (NAV) per share	R	**42,4**	40,5	▲
Gross profit margin (%)	%	**36,5**	34,7	▲
Net profit margin[2]	%	**12,6**	11,6	▲
Bad debt as % revenue	%	**0,4**	0,3	▼
Cash generated by operations vs operating profit	%	**82,7**	121,4[3]	▼

[1] *Impact of Zamefa removed.*
[2] *Adjusted by impact of empowerment transaction costs of R113 million.*
[3] *Operating profit increased by R44 million (profit from discontinued operation).*

SEGMENTAL RESULTS

Full details of each segments' performance are set out in the respective segmental reports which start on *pages 51 to 77*.

Electrical Engineering

The Electrical Engineering segment once again delivered a strong performance on the back of a good result in 2015.

The energy cable business' operating profit is in line with that of the prior year despite revenue reducing by 8% due to changes in product mix and the delay in the award of key infrastructure projects. The telecommunications cable business enjoyed an excellent year on the back of the national fibre-to-the-home (FTTH) programme roll-out.

The low voltage business benefited from the closure of its underperforming solution unit at the end of 2015. The business offset muted local volumes through a positive export performance. Its Australian operation continued to be impacted by the global downturn in commodities, whereas its North American business performed strongly. The circuit breaker business launched several new products, which bodes well for the future.

Unfortunately we had a fatality in the Electrical Engineering segment during this year. Our employees' health and safety is of paramount importance to us. We extend our most heartfelt condolences to the family and friends of Mathokga Abram Mojapelo, who passed away on 4 May 2016.

Information Communication Technologies

The main components of this segment made solid progress despite adverse economic conditions. The number of office automation units sold was down on the prior year, although an improvement in product mix yielded an increase in the average selling price. The office automation business continued to drive efficiencies throughout its supply chain and, together with the enhanced product mix, enabled the business to nominally retain its financial results for the year.

Our voice business, ECN, continued to increase its market share by securing a continuous stream of new customers. We sold 1,1 billion voice minutes and future revenue should reflect the impact of this positive growth, now that the last interconnect rate reduction has occurred in October 2016, and the regulated floor has been reached.

Quince, the in-house finance company, continued to enjoy the benefits of credit loss ratios that remain well below market levels.

Applied Electronics

This segment delivered an outstanding performance driven by major export orders, most of which were completed in 2016. In particular, the Fuchs business completed the execution of its large export order with delivery being finalised in the latter part of the financial year.

Our tactical communication business had a difficult year as it industrialised its new production processes and expanded production lines, from three to eight, to accommodate the new multi-year Radiate contract. The impact of full production is expected to be realised from the second quarter of the 2017 financial year.

Our radar business continued to innovate its product line, launching the latest version of its mining surveillance radar and a new handheld radar for assessing faults in the ceiling of underground stopes. On the defence side of the business, significant effort was made to secure future research funding and position the business to participate in future large-scale radar orders. However, due to the delay in key programmes in the current year, revenue and profit were below those of the prior year. This unit is, however, well positioned for the future due to marketing efforts undertaken in the current year.

Omnigo was recapitalised after being acquired in December 2015 and this enabled a significantly improved performance. This business unit exceeded all investment criteria and has secured more long-term orders.

Reutech Solutions out-performed inflation with a pleasing increase in operating profit due to stringent cost and margin control.

STRATEGIC REVIEW

The Board approved the Reunert group strategy in May 2015, and it was reviewed in April 2016. The strategy leverages Reunert's traditional strengths and addresses our material matters.

Acquisition performance

A primary focus area is the utilisation of our cash reserves from the proceeds gained from the sale of the Nashua Mobile business at the end of 2014, to acquire businesses that deliver on our strategic rationale and our investment hurdles. 2016 has seen a material improvement in our ability to identify, close and integrate appropriate transactions.

We concluded three such transactions at a cost of R305 million, including Nanotech which was effective 1 October 2016, and have a healthy pipeline of other opportunities. The acquisitions all have strong international revenue streams and, specifically, the Omnigo and Nanoteq transactions offer good opportunities for accelerating top-line growth in the year ahead. We remain positive that the impact of these acquisitions will improve next year's results, and further acquisitions will be concluded going forward.

Refer to note 11 on *page 128* and note 15 on *page 129*.

Transformation

The execution of our transformation strategy progressed well. The demographic composition at all management levels has improved and the business units are well advanced in their activities in compliance to the new BBBEE Codes or Sector Codes, as applicable. All business units have market-leading accreditations. We took concrete action in ensuring our businesses have the appropriate equity structures to benefit under the new regulations. To this end, it is pleasing to report that we concluded a BEE equity ownership transaction in the Electrical Engineering segment. We have commenced the empowerment of our Applied Electronics segment and concluded the first 10% transaction which could ultimately result in a higher percentage of Reutech being transferred to empowerment partners once we have full clarity on requirements from the SADI sector charter that is currently being negotiated. Our intention is to be fully compliant.

The financial impact of these transactions was valued in accordance with IFRS 2 – Share-based payment and amounts to R93 million in the case of the Electrical Engineering segment and R20 million in the case of the Applied Electronics segment.

These IFRS 2 charges did not impact our cash flow.

The transactions will position the respective segments to continuously participate in the local markets in which they operate.

DIVIDENDS

The Board declared a final dividend of 326 cents per ordinary share. This brings the total dividend for the year to 439 cents, an increase of 8% over the dividends of 407 cents per share declared in respect of the 2015 profits.

GOING CONCERN

The Board considered the applicability of the going concern assumption and is of the opinion that it is appropriate for the forthcoming year.

PROSPECTS

We have made good progress on the execution of the group strategy. Our ongoing programme of strategic acquisitions will remain a key focus area and underpins our ability to sustain our growth projections. In the short term, although diminished, our concentration in South Africa will continue to expose the group to the local macro-economic drivers resulting from the country's current and emerging economic and socio-political environment.

Reunert is well positioned to continue to deliver real growth and attractive dividend yields. Our South African businesses are well placed to participate in local demand supported by our transformation strategy. We are excited about the acquisitions we have completed and the earnings from long-duration hard-currency contracts already concluded as well as those we expect to close shortly. We expect our international revenues to increase significantly. Growth in the second half of the 2017 financial year is likely to be stronger than in the first six months as our export businesses return to full capacity on the back of expected new orders.

APPRECIATION

This has been a positive year for Reunert as we:

- built up our internal capacity in key focus areas;
- concluded several acquisitions;
- commenced the delivery of our strategic projects; and
- delivered a significant operating profit growth driven by securing key customer contracts and actively managing our costs and margins.

This can only be done through the dedicated and driven teams at each of our business units. We thank them for their sterling efforts.

To all our customers, we thank you for your support and commit ourselves to continued investment and action to improve our value offerings to you.

We also thank the Board for their wise counsel and their support during the last year and our suppliers for their contributions to our businesses.

Alan Dickson
Group chief executive officer

Nick Thomson
Chief financial officer

SEGMENT PERFORMANCE REVIEWS

ELECTRICAL ENGINEERING

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INFORMATION COMMUNICATION TECHNOLOGIES

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APPLIED ELECTRONICS

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ELECTRICAL ENGINEERING

The Electrical Engineering segment comprises CBI-electric: African Cables, the newly acquired CBI-electric: Zamefa, CBI-electric: Low Voltage and CBI-electric: Telecom Cables (a joint venture). It is a diversified group of vertically integrated companies, each with a major footprint in various sectors of the electrical and telecommunications industries.

The cable operation in Zimbabwe is excluded from the consolidated results.

Refer to note 12 on *page 129* for more information.

ELECTRICAL ENGINEERING AT A GLANCE[1]

R million		2016	2015	2014
FINANCIAL CAPITAL				
Revenue	Rm	**4 106**	4 112	3 611
Operating profit	Rm	**610**	520	428
Total assets	Rm	**2 699**	1 900	1 923
Capital expenditure[2]	Rm	**35**	47	64
OPERATIONAL MEASURES				
Percentage factory capacity utilisation				
Energy cables	%	**71**	73	60
Low voltage	%	**70**	66	68
Telecom: Copper cables	%	**38**	37	30
Telecom: Fibre cables	%	**74**	47	40
NATURAL CAPITAL				
Electricity consumption	MWh	**37 341**	36 090	37 969
Water consumption	Ml	**170**	237	247
CO_2e[3]	Kt	**42**	42	42
HUMAN CAPITAL				
Employees at year-end	Number	**2 975**	2 478	2 518
Work-related fatalities	Number	**1**	–	–
Training spend	Rm	**20**	15	8
SOCIAL AND RELATIONSHIP CAPITAL				
Community investments	Rm	**6**	6	3
ESD spend	Rm	**16**	10	33

Refer to *page 84* for the group's human capital performance, *page 89* for natural capital performance and *page 91* for social and relationship capital.

[1] *Includes contribution from the joint venture.*
[2] *Excludes joint venture.*
[3] *Excludes Scope 3 emissions.*

OPERATIONAL PERFORMANCE REVIEW

Electrical Engineering segment revenue, including its share from the telecoms joint venture, remained constant at R4,1 billion. Operating profit, however, showed a solid increase of 17% to R610 million driven by improved volumes in the telecommunications company, good efficiencies across the segment and a strong export performance from CBI-electric: Low Voltage.

The product mix in the segment reflects an increased demand for aluminium, as opposed to copper-based energy cables, leading to lower revenue due to the pass-through of the base commodity price. The local circuit breaker market continued to contract, but this was offset by increased export revenue. Currency gains for exports in the first six months in Low Voltage were not repeated in the second half, and the year-on-year forex effect was minimal.

Despite muted local economic growth, our key businesses improved their market share and were able to maintain and, in some cases, increase factory output as reflected in the factory capacity utilisation graph.

Strategy execution

The segment made good progress in its strategy execution.

Improved geographical presence

The segment's geographical footprint into Africa expanded through the acquisition of a 75,4% interest in Zamefa. The effective date of the transaction was 26 August 2016. This acquisition will contribute to the segment's further expansion, diversification and growth into Sub-Saharan Africa. Zamefa is in the process of being integrated into the segment under the guidance of a financial director and an operational executive seconded from the South African team to manage the integration.

Low Voltage's focused efforts into the key market segments of rail, solar and telecommunications in the USA has led to good growth in all three sectors, albeit off a small base.

Transformation

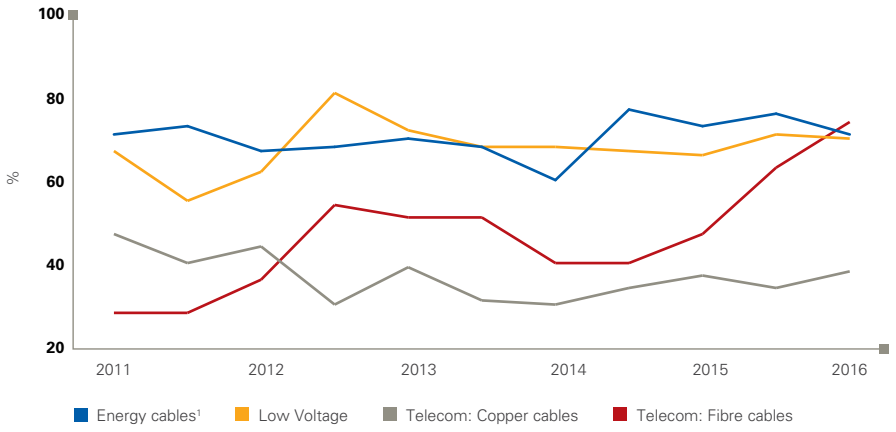
The BEE equity ownership transaction completed in the cables businesses (African Cables and Telecoms) has contributed to increasing the black ownership percentage to over 40%.

Efficiency

Manufacturing efficiencies were achieved across the segment through:

- further implementation of sustainable, continuous improvement systems;
- value engineering, asset management and streamlined processes reducing operating expenses; and
- new capital expansion, improved fixed cost recoveries and improved unit costs.

PERCENTAGE FACTORY CAPACITY UTILISATION



[1] *Capacity utilisation adjusted for renewable energy cables from 2013.*

ELECTRICAL ENGINEERING continued

HIGHLIGHTS

CUSTOMERS

> We concluded four major long-term cable contracts, securing revenue streams from these customers for the next three years.
> Our increased customer base in new USA markets resulted in a strong improvement in North American sales.
> We achieved the highest output in the manufacturing of optical fibre since 2007.
> Production capacity increased by 40% for the supply of instrumentation cable.

PEOPLE

> Industrial relations were stable during the year.
> We updated our succession plans to identify successors in key positions and the necessary development of identified individuals.
> Positive improvement in EE at management levels due to the ability to promote and recruit EE candidates.

EFFICIENCY

> Achieved manufacturing efficiencies across the segment.

DIVERSIFICATION

> We acquired the cable manufacturing asset, Zamefa, in Zambia. This acquisition brings:
  – geographic diversification through access to new markets in central and east Africa;
  – improved efficiencies via vertical integration; and
  – improved access to important raw materials.
> The new customer segmentation approach, with a focus on rail, telecommunications and solar energy markets (market verticals), rendered positive results in the circuit breaker business, particularly in the new USA markets.
> Telecom Cables secured the supply of signalling cable for railway station upgrades in Gauteng and the Western Cape.

INNOVATION

> Low Voltage launched a new diversified product, NanoView, which creates user awareness on the cost impact of water and electricity usage.
> Telecom Cables introduced technology for the manufacture of micro blown optical fibre cables for the FTTH market and a micro range of cable ducts to accommodate the micro blown cable.

TRANSFORMATION

> We concluded new equity deals, compliant to the new BBBEE Codes, for African Cables and Telecom Cables.
> Improved BBBEE levels were achieved under the new BBBEE Codes.

Refer to *page 78* for more detail on the transformation strategy.

CHALLENGES

CUSTOMERS

> The delay in the financial closure of Window 4 and 4.5 of the renewable energy independent power producers (REIPPs) programme resulted in a slowdown in demand for these energy cables.

> The weakening local economic environment and resulting delays in infrastructure development and subdued optimism of the private sector impacted the segment.

PEOPLE

> Regrettably, we had one fatality at our power installations division.

Refer to *page 88* for more on occupational health and safety records.

EFFICIENCY

> The volatility of the Rand affected the cost of imported raw material and products, requiring additional investment in working capital to counteract the volatility.

DIVERSIFICATION

> Telecom Cables export revenue was marginally below growth projections.

TRANSFORMATION

> Policy uncertainty continues with regards to the new BBBEE Code, the amended ICT Sector Code, the Black Industrialist Programme and amendments to the PPPFA that were issued for comment in June 2016. This may impact our future revenue earnings from the public sector.

Genuine CBI-electric: Low Voltage products

In the interests of the general public, CBI-electric has re-certified all the distributors of its products to ensure only genuine CBI products are sold. A complete list of authorised distributors is published on the company's website. For more information, refer to *http://cbi-lowvoltage.co.za/node/675*.

Four criminal counterfeit cases were successfully prosecuted and the major perpetrator was convicted in the Specialised Commercial Crimes Court, Johannesburg, for contravening the Counterfeit Goods Act, 37 of 1997 and the National Regulator for Compulsory Specifications (NRCS) Act, 5 of 2008.

ELECTRICAL ENGINEERING continued

CBI-electric: African Cables

The local cable industry is under pressure, with the demand for cable volumes reducing as the South African economy slows down. The introduction of Chinese competition is expected to introduce a new dynamic in the cable industry, particularly as they operate vertically integrated businesses. The South African industry supports local companies through designation, as all SOEs are required to fulfil at least 90% of their demand through South African manufactured products.

There was subdued demand from the market in most product groups. However, low-cost reticulation continued to receive high priority from the public sector for the electrification of lower income households. Despite large overhead transmission line ACSR cable deliveries, the increased uncertainty on the economic outlook and lower investor confidence brought about delays in investments in electrical infrastructure turnkey projects and associated products. Margins improved as a result of improving process engineering and operational efficiencies, while ensuring effective management of operating costs. A structured process drove internal and factory efficiencies, including external benchmarking and an employee engagement and productivity programme. It included more on-time and in-full deliveries, lower scrap as percentage of total output and benefited from an ongoing preventative maintenance plan.

The higher consumption of aluminium this year was mainly driven by the connection of the new power stations to the rest of the grid and the required supply of aluminium overhead lines.

CBI-electric: African Cables' customer value proposition

African Cables grew from humble beginnings in 1935 to a market leader and specialist in quality energy cable technology and service provision. Currently, we are the only cable manufacturer in southern Africa able to supply a range that meets any user requirement, irrespective of load. Over the years, we have played a pivotal role in growing our country's electrical infrastructure and bringing electrification to millions of South Africans.

Making a difference motivates us, and customer satisfaction is our highest priority. Our employees are experts in their field, and this enables us to deliver value-added offerings in cable design, innovation and manufacturing on par with international standards. Our power installations division specialises in the installation, maintenance and testing of medium and high-voltage cables.

Capacity utilisation decreased slightly to 71% (2015: 75%). The on-time-in-full service delivery improvements gained some traction and will continue with a target of 90% delivery within seven days of committed due date.

During 2016, African Cables secured a number of long-term contracts which will continue to support its base-load volumes in the medium term. The power installations division successfully completed a number of projects including in-field testing, which included the 400 kV Ingula circuits at the Ingula Pump Storage scheme.

Delivery of cables for renewable energy projects continued early in the year as part of the roll-over for Window 3 projects. The delay in the financial closure of Window 4 and 4.5 of the REIPP, resulted in volumes being the same as 2015. African Cables remains well positioned to execute orders with strong relationships at key EPCs associated with the major wind and solar energy projects.

The recent Zamefa acquisition has secured a strong foothold for the segment in the free trade COMESA (Common Market for Eastern and Southern Africa), and will contribute to diversification of earnings and growing the customer base.

CBI-electric: Low Voltage

The closure of the poor-performing low voltage solutions business in the prior year contributed to an improved management span of control that delivered an increase in operating profit. Through value engineering, asset management and streamlined processes, Low Voltage extracted additional efficiencies.

Despite a tough economy, a more focused sales approach and an improvement in service levels paid off. Low Voltage achieved good international sales volumes in the USA and Africa. This was mainly as a result of customer segmentation and the specific sales focus on the selected geographic areas. Sales to Europe and China were below expectation, while the pressure on commodity prices impacted negatively on our exposure to the mining sector in Australia. Export growth into North America was driven mostly by supplying products to major OEMs into telecommunications and solar energy power systems used in residential and commercial applications. The breakthrough into these new supply contracts follows four years of dedicated work.

The good export volume growth, especially into the USA market, assisted to counter muted volumes in the local environment. Sales to the mining market were impacted by the lack of new

investment in this sector. The utilities sector is holding its own, despite a shift in procurement decision-making, with a much stronger focus on price competitiveness rather than technical orientation being the differentiator.

A motor control manufacturing facility was established, strengthening product offerings into the industrial sector. This should contribute to market growth in the short term. In addition, new product approvals were secured to supply circuit breakers into railway applications.

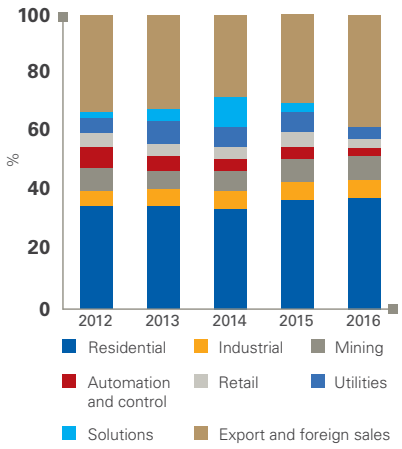
The local residential market remains highly competitive with more than 36 other imported brands competing in South Africa, including a flurry of low-cost product lines. CBI-electric represents leading market shares in many market sectors and is the only manufacturer of circuit breakers on the African continent.

CBI-electric: Low Voltage's customer value proposition

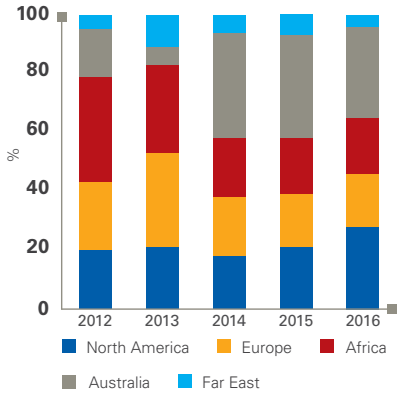
Since 1949, we have built a reputation as the ground-breaking leader in the design, development and manufacture of hydraulic magnetic circuit breakers and residential current devices. Low Voltage also supplies bought-out products such as surge protection, wiring accessories and metering products. We offer quality low voltage electrical distribution, protection and control equipment and supply specialised precision protection products in niche markets to customers worldwide.

We export the majority of our output. We have operations in South Africa, Lesotho, Australia and the USA and are able to rapidly design, develop and test customised prototype products. Sales offices are present in Africa, Asia and Europe.

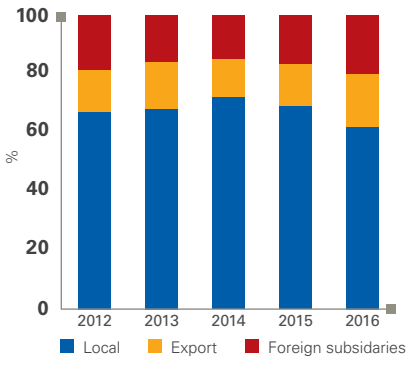
LOW VOLTAGE MARKET SEGMENTATION



LOW VOLTAGE EXPORTS SALES BY REGION



LOW VOLTAGE REGIONAL CONTRIBUTION



Focusing on the product portfolio

We strengthened the engineering capacity to ensure that a complete product portfolio is available to change the business from a distribution network into a more specialised niche market business.

NanoView was piloted in May 2016. By including the product on a distribution board, households and commercial consumers can easily view electricity and water usage. By displaying live data on consumption (i.e. energy in watt and kilowatt; and water in litres and kilolitres) and what it costs, the user can quickly determine which appliances use more energy, and which cost the most to operate. With this data on hand, the customer can make energy and water-wise decisions.

The product was launched to the public in October 2016.

ELECTRICAL ENGINEERING continued

CBI-electric: Telecom Cables

Telecom Cables secured important fibre and copper cable supply contracts with major customers, especially in the telecommunications sector, providing a solid base from which to grow and implement a strategy to ensure sustainability. Additional focus will be placed on driving exports in the coming year to diversify the customer base.

Capacity utilisation increased by 27 percentage points to 74% (2015: 47%) in fibre cables and remained flat at 38% of capacity in copper cables (2015: 37%). This performance was characterised by the significant increase in fibre volume, resulting from the demand created by national FTTH roll-out projects undertaken by various operators, with Telkom being one of the key drivers. The FTTH drive resulted in the highest output in the manufacturing of optical fibre cable since 2007.

Production capacity increased by 40% for the supply of instrumentation cable required by Eskom for the Kusile and Medupi power stations that are under construction. The new optical stranding capacity was installed, improving efficiencies and allowing Telecom Cables to produce cable in line with the latest international specifications and standards.

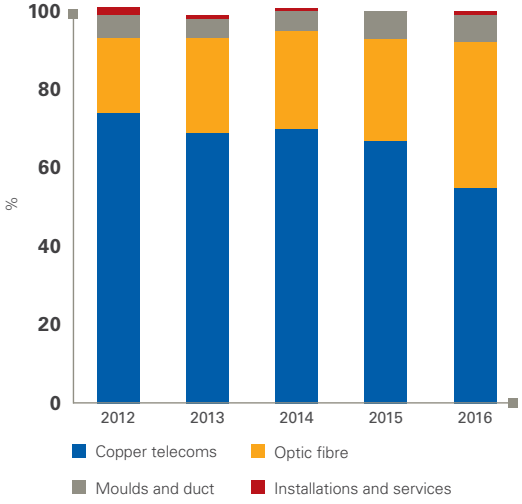
Higher production volumes, a reduction in scrap and the containment of cable remakes assisted the focus on quality and efficiency.

Copper cable volume and revenue were marginally up compared to the previous year, despite Telkom's shift in investment from copper fixed-line networks to high-speed optical fibre networks in the FTTH arena. We experienced strong demand from the power and transport sectors, where infrastructure projects continued to be executed. Copper telecom cable exports decreased from the prior year.

Structured data cable revenues increased significantly due to various upgrade projects in South Africa, as well as the trend of traditional importers to procure locally due to the Rand volatility. The volatility in the exchange rate impacted the first quarter results. However, risk mitigation procedures ensured that the impact was limited for the remainder of the year.

We will be commissioning a new tubing line by the end of November 2016, allowing for the production of a range of fibre cables with up to 24 fibres per tube.

TELECOMS PRODUCT MIX AS A PERCENTAGE OF REVENUE



CBI-electric: Telecom Cables' customer value proposition

We offer a diversified product range covering a wide spectrum of copper and fibre telecommunication cables that are delivered at the right quality, on time and at a competitive price.

Technology enhancements

Customers require innovative products and solutions that keep pace with technology developments.

Telecom Cables completed several cable enhancements, including the CAT6FTP structured data cable that increases data transfer speeds tenfold from 1 gigabyte to 10 gigabytes per second. We introduced a new range of micro blown cable and fibre to various devices (FTTx) access cable. Our existing equipment was converted and we acquired new equipment, enabling the manufacture of these product ranges.

The acquisition and establishment of small dry loose tube technology to enable reduced fibre packaging is in progress.

ELECTRICAL ENGINEERING 2017 FOCUS AREAS AND OUTLOOK

The competitive landscape is set to change, with new competitors entering the market. We therefore anticipate and are preparing for some market disruption.

The segment's overall focus, in conjunction with its strategic priorities as discussed on *page 38*, will be on:

- integrating the Zamefa acquisition;
- addressing the competitive environment through a continued focus on transformation, efficiencies and customer satisfaction;
- improving circuit breaker sales volumes in all export markets through continued focus on customer segmentation (market verticals); and
- continuing with new product development.

KEY FOCUS AREAS	DRIVERS FOR GROWTH
> Sub-Saharan Africa infrastructure – Power – Telecommunications > Energy efficiency	> Demand for electricity – New generation capacity – Electrification for domestic and industrial users > Fibre roll-out > Increase in off-grid solutions

INFORMATION COMMUNICATION TECHNOLOGIES

The ICT segment offers a range of print and communications products and services to business customers through its office automation (Nashua, Quince Capital, Prodoc and PanSolutions) and telecommunications (ECN and Nashua Communications) clusters. PanSolutions' and Nashua Communications' contributions are not material to the ICT segment and therefore limited information on these two business units are included. The Swedish office automation business, Prodoc, is discussed under Nashua, on *page 65*.

The ICT segment's imperative is to use the power of the Nashua brand, its business units and its wide-reaching distribution and service network to transform from an office automation product supplier to an ICT provider that offers holistic document management and managed office solutions to its customers.

INFORMATION COMMUNICATION TECHNOLOGIES AT A GLANCE

R million		2016	2015	2014
FINANCIAL CAPITAL				
Revenue	Rm	**3 332**	3 431	3 439
Operating profit	Rm	**549**	533	453
Total assets	Rm	**4 084**	3 976	3 792
Capital expenditure	Rm	**35**	48	31
OPERATIONAL MEASURES				
Total document volume (TDV) (Nashua)	Million clicks	**4 577**	4 870	4 888
Total voice minutes (ECN)	Million minutes	**1 144**	1 001	933
Nashua book (Quince Capital)	Rm	**2 143**	2 116	1 965
NATURAL CAPITAL				
Electricity consumption	MWh	**1 022**	5 072	6 327
Water consumption	Ml	**71**	49	56
CO_2e[1]	Kt	**2**	2	10
HUMAN CAPITAL				
Employees at year-end	Number	**1 978**	2 116	2 158
Work-related fatalities	Number	**–**	–	–
Training spend	Rm	**5**	4	9
SOCIAL AND RELATIONSHIP CAPITAL				
Community investments	Rm	**5**	6	3
ESD spend	Rm	**16**	17	19

Refer to *page 84* for the group's human capital performance, *page 89* for natural capital performance and *page 91* for social and relationship capital.

[1] *Excludes Scope 3 emissions.*

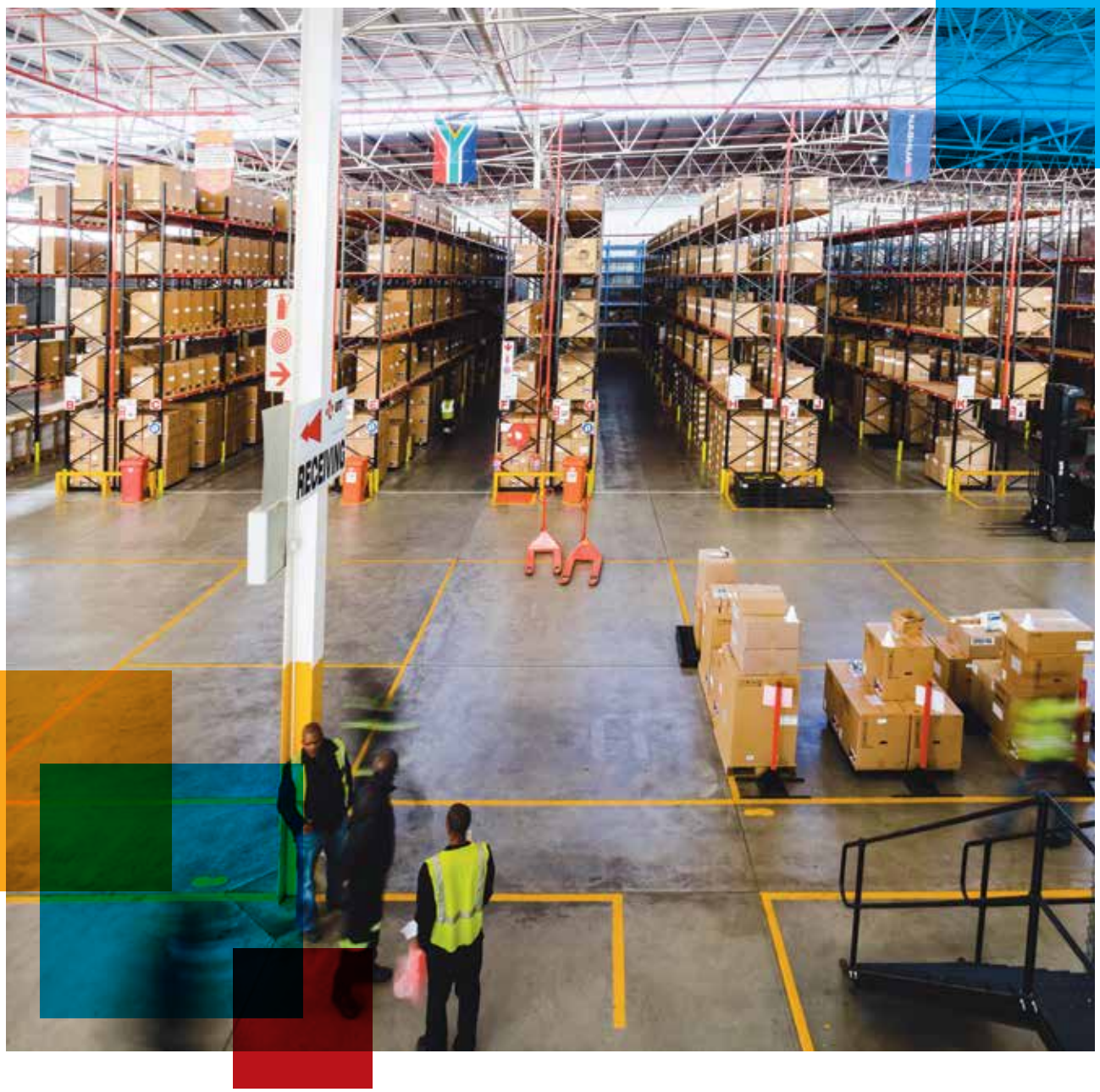
OPERATIONAL PERFORMANCE REVIEW

ICT revenue from continuing operations decreased by 3% to R3,3 billion. Despite high tender activity, tender adjudication was slow, which reflects on the market being cautious in placing orders. Operating profit increased by 3% to R549 million driven by both efficiency gains and cost control across the segment.

The high levels of exchange rate volatility placed pressure on pricing and margins. Logistics planning (due to the long lead time of importing products) was negatively affected due to this market volatility.

We carefully assessed the overall sustainability of the current business models through a critical analysis to identify areas that require further development and investment.

Using the 37-strong Nashua franchise channel as a channel for PBX and voice volume distribution proved to be the right decision. The Nashua branded channel is now the biggest reseller of voice solutions in the market. PanSolutions' offering performed according to expectations while Prodoc, our Swedish business operation, stabilised and yielded a positive improvement in its profitability.



INFORMATION COMMUNICATION TECHNOLOGIES continued

HIGHLIGHTS

CUSTOMERS

> Nashua increased its colour ratio in device mix sales to 30% (2015: 26%). This will result in higher annuity sales over the medium term.

> Nashua achieved Ricoh Managed Print Solutions (MPS) Partner status, won the Ricoh Emerging Markets Breakthrough Partner of the Year award and received MPS Platinum Partner status by Hewlett-Packard. Nashua Communication achieved Microsoft Gold communication competency status and maintained the Unify annual certification of a Master 3 First Tier Partner. These awards assist the ICT segment in obtaining preferential procurement from the OEMs and customer recognition of its capabilities.

> Nashua secured the partner sponsorship of the Currie Cup for a three-year period, extending a long heritage of sponsoring key South African sporting events.

> ECN's voice service achieved positive growth in the number of customers connected to the network and in minutes routed on the network. Voice traffic increased by 14% to 1,1 billion minutes.

> The Nashua franchise channel increased ECN voice sales by 20% to 88 million minutes.

> Quince Capital's advances book experienced low levels of credit losses.

PEOPLE

> Extensive training was provided to ICT employees on managed document solutions.

EFFICIENCY

> Nashua's mean time to repair (MTTR) improved to an annual average of 5,2 hours (2015: 5,7 hours). The first-time-fix (FTF) annual average measure improved to 69,2% (2015: 63,2%).

> Quince Capital launched a web application, e-Signatures, to the Nashua franchise channel. It is a fundamental first step towards achieving the ICT segment's digitalisation objectives. The application is expected to improve turnaround times and processes, ultimately resulting in cost savings.

DIVERSIFICATION

> Nashua launched Docuware document management solutions in February 2016. The full Ricoh suite of software products followed, with roll-out completed by September 2016. We now offer a range of solutions to varying sizes of customers.

INNOVATION

> The uptake of an internally developed virtual PBX (VPBX) product increased.

TRANSFORMATION

> In October 2015, Nashua concluded the sale of the East London franchise (previously an asset held for resale) to a black female entrepreneur and the previous manager of the franchise.

Refer to *page 78* for more detail on the transformation strategy.

CHALLENGES

Business environment

> Increased competition in the South African office automation space continues to drive down prices for devices and for the average cost per page printed.
> Unit sales of MFP devices declined and market share was lost in lower segment devices, an area traditionally dominated by Nashua.
> TDV declined by 6,4%, while colour document volumes increased by 0,2%.
> The reduction in interconnect rates impacted ECN's revenue.
> The appointment of a new distributor for Unify in South Africa created uncertainties regarding pricing and service agreements in the Nashua Communications business.
> The prevalent challenging economic environment resulted in Quince Capital experiencing lower discounting volumes.
> Increase in funding costs of ~1% due to risk aversion within financial markets.

> The low economic growth in the country and tighter cost management by customers led to lower than expected sales volumes for Nashua Communications' unified communication technologies.

> Exchange rate volatility placed pressure on our ability to increase pricing and margins.
> Market volatility impacted logistics planning, as the majority of hardware is imported.

> Finding the right partners to expand into Africa has proven to be more difficult than anticipated.
> A number of potential acquisitions were reviewed, but with the current competitive market it has been a challenge to find the right acquisition that will deliver acceptable returns.

INFORMATION COMMUNICATION TECHNOLOGIES continued

OFFICE AUTOMATION

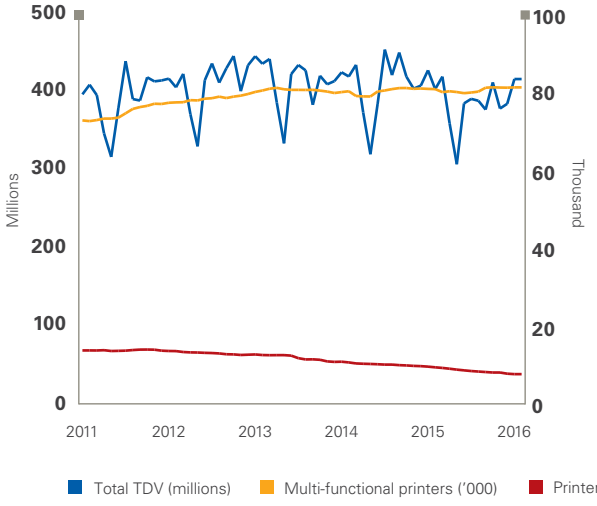
Nashua

Fierce competition in the office automation market, driven by new entrants to the market, increased commoditisation of entry level MFP devices and currency fluctuations were the key attributes impacting revenue. This, together with the impact of the poor state of the South African economy, resulted in lower sales volumes and pressure on both unit sales prices and the margins earned on these products.

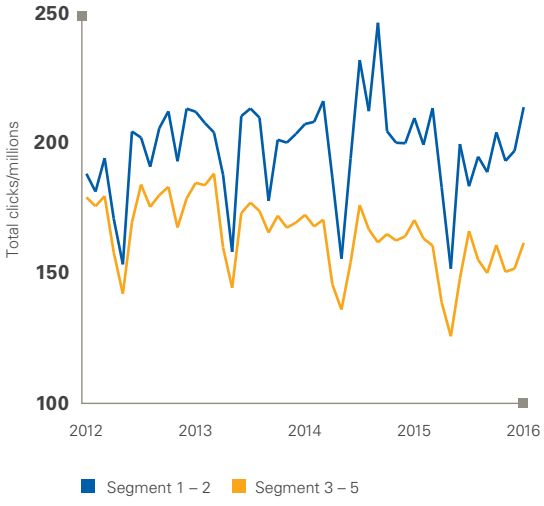
However, by investing in technology as a business tool, our market intelligence has improved. By employing this systematic and programmatic approach, we are more focused and proactive when targeting new customers and identifying opportunities for cross-selling.

Sales of MFP units decreased by 30% to 12 006 units (2015: 17 232). The lower sales volumes were a result of the decline in the total office automation market, the general economic trading conditions and weaker exchange rate. Nashua increased colour devices by 14% in the sales mix. The weaker exchange rate, coupled with a slight change in mix, resulted in an increase of the average selling price per unit by 22%.

YEAR-ON-YEAR PRINTER DEVICE IN FIELD VS DOCUMENT VOLUME



TOTAL DOCUMENT VOLUME CONTRIBUTION FROM LOW (SEGMENTS 1 AND 2) TO HIGH-END (SEGMENTS 3 TO 5) MACHINES



Nashua's customer value proposition

We are a trusted partner for customers seeking to streamline and digitise their operations by providing a one-stop-shop for all of their managed office solutions requirements. In addition to our core printing and document management products, we offer voice services to boost communication while reducing costs. We enable businesses to build their own data ecosystems so that they can get more done in less time.

Through our far-reaching franchise channel, we offer a standardised high level of service to simplify office spaces and provide infrastructure so that managers and employees can focus on what is important: nurturing and growing businesses. With our assistance, businesses are able to minimise downtime and optimise resources.

We further accelerated our ongoing efficiency programme and expanded into sales administration and technical optimisation. The completion of warehousing consolidation for the main business lines of the Nashua segment contributed a saving of 23% of the warehousing costs.

Nashua launched Docuware document management solutions in February 2016, in partnership with Ricoh, and the initiative showed good progress. A full suite of software products has now been launched into the channel. It will enable Nashua to extend its solution portfolio and introduce more products to the market.

Nashua's strategy of leveraging the franchise channel to sell other adjacent ICT products into the customer base started to yield good results. During the year, the increase in total voice minutes billed through Nashua Voice (in conjunction with ECN) increased by 20% to 88 million minutes (2015: 73 million). The Nashua franchise channel also cemented their place as ECN's largest PBX reseller with revenue of R24 million.

Customer satisfaction

The use of technology to actively monitor client requirements in real time leads to proactive client service and improved customer satisfaction levels. Nashua employs a number of different measurements to track customer satisfaction levels:

> Focus on ensuring that technicians are able to address the problem in full on a single visit to the customer. This improves Nashua's internal efficiency as well as customer satisfaction and minimises downtime where the device is not generating revenue. The FTF measure improved to an average of 69% overall (2015: average 63%). An added benefit of this improvement is that MTTR a device improved from 5,7 hours in 2015 to 5,3 hours.

> During 2016, we began to send daily electronic surveys to customers who received a service call from a technician. Nashua technicians scored an average of 9,1 out of 10, above the industry standard of 8. Less than 4,5% of all customers who responded indicated that their calls were not closed to their satisfaction.

> In cases where the score is below the acceptable minimum an immediate intervention is made with the customer to address the underlying issue for the low rating.

> A bi-annual Net Promoter Score® (NPS®) survey[1] is conducted with customers. The average NPS® achieved across five areas improved to 46 (2015: 33), exceeding the industry standard of 27.

As customer requirements become more sophisticated, with the demand for complex software to manage print operations and document workflows and storage increasing, Nashua continues to invest in people and other resources to provide these solutions at industry acceptable standards. The pre- and post-sales as well as project management capabilities were significantly expanded. This, coupled with the adoption of proven methodologies, allowed Nashua to achieve the coveted Solutions Partner status from Ricoh Corporation. In addition, Nashua received the Breakthrough Partner of the Year award for 2016, recognising the company's efforts to transform the business.

Prodoc

Nashua owns 60% of this Sweden-based entity, which trades throughout Sweden and Scandinavia.

The restructuring of this business showed positive results, moving the business from a loss-making position in 2014 to a profitable company. Recurring revenue increased by 17%. This restructuring was based on closing non-performing areas, expanding alternative service offerings in the communication and collaboration sector such as video, conference rooms and digital signage, as well as increasing direct sales and partnering with the outsource market. Prodoc is the third largest independent distributor of Ricoh products globally, with Nashua the largest.

[1] *Net Promoter Score®, or NPS®, measures customer experience and predicts business growth.*

INFORMATION COMMUNICATION TECHNOLOGIES continued

Quince Capital

R million	2016	2015	2014	2013	2012
Advances book	2 143	2 116	1 965	1 820	1 431
Average monthly discounting	79	86	81	80	65

Despite tough economic and credit conditions, the advances book remained above R2 billion with more than 55 000 contracts through the franchises. The increase in the book is seen as a resilient performance under challenging market conditions and can be attributed to maintaining a strong loyalty level with customers through offering a compelling value proposition and service offering at a competitive cost.

The muted growth must be assessed against the context of a slowdown in office automation sales as South African businesses feeling the negative effects of slow economic growth are tightening their belts and prioritising expenditure items. This resulted in a decrease in discounting activities of 9% when compared to the previous year.

Recurring business accounts for 65% (2015: 62%) of Quince's income. Loyalty statistics indicate that in excess of 90% of machines sold by Nashua are discounted through Quince Capital. The turnaround time for approvals on deals stabilised at approximately 2,5 hours.

Quince Capital's customer value proposition

Our competitive products and service excellence allow Nashua franchises and PanSolutions to offer end-to-end financing solutions to customers, from equipment to software and allows the franchise to be the sole point of contact with the customer.

Our bespoke online credit application system (FinSight) facilitates quick turnaround times, which together with competitive rates, funding solutions and structures, provides franchises and dealers leverage and a competitive advantage in concluding deals.

We launched a web-based application, e-Signatures, to the franchise channel in June 2016, at the Nashua franchise conference. e-Signatures allows for rental agreements to be signed remotely, improving speed, accuracy and overall customer satisfaction, while at the same time providing significant cost savings for the franchises.

Tough trading conditions are expected to persist and the ability to manage the expense structure remains a critical factor in maintaining profitability. Profitability may be constrained by the economic environment, but no changes in the current business model are anticipated in the medium term.

Risk management and funding cost

Quince Capital remains well funded, with considerable internal and external funding lines available. Given Reunert's net cash position, funding from the parent company is made available to Quince Capital on commercial, arm's length terms. We also have access to just over R1 billion in external unutilised funding lines.

Funding costs increased by approximately 1%, as a result of external interest rate hikes, which resulted in external funders increasing spreads on loans advanced to Quince. Interest rate risk (variable rate funding) on the fixed portion of the advances book (fixed interest rate in the underlying rental contained) is mitigated through fixed interest rate hedging where necessary, ensuring that fluctuations in interest rates do not have a material impact on profit margins on the fixed book. The variable nature of pricing on our funding lines ensures that there is a natural hedge on the linked portion of the advances book. A total of R550 million of interest rate swaps were in place at 30 September 2016 (2015: R400 million).

Quince Capital has a conservative approach to credit risk and the overall credit quality across all portfolios remains well within the defined risk appetite. A combination of strong credit vetting and monitoring, and a focused approach on cash collection, resulted in modest credit losses of 0,3 % (2015: 0,1%). A prudent provisioning policy is also maintained.

In August 2016, Global Credit Ratings accorded a national scale rating to Quince Capital Proprietary Limited of A(ZA) and A1(ZA) in the long and short term respectively; with the outlook accorded as Stable.

TELECOMMUNICATIONS

ECN

The ECN network had a year of stability and quality with new customers added to the base exceeding targets and a satisfactory churn rate. Minute growth was 14% (2015: 7%), despite the weakening economy, which impacted the demand for voice minutes from customers. Channel partner expansion continues to be successful with particularly good growth in the Nashua franchise channel *(refer to page 62)*. Customer numbers ported to the ECN network increased by 33% to 100 000.

ECN's customer value proposition

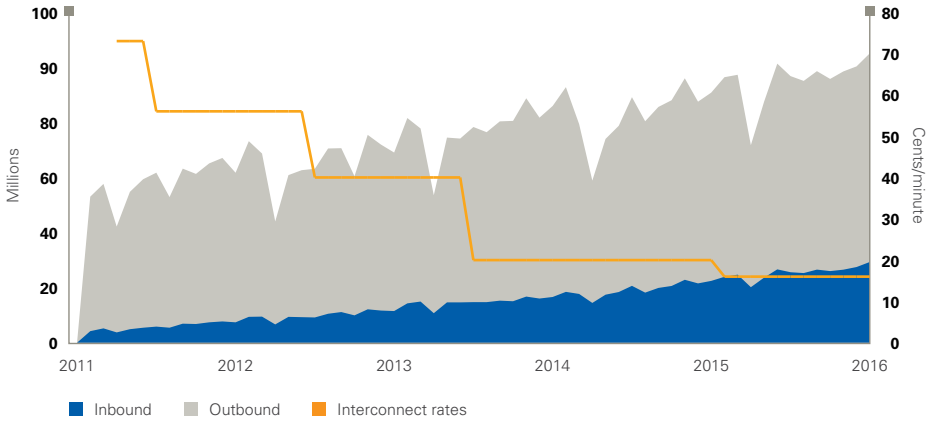
We are a major player in the delivery of affordable and accessible converged voice, data and hosted solutions – at the forefront of the next generation network evolution.

Our state-of-the-art network operations centre monitors active and passive network parameters to anticipate, localise and isolate problems on the network. It is capable of providing an up to the minute, real-time visual summary of the status of the entire network, a contributing factor to offering our customers superior levels of service and support.

The Panasonic retail phone business, which was under prolonged pressure, was successfully exited in July. The loss of revenue and profit experienced by exiting this channel was immaterial.

ECN made good progress in developing the next generation of its network. With the reduction in interconnect rates, it is no longer necessary to have multiple points of presence (PoPs) countrywide to manage efficient call handoff. We are replacing the seven PoPs with four super nodes which will provide a more robust, flexible and scalable network. Services running over this network will be easier to configure, monitor and manage. This, in turn, will simplify and speed up the product development process, enabling ECN to take products and services to market quicker. We automated various internal business processes, assisting in streamlining services to customers.

ECN NUMBER OF MINUTES PER CALL TYPE



INFORMATION COMMUNICATION TECHNOLOGIES continued

Interconnect rates

Interconnect rates (both incoming and outgoing) have reduced over the past five years, contributing to the revenue remaining relatively flat year-on-year. The substantial increase in network traffic and a focus on network evolution and efficiency has allowed the delivery of an increased network margin.

At its peak, the mobile interconnect rate was R1.25. As of October 2016, it reached the end of the glide path at 13 cents per minute. The inbound rate dropped to its final level of 12 cents per minute on the same date (2014: 21 cents).

The last decade has seen decreasing retail call costs across the board; over the same period, there were no increases passed through for infrastructure or operational costs, despite the dramatic devaluation of the Rand. For the first time, we saw cost increases being applied by other operators as the market and margins tighten. Efficiency and high service levels remain critical to ensure continued growth.

Reduction in interconnect rates as set by ICASA

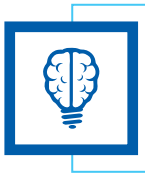
START DATE	END DATE	TERMINATION RATE PAID FOR OUTBOUND MOBILE CALLS	TERMINATION RATE PAID FOR NATIONAL OUTBOUND FIXED CALLS	TERMINATION RATE EARNED FOR INBOUND CALLS
1 October 2014	30 September 2015	20 cents	15 cents	21 cents
1 October 2015	30 September 2016	16 cents	12 cents	16 cents
1 October 2016		13 cents	10 cents	12 cents

Virtual PBX and LTE

We successfully launched an internally developed VPBX in 2016. The product is gaining traction and will become an additional key annuity revenue contributor over the next few years, as cloud-based technology becomes the norm.

Fibre connectivity is an important additional last mile access solution. The high demand associated with its deployment across all operators has resulted in a long lead-time for delivering customer services over this medium.

The inclusion of long-term evolution (LTE) as a last mile technology in ECN's service offering resulted in faster deployment and improved our competitiveness in the small, medium and micro enterprises (SMME) sector of the market.



To remain relevant and to gain competitive advantage, ECN continuously conducts research and development in the areas of networking, routing, switching and billing in order to enhance and evolve our in-house developed systems and network architecture.

Nashua Communications

The international technology provider, Unify, opened an office in South Africa and appointed an alternate distributor to Nashua Communications for its entry-level products as part of its worldwide transition to a channel-driven sales model. This is changing the dynamics of an established relationship and increasing competition.

However, the change is enabling Nashua Communications to streamline the business model to become more of a specialist telecommunications integrator. As part of our diversification strategy, the business is moving from a product provider to a solutions-centred business offering a wider choice to customers with the introduction of Huawei and Skype for Business products.

Nashua Communications' customer value proposition

Nashua Communications is a leading provider of converged enterprise network and communications solutions, offering cost-effective, highly reliable, manageable, scalable and secure solutions. We are the only Master 3 First Tier Partner of Unify Technology (formerly Siemens Enterprise Communication) in South Africa.

We specialise in the design, implementation and support of converged networking, communications and security solutions that use open, standards-based architectures to unify communications and business applications for a seamless collaboration experience.

INFORMATION COMMUNICATION TECHNOLOGIES 2017 FOCUS AREAS AND OUTLOOK

The segment's overall focus, in conjunction with its strategic priorities as discussed on *page 39*, will be on:

- diversification of revenue streams through ICT-related acquisitions and partnerships;
- finding new markets, including Africa, and expanding into other office provision products;
- improving efficiencies through digitalisation drive and by using technology;
- growing voice minutes;
- managing the cost per copy; and
- transforming into a holistic document management and managed office solutions provider.

KEY FOCUS AREAS	DRIVERS FOR GROWTH
> Acquire complementary ICT-related businesses	> Cloud and other evolving technologies (third platform)
> Continue to evolve Nashua to managed office provider	> Broadband and fibre roll-out
> Grow ECN's minutes base & launch adjacent products	> Digitalisation
> Improve offerings via digitalisation	

APPLIED ELECTRONICS

Applied Electronics comprises Reutech Radar Systems, Reutech Communications – including the newly acquired Omnigo and Nanoteq – Reutech Solutions and Fuchs Electronics. Reutech develops and supplies high-precision electronic products for defence and commercial applications.

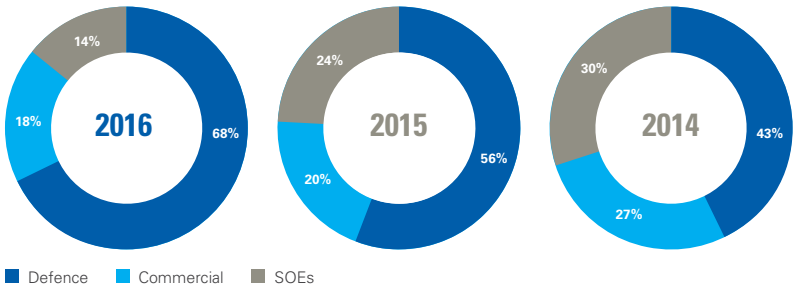
Refer to *page 14* for more detail on segment structure.

APPLIED ELECTRONICS AT A GLANCE

R million		2016	2015	2014
FINANCIAL CAPITAL				
Revenue	Rm	**1 505**	1 081	1 000
Operating profit	Rm	**305**	181	170
Total assets	Rm	**1 477**	979	651
Capital expenditure	Rm	**129**	25	25
NATURAL CAPITAL				
Electricity consumption	MWh	**5 439**	5 023	6 165
Water consumption	Ml	**83**	51	52
CO_2e[1]	Kt	**6**	6	7
HUMAN CAPITAL				
Employees at year-end	Number	**1 472**	1 461	1 181
Work-related fatalities	Number	**–**	–	–
Training spend	Rm	**18**	15	4
SOCIAL AND RELATIONSHIP CAPITAL				
Community investments	Rm	**3**	2	2
ESD spend	Rm	**22**	11	8
INTELLECTUAL CAPITAL				
Research and development as a percentage of revenue	%	**8**	8	7

Refer to *page 84* for the group's human capital performance, *page 89* for natural capital performance and *page 91* for social and relationship capital.

REVENUE STREAMS



[1] *Excludes Scope 3 emissions.*

OPERATIONAL PERFORMANCE REVIEW

Applied Electronics had a strong performance with revenue increasing significantly by 39% to R1,5 billion (2015: R1,1 billion). Operating profit increased by 69% to R305 million (2015: R181 million). This sterling performance is mainly attributable to large-scale export sales assisted by the weaker exchange rate.

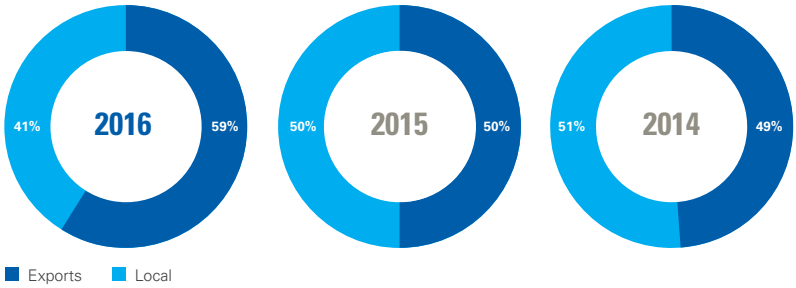
Reutech strengthened its relationships with Armscor and the Department of Defence, especially based on transformation requirements. Protracted negotiations of intellectual property rights and subcontracting ownership resulted in a five-year framework agreement between Armscor and Reutech being signed at the end of September 2016. This agreement governs ownership and exploitation of intellectual property rights.

Acquisitions

We acquired Omnigo, a turnkey electronic manufacturer, effective 1 December 2015. This was partly a vertical integration to secure essential components for CBI-electric: Low Voltage, Fuchs Electronics and Reutech Communications, and partly a drive to extend the product range. The acquisition is integrated into Reutech Communications and provides Reutech with improved intellectual property and increased efficiencies.

The acquisition of Nanoteq was approved by authorities in September 2016, and will be integrated into the business effective 1 October 2016. Nanoteq develops, manufactures and supports hardware and software products used to encrypt and protect network, cellular and tactical communication devices. Nanoteq's products are installed in communication devices to ensure that no unauthorised third parties can have access to strategic and sensitive information. There is good synergy with the current business, products and markets.

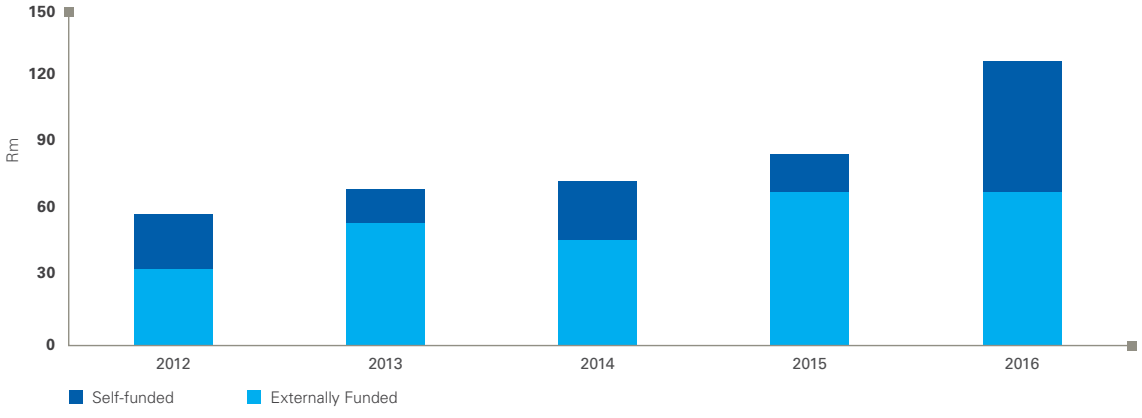
EXPORT VS LOCAL REVENUE



Research and development spend

Applied Electronics spent R127 million (2015: R86 million) on research and development activities. These activities focus on the enhancement of existing mining and defence products, as well as new mining product developments. Investment into innovation remains critical for this segment and relies on our ability to retain our key skilled and experienced employees and securing external funding.

RESEARCH AND DEVELOPMENT FUNDING



APPLIED ELECTRONICS continued

HIGHLIGHTS

CUSTOMERS

> MSR orders into Africa reached record volumes, increasing by 60%.
> Armscor and the Department of Defence reaffirmed Reutech's status as a strategic supplier of communications solutions.
> We reached an agreement on intellectual property rights and new subcontracting obligations with Armscor.
> Fuchs Electronics achieved its best financial performance to date, while successfully delivering on high-volume export orders.

PEOPLE

> A number of business units made good progress in the roll-out of talent retention initiatives including the identification of key individuals and succession planning. The review of job grading, profiling and individual development plans is progressing well.
> 100 direct and approximately 100 indirect jobs were created with the new production facilities at Reutech Communications.

EFFICIENCY

> Reutech Solutions' focus on enhancing and upgrading business processes progressed well with the upgrade of the configuration and customer relationship management software integration into the business.
> Diligent management of the exchange rate volatility assisted in maximising Fuchs Electronics' profits while reducing risk.

DIVERSIFICATION

> Reutech Radar Systems expanded its market penetration into Eastern Europe.
> Good integration of the newly acquired Omnigo and the export growth it achieved since acquisition. The production facility was expanded to meet the increase in demand.
> Fuchs Electronics entered into new markets and achieved successful technical qualification in two significant export bids.

INNOVATION

> In September 2016, Reutech Radar Systems launched its newly developed SSP radar for the mining industry.

TRANSFORMATION

> Phase one of the new Reutech Limited BEE equity ownership transaction was structured during the year.
> BBBEE levels were improved for the majority of companies and good progress was made on EE, especially at senior level.
> We actively participate in the SADI Steering Committee that is involved in the drafting of an industry BBBEE charter for the local defence sector.

Refer to *page 78* for more detail on the transformation strategy.

CHALLENGES

CUSTOMERS

> Decrease in local defence capital spending.
> It is unlikely that the government subsidised programme for set-top boxes will materialise as expected.
> The global commodity cycle downturn slowed growth in the mining business.
> A delay in the qualification of airborne radios hampered the receipt of the first orders for new generation airborne export radios.

PEOPLE

> Foreign-owned, South African-based high technology entities are attracting talent away from Reutech business units, resulting in strong competition for skilled technical resources. We require innovative retention and remuneration plans to retain these categories of employee.
> Although we are making progress, the number of key individuals approaching retirement age remains a focus area in the Reutech group, including the sourcing of senior executives and EE candidates.

EFFICIENCY

> Control of rising material prices from suppliers in the face of weakening Rand exchange rates necessitated new sourcing methods.
> Delays in the industrialisation of the SANDF new generation radio production (project Radiate) led to a slower production ramp-up than planned.

DIVERSIFICATION

> The declining oil price had an impact on export sales of radios into the Middle East and Far East markets, as some of these markets' economies are reliant on oil revenues.
> The acquisition of Nanoteq, a business with specialised communications cryptographic abilities, took longer than anticipated due to regulatory processing issues.

INNOVATION

> Fuchs Electronics made progress in improving various products and production technologies. However, the production support needed for executing the high volume order resulted in deferment of the development timeline. This will be reassessed for 2017.

SANDF projects

Project Biro refers to the South African Navy's planned acquisition of six new patrol vessels.

Project Radiate: Radiate is the new software defined radio family, consisting of combat net radios (CNR), a vehicle harness system (intra-platform communications system) and the short-range communication system. Reutech Communications was contracted by Armscor to develop and manufacture a range of software defined CNR to modernise the communication needs of the SANDF. The project spans over 10 years, and consists of three phases. Reutech Communications has received the order for phase one.

APPLIED ELECTRONICS continued

Reutech Radar Systems

Reutech Radar Systems had a trying year with revenue decreasing by 6%.

MSR volumes for the mining industry remained flat as gold mines only started placing orders for new equipment towards the end of the year. Export orders into Africa increased by 60%. More than 150 MSRs are now placed in 24 countries across all continents, except Antarctica. New growth markets included Eastern Europe.

Revenue from the local defence sector was flat following budget cuts and delays of large programmes like Project Biro. A foreign defence order for a number of radars is currently being executed for a Middle Eastern customer. More foreign orders are expected for this product range.

Small new orders were received during the year, and negotiations to place perimeter security radars at mines and at high value commercial installations show positive progress.

During the past eight years, Reutech had invested development funds to design an encrypted set-top box. This box could be used as part of the government's subsidised roll-out of an estimated five million boxes to lower income groups in the switchover from analogue to digital terrestrial television. It is now unlikely that the government-subsidised programme will fully materialise as expected. All development costs have been expensed.

Sub-Surface Profiler

The SSP is a low-cost, lightweight ground-penetrating radar (GPR) designed specifically for the challenges of the underground mining environment. It weighs less than 4,5 kg and its patented, compact ergonomic design allows for one-handed operation by one person in much the same way as a paint roller. The data collected is wirelessly transmitted to a tablet computer, where it is processed in real time. This gives instant feedback about fault structures, up to 6 m inside the rock while scanning. It improves dynamic decision-making, and allows for the precise management of ground-fall risks, as well as the optimal use of support mechanisms in an environment where every second counts.

The development of the system was prompted by the safety and productivity challenges faced by underground mines internationally. Reutech worked with a leading South African mining group which required a better, more practical and more cost-effective solution to address ground-fall risks.

Reutech Radar Systems' customer value proposition

With more than 30 years of radar technology experience, we offer innovative solutions for the protection of military and national security points and mining environments.

With our extensive technology base, we support the development, manufacture and maintenance of a wide range of cost-effective and innovative radar solutions and worldwide support to customers, including reliable safety monitoring systems.

Continuous investment in innovation

> Research continues with the Peace Parks Foundation, South African National Parks and the Council for Scientific and Industrial Research (CSIR) into using radar technology for anti-poaching applications in the game park environment. The project is showing good promise for success with opportunity for additional future systems.

> A number of technology programmes were executed in support of SANDF programmes. Research and development will continue on radars, especially for use by the air force and on patrol boats.

Reutech Solutions

The reduction in the national defence budget had a slightly negative impact on Reutech Solutions, which is still strongly reliant on local defence work. The long-term dockyard and depot support contracts with Armscor were all renewed, but at a reduced value for the depot support contracts.

The export contracts for the Rogue remote controlled stabilised platform had a good year, albeit with slower deliveries than anticipated. The outlook remains optimistic to increase market share internationally. We are well positioned to provide this platform to other shipyards and defence vehicle manufacturers in addition to increasing sales to existing customers. Further development continues to produce a more cost-effective model with less functionality. We are upgrading the dynamic control production facility to include a third production stream in anticipation of larger production volumes.

The network solutions contract to upgrade Botswana Telecommunication's broadband remote access server infrastructure was well executed and benefited from a weaker Rand versus the Euro exchange rate.

Reutech Solutions' customer value proposition

We provide turnkey solutions in the design, supply, installation, integration and commissioning of hardware, with continued through-life support of various products to a wide variety of commercial and public entities. We also offer engineering consulting services.

Our highly specialised dynamic control division has the complete suite of capabilities required to specify, design, develop and manufacture remote control systems operating in harsh environments.

APPLIED ELECTRONICS continued

Reutech Communications

Reutech Communications' financial performance was hampered by delays (construction and municipal approvals) experienced in bringing additional production capacity on-stream, and by the delay of the award of two international contracts in July 2016.

Exports of airborne radios were significantly lower than 2015, following an 18-month delay in the next multi-year order. The impact of a declining oil price on the international customer markets contributed to delays in placing further production orders, while international competition also increased. A delay in the airborne qualification delayed the receipt of the first orders for new generation airborne export radios. Revenue was, accordingly, lower than the previous year.

Despite lower earnings, the business is well positioned for the future. The project to double production capacity to meet the local demand will be completed by March 2017. The expansion project includes redeveloping an adjacent property and expanding the production lines from three to eight to meet the production requirements of the new generation tactical radio family for the SANDF.

The project has created 100 new direct jobs and approximately 100 new indirect jobs. The majority of these new employees are employed from the neighbouring Molweni Valley, where the unemployment level exceeds 90%. In addition, out of the 36% of subcontracted work, 16% is contracted to 100% black-owned enterprises and a further 13% to BBBEE qualifying suppliers.

The newly acquired PC-board manufacturer, Omnigo, produced a strong export performance. Omnigo secured an initial high volume export contract that will be repeated for phase two of the same project over the next 18 months.

Research and development

> Reutech Communications completed its next 10-year engineering roadmap. Four product enhancement projects commenced in 2016, and are due for completion for sales in the 2017 financial year.

> The expanded Reutech Communications is well placed to design and deliver highly secure communication solutions with the integration of its new acquisitions.

Reutech Communications' customer value proposition

We have been the strategic partner of the SANDF since 1969, and are an approved supplier to international customers and OEMs.

We develop, supply, produce and support niche military-grade secure communication solutions to meet our customers' strategic network, cellular and tactical requirements. We specialise in customisable advanced network-centric secure systems for airborne, naval and land-based applications.

Fuchs Electronics

Fuchs Electronics experienced a strong sales volume increase due to a full year of production on a large fuze contract in the Asian market that started in 2015. The weaker Rand exchange rate provided an advantage against European competitors. The efficient use of financial instruments to manage exchange volatility also contributed to the strong operating margin, with 94% of sales derived from export markets.

Despite enjoying full production capacity, research and development continued on digital signal processing and enhanced production technologies. A project to enhance supply chain efficiency and drive down material costs to maintain margins was started, and will continue in 2017. We invested in tools and gauges, resulting in long-term price reductions on plastic parts, at the same time improving quality.

Fuchs Electronics entered into new markets and achieved successful technical qualification in two significant export bids.

Fuchs Electronics' customer value proposition

Fuchs Electronics is widely respected for innovation and excellence as a designer and manufacturer of electronic ordnance fuzes and remains at the forefront of advanced fuze technology.

APPLIED ELECTRONICS 2017 FOCUS AREAS AND OUTLOOK

The segment's overall focus, in conjunction with its strategic priorities as discussed on *page 39*, will be on:

- increasing export sales;
- ensuring full production levels of the new radio production lines;
- integrating more acquisitions;
- launching two more mining products;
- diversifying segmental revenues by increasing commercial and SOE contributions; and
- concluding the new BEE equity ownership transaction *(refer to page 82)*.

KEY FOCUS AREAS	DRIVERS FOR GROWTH
> Innovative product release and sales into our global sales networks	> Global commodity cycle
> Export growth of our world class intellectual property	> Natural resources
– Fuzes	> International relations
– Tactical communications suite	> Growth in health and safety and efficiency requirements
– Dynamic control	
– Radars	

TRANSFORMATION STRATEGY REVIEW

1 PILLAR ONE: BBBEE REVIEW

2 PILLAR TWO: HUMAN RESOURCES REVIEW

3 PILLAR THREE: SUSTAINABILITY REVIEW

Transform our businesses to effectively participate in the markets we serve.

OVERVIEW

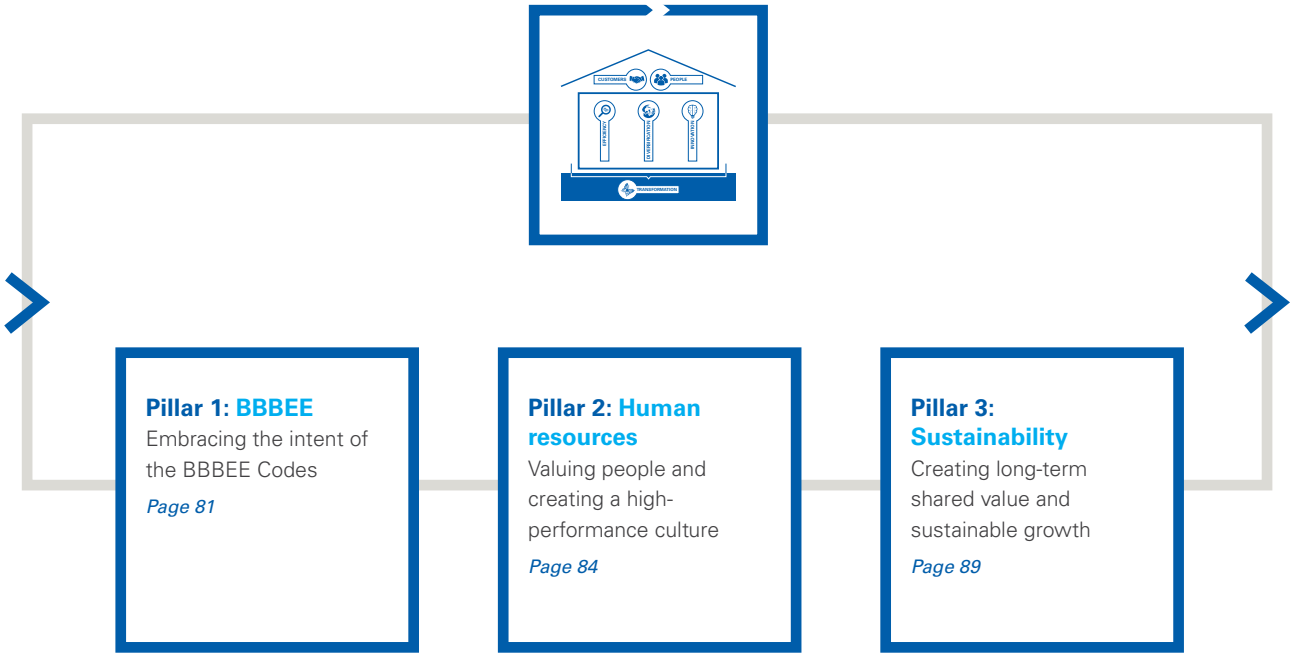
Reunert understands the importance of a multi-faceted approach to transformation, one that embraces business and people. Transformation is a pillar of the Reunert group strategy. Accordingly, a tailored transformation strategy was developed and implemented in January 2015, following Board approval of the transformation strategy in December 2014.

This strategy is managed and monitored by the GTC and the members are the Reunert Group Executive Committee. The mandate of the GTC is to:

- define the transformation policy and objectives for the group;
- identify risks and impediments to meaningful transformation and develop and implement mitigation plans; and
- ensure that all transformation initiatives are implemented.

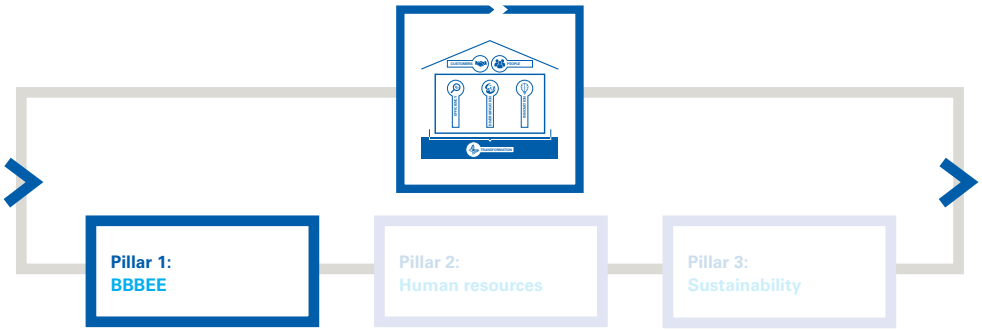
The commitment to transformation is entrenched by including transformation objectives in all executives' strategic KPIs and as modifiers in the short-term incentive scheme.

Reunert's transformation strategy: Working together to create a sustainable future



Refer to *page 104* for the GTC, refer to *page 107* for more on the elements and purpose of the short-term incentive scheme.

PILLAR ONE: BBBEE REVIEW



BBBEE CODES

Embracing the BBBEE Codes is a priority of the business units within the Reunert group. Reunert's opportunities to participate in South African revenue streams can be impacted by the BBBEE level of its business units.

This pillar is measured through the respective BBBEE scorecards. Due to the diversity of the group's segments, the generic Department of Trade and Industry codes (new BBBEE Codes) and the ICT Sector Codes are applicable. Five business units fall under the new BBBEE Codes and 10 under the ICT Sector Codes.

Ongoing analysis of the relevant BBBEE Codes is conducted for all business units to understand the impact and to ensure that mechanisms are in place to mitigate the identified risks. Various initiatives have been implemented to mitigate risks to ensure that Reunert companies have market-leading BBBEE levels.

These initiatives include:

- Development of BBBEE plans by business units.
- The continuous monitoring of the relevant codes and applicable legislation by the GTC, with interpretation and training provided to business units to ensure that there is an understanding of changes and the potential impact.
- The implementation of a BBBEE measurement tool to assist with planning and monitoring progress on an ongoing basis.
- Short-term incentive plans were revised to include BBBEE as a strategic KPI for executive remuneration (refer to focus areas in the segment performance reviews on *pages 59, 69 and 77*).
- BBBEE ownership structures were reviewed in the Electrical Engineering and Applied Electronics segments to ensure that ownership scores are optimised under the BBBEE Codes. Refer to *page 82* for more information regarding these transactions.

The table on *page 82* provides a quick overview of the different BBBEE elements, with detail provided in other sections of this report, where relevant.

PILLAR ONE: BBBEE REVIEW continued

ELEMENT	STATUS SUMMARY	REFERENCE FOR MORE DETAIL
Ownership	Reunert is committed to an ownership and control structure that is consistent with the vision and objectives expressed in the BBBEE Codes. Two BEE equity ownership transactions were concluded during the year. > Electrical Engineering: The transaction for African Cables and Telecom Cables was successfully completed and implemented, with a notional IFRS 2 – Share-based Payment charge of R93 million. > Applied Electronics: Phase one of the Reutech Limited BEE equity ownership transaction was concluded at an IFRS 2 cost of R20 million. The second phase will commence in 2017, after considering the impact of the SADI sector charter which is currently being negotiated.	Electrical Engineering: *page 53* Applied Electronics: *page 72*
Management control Refers to management at all levels of the organisation including top, senior, middle and junior management.	A key objective is to ensure diverse representation at all occupational levels within the business units with the focus on transformation at management levels. EE representation levels are monitored through the HR metrics of the HR strategy. Equity appointments at management levels comprised 76% of total placements within the group (2015: 64%).	Equity profile: *page 86* Board membership: *page 93*
Enterprise and supplier development	ESD is core to our goal to be a responsible corporate citizen. Initiatives are geared to develop programmes that will assist suppliers in achieving sustainable, financial and operational independence. The preferential procurement element of the ESD pillar is posing the most difficulty due to the shortage of black-owned suppliers within the industries and sectors in which we operate. However, we are pleased with progress made with enterprise development. Reunert's contribution towards ESD was R53 million (2015: R36 million).	
Skills development	Developing employees is one of the mechanisms used to assist the transformation process and to work towards a high-performance culture. Reunert spent R42 million (2015: R40 million) on skills development this year.	Skills development: *page 85*
Socio-economic development	Corporate social responsibility programmes deal mainly with the development of children, through the Nashua Children's Charity Foundation (NCCF), the focus on education through the Reunert College and initiatives with local communities such as the Philangethemba Trust. R14 million (2015: R14 million) was spent on socio-economic development (SED) and corporate social investment (CSI) programmes.	Reunert College and the Reunert bursary fund: *page 91*

BBBEE rating per business unit

BUSINESS UNIT	APPLICABLE CODE	NEW OR CURRENT CODE FOR THE 2016 RATING	2016 RATING	2015 RATING
CBI-electric: African Cables	Generic	New	1	2
CBI-electric: Low Voltage	Generic	New	4	4
CBI-electric: Telecom Cables	Generic	New	4	3
Nashua	ICT sector	Current	2	3
Nashua Communications	ICT sector	Current	2	3
Quince Capital	Generic	New	8	3
ECN	ICT sector	Current	3	3
Reutech Communications	ICT sector	Current	1	2
Reutech Radar Systems	Generic	Current	2	4
Reutech Solutions	ICT sector	Current	2	2
Fuchs Electronics	ICT Sector	Current	6	5[1]

The majority of business units either maintained or improved their BBBEE levels and although certain elements of the BBBEE Codes present challenges, we are confident that, with proper planning and continued effort, these challenges will be addressed and progress will continue.

Management representation

Our EE profile does not currently fulfil the requirements to maximise business opportunities in South Africa. People transformation remains a priority and although improvement in representation levels is still required, good progress was made over the past two years. Group level EE targets are being achieved.

Placement of external EE management employees[2]

Management level (%)	2016	2015
Top management	**100**	86
Senior management	**100**	75
Middle management	**62**	43
Junior management	**78**	68

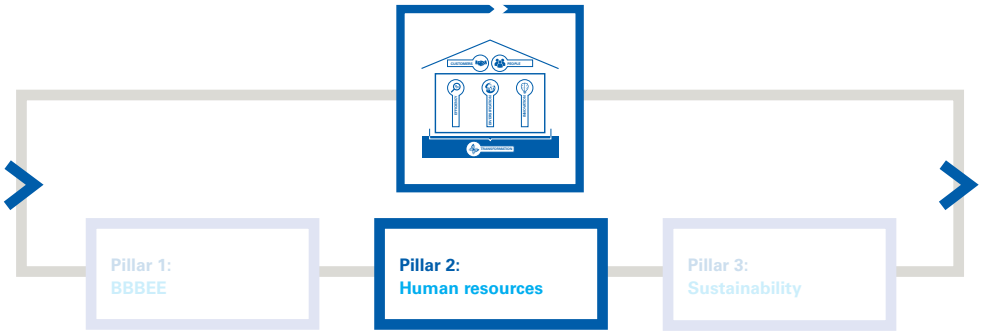
Percentage black management in South Africa[2]

	Black male		White male		Black female		White female	
Gender and Race (%)	2016	2015	2016	2015	2016	2015	2016	2015
Top management	**21**	17	**64**	66	**10**	13	**5**	4
Senior management	**26**	23	**51**	58	**17**	9	**6**	9
Middle management	**25**	19	**58**	63	**8**	7	**9**	11
Junior management	**40**	39	**27**	29	**19**	17	**14**	14

[1] *Rated under the generic code in 2015.*
[2] *Excludes Nashua-owned franchises and acquisitions during 2016.*

PILLAR TWO: HUMAN RESOURCES REVIEW

Our HR strategy is people-centric and built on a core mandate to ensure the effective and meaningful management of talent to support our high performance culture.



TALENT MANAGEMENT

Management of talent within Reunert extends beyond career and succession planning to include appropriate HR policies, procedures and practices that contribute to attracting, developing and retaining talent. The HR strategy was introduced in January 2015 and was successfully implemented within the group. The strategy is built around an integrated talent management framework with three key pillars:

- **Talent identification and succession planning** entails the process of ranking employees and identifying potential successors for key positions through a systematic assessment process.
- **Talent management and development** focuses on managing and developing talent for current and future business needs.
- **Talent attraction and retention** addresses the retention of key talent, which includes top performers and individuals with critical or scarce skills.

In addition to these pillars, the talent pipeline from the Reunert College for entry-level positions is monitored through the HR strategy. To ensure that the HR strategy is effectively implemented and managed, a set of metrics to monitor improvement and success was developed.

Reunert's value proposition for employees

We value our employees. We ensure that employees are provided with a meaningful job, with the appropriate development opportunities to grow and improve performance.

HR METRICS	PILLAR
> Offer acceptance rate vs rejection rate > Turnover rate of top performers, critical positions and EE individuals > EE placements by level	Talent attraction and retention
> Percentage of top performers as per talent index classification > Employees on a succession plan (i.e. identified as successors for critical roles)	Talent identification and succession planning
> Number of employees (top, senior and middle levels) on career development plans > Employees moving upward in the organisation as a percentage of all employee movements	Talent management and development
> College spend to develop students > Number of bursars placed within the group and retained	Talent pipeline for entry level positions

All business units are required to report on the HR metrics on a monthly basis. The information received from the business units is consolidated into a comprehensive HR metric report and presented to the GTC and the relevant Board committees. The report focuses on trends, highlights achievements and potential problem areas. Trends and problems are analysed and solutions are generated, where required. To ensure they are addressed, impediments to the transformation strategy are also discussed.

Talent identification and succession planning

Through the talent identification process, all employees at top, senior and middle management levels have a talent ranking. A group talent map was compiled, showing a good spread of talent throughout the Reunert group. The gaps identified through this process will be addressed through internal development and the succession planning process and by way of external sourcing of talent.

This year, 84% of all identified successors at top and senior management level had career development plans. A key deliverable for 2017 will be the implementation of career development plans for identified successors at middle management level.

Succession planning is a key metric to address risks associated with an ageing workforce. The Reutech business units, specifically, face a challenge with a number of key individuals approaching retirement age. Progress was made this year, and key vacancies were filled with talented individuals.

Talent management and development

Reunert has a dual strategy to enhance skills within the group. Employees are developed through structured learning and development initiatives, with the best candidates being sourced externally to fill vacancies.

In total, 87 talented managers were included in career development plans, while 96 employees were promoted during the past year.

Developing our employees

We invested R42 million (2015: R40 million) in the development of employees. This is directed towards advancing the performance, skill sets and competence of all employees. More than 6 000 employees attended training sessions (2015: 5 000).

Learnerships and trainees

Most business units in the group offer learnerships, apprenticeships and internships to employees and unemployed individuals. Such learnerships benefit Reunert, the individual and the community as a whole. The learnership training courses are offered in the fields of electrical engineering and IT. In total, we provided 330 learnerships[1] (2015: 227), of whom 139 are employees (2015: 60). We offered training to 191 unemployed trainees. We employed 87 trainees (2015: 97).

Learning management system

A best practice Learning Management System (LMS) was implemented to meet the learning needs of our employees. The e-learning system is designed to manage the complete learning experience from inception to completion, and provides flexibility and functionalities needed to align learning with the HR strategy. An LMS metric was designed to assess the effectiveness and value-add of the system.

[1] *Excludes learners from the joint venture.*

Talent attraction and retention

Retaining senior executives with key business knowledge and skilled and experienced technical employees is an ongoing challenge, heightened by skills shortages. The attraction and retention of talent, especially technically skilled employees, remains a priority, and it is imperative to achieving our strategic objectives.

This year saw an increase in resignations at senior management level. Employee turnover at top, senior, middle and junior management level was 5%. Extensive work was undertaken to ensure that reward mechanisms are implemented to retain talent.

Reunert, however, remains an attractive employer as demonstrated through the 94% offer acceptance rate achieved for 2016. The retention and attraction of individuals are monitored by management level, including the assessment of EE placements.

This is the second year of operation for the HR strategy and the HR metrics within the group. The metrics are structured to provide strategic information that allows for a proper assessment of data and enables the development of plans to address gaps or risks identified.

WORKFORCE PROFILE

At 30 September 2016, we employed 6 492 people (2014: 6 118).[1] The 7% increase in employees is mainly a result of adding new business units Polybox, Omnigo and Zamefa.

Non-permanent employees represented 12% of the total (2015: 15%). The group's total payroll cost is R1 899 million (2015: R1 776 million), which represents 22% (2015: 21%) of total revenue.

Regional distribution of total number of employees

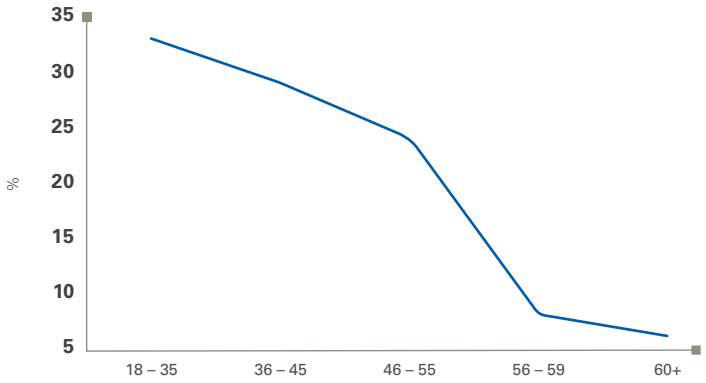
Region	2016	2015
South Africa	**5 212**	5 178
Lesotho	**815**	783
Sweden	**91**	111
Australia	**39**	40
USA	**6**	6
Zambia	**329**	0
Total	**6 492**	6 118

Equity profile including international operations as at 30 September 2016[1]

	Total number of employees	Total male	Black males	White males	Total females	Black females	White females
Top and senior management	**299**	**236**	77	159	**63**	39	24
Professionally qualified, specialists, and middle management	**600**	**470**	136	334	**130**	57	73
Skilled technical and academically qualified junior management	**2 090**	**1 410**	820	590	**680**	394	286
Semi-skilled and unskilled	**2 700**	**1 325**	1 180	145	**1 375**	1 256	119
Total permanent	**5 689**	**3 411**	2 213	1 228	**2 248**	1 746	502
Contractors	**51**	**36**	8	28	**15**	9	6
Temporary employees	**637**	**321**	258	63	**316**	268	48
Trainees	**115**	**63**	59	4	**52**	51	1
Total non-permanent	**803**	**420**	325	95	**383**	328	55
Total employees	**6 492**	**3 861**	2 538	1 323	**2 631**	2 074	557

[1] *Includes Nashua-owned franchises and 50% count of CBI Telecom employees.*

AVERAGE AGE OF REUNERT'S SOUTH AFRICAN EMPLOYEES



LABOUR RELATIONS

Our employees have freedom of association and the right to collective bargaining. Maintaining good relationships with all represented unions within the group remains an important focus. During the year, there was minimal disruption, due to effective employee engagement and the expeditious resolution of issues.

The majority of our unionised workforce is employed at our manufacturing plants. Unionised membership increased to 30% (2015: 26%) of our total permanent workforce, mainly due to the introduction of Zamefa. NUMSA remains the largest union, representing 16% of Reunert's total permanent employees. The acquisition of Zamefa introduced the National Union of Building Engineering General Workers (NUBEGW) who organises workers in the building and civil engineering, and metal and timber industries in Zambia.

The Electrical Engineering segment actively participates in the SEIFSA industry policy forum. Given that the three-year wage agreement, negotiated in 2014, comes to an end in 2017, industrial action cannot be excluded next year. The metals industry, through SEIFSA, has commenced formulating its position with regard to the three-yearly wage negotiations with the metal workers' union. The Metal and Engineering Industries Bargaining Council (MEIBC) governs the engagement between companies and unions related to this sector. Wages and terms of employment for scheduled employees are negotiated at bargaining council level. Any other labour issues are managed at an operational level and involve the business unit HR executive and/or the group HR and transformation executive director.

In conjunction with the Cable Association, the cable industry is currently pursuing the possibility of introducing a sectoral bargaining agreement, which should protect the industry from protracted wage negotiations and any fallout industrial action.

Union membership[1]

	2016		2015	
Union	**Number**	**%**	Number	%
NUMSA	**928**	**16**	811	15
MEWUSA	**21**	**1**	32	1
Solidarity	**102**	**2**	112	2
SACWU	**5**	**0**	87	2
FAWU	**370**	**7**	315	5
NUBEGW	**140**	**2**	0	0
Other	**119**	**2**	38	1
Total	**1 685**	**30**	1 395	26

Refer to abbreviations and acronyms on *pages 138 and 139* for full names of unions.

[1] *Includes 50% of union members from the joint venture and workers in Lesotho.*

OCCUPATIONAL HEALTH AND SAFETY

We actively seek to ensure minimal injuries and occupational illnesses and zero work-related fatalities by creating a safe working environment. Regrettably, we had one fatality in our Electrical Engineering segment; the first since 2008.

The chief executive officer appoints all managing directors at the various business units as representatives in terms of section 16(2) of the South African Occupational Health and Safety Act (OHSA), which sets out their statutory health and safety responsibilities. Senior management is required to confirm their acceptance of this responsibility in writing.

New employees and contract workers undergo induction programmes, including health and safety. Regular OHSA Committee meetings are held at the business units and training, such as firefighting and first aid, are conducted as required. Internal audit reviewed all incidents recorded.

We improved the physical work environment at a number of our facilities.

CBI-electric has full-time clinics at its three manufacturing plants. These clinics offer employees basic health assistance and are managed by the resident sister or visiting doctor. A range of medical support is available including screening tests for blood pressure, cholesterol, vision and diabetes.

Operations in the group are audited each year against OHSA and management receives feedback on improvements required. Any serious transgressions are escalated to the Risk Committee.

The Reunert health and safety policy is available online at *http://www.reunert.co.za/sustainability.php*

Health and safety records[1]

	2016	2015	2014
Fatalities	**1**	–	–
First aid cases	**348**	273	526
Medical treatment cases	**36**	40	37
Occupational diseases reported	**2**	–	–
Work-related injuries	**53**	63	49
Lost days recorded due to injuries	**392**	108	338
Lost-time injury frequency rate (%)	**0,65**	0,55	0,82

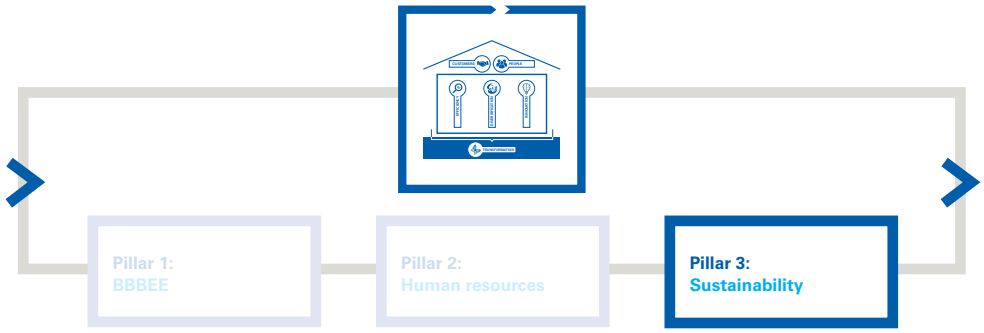
In memoriam

Mathokga Abram Mojapelo, a cable testing and fault location expert at Power Installations, CBI-electric: African Cables was tragically electrocuted on 4 May 2016, while on duty at a customer site.

[1] *Data includes 50% of the joint venture's health and safety records.*

PILLAR THREE: SUSTAINABILITY REVIEW

Sustainability is creating long-term shared value and sustainable growth.



Environmental, social and governance (ESG) factors are integrated into our day-to-day operations and the elements are discussed throughout this report. Refer to *page 18* on how we ensure well-managed operations.

The following sections cover elements that are not suitably included elsewhere.

INTERNATIONAL STANDARDS

The table below details the various business units' compliance with certain key international standards.

BUSINESS UNIT	ISO 9001:2008 QUALITY MANAGEMENT ACCREDITATION	ISO 14001:2008 ENVIRONMENTAL MANAGEMENT ACCREDITATION	ROHS	OHSAS 18001:2007
CBI-electric: African Cables	■	■		■
CBI-electric: Low Voltage	■		□	
CBI-electric: Telecom Cables	■	▪		
Nashua	■	▪		
Nashua Communications	■	■		
Prodoc		■		
Quince Capital	■			
Reutech Communications	■			
Reutech Radar Systems	■	■		
Reutech Solutions	■	■		■
Fuchs Electronics	■			

■ ISO accredited ▪ In process □ Directive

ENVIRONMENT

Environmental responsibility forms part of our approach to sustainability and is linked to our efficiency and innovation strategic pillars. The group environmental policy is available at *http://www.reunert.co.za/sustainability.php*

Our principal exposure to natural capital is through our manufacturing operations in Electrical Engineering and Applied Electronics. Eskom produces the majority of energy used in the group. Purchased electricity Scope 2 emissions increased by 3% to 45 427 t CO_2e, which is mainly attributable to higher volume output and inclusion of new acquisitions. We do not use significant amounts of water at production facilities and stringent management controls have contributed to more efficient water usage. Waste and pollution is well managed and recycling measures are in place. Hazardous waste produced is minimal.

Operations are expected to receive ISO 14001 verification, or undergo an external assessment which is aligned with ISO 14001. The focus for 2016 was on our manufacturing operations that are potentially more exposed to environmental risks than the ICT segment. Two business units are currently awaiting the outcome of SABS ISO 14001 audits that were conducted earlier in the year, while a further two environmental control system audits were completed by an external service provider.

Climate change

No environmental or climate change risks that could have a material impact on operations were identified. Severe weather patterns might have an impact on the delivery of products or components within the supply chain. However, dual supply strategies are in place for critical product supplies.

Our focus in the medium to long term lies on research and development and the adaptation of product ranges to a lower carbon environment. Developments in the energy-efficient and renewable energy industries in Africa continue to offer opportunities for Reunert to develop products and services.

We participate in the CDP (previously Carbon Disclosure Project) climate change and CDP water projects annually.

These reports are available online under CDP Reports at *www.reunert.co.za/sustainability.php*

The CBI-electric circuit breakers use hydraulic-magnetic technology which are more energy-efficient than competitive products due to low-resistive impedance. This enables a reduction in GHG emissions by the end-user. The product is also unaffected by changing ambient temperatures.

CBI-electric also manufacturers two load-shedding devices:

> an energy control unit; and

> a load control relay that is used as a measure to improve energy efficiency.

Refer to *page 57* for more on the newly launched NanoView product.

CBI-electric provides power cables and inverters that link energy generated by wind farms to the Eskom distribution grid.

HUMAN RIGHTS

The protection of human rights is integrated into our existing business processes and procedures. The provisions of the United Nations Universal Declaration of Human Rights and the International Labour Organization's core labour standards guide business conduct. We adhere to all South African legislation that covers health and safety, hours worked, wages paid and leave granted.

We respect the human rights principles dictated by the countries in which we operate. We are also committed to the protection and advancement of internationally proclaimed human rights in all our areas of operation and within our sphere of influence. In the past year, no incidents of human rights violations, child labour, or forced and compulsory labour were reported.

The group has a zero-tolerance policy for any form of discrimination, including discrimination based on religious or other beliefs, nationality, gender, race, age, sexual orientation or disabilities. Harassment in any form towards fellow employees, customers or suppliers is dealt with immediately. Our human rights policy is available online at *http://www.reunert.co.za/sustainability.php*

Internal audit and an external service provider review compliance with health and safety and other aspects of human rights. These audits evaluate whether work environments are safe, suitable and sanitary, that employees are provided with protective clothing and that they receive the necessary safety training. Areas covered include firefighting, site security, emergency planning and occupational health and safety.

For more on sustainable supply chains refer to *page 19*.

Reunert protects human rights by:

> providing safe and healthy working conditions;
> guaranteeing freedom of association;
> ensuring non-discrimination in employee practices;
> ensuring that no direct or indirect forced labour or child labour is used;
> fostering opportunities for a broader and more skilled pool of workers;
> producing decent work;
> producing quality goods or services; and
> respecting the privacy of customers and workers.

CORPORATE SOCIAL INVESTMENT

Our main focus remains on the education of youth. Other initiatives included community projects, sport, health and safety, and food security initiatives. In total, 99% (2015: 98%) of the investment was for the benefit of black beneficiaries.

The majority of funding goes towards the Reunert College, our flagship project, and the NCCF. In addition, many business units work closely with neighbouring communities. Information on other programmes is available on request.

Social investment spend by segment[1]

R million	2016	2015	2014
Electrical Engineering	**6**	6	3
ICT	**5**	6	3
Applied Electronics	**3**	2	2
Total	**14**	14	9

Reunert College

Established in 1993, the college offers a bridging programme for students from previously disadvantaged communities, with the primary focus on developing talent in the fields of science, mathematics and accounting. The college is a solutions-based system through which Grade 12 students can upgrade their mathematics, physical science or accounting marks.

The college is funded by contributions from business units in the Reunert group, and by external funders – the Zenex Foundation and the JSE. During the year, these contributions totalled R1,4 million and Reunert companies contributed a further R4,6 million.

Since 1993, 1 438 students have enrolled to complete their matric and all have passed. The current ratio is 49% male and 51% female students, while the average enrolment age is 19. This year, 75 (2015: 72) black students wrote their matric exams. The college offers ongoing mentorship to its alumni.

After successfully completing their exams, top students are eligible for a Reunert bursary. There were 45 black Reunert bursars (2015: 47) studying at universities or universities of technology in Gauteng and KwaZulu-Natal.

[1] *Includes 50% of the joint venture's contribution.*

UNITED NATIONS GLOBAL COMPACT OVERVIEW

Although Reunert is not a signatory to the UNGC, we support the UNGC's 10 Principles. Our policies, procedures and processes are informed by the 10 Principles. The Social, Ethics and Transformation Committee receives regular progress reports on our levels of compliance with these principles.

The table below indicates where content regarding each principle can be found.

	REFERENCE
Human rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	*Page 90*
Principle 2: Ensure that the group is not complicit in human rights abuses	*Page 90*
Labour	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	*Page 87*
Principle 4: The elimination of all forms of forced and compulsory labour	*Page 90*
Principle 5: The effective abolition of child labour	*Page 90*
Principle 6: The elimination of discrimination in respect of employment and occupation	*Page 90*
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges	*Page 90*
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	*Page 90*
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	*Page 90*
Anti-corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	*Page 99*

CORPORATE GOVERNANCE AND REMUNERATION: GOVERNANCE REVIEW

This report sets out the key principles adopted by the Board relating to the governance of its activities and its interaction with stakeholders. In addition, the Board remains cognisant of the requirements of Reunert's MoI, the Companies Act and the JSE Listings Requirements.

BOARD FOCUS AREAS DURING 2016

The Board's focus areas for 2016 are covered in the chairman's report. Essentially, they included monitoring of the socio-political and macro-economic environments, strategy execution (both the business and transformational requirements), cash utilisation, financial performance and governance. *(Refer to page 40)*

Refer to *page 34* for the group strategy and to *page 78* for more on the transformation strategy.

BOARD FOCUS AREAS FOR 2017

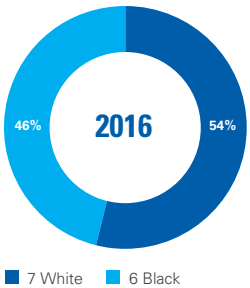
In addition to its normal oversight duties and responsibility for driving financial performance, the Board foresees that strategy implementation will continue to receive strong focus, with particular emphasis again on cash utilisation, diversification and transformation.

The principles and recommended practices of The King IV Report on Corporate Governance for South Africa 2016 (King IV) will also be reviewed and considered.

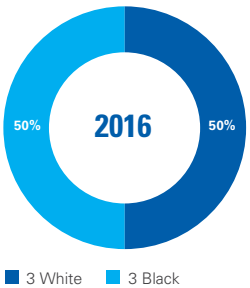
LEADERSHIP

As at 30 September 2016, our Board of directors consisted of eight independent non-executive directors, one non-independent non-executive director and four executive directors. There were no changes to the Board during the year.

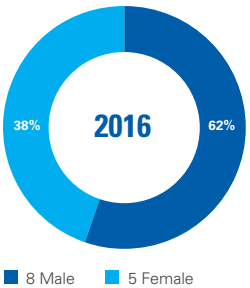
BOARD REPRESENTATION



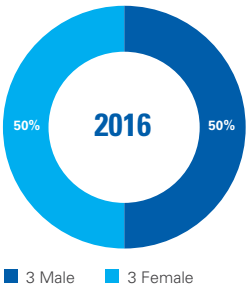
BOARD COMMITTEE CHAIRMEN – REPRESENTATION



BOARD GENDER REPRESENTATION



BOARD COMMITTEE CHAIRMEN – GENDER



GOVERNANCE STRUCTURE OVERVIEW

Non-executive directors

TREVOR MUNDAY (67)
Chairman, independent non-executive director

Appointed to the Board:
1 June 2008
Appointed chairman:
1 June 2009
Qualification:
BCom

TASNEEM ABDOOL-SAMAD (42)
Independent non-executive director

Appointed to the Board:
1 July 2014
Qualification:
CA(SA)

SEAN JAGOE (65)
Independent non-executive director

Appointed to the Board:
20 April 2000
Qualifications:
BSc (Eng), MBA

SARITA MARTIN (44)
Independent non-executive director

Appointed to the Board:
1 December 2013
Qualifications:
BProc, LLB, MBA

PHUTI MAHANYELE (45)
Independent non-executive director

Appointed to the Board:
1 October 2015
Qualifications:
BA Econ, MBA, EDP

THABANG MOTSOHI (68)
Independent non-executive director

Appointed to the Board:
1 June 2008
Qualification:
BSc

THANDI ORLEYN (60)
Non-executive director

Appointed to the Board:
23 May 2007
Qualifications:
BJuris, BProc, LLB

BRAND PRETORIUS (68)
Independent non-executive director

Appointed to the Board:
22 February 2011
Qualification:
MCom (Business Economics)

RYNHARDT VAN ROOYEN (67)
Independent non-executive director

Appointed to the Board:
1 November 2009
Qualification:
CA(SA)

A Short curriculum vitae of each director is available at http://www.reunert.co.za/board-of-directors.php
B Age of directors as at 30 September 2016.

Executive directors and members of the Executive and Group Transformation Committees

ALAN DICKSON (45)
Group chief executive officer

Appointed to the Board:
21 November 2013 and appointed group chief executive officer effective 1 October 2014
Appointed to Reunert:
1 January 1997
Qualifications:
BSc (Eng), MSc (Eng), MBA

NICK THOMSON (57)
Chief financial officer

Appointed to the Board:
15 June 2015
Appointed to Reunert:
15 June 2015
Qualification:
CA(SA)

MOHINI MOODLEY (41)
Group human resources and transformation executive director

Appointed to the Board:
31 March 2015
Appointed to Reunert:
1 September 2013
Qualifications:
BA, LLB

MARK TAYLOR (53)
Executive director

Appointed to the Board:
21 November 2013
Appointed to Reunert:
1 October 2012
Qualifications:
EDP, SEP

Other executive members

PETER VAN DER BIJL (60)
Chief executive officer: Reutech

Appointed to Reunert:
17 July 2008
Qualifications:
MSc (Elec Eng), MSc (Aerospace)

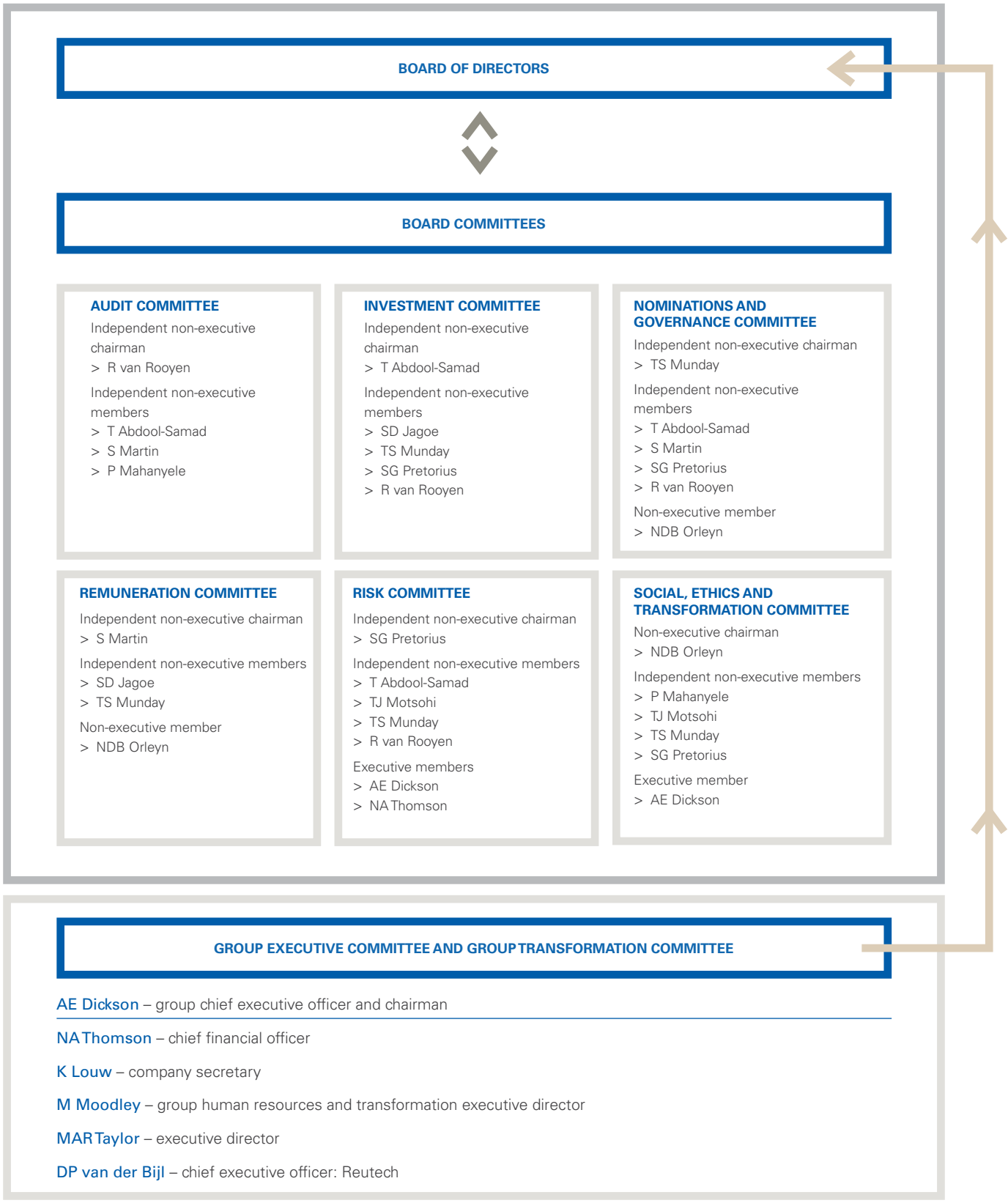
KAREN LOUW (42)
Group company secretary

Appointed to Reunert:
1 June 2012
Qualifications:
BCom (Law), LLB, LLM (Tax), LLM (Corporate Law), Admitted Attorney.

Length of service as Board member

1 – 5 YEARS	5 – 10 YEARS	MORE THAN 10 YEARS
> T Abdool-Samad	> TS Munday	> SD Jagoe
> AE Dickson	> TJ Motsohi	
> P Mahanyele	> NDB Orleyn	
> S Martin	> R van Rooyen	
> M Moodley		
> SG Pretorius		
> NA Thomson		
> MAR Taylor		

GOVERNANCE STRUCTURE OVERVIEW continued



GOVERNANCE POLICIES, PROCEDURES AND PROCESSES

Socially responsible governance and sound management practices are inseparable and, in all instances, legislative compliance is a minimum requirement.

COMPOSITION, ROLES AND RESPONSIBILITIES

The Board oversees the governance of Reunert, in accordance with the principles set out in the Companies Act and King III. Reunert has strong corporate governance policies in place to ensure the sustainability of the business and to promote the long-term interests of stakeholders. During 2017, the Board will carefully assess the provisions of King IV and will implement or enhance governance practices as appropriate.

The Board charter is reviewed annually and forms part of each director's conditions of appointment. The charter requires that directors conduct themselves, both professionally and personally, with integrity and in accordance with the ethics and values of the group and the laws of South Africa.

Board policies

Balance of power	This policy ensures that no single individual on the Board has unfettered powers of decision-making and that there is a balance of power among the members of the Board, and between the Board and management. Among other things it requires that the Board, with the assistance of the Audit Committee, shall establish and maintain a framework for the DoA to executive management and reserves specified matters for the Board and its committees to decide on.
Board appointments	Board appointments are made by way of a formal, fair and transparent process that is free of bias and discrimination. The Board strives for diversity of gender, race, skills and experience. The Board continuously reviews the diversity of its members and likely succession requirements. Reunert fosters a mix of skills and backgrounds on the Board to provide challenge and different perspectives in the interest of Reunert. The Board's appointment policy was updated during the year to reflect its minimum objective of 25% female representation.
Induction of new directors	Reunert follows a formal induction process for new directors. Induction is not a once-off process and continued support, information and advice is available to the directors. A programme of site visits is arranged for new directors, to familiarise them with the various operations.
Remuneration principles and reimbursement of expenses for non-executive directors	This policy regulates various aspects of the remuneration of directors and the extent to which they are entitled to reimbursement for expenses incurred. The policy includes provisions on the services that directors are expected to provide to Reunert in exchange for the stipulated directors' fees, which extends beyond the preparation for and participation in meetings. The policy sets out the circumstances in which the Remuneration Committee will consider the payment of additional remuneration to directors, subject to shareholder approval, where required.

Policies are reviewed periodically. The Board charter is available at *http://www.reunert.co.za/corporate-governance.php* and Board policies are available at *http://www.reunert.co.za/sustainability.php*

FURTHER TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

In addition to training, as appropriate, for new directors in terms of the Board's induction policy, formal continuing professional development sessions are scheduled for the Board, at least bi-annually. Individual directors and Board committee members are encouraged to arrange additional training and development, where required, through the company secretary.

SUCCESSION PLANNING

The Nomination and Governance Committee advises the Board on succession planning. This function is expressly included in the terms of reference of this committee, forms part of its annual work plan and is conducted on a continuous basis.

The committee noted that a number of directors would retire from the Board over the next two to three years, as they reach the age of 70. Criteria have been prepared to direct the committee's recruitment activities to address the vacancies that will arise.

BOARD EVALUATION

As recommended by King III and in accordance with the Board charter, the performance of the Board, its committees and individual directors is evaluated annually. The most recent self-assessment process was completed in August 2016, and feedback provided on the outcome thereof to the Board and the individual committees. The Nomination and Governance Committee is responsible for overseeing the process and directing the manner in which concerns, if any, are to be addressed.

The 2016 evaluation indicated that there are no areas of particular concern relating to the Board, committees or members' interaction with each other.

Board evaluation process

COMPANY SECRETARY

The Board, through the Nomination and Governance Committee, followed a formal assessment process relating to the competence, qualifications and experience of the individual primarily responsible for company secretarial services in the group, Karen Louw. The Board is satisfied that Karen's competence, qualification and experience are appropriate for the role of company secretary.

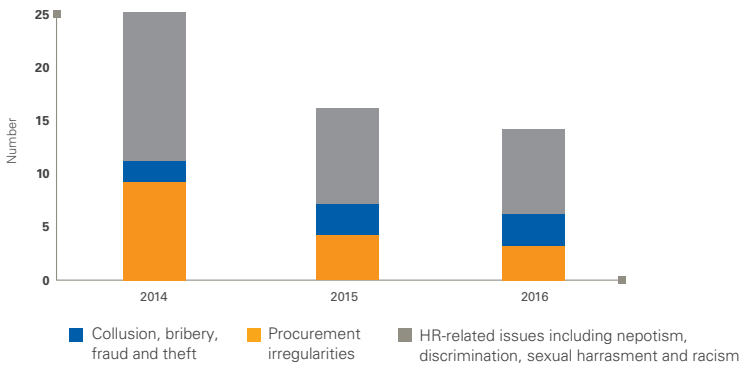
The Board also assessed and satisfied itself that the company secretary, Reunert Management Services and Karen as the responsible individual, are able to maintain an arm's length relationship with the Board.

More information on the assessment process followed and compliance with section 3.83(i) and (j) of the JSE Listings Requirements is contained in Reunert's King III narrative, under the comments on principle 2.21.

Refer to *http://www.reunert.co.za/sustainability.php*

ETHICS AND REGULATORY COMPLIANCE

Other than as specifically indicated, no material incidences of unethical behaviour or non-compliance with regulatory requirements were brought to the Board's attention.

Whistle-blowing facility	This facility provides employees and suppliers with the opportunity to report alleged unethical practices anonymously. The programme is managed through Deloitte's independently managed fraud tip-off line, which operates 24-hours a day, 365 days a year. The Protected Disclosures Act, 2000 and section 159 of the Companies Act guide the whistle-blowing policy. The whistle-blowing facility aims to: > encourage the use of the appropriate reporting channels; > create a culture of trust, which facilitates the disclosure of information relating to criminal and other unethical or irregular conduct relating to Reunert; > provide clear guidelines for the disclosure of information and protection against reprisals as a result of such disclosure; and > promote zero tolerance for any criminal and other unethical or irregular conduct within Reunert. Reports are sent to the head of internal audit, who then forwards the tip-off to the relevant group company executive to investigate and provide feedback. Where possible, a response is provided to the reporter of the tip-off and to the broader employee body as to the outcome of the investigations. A tip-off register is maintained for all tip-offs and is presented at each Audit Committee meeting. No major incidents of collusion, bribery, fraud or thefts were reported. The graph below provides an overview of the number of contacts reported during the past three years. CONTACTS RECORDED 
Fraud and corruption	Business processes are continuously reviewed and evaluated to identify the risk of potential corruption and fraud. All business units monitor fraud risk closely and processes are continually improved to curtail and eliminate opportunities for fraud. All business units are required to submit monthly defalcation reports listing cases of corruption, fraud or theft. Information in the defalcation reports is provided to the Audit Committee at every meeting. No significant instances of fraud or corruption were uncovered during the year.
Compliance training	Reunert continued its online compliance training modules that were initiated in 2013. A core group of employees that completed the initial courses during previous years attended refresher courses.
Annual declarations	The managing directors of the business units are required to formally certify the relevant business' compliance with the Competition Act, 1998, the Prevention and Combating of Corrupt Activities Act, 2004 and other laws and regulations that are material to the relevant business on an annual basis.

TRADING IN REUNERT SHARES

The Board

In addition to the regulatory requirements to which the directors of Reunert are subject, the Board charter:

- sets out the approval process relating to dealing in Reunert's securities;
- requires notification of share transactions in terms of the JSE Listings Requirements; and
- prohibits dealings in Reunert securities when aware of unpublished price sensitive information.

The members of the Board are required to sign a formal declaration relating to their trading in Reunert's shares and their compliance with the relevant requirements in this regard on an annual basis.

Employees

Executive employees are advised, at least bi-annually, that trading in Reunert shares is not allowed when in possession of price sensitive information.

Employees who participate in the group's share-based long-term incentive plans are obliged to obtain clearance from the group chief executive officer and the company secretary before trading Reunert shares acquired through these plans.

CONFLICT OF INTEREST

Declaration of interests is a standing agenda item at all Board meetings. Directors are also required to formally update their directorships and other interests that are relevant to their office as directors of Reunert, at least annually. The Board appointment process includes an assessment of candidates' other interests.

Where directors have an interest in particular matters discussed at Board or Board committee meetings, the directors are recused from the meeting and required to leave the meeting room for the duration of the relevant discussion and/or decision.

DONATIONS AND GIFTS

Contributions to business institutions and professional bodies

Reunert contributes, as it deems fit, to business institutions and professional bodies that debate policy issues affecting group business. The Social, Ethics and Transformation Committee and/or the Risk Committee or the Board oversees such contributions in accordance with the approved DoA, depending on the focus and request of the specific organisation.

Gifts and entertainment

Business units have formal gift and entertainment policies.

Charitable donations

The majority of charitable donations are made in terms of Reunert's corporate social responsibility initiatives, as discussed on *page 91*.

CONSUMER PROTECTION AND CUSTOMER PRIVACY

Most of Reunert's businesses have no direct interaction with consumers. Where consumer legislation, such as the National Credit Act, 2005 and the Consumer Protection Act, 2008, is relevant for a particular business unit, the business unit's management is responsible for the processes and procedures to ensure compliance therewith. Professional advice is obtained by the business units, when required, to ensure continued alignment with consumer protection legislation.

INTERNAL AUDIT AND CONTROLS

Governance of internal audit

Internal audit functionally reports to the chairman of the Audit Committee and administratively to the chief financial officer. Internal audit has free and unrestricted access to the chairmen of the Board, and the Audit and Risk Committees. The Board delegated the independent quality review of the internal audit function to the Audit Committee. The members of the Audit Committee engage directly with internal audit and believe they are best placed to perform an effective and independent review.

Internal audit operates under terms of reference, recommended by the Audit Committee and approved by the Board. The Audit Committee also approves the appointment and dismissal of the head of internal audit and assesses the internal audit team's performance, objectivity and independence.

Internal audit performs independent evaluations of the adequacy and effectiveness of internal controls, financial reporting structures and the integrity of information systems and records. The Audit Committee approves the annual risk-based internal audit work plan.

The internal audit function reports independently to the Board on whether risk management, controls and governance processes are adequate and functioning within the group. Based on the results of these reviews, it has confirmed to the Audit Committee and the Board that nothing has come to light that indicates material weakness in the internal control processes; whether from design, implementation or operation.

Given the objective of internal audit work, certain system, process or control deficiencies will always be identified. All significant deficiencies are reported to both executive management and the Audit Committee. Management is committed to implementing corrective action for all reported internal audit findings within an acceptable timescale. No issues were identified during 2016 that would point to any concern regarding the group's ability to present financial statements that are free from material error.

Internal, financial and accounting controls

The systems of internal control and risk management, as implemented by management, are aimed at ensuring the successful operation and day-to-day running of the business to enable Reunert to achieve its business objectives.

Financial and internal controls focus on key risk areas. The controls are designed to provide reasonable assurance that assets are safeguarded against loss and unauthorised use and that financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The identification of risks and implementation and monitoring of adequate systems of internal, financial and operating controls to manage such risks are delegated to senior executive management. Financial risk management policies are communicated directly to executive management and the appropriate levels of management in the various business units.

Refer to *page 19* for Reunert's approach to combined assurance.

INFORMATION TECHNOLOGY

The IT strategy aligns with the group's strategic and business processes.

Due diligence is applied in taking the group's IT landscape towards an environment where IT is service-orientated and aligned with business strategy. To this end:

- a dashboard is used to monitor the group's progress in aligning with the COBIT 5 framework[1];
- the IT policy framework, which is the minimum set of standards that all business units are required to adhere to, is monitored to ensure alignment with updated international standards, focusing on information security controls (ISO/IEC 27002);
- significant investment was made to address the risk of ageing hardware and definitive progress was achieved in this regard; and
- ongoing focus is directed to business continuity management and data privacy management.

The Board is confident that the key IT risks were addressed and that there was substantial improvement in the IT control environment across the group.

KING III COMPLIANCE

To ensure that all the recommended practices of King III are considered and to facilitate the narrative process as required in terms of section 8.63(a) of the JSE Listings Requirements, Reunert makes use of the Institute of Directors in Southern Africa NPC (IoDSA) Governance Assessment Instrument (GAI). Detail on Reunert's application of King III is available at *http://www.reunert.co.za/sustainability.php*

Reunert received an AAA rating for its application of the principles of King III. There is only one instance in which Reunert does not apply a principle of King III, as explained below. In most instances, Reunert also implements the King III recommended practices.

Independent external assurance not provided for sustainability information

External independent assurance is not provided over sustainability information as recommended by Chapter 9, Principle 9.3 of King III. Assurance is, however, provided by internal audit that performs appropriate procedures to assess the completeness and accuracy of non-financial information presented in the integrated report.

The Board is satisfied that this internal oversight, in line with the combined assurance process followed, is sufficient to provide the required level of assurance. The requirement for external assurance is reassessed periodically.

King IV

Reunert is in the process of assessing the provisions of King IV.

As the chairmen of all Board committees are ex officio members of the Nomination and Governance Committee, this committee will co-ordinate the implementation of King IV by the Reunert group. To the extent that King IV directly affects the mandate or work plan of any of the individual Board committees, or the Board, the relevant committee or Board will be responsible for specific assessment and implementation of the relevant King IV provisions.

[1] *Control Objectives for Information and Related Technologies (COBIT) is a good practice framework for the governance and management of IT.*

BOARD COMMITTEES AND MEETING ATTENDANCE

Various committees assist the Board, as set out on *page 96*. Board committees are governed in accordance with the principles of King III.

All Board committees (other than the Investment Committee), meet at least twice a year, in accordance with a predetermined schedule. Further committee meetings are arranged when appropriate to deal with matters within the committees' mandate. The meetings of the Investment Committee are arranged on an ad hoc basis, to deal with the matters that fall within its mandate.

The chairman attends all Board committee meetings, either as a member or an invitee. The group chief executive officer has a standing invitation to attend all committee meetings and other group executives attend meetings where appropriate and on invitation. At the discretion of the committee chairmen, in-committee discussions are occasionally conducted without invitees. Karen Louw serves as the secretary for all Board committees. All members of Board committees are directors of Reunert. Where membership of committees is prescribed by the Companies Act or the JSE Listings Requirements, or is recommended by King III, Reunert's committees are constituted in accordance with such requirements or recommendations.

For membership of the committees, refer to *page 96*.

The chairman of each committee formally reports on proceedings of each committee meeting, at the immediately succeeding Board meeting. Minutes of all Board committee meetings, and minutes of Executive Committee meetings, are included in the information provided to the Board.

All the Board committees are governed by terms of reference, approved by the Board and reviewed annually. The committees' terms of reference are available at *http://www.reunert.co.za/corporate-governance.php*

MEETING ATTENDANCE

The table below summarises the meeting attendances of members of the Board and its committees. There were no changes in committee membership during the year.

	BOARD	AUDIT COMMITTEE	INVESTMENT COMMITTEE	NOMINATION AND GOVERN-ANCE COMMITTEE	REMUNE-RATION COMMITTEE	RISK COMMITTEE	SOCIAL, ETHICS AND TRANSFOR-MATION COMMITTEE	TOTAL ATTENDANCE %	DIRECTOR TO BE ELECTED OR RE-ELECTED
Number of committee members	13	4	5	6	4	7	6		
Chairman	TS Munday	R van Rooyen	T Abdool-Samad	TS Munday	S Martin	SG Pretorius	NDB Orleyn		
TS Munday	5/5		3/3	3/3	3/3	2/2	3/3	100	Re-election
T Abdool-Samad	5/5	3/3	3/3	3/3		2/2		100	Re-election
AE Dickson	5/5					2/2	3/3	100	Re-election
SD Jagoe	5/5		3/3		3/3			100	
P Mahanyele	5/5	2/3					1/3	73	
S Martin	5/5	3/3		3/3	3/3			100	
M Moodley	5/5							100	
TJ Motsohi	5/5					2/2	3/3	100	Re-election
NDB Orleyn	4/5			2/3	2/3		3/3	79	
SG Pretorius	5/5		2/3	3/3		2/2	3/3	94	
MAR Taylor	5/5							100	
NA Thomson	5/5					2/2		100	
R van Rooyen	4/5	3/3	3/3	3/3		2/2		94	Re-election

With two exceptions, all apologies for meetings related to travelling abroad. Mr Pretorius could not attend an Investment Committee meeting, which was arranged at short notice, due to prior commitments. Mr Van Rooyen apologised for the April strategy meeting, because of a family bereavement.

AUDIT COMMITTEE

A full report on the Audit Committee, in compliance with section 94(7)(f) of the Companies Act, is contained in Reunert's annual financial statements for the year ended 30 September 2016.

Refer to *http://www.reunert.co.za/downloads/reports/2016/reunert-annual-financial-statements-2016.pdf* for the annual financial statements.

INVESTMENT COMMITTEE

The committee is a standing committee of the Board. Meetings of the committee take place on an ad hoc basis, as required, to deal with matters that fall within the mandate of the committee.

The committee played a key role in evaluating a number of transactions including the acquisition of Zamefa and the BEE equity ownership transactions in the Electrical Engineering and Applied Electronics segments.

NOMINATION AND GOVERNANCE COMMITTEE

The chairmen of the Board and Board committees are ex officio members of the Nomination and Governance Committee.

The committee plays an important role in overseeing the performance and independence of the Board, its committees, individual Board members and the company secretary. The chairman of the Board chairs the committee. The mandate of the committee includes directors' matters and governance.

In addition to its role in formulating and updating Board policies, Board evaluation and succession management as discussed elsewhere in this report, the committee implemented a procedure to prevent conflicts of interest, requiring that directors obtain pre-approval before accepting additional Board appointments outside the Reunert group.

Refer to *page 97* for the list of Board policies.

Specific independence consideration

The independence of Sean Jagoe, a Board member since April 2000, was scrutinised by the Board, with the assistance of the Nomination and Governance Committee. Among other things, the following factors were considered:

- Sean is primarily and extensively engaged in commercial endeavours, independent of Reunert.
- A team of more recently appointed executive and non-executive directors balances Sean's familiarity.
- There is no shareholding, control of the Board, employment, consulting or other relationship between Reunert and Sean, other than his office as director.

On the recommendation of the Nomination and Governance Committee, the Board concluded that there are no relationships or circumstances likely to affect, or appearing to affect, Sean's judgement. The Board further concluded that his independence of character and judgement is not in any way affected or impaired by his years of service to Reunert.

Being satisfied with Sean's independence, the Board values the depth of Sean's commercial experience, and his mentoring of and guidance given to newer Board members.

REMUNERATION COMMITTEE

The activities of the Remuneration Committee are dealt with in a separate report.

Refer to *page 105* for the Remuneration Committee report.

RISK COMMITTEE

This committee ensures that risk disclosure is comprehensive, timely and relevant, and that effective policies and risk management plans are in place to allow the group to achieve its strategic objectives.

The chairman of the Audit Committee is an ex officio member of the Risk Committee. The group chief executive and chief financial officer are executive members of the committee and the head of internal audit is a permanent invitee to its meetings.

A key area of focus during 2016 was continuous assessment of the South African socio-political and commercial environment and whether Reunert's strategy constitutes the appropriate response thereto. The committee also oversaw a review and formalisation of Reunert's risk appetite framework.

Refer to *page 27* for the risk management processes.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The activities of the Social, Ethics and Transformation Committee are dealt with in a separate report.

The Social, Ethics and Transformation Committee report is included in the notice of annual general meeting document available online at this link *http://www.reunert.co.za/downloads/reports/2016/reunert-notice-of-agm-2017.pdf*

EXECUTIVE COMMITTEES

EXECUTIVE COMMITTEE

The group chief executive officer chairs the committee. The committee meets at least once a month. Minutes of Executive Committee meetings are circulated to the Board.

For the members of the committee, refer to *page 96*.

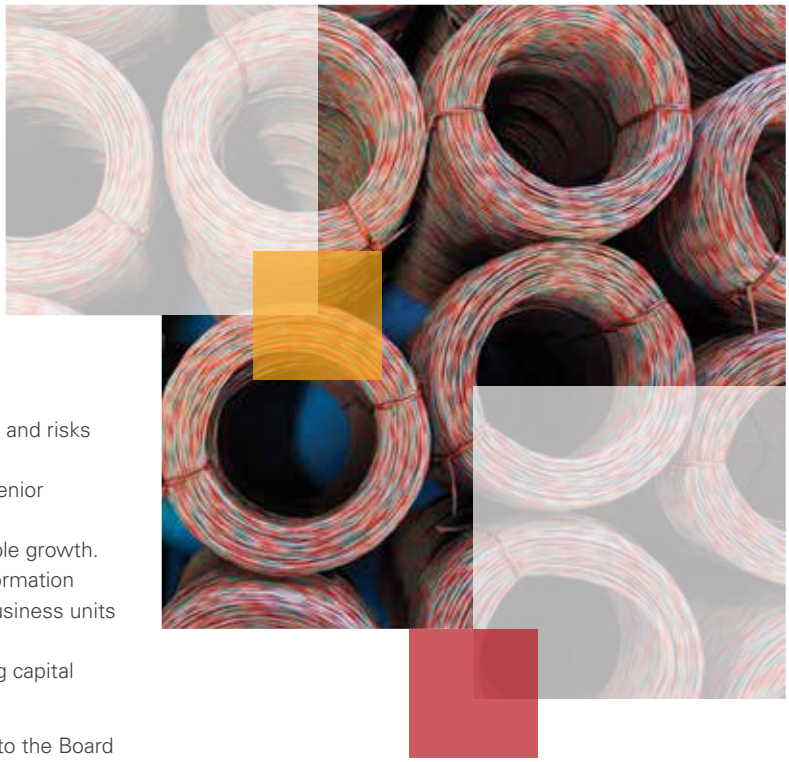
The purpose of the committee is to advise and assist the group chief executive officer on various aspects of the executive management of the group. The committee's activities include the following:

- Share and provide collective input on opportunities and risks faced by the segments and business units.
- Harness the collective expertise and drive of the senior executive.
- Explore synergies and drives group-wide sustainable growth.
- Provide a forum for communication of relevant information between the functional heads of the segments, business units and Reunert head office.
- Provide oversight of capital management (following capital allocation approval by the Board).

The Executive Committee makes recommendations to the Board on, among other things, the following:

- The group's strategy and values.
- DoA, financial policies, tax and treasury management.
- HR, transformation management and remuneration policies.
- Corporate governance.
- Risk management and combined assurance.
- Shareholder engagement.

The Executive Committee reviews the business cases supporting major capital expenditure. This review ensures that key risks are identified and that mitigation plans are in place, that the appropriate financial returns will be earned and that the planned expenditure meets the group's strategic imperatives. The committee recommends planned expenditure to the Board for approval.



GROUP TRANSFORMATION COMMITTEE

The GTC is an executive management committee, concerned exclusively with the implementation of the group's transformation strategy. At each meeting, the committee considers a report provided on the agreed-upon transformation metrics and discusses impediments to transformation. The committee meets at least once every two months.

Refer to *page 78* for more information on the transformation strategy.

Refer to *http://www.reunert.co.za/corporate-governance.php* for the Transformation Committee charter.

CORPORATE GOVERNANCE AND REMUNERATION: REMUNERATION COMMITTEE REPORT

Reunert is committed to market competitive remuneration that is driven by sound governance principles.

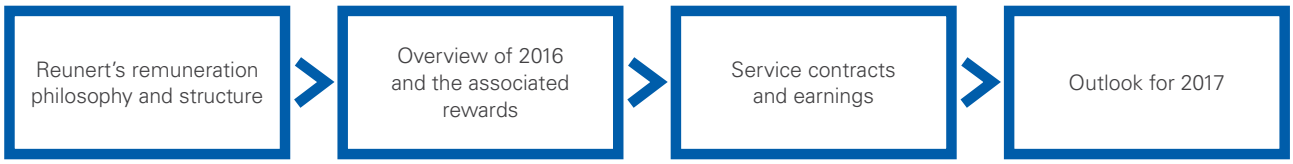
Reunert's remuneration policy aims to ensure that executives and senior management are remunerated in a manner that supports the achievement of the financial and strategic objectives of the group, attracting and retaining scarce skills and rewarding high levels of performance. The remuneration policy is designed to achieve alignment between Reunert's business performance, the behaviour of senior executives and the interests of shareholders. The policy is regularly reviewed to ensure it is appropriate and relevant for the purpose for which it was designed.

The committee's purpose is to facilitate the attraction, retention and motivation of high-calibre employees and senior executives, while remaining compliant with regulatory and governance requirements. It plays an important role in supporting the transformation strategy of the group and remains cognisant of its responsibility to ensure that remuneration practices in the group deliver shareholder value.

The mandate of the committee includes the matters contemplated in Principle 2.27 of King III and such related recommended practices as the Board, on recommendation by the committee, deems appropriate to adopt. The information contained in this report was approved by the Board on the recommendation of the Remuneration Committee. The governance section *(refer to page 96)* provides information on the structure of the committee and its members.

This report provides information on the 2016 financial year and presents information for the 2017 financial year. The Remuneration Committee has taken cognisance of the performance of the group, including the creation of value for its shareholders, and updated the remuneration policy to reflect alignment with group strategy and shareholder expectations.

This report is divided into the following sections:



REUNERT'S REMUNERATION PHILOSOPHY AND STRUCTURE

Reunert's remuneration policy supports the group's drive for performance. The remuneration policy aims to promote sustainable long-term growth by supporting the development of a culture that drives the execution of the group strategy and enables superior operational performance. Guaranteed pay and variable pay incentives are used to meet the strategic objectives of the company. Short and long-term incentives are available to employees at top and senior management level, and are based on the achievement of defined performance criteria and strategic execution that relate to the group's performance.

In accordance with the group's overall reward philosophy, the remuneration structure is designed to:

- attract, retain and motivate exceptional and effective individuals;
- be flexible enough to adjust to changing economic conditions and to the group's needs; and
- foster individual performance and teamwork.

The remuneration structure is achieved by establishing practices that are fair, reasonable and market-related, while maintaining an appropriate balance between employee and shareholder interests. Remuneration is structured to recognise individual contributions and collective results. There is a clear differentiation between executives and employees based on line-of-sight responsibility, accountability, competencies, work performance and scarcity of skills.

The remuneration philosophy translates into a remuneration structure that comprises three core elements.

Guaranteed package (GP): Base remuneration plus benefits.

Annual short-term incentives (STIs): Designed to instill a high-performance culture and to motivate and reward the attainment of short-term objectives.

Long-term incentives (LTIs): To retain employees and ensure that long-term behaviour and performance are aligned to shareholder interest.

The combination of these three elements is intended to ensure remuneration is directly linked to performance. To drive a pay-for-performance methodology, there is an increasing element of variable pay at senior management levels. For executive management, the targeted pay mix over a business cycle is made up as follows: GP: 50%, STI: 25% and LTI: 25%.

This targeted pay mix is intended to create a significant degree of alignment with shareholder interests, with the aim of driving sustainable value creation over a longer term.

ELEMENTS AND PURPOSE	PERFORMANCE PERIOD AND MEASURES	PARTICIPANTS	COMPOSITION AND PAYMENT
Guaranteed package The group aims to attract and retain individuals with talent, critical skills and an innovative and entrepreneurial bias. Benchmarking exercises are conducted to ensure that GP is competitive and market-related.	GP is reviewed annually and is based on individual performance, company performance, prevailing economic conditions and benchmarks. The average increase for all salaried employees was 5%.	All employees.	GP consists of base salary and company contributions toward retirement funding and health benefits. It is a fixed cost for the company and is set at median of relevant market data, i.e., up to the 50th percentile.
Short-term incentive STIs are discretionary and structured to reward the delivery of annual financial performance balanced with the achievement of strategic objectives. To ensure that the achievement of short-term financial performance is not at the expense of future growth opportunities or sustainability.	Performance is evaluated annually against set objectives. The financial KPI for executive directors is an earnings-per-share measure and, for all other executives, it is based on achieving business unit-specific operating profit targets.	Executives and nominated senior level managers. At the executive level, the maximum bonus that can potentially be earned is 140% of GP for executive directors, 130% of GP for business unit managing directors and 100% of GP for business unit executive teams. These percentages include the allocation of both financial targets and strategic KPIs. Senior level management and below are paid incentives at lower percentages of GP.	Payment is made annually. STIs are based on: > achieving the financial targets of the group; and > achieving the strategic objectives of the company. Financial targets constitute 70% of the STIs and strategic KPIs constitute 30% of the STIs. Incentives are not guaranteed – the full incentive payment is dependent on the achievement of predetermined financial targets and strategic objectives and measures. EE targets and external EE appointments are used as modifiers. Failure to achieve the required targets of the EE modifiers results in a downward modification of the incentive payout. Incentives are internally funded through increased profits from central and business unit pools (for group employees and business unit employees respectively).

REUNERT'S REMUNERATION PHILOSOPHY AND STRUCTURE continued

ELEMENTS AND PURPOSE	PERFORMANCE PERIOD AND MEASURES	PARTICIPANTS	COMPOSITION AND PAYMENT
LTI: The LTI scheme for the Reunert group is a Conditional Share Plan (CSP). LTIs are an integral part of the group's approach to competitive performance-based pay, and are aligned with shareholder returns.	Performance is evaluated annually, but vesting takes place over a four-year measurement period. There are two performance conditions: 1. Normalised headline earnings per share for continuing operations (NHEPS CO). 2. TSR relative to Reunert's position in the JSE Electrical and Electronics Index. Each performance criterion carries a 50% weighting and is evaluated against set measures that are determined annually by the Remuneration Committee.	Participants are members of senior management that are able to directly impact the financial performance of businesses in the group through the development and implementation of operational strategy.	Allocations are made annually, based on defined criteria (seniority of position, size of business unit and contribution of employee). The size of the allocation aims to maintain an appropriate level of employee incentives. Annual allocation may not exceed two times annual GP. Vesting occurs after four years if performance criteria are met.
LTI retention scheme: Retention of key employees is critical for business continuity.	The retention scheme vests over four and five years, with remaining in the employment of the group being the only criteria.	Participants in the retention scheme are those employees who are key to the success of the group, such as technical specialists, high-potential EE candidates and key succession candidates.	Allocations are made annually and may not exceed 20% of annual GP. Vesting occurs after four years (50%) and five years (50%).

Participants in the LTI can only benefit from either the performance scheme or the retention scheme. Participation in all schemes is at the discretion of the Remuneration Committee and is generally limited to employees whose role or contribution significantly influences the performance of the group.

The performance conditions of the CSP are as follows:

PERFORMANCE CONDITION 1: GROWTH IN NHEPS	
Measured against growth in NHEPS from continuing operations.[1]	For details, refer to *http://www.reunert.co.za/agm-and-financial-calendar.php*

[1] *NHEPS Continuing Operations (CO) is the financial NHEPS calculation, minus the notional interest on residual Nashua Mobile proceeds. The Nashua Mobile proceeds is net of any investments made and new projects invested into.*

PERFORMANCE CONDITION 2: RELATIVE TSR

POSITION IN INDEX[1]	% VESTING
1	100
2	75
3	55
4	40
5	30
6	20
7	12,5
8	7,5
9	2,5

LIFE OF SCHEME

The scheme will terminate after eight years from date of inception (2012).

Maximum participants and allocations for CSP:

Participants	Performance vesting	80
	Retention vesting	80
Number of units to be issued	Maximum annual allocations	1 250 000 units
	Scheme maximum allocations (over eight years)	10 000 000 units
% units allocated (to date)		36%

Note: The CSP units allocated at the Remuneration Committee meetings in November 2012 and 2013 are, at this stage, not expected to vest.

The Remuneration Committee has the discretion to maintain/increase alignment between management and shareholders. In the event of a corporate action that may be in the interest of shareholders but prejudicial to management under the CSP (for example, the payment of a special dividend), the Remuneration Committee will exercise this discretion to ensure continued alignment. Any such change will be motivated by the Remuneration Committee and reported to shareholders in the next remuneration report.

[1] *JSE Electrical and Electronics Index (J273).*

OVERVIEW OF 2016 AND THE ASSOCIATED AWARDS

FEEDBACK ON 2016 FOCUS AREAS

STRATEGIC PILLARS	KEY OBJECTIVES FOR 2016
Customers	Drive market leadership through customer-centricity by providing value-adding, integrated customer solutions.
People	To build an organisation that recognises and adds value to employees, because success is based on results-driven people who create value through continuous improvement. Reunert aims to develop a high-performance culture.
Efficiency	Improve efficiencies by continuing to refine business models.
Diversification	Diversify current revenue streams by: > the addition of new, early life cycle products and services; > improving geographic diversification; and > increasing solutions-based customer offerings.
Innovation	Design new and advanced products and services.
Transformation	Improve credibility and legitimacy with stakeholders by driving group transformation.

The progress on the key objectives for 2016 is disclosed in the strategy overview (refer to page 34), in the segment performance reviews (refer to pages 51 to 77) and the transformation strategy review (page 78).

2016 SHORT-TERM INCENTIVE AWARDS

Individual business units within each segment qualified for incentive payments by meeting targets set for the 2016 financial year.

Incentives awarded

STIs earned (R million)	2016	2015
Electrical Engineering	**18,6**	12,3
ICT	**6,8**	10,9
Applied Electronics	**9,7**	8,0
Head Office	**12,9**	7,5
Total STIs earned	**48,0**	38,7

The 2016 STIs can be settled in cash or restricted shares, in accordance with the rules of a new plan called a Deferred Bonus Plan (DBP). Context and the salient features of the DBP are contained below.

DEFERRED BONUS PLAN

During the financial years ended 30 September 2015 and 30 September 2016, the Remuneration Committee conducted a review of the current long-term share incentive scheme, the Reunert Limited CSP 2012 to determine if the incentive scheme was appropriate and relevant. The CSP was assessed against best practice (locally) and current market trends. This entailed a comprehensive comparison of the CSP against the LTI plans of companies similar in size to, and/or within the same sector as, Reunert. The information to conduct the review was obtained from external expert service providers, from internal research and the analysis of remuneration reports of JSE listed companies.

Feedback received from shareholders during stakeholder engagement recommended that Reunert executives invest their own capital in Reunert shares. To address this matter Reunert, with the endorsement of the Remuneration Committee, proposes to shareholders the implementation of a Deferred Bonus Plan. *Refer to resolution no 13* in the notice of annual general meeting.

The DBP will increase executive and shareholder alignment by encouraging executives to invest in Reunert shares. The DBP will also enhance the incentivisation, motivation and retention of executives and other employees identified by the Remuneration Committee.

Each year, the Remuneration Committee will determine the financial and strategic KPI targets for the STI. To the extent that these targets are achieved or exceeded, relevant individuals qualify for STIs.

The individuals who qualify for STIs will be offered the opportunity to participate in the DBP. Qualifying individuals who elect to participate in the DBP will receive their elected portion in the form of restricted shares in the company. The shares are classified as restricted shares because the qualifying individual will not be permitted to dispose of the restricted shares for the duration of the DBP. As a result of the shares being restricted, taxation is only paid at the end of the deferred period and when the restriction is lifted. The taxation table will be based on the market value of the shares at the time that they become unrestricted. Participants will be entitled to receive dividends during this period.

The Remuneration Committee will, in its discretion, decide on the period for which the restricted shares must be retained by participants. The duration period for the DBP will be reviewed on an annual basis with the minimum period being three years, up to a maximum of five years. For the first DBP, the duration will be for a period of three years from the end of the financial year in respect of which the participant qualified for an STI. When offering individuals the choice to participate in the DBP, the Remuneration Committee will also determine the quantum of the deferred bonus award participants will qualify for at the end of this period. This percentage may not exceed 100%.

At the end of the relevant period, the participant will be entitled to receive a cash award, which will be calculated as follows: the number of restricted shares held by the participant on the deferred bonus date multiplied by the 30-day volume weighted average share price for Reunert's shares on the deferred bonus date multiplied by the deferred bonus percentage.

As indicated above, employees will only qualify for STIs (and accordingly to participate in the DBP) to the extent that they have met the relevant stringent performance conditions set by the Remuneration Committee (i.e. "pay for performance" principle). Participants will be motivated to drive future performance to maximise both the growth in share price and the annual dividends, therefore aligning to shareholders' interest. The proposed DBP will not be dilutive. The restricted shares will be purchased on-market and the Deferred Bonus Award will be settled in cash. The DBP should be seen in conjunction with the CSP. It is the intention to utilise the DBP as part of the whole remuneration policy, particularly when the CSP has a reduced retention element. It is anticipated that the extent to which the DBP is used will reduce as the value that is potentially available to management under the CSP increases.

Reunert believes that performance is an integral element of the proposed DBP and further that the investment of employees' capital will ensure that the performance culture is maintained.

2016 LONG-TERM INCENTIVE AWARDS

The Remuneration Committee, in accordance with the rules of the CSP, allocated the following long-term incentive awards on 21 November 2016. These incentive awards will be measured against performance for financial years 2017 to 2020. The performance metrics for this allocation are available on the website at *http://www.reunert.co.za/agm-and-financial-calendar.php*

SCHEME	PERFORMANCE VESTING (CSP)	RETENTION VESTING (CSP)
Participants	54	60
Number of units to be issued	1 059 421	112 901

SERVICE CONTRACTS AND EARNINGS

EXECUTIVE DIRECTORS

Remuneration policies affecting executive directors

All executive directors are compensated according to the remuneration policy of the company. Employment contracts of executive directors are in accordance with the group's standard terms and conditions of employment and includes a notice period of six months. Executive directors do not receive extended employment contracts or special termination benefits. Executive directors do not receive additional remuneration for their attendance at Board or committee meetings.

Remuneration and interests

The remuneration of executive directors for the past two financial years is reflected in the tables below.

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

R'000	Salary	Bonus and performance-related payments[1]	Travel allowances	Retirement contributions	Medical contributions	Sub total	Deferred shares and other[2]	Total	Fair value of options received at grant date[4]
2016									
AE Dickson	**4 517**	**–**	**132**	**344**	**47**	**5 040**	**6 585**	**11 625**	**3 932**
M Moodley	**2 159**	**814**	**–**	**209**	**48**	**3 229**	**1 898**	**5 128**	**1 238**
MAR Taylor	**3 130**	**–**	**–**	**225**	**110**	**3 465**	**1 622**	**5 087**	**1 802**
NA Thomson	**3 636**	**674**	**–**	**250**	**114**	**4 674**	**3 818**	**8 492**	**2 237**
	13 442	**1 488**	**132**	**1 028**	**319**	**16 408**	**13 923**	**30 331**	**9 209**
2015									
AE Dickson	4 178	4 620	250	438	52	9 538	–	9 538	5 018
MC Krog[3]	1 662	500	49	162	–	2 373	–	2 373	–
M Moodley	1 032	2 214	–	91	27	3 364	–	3 364	921
MAR Taylor	2 890	1 980	–	285	125	5 280	–	5 280	2 116
NA Thomson	1 022	653	–	1 115	32	2 822	–	2 822	–
	10 784	9 967	299	2 091	236	23 377	–	23 377	8 055

[1] *In 2015, the group anticipated introducing a share matching plan, whereby an agreed portion of a director's short-term incentive would be utilised to purchase Reunert equities (restricted) in the market. At the end of a three-year period, the shares so held would be matched. Due to the dilutive impact of this proposal it was not introduced. Accordingly, the bonus deferred pending the scheme's introduction was paid out as a short-term incentive in February 2016.*

[2] *At their election, those directors who are entitled to a short-term incentive in 2016 can elect to receive their incentive in either cash or deferred shares or a combination thereof. Should the directors elect to take deferred shares, then the shares are acquired by the company from the market for the participating directors. These shares are restricted in nature and cannot be sold, pledged or alienated in any way for a period of three years from date of their acquisition. The value of the shares that vest after the three-year period will be matched in cash. Other includes a once-off relocation allowance paid to AE Dickson.*

[3] *MC Krog resigned from the Board on 31 March 2015.*

[4] *This has been determined using the fair value per option and the expected vesting probability of the non-market conditions at grant date. Assumes 44% of the four-year options will vest from the NHEPS performance (non-market condition). For further details relating to the valuation methodologies and assumptions used refer to note 20.*

REMUNERATION POLICIES AFFECTING NON-EXECUTIVE DIRECTORS

The appointment of non-executive directors requires approval by the Board, based on proposals received from the Nomination and Governance Committee.

Non-executive directors do not have service contracts with the company and are not eligible for any company incentives, such as participation in long-term share-based incentive plans.

The term of office for non-executive directors is governed by the company's MoI, which requires that directors must resign every three years, but may make themselves available for re-election by shareholders. Their tenure ends at the annual general meeting following their 70th birthday.

Non-executive directors receive a standard fee for their services on the Board and Board committees. The Remuneration Committee reviews the level of fees annually and makes recommendations to the Board for consideration. Fees are submitted for approval annually at the company's annual general meeting and changes are effective from 1 March each year.

Expenses

Travel and accommodation expenses of R170 072 were reimbursed to non-executive directors during the 2016 financial year and are not included in the table below.

Payments to non-executive directors

Amounts paid to non-executive directors as fees are reflected below.

	Company	
R'000	**2016**	2015
Non-executive directors		
Total paid for the year (all directors' and committee fees)		
TS Munday	**1 367**	1 405
T Abdool-Samad	**577**	633
SD Jagoe	**356**	521
P Mahanyele (appointed 1 October 2015)	**404**	–
S Martin	**576**	487
TJ Motsohi	**382**	342
NDB Orleyn	**554**	543
SG Pretorius	**575**	640
R van Rooyen	**636**	709
	5 427	5 280

OUTLOOK FOR 2017

LINKING REMUNERATION TO KEY OBJECTIVES

Remuneration is directly linked to financial performance and to the strategic KPIs that drive the execution of the group strategy. Financial targets and strategic KPIs determine the extent of the incentives paid to executives.

For information on the business units' strategic KPIs, refer to the focus areas and outlook in the segment performance reviews on *pages 51 to 77*.

The strategic KPIs for executive directors for 2017 are as follows:

STRATEGIC PILLARS	KEY OBJECTIVES FOR 2017
Diversification	Execution of strategy, with the main focus being on acquisitions, in accordance with group strategic rationale and objectives.
Transformation	Improve credibility and legitimacy with stakeholders by driving group transformation with specific focus on EE and increasing EE representation at management levels.
People	Development of Reunert group values to embed a values driven culture.

2017 STI

Participants

Number of participants	101
Maximum incentive	140% (100% financial and 40% strategic KPIs)

Financial targets for 2017

The NHEPS CO targets shown in the table below are the financial targets for the executive directors. The percentages shown are calculated in relation to the 2017 budget numbers, which is in accordance with the Reunert growth plan. The maximum payout for the achievement of financial targets is 100% of GP which can only be earned at Level 4.

NHEPS CO	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
	0,5%	6%	10%	15%

Different operating profit targets apply to each business unit participating in the STI. Should Reunert, in aggregate, not meet the above target growth rates, those business units that achieve their specific targets may still earn bonuses.

Sarita Martin
Chairman: Remuneration Committee

SUMMARISED FINANCIAL STATEMENTS AND OTHER INFORMATION

CURRENCY CONVERSION TABLE

To assist investors, the table below gives the approximate value of R1,00 against selected currencies at 30 September.

Currency	2016	2015
US Dollar	**0,0726**	0,0721
Pound Sterling	**0,0560**	0,0475
Euro	**0,0647**	0,0644
Australian Dollar	**0,0948**	0,1026
Japanese Yen	**7,3563**	8,6573
Swedish Krone	**0,6230**	0,6062
Swiss Franc	**0,0706**	0,0703

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INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF REUNERT LIMITED

The summarised consolidated financial statements, which comprise the summarised consolidated statement of financial position as at 30 September 2016, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited annual consolidated financial statements of Reunert Limited for the year ended 30 September 2016. We expressed an unmodified audit opinion on those annual consolidated financial statements in our report dated 21 November 2016. Our auditor's report on the audited annual consolidated financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (included below).

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited annual consolidated financial statements of Reunert Limited.

Directors' Responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting 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 the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited annual consolidated financial statements of Reunert Limited for the year ended 30 September 2016 are consistent, in all material respects, with those annual consolidated financial statements, in accordance with IAS 34 – Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 21 November 2016 states that as part of our audit of the annual consolidated financial statements for the year ended 30 September 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per: James Welch
Partner

21 November 2016

Building 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton, 2196

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 September 2016

R million	Notes	Audited 2016	2015	% change
Revenue		**8 511**	8 300	3
EBITDA		**1 433**	1 284	12
Depreciation and amortisation		**118**	117	1
Operating profit before interest, dividends and empowerment transactions	2	**1 315**	1 167	13
Net interest income and dividends	3	**137**	135	1
Profit before empowerment transactions		**1 452**	1 302	12
Empowerment transactions	4	**(113)**	–	
Profit before taxation		**1 339**	1 302	3
Taxation		**404**	360	(12)
Profit after taxation		**935**	942	(1)
Share of joint venture's profit		**28**	17	65
Profit for the year from continuing operations		**963**	959	–
Profit for the year from discontinued operation		**–**	42	
Profit for the year		**963**	1 001	(4)
Profit attributable to:				
Non-controlling interests		**9**	7	29
Equity holders of Reunert – from continuing operations		**954**	952	–
Equity holders of Reunert – from discontinued operation		**–**	42	
Cents				
Basic earnings per share	5, 6	**577**	604	(4)
Diluted earnings per share	5, 6	**572**	595	(4)
Basic earnings per share from continuing operations	5, 6	**577**	579	–
Diluted earnings per share from continuing operations	5, 6	**572**	570	–
Basic earnings per share from discontinued operation	5, 6	**–**	26	
Diluted earnings per share from discontinued operation	5, 6	**–**	25	

Cents	Notes	Audited 2016	2015	% change
Other measures of earnings per share				
Headline earnings per share	5, 6	**570**	588	(3)
Diluted headline earnings per share	5, 6	**565**	579	(2)
NHEPS	5, 6	**662**	580	14
Diluted NHEPS	5, 6	**656**	572	15
Other measures of earnings per share from continuing operations				
Headline earnings per share	5, 6	**570**	576	(1)
Diluted headline earnings per share	5, 6	**565**	568	(1)
NHEPS	5, 6	**662**	568	17
Diluted NHEPS	5, 6	**656**	560	17
Total cash dividend per share for the year		**439**	407	8

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2016

R million	Audited 2016	2015
Profit for the year	**963**	1 001
Other comprehensive income, net of taxation:		
Items that may be reclassified subsequently to profit or loss		
(Losses)/gains arising from translating the financial results of foreign subsidiaries	**(19)**	3
Total comprehensive income	**944**	1 004
Total comprehensive income attributable to:		
Non-controlling interests	**3**	7
Share of comprehensive income	**9**	7
Share of translation loss	**(6)**	–
Equity holders of Reunert – from continuing operations	**941**	955
Equity holders of Reunert – from discontinued operation	**–**	42

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2016

R million	Notes	Audited 2016	2015
Non-current assets			
Property, plant and equipment, investment properties and intangible assets		**1 019**	745
Goodwill	7	**737**	653
Investments and loans	8	**53**	95
Investment in joint ventures		**152**	158
Rental and finance lease receivables		**1 449**	1 463
Deferred taxation		**104**	92
		3 514	3 206
Current assets			
Inventory		**1 295**	990
Rental and finance lease receivables		**695**	728
Accounts receivable and taxation		**2 008**	1 689
Derivative assets	9	**15**	22
Money market instruments		**670**	–
Cash and cash equivalents		**1 712**	2 713
Assets of discontinued operation		**–**	51
		6 395	6 193
Total assets		**9 909**	9 399
Equity attributable to equity holders of Reunert		**7 011**	6 679
Non-controlling interests		**81**	46
Total equity		**7 092**	6 725
Non-current liabilities			
Deferred taxation		**102**	98
Long-term borrowings	10	**43**	239
		145	337
Current liabilities			
Accounts payable, provisions and taxation		**2 037**	2 003
Derivative liabilities	9	**6**	7
Bank overdrafts and short-term loans		**400**	77
Current portion of long-term borrowings	10	**229**	201
Current liabilities of discontinued operation		**–**	49
		2 672	2 337
Total equity and liabilities		**9 909**	9 399

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2016

R million	Note	Audited 2016	2015
EBITDA		**1 433**	1 329
EBITDA from continuing operations		**1 433**	1 284
EBITDA from discontinued operation		**–**	45
(Increase)/decrease in net working capital		**(396)**	62
Other (net)		**50**	79
Cash generated from operations		**1 087**	1 470
Net interest and dividends		**137**	133
Taxation paid		**(431)**	(415)
Dividends paid (including to non-controlling interests)		**(690)**	(629)
Net inflow from operating activities		**103**	559
Net (outflow)/inflow from investing activities		**(1 205)**	1 641
Capital expenditure		**(222)**	(146)
Net (outflow)/inflow from disposal of businesses		**(23)**	1 789
Net outflow arising from acquisition of businesses	11	**(462)**	(19)
Movement in total rental and finance lease receivables		**14**	(2)
Non-current loans repaid/(granted)		**43**	(5)
Proceeds from investment in insurance cell captive		**48**	–
Dividends received from joint venture		**35**	10
Investments net of other capital items*		**(638)**	14
Net (outflow)/inflow from financing activities		**(222)**	21
Shares issued		**25**	32
Investment in treasury shares		**(28)**	–
Net long-term borrowings repaid		**(181)**	(3)
Equity transactions with non-controlling interests		**(40)**	(21)
Other		**2**	13
(Decrease)/Increase in net cash resources		**(1 324)**	2 221
Net cash resources at the beginning of the year		**2 636**	415
Net cash resources at the end of the year		**1 312**	2 636
Cash and cash equivalents		**1 712**	2 713
Bank overdrafts		**(327)**	–
Short-term borrowings		**(73)**	(77)
Net cash resources at the end of the year		**1 312**	2 636

* *This includes R670 million investment in long-dated money market instruments.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2016

R million	Audited 2016	2015
Share capital	**343**	318
Balance at the beginning of the year	**318**	294
Issue of shares	**25**	32
Cancellation of issued shares	**–**	(8)
Share-based payment reserve	**136**	16
Balance at the beginning of the year	**16**	–
Share-based payment expense	**120**	16
Equity transactions with empowerment partners and non-controlling shareholders	**–**	–
Balance at the beginning of the year	**–**	–
Net changes in non-controlling interests	**(40)**	(10)
Transferred to retained earnings	**40**	10
Empowerment shares*	**(276)**	(276)
Treasury shares	**(28)**	–
Balance at the beginning of the year	**–**	–
Shares bought back during the year	**(28)**	–
Foreign currency translation reserves	**(7)**	6
Balance at the beginning of the year	**6**	3
Other comprehensive income	**(13)**	3
Non-distributable reserves	**1**	–
Balance at the beginning of the year	**–**	–
Increase in capital reserve	**1**	–
Retained earnings	**6 842**	6 615
Balance at the beginning of the year	**6 615**	6 561
Total comprehensive income attributable to equity holders of Reunert	**954**	994
Cash dividends declared and paid	**(687)**	(625)
Cancellation of issued shares	**–**	(305)
Transfer to reserves**	**(40)**	(10)
Equity attributable to equity holders of Reunert	**7 011**	6 679
Non-controlling interests	**81**	46
Balance at the beginning of the year	**46**	63
Share of total comprehensive income	**3**	7
Dividends declared and paid	**(3)**	(4)
Net changes in non-controlling interests	**35**	(20)
Total equity at end of the year	**7 092**	6 725

* *These are shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to an accredited empowerment partner in 2007.*
Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the group as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.

** *Impact of the final settlement of prior empowerment transactions.*

SUMMARISED SEGMENTAL ANALYSIS

for the year ended 30 September 2016

R million	Audited 2016	% of total	2015	% of total	% change
Revenue[1]					
Electrical Engineering	**4 106**	**46**	4 112	45	–
ICT	**3 332**	**37**	3 431	37	(3)
ICT – discontinued	**–**	**–**	530	6	
Applied Electronics	**1 505**	**17**	1 081	12	39
Other	**21**	**–**	23	–	(9)
Total segment revenue	**8 964**	**100**	9 177	100	(2)
Revenue from equity-accounted joint venture – Electrical Engineering	**(453)**		(347)		–
Revenue from discontinued operation – ICT	**–**		(530)		
Revenue as reported	**8 511**		8 300		3
Operating profit					
Electrical Engineering	**610**	**45**	520	42	17
ICT[2]	**549**	**41**	533	43	3
ICT – discontinued	**–**	**–**	44	4	
Applied Electronics	**305**	**23**	181	15	69
Other[2]	**(111)**	**(9)**	(42)	(4)	(164)
Total segment operating profit	**1 353**	**100**	1 236	100	9
Operating profit from equity-accounted joint venture – Electrical Engineering	**(38)**		(25)		
Operating profit from discontinued operation – ICT	**–**		(44)		(100)
Operating profit as reported	**1 315**		1 167		13

[1] *Inter-segment revenue is immaterial and has not been separately disclosed.*
[2] *Net interest charged on group funding provided to Quince has been eliminated in line with the consolidation principles of IFRS. This elimination amounted to R95 million (2015: R77 million).*

SUMMARISED SEGMENTAL ANALYSIS

as at 30 September 2016

R million	Audited 2016	% of total	2015	% of total
Total assets				
Electrical Engineering	**2 699**	**27**	1 900	20
ICT	**4 084**	**41**	3 976	43
Applied Electronics	**1 477**	**15**	979	10
Other[3]	**1 649**	**17**	2 544	27
Total assets as reported	**9 909**	**100**	9 399	100

[3] *Other consists mainly of group treasury cash balances.*

NOTES

1. BASIS OF PREPARATION

These summarised consolidated financial statements were prepared in accordance with the framework concepts and the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Boards (IASB) in issue and effective for the group at 30 September 2016 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. This summarised consolidated information was prepared using, at a minimum, the information as required by IAS 34 – Interim Financial Reporting, and the requirements of the Companies Act, 71 of 2008, of South Africa. This report was compiled under the supervision of N A Thomson CA(SA) (chief financial officer).

The group's accounting policies, as per the audited financial statements for the year ended 30 September 2016, were consistently applied with those used in the prior year financial statements. These accounting policies comply with IFRS.

R million	Audited 2016	2015
2. OPERATING PROFIT		
Operating profit includes:		
– Cost of sales	**5 402**	5 416
– Other expenses excluding depreciation and amortisation	**1 731**	1 652
– Other income	**45**	31
– Realised gain/(loss) on foreign exchange and derivative instruments	**26**	(13)
– Unrealised (loss)/gain on foreign exchange and derivative instruments	**(16)**	34
3. NET INTEREST INCOME AND DIVIDENDS		
Interest income and dividends*	**164**	150
Interest expense	**(27)**	(16)
Other	**–**	1
Total	**137**	135
4. EMPOWERMENT TRANSACTIONS		
Share-based payment charges**	**113**	–
Taxation thereon	**–**	–
Net empowerment transactions after taxation	**113**	–

** Includes dividends of R8 million (2015: Rnil).*
*** This represents IFRS 2 (Share-based Payment) charges as a result of the introduction of empowerment partners in the Electrical Engineering and Applied Electronics segment.*

5. NUMBER OF SHARES USED TO CALCULATE EARNINGS PER SHARE		
Weighted average number of shares in issue used to determine basic earnings, headline earnings and NHEPS (millions of shares)	**165**	165
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**2**	2
Weighted average number of shares used to determine diluted basic, headline and normalised headline earnings per share (millions of shares)	**167**	167

	R million	Audited 2016	2015
6.	**HEADLINE EARNINGS**		
6.1	**Profit attributable to equity holders of Reunert from continuing operations**	**954**	952
	Headline earnings are determined by eliminating the effect of the following items from attributable earnings:		
	Net gain on disposal of property, plant and equipment (after a tax charge of R2 million and non-controlling interest (NCI) portion of Rnil) (2015: R1 million)	**(20)**	(4)
	Impairment of intangible asset (after a tax credit of R3 million and NCI portion of R2 million) (2015: after tax charge and NCI of Rnil)	**8**	–
	Headline earnings from continuing operations	**942**	948
	Headline earnings from discontinued operation	**–**	20
	Headline earnings	**942**	968
6.2	**Normalised headline earnings#**		
	Headline earnings from continuing operations	**942**	948
	Normalised headline earnings are determined by eliminating the effect of the following items from attributable headline earnings:		
	Recurring IFRS 2 charges on BBBEE deals undertaken in the current year (after tax charge and NCI portion of Rnil)	**113**	–
	Merger and acquisition costs relating to current transactions (after tax charge and NCI portion of Rnil)	**39**	–
	Net economic interest in profit attributable to non-controlling interests with outstanding equity-related loan accounts. These are not recognised as significant risks and rewards of ownership have not passed to the non-controlling shareholders.	**–***	(13)
	Normalised headline earnings from continuing operations	**1 094**	935
	Headline earnings attributable to equity holders of Reunert from discontinued operation	**–**	20
	Normalised headline earnings	**1 094**	955

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

The summarised pro forma financial effects have been prepared in a manner consistent in all respects with IFRS, the accounting policies adopted by Reunert Limited as at 30 September 2016, the revised SAICA guide on pro forma financial information, and the Listings Requirements of the JSE.

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

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

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

** This adjustment is not required in 2016 as Reunert bought back the non-controlling interests during the year.*

	R million	Audited 2016	2015
7.	**GOODWILL**		
	Carrying value at the beginning of the year	**653**	649
	Acquisition of businesses[1]	**90**	13
	Disposals of businesses and subsidiaries	**–**	(6)
	Exchange differences on consolidation of foreign subsidiaries	**(6)**	(3)
	Carrying value at the end of the year	**737**	653
8.	**INVESTMENTS AND LOANS**		
	Loans – at cost	**37**	81
	Investment in insurance cells – at fair value	**16**	14
	Carrying value at the end of the year	**53**	95
9.	**FAIR VALUE CLASSIFICATION AND MEASUREMENT**		
	At the balance sheet date, the only financial instruments that the group held at fair value were:		
	Derivative assets	**15**	22
	Derivative liabilities	**6**	7
	These were classified as Level 2 instruments in the fair value hierarchy and comprise forward exchange contracts and interest rate swaps. The fair value of these derivative financial instruments is calculated using a discounted cash flow model, with the major variables being the discount rate, the spot exchange rate and prevailing interest rates.		
	The calculations were performed by major financial institutions.		
10.	**LONG-TERM BORROWINGS**		
	Total long-term borrowings (including finance leases)[2]	**272**	440
	Less: short-term portion (including finance leases)	**(229)**	(201)
		43	239

[1] *At 30 September 2016, the purchase price allocation of the acquisitions made in 2016 were not yet finalised and therefore the amounts reported are provisional and subject to change.*

[2] *These borrowings include R200 million (2015: R400 million) in respect of the Quince rental book, which is repayable in May 2017 (2015: R200 million).*

R million	Audited 2016	2015
11. ACQUISITION OF BUSINESSES		
During the current year, the following entities were acquired by the group:		
– **Metal Fabricators of Zambia Plc:** With effect from 26 August 2016, 74,39% of the share capital of Zamefa was purchased by Reunert International Investments (Mauritius) Limited. The R40 million goodwill arising from this acquisition consists mostly of synergies expected to be realised with the group's existing energy cable businesses and through the facilitation of Zambian copper procurement which is utilised extensively in cable production.	**153**	–
– **Omnigo Proprietary Limited:** With effect from 1 December 2015, 100% of the share capital of Omnigo Proprietary Limited was purchased by Reutech Proprietary Limited. In addition to the base purchase price, there is a further contingent purchase consideration estimated at a net present value of R51 million payable over three years subject to the achievement of pre-defined threshold targets. The R40 million in goodwill arising from the acquisition is attributable to the synergies from the vertical integration with the group's other businesses in the Applied Electronics segment.	**22**	–
– **Polybox Proprietary Limited:** With effect from 1 October 2015, 51,12% of the share capital of Polybox Proprietary Limited was purchased by CBI Proprietary Limited. The R10 million in goodwill is attributable to the combination of the Polybox product in conjunction with CBI Low Voltage's circuit breakers to provide a weather-proof solution to customers.	**5**	–
Cost of investment	**180**	–
Net borrowings at time of acquisition	**282**	–
Net cash flows on acquisition of businesses	**462**	–
Minority interest	**32**	–
	494	–
Gross assets acquired:		
Deferred taxation	**19**	–
Property, plant and equipment and intangible assets	**201**	–
Inventory	**151**	–
Current accounts receivable	**443**	–
Non-current payables	**(12)**	–
Payables and provisions	**(398)**	–
Goodwill	**90**	–
Net assets acquired	**494**	–
Revenue since acquisition	**439**	–
Profit after taxation since acquisition	**24**	–
Revenue for the 12 months ended 30 September 2016, as though the acquisition dates had been 1 October 2015	**1 881**	–
Profit after taxation for the 12 months ended 30 September 2016 as though the acquisition dates had been 1 October 2015	**111**	–

12. UNCONSOLIDATED SUBSIDIARY

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

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

– The difficult economic circumstances in Zimbabwe have resulted in a major liquidity crisis, which renders Reunert's access to economic benefits from Cafca (e.g. dividends) such that it does not have the ability to affect its variable returns through its powers over Cafca.

The amounts involved are not material to the group's results.

At 30 September 2016 Cafca's share capital and reserves amounted to US$15 million.

13. RELATED PARTY TRANSACTIONS

Counterparty R million	Relationship	Sales	Purchases	Treasury shares
All related-party transactions, trading accounts and loan balances are on the same terms and conditions as those with non-related parties.				
September 2016				
CBI-electric: Telecom Cables Proprietary Limited	A joint venture	1	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	276
September 2015				
CBI-electric: Telecom Cables Proprietary Limited	A joint venture	2	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	276

14. LITIGATION

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

15. EVENTS AFTER REPORTING DATE

Effective from 1 October 2016, the group acquired all the issued share capital and shareholder loans in Nanoteq Proprietary Limited, a company specialising in military grade encryption. The company was purchased for a total cash consideration of R130 million and will form part of the Applied Electronics segment.

ADDITIONAL INFORMATION

R million	Audited 2016	2015
Current ratio (:1)	**2,4**	2,6
Quick ratio (:1)	**1,9**	2,2
Dividend Yield (%)	**7,2**	6,7
Net number of ordinary shares in issue (million)	**165**	165
Number of ordinary shares in issue (million)	**184**	184
Less: Empowerment shares (million)	**(19)**	(19)
Capital expenditure	**222**	146
– expansion	**174**	104
– replacement	**48**	42
Capital commitments in respect of property, plant and equipment	**60**	68
– contracted	**10**	41
– authorised not yet contracted	**50**	27
Commitments in respect of operating leases	**63**	75
Contingent liabilities	**–**	–

SHARE OWNERSHIP ANALYSIS

as at 30 September 2016

Shareholder spread	Number of shareholders	%	Number of shares (millions)	%
1 – 1 000 shares	5 810	72,2	1	0,8
1 001 – 10 000 shares	1 602	19,9	5	2,8
10 001 – 100 000 shares	457	5,7	15	8,1
100 001 – 1 000 000 shares	142	1,7	41	22,3
1 000 001 shares and over	37	0,5	122	66,0
Total	8 048	100,0	184	100,0

Public/non-public shareholders	Number of shareholders	%	Number of shares (millions)	%
Non-public shareholders	5	0,1	45	24,3
Strategic holdings	1		25	13,7
Bargenel Investments Proprietary Limited[1]	1		19	10,1
Reunert Share Option Trust	3		1	0,5
Public shareholders	8 043	99,9	139	75,7
Total	8 048	100,0	184	100,0

Beneficial shareholders holding 5% or more			Number of shares (millions)	%
Government Employees' Pension Fund			25	13,7
Bargenel Investments Proprietary Limited[1]			19	10,1

	2016 Number of shares (millions)	**%**	2015 Number of shares (millions)	%
Major holdings through fund managers in excess of 5%				
Allan Gray Proprietary Limited	**23**	**12,5**	25	13,6
Public Investment Corporation Limited	**21**	**11,3**	24	13,1
Old Mutual Investment Group (South Africa) Proprietary Limited	**12**	**6,6**	13	7,3
Sanlam Investment Management Proprietary Limited	*	*	9	5

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

TEN-YEAR REVIEW

R million	2016	2015	2014	2013[1]
CONDENSED STATEMENTS OF FINANCIAL POSITION				
Assets				
Property, plant and equipment and investment property	**904**	674	644	631
Intangible assets	**115**	71	78	82
Goodwill	**737**	653	649	792
Investments and loans	**53**	95	92	129
Investments in joint ventures	**152**	158	149	170
Non-current rental and finance lease receivables	**1 449**	1 463	1 465	1 378
Deferred taxation assets	**104**	92	51	55
Cash and cash equivalents	**1 712**	2 713	697	611
Other current assets[2]	**4 683**	3 480	5 757	3 525
Total assets	**9 909**	9 399	9 582	7 373
EQUITY AND LIABILITIES				
Ordinary and preference equity holders of Reunert	**7 011**	6 679	6 269	4 878
Non-controlling interests	**81**	46	63	59
Total equity	**7 092**	6 725	6 332	4 937
Deferred taxation liabilities	**102**	98	121	132
Non-current liabilities of discontinued operation	**–**	–	251	–
Long-term borrowings	**43**	239	425	25
Current liabilities[2]	**2 672**	2 337	2 453	2 279
Total equity and liabilities	**9 909**	9 399	9 582	7 373
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME				
Revenue	**8 511**	8 300	7 774	7 247
Operating profit	**1 315**	1 167	1 017	1 102
Net interest and dividends income	**137**	135	(10)	12
Profit before abnormal items	**1 452**	1 302	1 007	1 114
Abnormal items	**(113)**	–	(327)	–
Profit before taxation	**1 339**	1 302	680	1 114
Taxation	**(404)**	(360)	(278)	(313)
Profit after taxation	**935**	942	402	800
Share of joint ventures (losses)/profits	**28**	17	(12)	10
Profit for the year of asset held for sale	**–**	42	1 584	162
Share of associate companies' profits / (losses)	**–**	–	–	–
Profit for the year	**963**	1 001	1 974	972
Profit for the year attributable to:				
Non-controlling interests	**9**	7	3	14
Equity holders of Reunert	**954**	994	1 971	959
Headline earnings attributable to equity holders of Reunert	**942**	968	829	952
CONDENSED CASH FLOW STATEMENTS				
EBITDA	**1 433**	1 329	1 315	1 439
Changes in net working capital	**(396)**	62	(44)	(150)
Cash generated from operations	**1 037**	1 391	1 271	1 289
Net interest and dividends received	**137**	133	(6)	16
Taxation paid	**(431)**	(415)	(332)	(361)
Dividends paid	**(690)**	(629)	(612)	(612)
Other (net)	**50**	79	(93)	(11)
Net cash flows from operating activities	**103**	559	228	321
Net cash flows from investing activities	**(1 205)**	1 641	(494)	(693)
Net cash flows from financing activities	**(222)**	21	439	45
Net cash generated/(utilised)	**(1 324)**	2 221	173	(327)

[1] *Restated to reflect the changes in accounting standards as well accounting for Nashua Mobile as an asset held for sale.*

[2] *In years prior to 2008 inventory items were shown net of advance payments received from customers. These advance payments are now disclosed in current liabilities.*

[3] *The 2012 cash flow statement was restated to include the movement in total rental and finance lease receivables as part of investing activities instead of operating activities as this represents the group's investment in resources intended to generate future income. The cash flow movements for the years up to and including 2011 have not been restated.*

2012	2011	2010	2009	2008	2007
625	612	594	559	570	566
82	90	42	28	22	13
707	655	492	460	415	373
64	46	838	854	865	728
–	–	–	–	–	–
1 067	966	846	994	1 275	–
33	32	40	29	32	38
697	643	1 878	1 701	877	530
3 313	3 062	3 223	3 072	3 620	2 631
6 588	6 106	7 953	7 697	7 676	4 879
4 443	3 881	4 433	4 034	3 675	2 469
56	55	38	27	21	14
4 499	3 936	4 471	4 061	3 696	2 483
127	99	122	140	208	116
–	–	–	–	–	–
25	1	711	711	713	279
1 937	2 070	2 649	2 785	3 059	2 001
6 588	6 106	7 953	7 697	7 676	4 879
11 662	10 923	10 675	10 271	10 921	9 574
1 524	1 391	1 263	1 210	1 594	1 363
42	41	59	39	40	11
1 566	1 432	1 322	1 249	1 634	1 374
–	347	(34)	299	–	(448)
1 566	1 779	1 288	1 548	1 634	926
(483)	(426)	(377)	(374)	(486)	(427)
1 083	1 353	911	1 173	1 148	499
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	16	148
1 083	1 353	911	1 173	1 164	647
16	16	12	9	7	8
1 067	1 338	899	1 164	1 157	639
1 067	989	903	1 163	1 160	481
1 661	1 513	1 376	1 307	1 681	1 437
(192)[3]	48	318	757	(327)	(740)
1 469	1 561	1 694	2 064	1 354	697
42	41	60	38	127	157
(447)	(438)	(408)	(478)	(411)	(569)
(577)	(499)	(457)	(550)	(569)	(879)
26	(2)	26	43	17	24
513	(663)	915	1 117	518	(570)
(499)[3]	485	(313)	(131)	(921)	1 008
42	(1 769)	(104)	3	(380)	275
56	(621)	498	989	(783)	713

TEN-YEAR REVIEW continued

R million		2016	2015	2014	2013
SHARES					
Number of ordinary shares on which earnings per share is calculated	millions	**165**	165	164	163
Net worth per share	cents	**4 237**	4 047	3 816	2 980
Basic earnings per share	cents	**577**	604	1 202	588
Headline earnings per share	cents	**570**	588	506	583
NHEPS	cents	**662**	580	553	569
Dividends per share – normal	cents	**439**	407	370	370
Dividend cover	times	**1,5**	1,4	1,5	1,5
Cash flow per share	cents	**481**	722	406	597
Cash flow per share (excluding rental book)	cents	**481**	722	406	597
Ordinary shares in issue (net of treasury shares)	millions	**165**	165	164	164
Number of transactions – JSE		**151 272**	173 619	174 939	147 988
Number of shares traded	millions	**96**	134	119	102
Value of shares traded	Rm	**6 277**	8 383	7 866	7 494
Number of shares traded as a percentage of gross issued shares		**52**	73	63	51
Market price per share					
– year end	cents	**6 110**	6 100	5 947	7 266
– highest	cents	**7 540**	6 924	8 200	8 791
– lowest	cents	**5 980**	5 398	5 567	6 200
Earnings yield	%	**11**	10	9	8
Dividend yield	%	**7**	7	6	5
Price: Earnings ratio	times	**9**	11	11	13
Market capitalisation (net of empowerment and treasury shares)	Rm	**10 112**	10 067	9 774	11 897
JSE actuaries' electronics sector index at 30 September		**7 079**	7 781	10 184	11 399
Profitability, asset management, liquidity and leverage					
EBITDA as a percentage of revenue[3]	%	**16,8**	15,5	14,5	16,8
Operating margin (%)	%	**15,5**	14,1	13,1	15,2
Net asset turn	times	**1,7**	1,7	1,7	1,6
Normalised return on shareholders' funds (ROE)	%	**16,0**	14,8	18,6	19,9
Return on net operating assets	%	**25,8**	23,9	26,5	29,6
Taxation as a percentage of profit before taxation[4]	%	**27,8**	27,6	33,9	27,7
Total liabilities to total shareholders' funds[5]	%	**38,3**	38,3	49,4	47,9
Current ratio		**2,4**	2,6	2,6	1,8
Quick ratio		**1,9**	2,2	2,2	1,6
Interest cover	times	**49,0**	72,9	41,3	99,3
Human capital					
Employees at year-end	number	**6 492**	5 853[4]	5 654	5 553
Work-related fatalities	number	**1**	0	0	0
Revenue per employee	R'000	**1 311**	1 418	1 375[2]	1 305[2]
Operating profit per employee	R'000	**203**	199	180[2]	199[2]
Wealth created per employee	R'000	**646**	681	593[2]	696
Employment cost per employee	R'000	**293**	303	296[2]	282[2]
Training and development spend	Rm	**42**	40	38	24
Social and relationship capital					
Community investments (SED)	R'000	**14**	14	9	12
ESD spend	R'000	**53**	37	63	42
Natural capital					
Electricity consumption	MWh	**45 427**	43 643	53 195	52 443
Water consumption	Ml	**340**	341	369	339
CO_2e Scope 1 & 2	Tonnes	**51 588**	50 116	58 936	61 534
Total CO_2e emissions per Rm revenue	tonnes	**5,8**	5,8	5,2	7,0

[1] *The 2012 information was recalculated.*
[2] *The information was restated to exclude Nashua Mobile as this is accounted for as a discontinued operation.*
[3] *The 2008 percentages have been increased by 1,3% each as a result of the NSN commission now disclosed in operating income, whereas income from NSN was previously disclosed as income from associates.*
[4] *Excludes employees from joint venture.*

2012	2011	2010	2009	2008	2007
162	165	179	179	178	177
2 732	2 401	2 502	2 258	2 060	1 390
658	809	503	652	650	362
658	598	506	652	652	272
644	590	516	500	630	570
370	330	287	253	319	314
1,7	1,8	1,8	2,0	2,0	0,9
673[1]	703	767	798	629	345
673[1]	639	636	797	648	515
163	162	177	179	178	178
109 185	99 875	85 444	71 666	67 690	70 848
90	106	134	108	130	176
6 107	6 579	7 645	4 781	8 020	13 549
45	53	68	55	66	90
6 895	5 885	6 201	5 600	5 749	6 700
8 170	6 970	6 247	5 900	8 049	8 800
5 700	5 101	4 950	3 201	4 528	6 325
9	10	8	12	11	4
5	6	5	5	6	5
11	10	12	11	9	12
11 215	9 512	10 988	10 006	10 257	11 904
10 710	9 780	10 462	9 866	10 705	13 886
14,2	13,9	12,9	12,0	15,2	14,5
13,1	12,7	11,8	11,1	14,4	13,8
3,1	2,9	2,9	2,9	3,4	5,4
25,1	23,5	21,8	23,1	36,5	48,6
40,6	36,6	34,1	32,0	50,1	82,4
30,9	29,7	28,5	27,0	29,8	32,2
43,6	52,6	75,1	86,7	102,6	92,3
2,1	1,8	2,2	1,7	1,5	1,7
1,6	1,4	1,9	1,5	1,2	1,3
142,5	210,8	175,4	54,0	36,8	25,6
6 654	6 324	6 422	6 321	7 196	6 523
0	0	0	0	2	0
1 753	1 727	1 662	1 625	1 518	1 468
229	220	197	180	219	202
594	636	527	530	477	383
253	248	229	194	172	166
18	10				
15	10				
49	38				
57 167	56 565	59 748	61 579		
310	290	317	310		
67 110	63 957				
6,0					

FINANCIAL VALUE-ADDED STATEMENT

R million	2016 continuing operations	%	2015 continuing operations	%	% change 2016 over 2015
Revenue	**8 511**		8 300		3
Paid to suppliers for materials and services	**4 461**		4 486		(1)
Value added	**4 050**	96	3 814	96	6
Income from investments	**164**	4	151	4	9
Total wealth created	**4 214**	100	3 965	100	6
Distributed as follows:					
Employees	**1 899**	45	1 776	45	7
Providers of capital	**690**	17	629	16	10
Providers of debt	**27**	–	16	–	69
Payments to government	**1 055**	25	1 064	27	(1)
SED[1]	**67**	2	50	1	34
Retained in the group to develop future growth	**476**	11	430	11	11
Total wealth distributed	**4 214**	100	3 965	100	6

[1] *Includes ESD and CSI contributions.*

APPENDICES

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ABBREVIATIONS AND ACRONYMS

ACSR	Aluminium Conductor Steel-Reinforced
BBBEE	Broad-Based Black Economic Empowerment
BBBEE Codes of Good Practice	BBBEE Codes
BEE	Black Economic Empowerment
business unit	companies that form part of a segment
CBiD	Cable theft prevention system
CDP	Carbon Disclosure Project
CNR	Combat net radios
COBIT	Control Objectives for Information and Related Technologies
CODESA	Convention for a Democratic South Africa
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer price index
CPS	Cents per share
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
CSP	Conditional Share Plan
DBP	Deferred Bonus Plan
Deloitte	Deloitte & Touche
DoA	Delegation of Authority
dti	Department of Trade and Industry
EE	Employment equity
EPC	Engineering and procurement contractor
ERP	Enterprise resource planning
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
FAWU	Food and Allied Workers Union
FTF	First-time-fix
FTTH	Fibre-to-the-home
GAI	Governance Assessment Instrument of IoDSA
GDP	Gross domestic product
GHG	Greenhouse gas
GP	Guaranteed package
GPR	Ground-penetrating radar
GHG Protocol	Greenhouse Gas Protocol
GRI	Formerly the Global Reporting Initiative
GTC	Group Transformation Committee
HR	Human resources
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
<IR> Framework	Reporting <IR> Framework
IoDSA	Institute of Directors in Southern Africa NPC
IP	Intellectual property
ISO	International Organization for Standardization
IT	Information technology
JSE	Johannesburg Stock Exchange
JSE Listings Requirements	JSE Limited Listings Requirements
King III	King Report on Governance for South Africa, 2009
King IV	King Report on Corporate Governance for South Africa, 2016
KPIs	Key performance indicators
LECAWU	Lesotho Clothing and Allied Workers Union
LMS	Learning Management System
LTE	Long-term evolution
LTIs	Long-term incentives
MEIBC	The Metal and Engineering Industries Bargaining Council
MEWUSA	Metal and Electrical Workers Union of South Africa
MFP	Multi-functional printer

MoI	Memorandum of Incorporation
MPS	Managed Print Solutions
MSR	Movement and surveying radar
MTTR	Mean time to repair
Nanoteq	Normalised headline earnings per share for continuing operations
NATO	North Atlantic Treaty Organization
NCCF	Nashua Children's Charity Foundation
NHEPS	Normalised headline earnings per share
NHEPS CO	Normalised headline earnings per share for continuing operations
NPS®	Net Promoter Score®
NRCS	National Regulator for Compulsory Specifications
NUMSA	National Union of Metal Workers of South Africa
NUBEGW	National Union of Building Engineering General Workers
OEMs	Original equipment manufacturers
OHSA	Occupational Health and Safety Act
OHSAS	Occupational Health and Safety Assessment Series
Omnigo	Omnigo Proprietary Limited
PCB	Printed circuit boards
PBX	Private branch exchange
PoPs	Points of presence
PPPFA	Preferential Procurement Policy Framework Act
PVC	Polyvinyl chloride
REIPP	Renewable energy independent power producers
Reunert	Reunert Limited
ROE	Return on equity/Return on shareholders' funds
RoHS	Restriction of Hazardous Substances
SABS	The South African Bureau of Standards
SACWU	South African Chemical Workers Union
SADI	South African Defence Industry
SANDF	South African National Defence Force
SANParks	South African National Parks
SAPS	South African Police Service
SED	Socio-economic development
segment	Refers to one of the three segments of Reunert – Electrical Engineering, Information Communication Technologies (ICT) and Applied Electronics
SEIFSA	Steel and Engineering Industries Federation of Southern Africa
SENS	Stock Exchange News Service
SMEs	Small and medium enterprises
SMME	Small, medium and micro enterprises
SOEs	State-owned enterprises
SSP	Sub-Surface Profiler
STIs	Short-term incentives
TDV	Total document volume
the Companies Act	The Companies Act, 71 of 2008 (as amended)
the group	Reunert and its operations
TSR	Total shareholder return
UNGC	United Nations Global Compact
USA	United States of America
VPBX	Virtual PBX
XLPE	Cross-linked polyethylene
Zamefa	Metal Fabricators of Zambia Plc
Zerotox	Cable insulation compound that does not emit noxious gases in case of an underground fire

DEFINITIONS AND FORMULAE

AVERAGE NET OPERATING ASSETS
The average of the opening and closing balance of each year.

AVERAGE ORDINARY SHAREHOLDERS' FUNDS
The average of the opening and closing balances of each year.

CASH FLOW PER SHARE (CENTS)
Cash flow from operating activities before dividends paid
÷
Weighted average shares in issue during the year

CURRENT RATIO
Current assets
÷
Current liabilities

DIVIDEND COVER (TIMES)
NHEPS
÷
Dividend per share

DIVIDEND YIELD (%)
Dividend per share
÷
Market price per share at year-end

EARNINGS YIELD (%)
NHEPS
÷
Market price per share at year-end

EBITDA
Earnings (operating profit) before interest, taxation, depreciation and amortisation.

HEADLINE EARNINGS PER SHARE
Attributable earnings adjusted in terms of SAICA Circular 02/2015[1]
÷
Weighted average ordinary shares in issue during the year

MARKET CAPITALISATION
Market price per share x (ordinary shares in issue - treasury shares - empowerment shares)

NET ASSET TURN
Revenue
÷
Average net operating assets

NET BORROWINGS
Total borrowings - (cash + cash equivalents + money market instruments)

NET INTEREST COVER
Operating profit
÷
Interest paid

NET OPERATING ASSETS
Total assets - (cash + cash equivalents + money market instruments) - (current liabilities - bank overdrafts and short-term loans - short-term portion of long-term borrowings)

NET WORTH PER SHARE
Shareholders' funds
÷
Shares in issue at year-end - (treasury shares + empowerment shares)

NHEPS
Attributable headline earnings - interest to empowerment partners + other items in profit directly associated with empowerment transactions ± other non-sustainable gains or losses in the income statement
÷
Weighted average number of shares in issue during the year

OPERATING MARGIN (%)
Operating profit
÷
Revenue

RETURN ON NET OPERATING ASSETS (%)
Operating profit ± capital items excluded from headline earnings
÷
Average net operating assets

RETURN ON EQUITY (%)[2]
Normalised headline earnings
÷
Average shareholders' funds

TOTAL ASSETS
Non-current assets + current assets

TOTAL BORROWINGS
Interest-bearing debt

TOTAL LIABILITIES
Total liabilities - deferred taxation

TSR
Closing shareprice - opening shareprice + total dividend per share for period
÷
Opening share price

WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE DURING THE YEAR
Opening shares in issue - (treasury shares + empowerment shares) ± time-weighted moves in shares in issue

[1] *Refer to note 9 of the annual financial statements.*
[2] *Normalised return on shareholders' funds.*

CORPORATE INFORMATION AND ADMINISTRATION

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

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PRINCIPAL BANKERS

Nedbank
Standard Bank

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